**EDP – ENERGIAS DE PORTUGAL, S.A.**
Public company (*sociedade aberta*)

Registered office: Avenida 24 de Julho, no. 12, 1249-300 Lisboa

Fully subscribed and paid-up share capital: EUR 3,656,537,715.00

Registered at the Commercial Registry Office of Lisboa under the sole registration and taxpayer number 500.697.256

**(Issuer)**

**PROSPECTUS**

**OF**

**PUBLIC SUBSCRIPTION OFFER OF 309,143,297 ORDINARY NOMINATIVE BOOK-ENTRY SHARES, WITH A NOMINAL VALUE OF EUR 1.00 EACH, REPRESENTING APPROXIMATELY 8.45% OF THE SHARE CAPITAL OF EDP – ENERGIAS DE PORTUGAL, S.A. AFTER THE INCREASE OF THE SHARE CAPITAL, WITH SUBSCRIPTION RESERVED FOR SHAREHOLDERS IN THE EXERCISE OF THE CORRESPONDING PRE-EMPTION RIGHTS AND OTHER INVESTORS WHO ACQUIRE SUBSCRIPTION RIGHTS**

This Prospectus should be read together with the documents incorporated by reference, which form an integral part of it

AN INVESTMENT IN NEW SHARES INVOLVES A HIGH DEGREE OF RISK. SEE THE CHAPTER HEADED "RISK FACTORS" BEGINNING ON PAGE 45 FOR A DISCUSSION OF CERTAIN MATTERS THAT INVESTORS SHOULD CONSIDER PRIOR TO MAKING AN INVESTMENT IN NEW SHARES.

July 16, 2020

**GLOBAL COORDINATORS OF THE OFFER**

*Joint book runners*

As used herein, the "**Underwriters**" refers to Banco Comercial Português, S.A., J.P. Morgan Securities plc and Morgan Stanley & Co. International plc (collectively, "**Joint Global Coordinators**" or "**Global Coordinators of the Offer**") and BNP Paribas, BofA Securities Europe SA and Goldman Sachs International (collectively, "**Joint Bookrunners**"). The Underwriters are acting exclusively for EDP and no one else in connection with the Offer, and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than EDP for providing the protections afforded to their respective clients, nor for providing advice, in relation to the Offer or any other transaction, arrangement or matter referred to in this Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed on Underwriters by any regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable (notably under the provision of article 149 of the Portuguese Securities Code, approved by Decree-Law No. 486/99 of 13 November, as subsequently amended ("**PSC**")), none of the Underwriters nor any of their respective affiliates, nor any of its or their respective directors, officers, employees or advisers accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this Prospectus, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on behalf of it, the Company, the members of the Executive Board of Directors or any other person, in connection with the Company or the Offer, and nothing in this Prospectus should be relied upon as a promise or representation in this respect, whether or not to the past or future. Each of Underwriters and their respective affiliates, and its and their respective directors, officers, employees and advisers accordingly disclaims to the fullest extent permitted by law all and any responsibility or liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own legal, financial or tax adviser in connection with the subscription of the New Shares or the purchase of Subscription Rights. In making an investment decision, each such prospective investor must rely on its own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

Each prospective investor acknowledges that: (i) it has not relied on any of the Underwriters or any person affiliated with any of the Underwriters in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained in this Prospectus; and (iii) that no person has been authorized to give any information or to make any representation concerning the Company or its subsidiaries or the New Shares or the Subscription Rights (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company or the Underwriters. The New Shares and the Subscription Rights are subject to certain restrictions on resale and transfer as set forth under sub-chapter 15.6 ("*Transfer of shares and selling restrictions*") and an investment in the New Shares may be subject to risks, in particular those described in Chapter 2 ("*Risk factors*").

Each prospective investor must comply with all applicable laws and regulations in force in any jurisdiction in which it subscribes, purchases, offers or sells the New Shares or the Subscription Rights or possesses or distributes this Prospectus and must obtain any consent, approval or permission required by it for the subscription, purchase, offer or sale by it of the New Shares or the Subscription Rights under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such subscriptions, purchases, offers or sales, and neither the Company nor any of the Underwriters shall have any responsibility therefore.

Each prospective investor must make its own determination of the suitability of subscribing the New Shares or purchasing the Subscription Rights, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment. Prior to an investment decision, and to the extent applicable, each prospective subscriber of the New Shares or purchaser of the Subscription Rights should consult with its legal advisers to determine whether and to what extent (i) the New Shares and the Subscription Rights are legal investments permitted by law; (ii) the New Shares and the Subscription Rights may be used as collateral for various types of borrowings; and (iii) other restrictions shall apply to the subscription, purchase, offer, sale or pledge of any of the New Shares or the Subscription Rights. Financial institutions should consult their legal advisers and the relevant regulatory authorities to determine the appropriate treatment of the New Shares and the Subscription Rights under any applicable rules.

The Rights Issue under the Offer is being made in Portugal pursuant to this Prospectus in accordance with the PSC and is only addressed to persons or entities to whom it may lawfully be addressed. The distribution of this Prospectus, the subscription of the New Shares or the purchase of the Subscription Rights in jurisdictions other than Portugal may be restricted by law. Persons into whose possession this Prospectus comes must inform themselves about and observe any such restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

Neither the Subscription Rights nor the New Shares have been, nor will be, registered under the Securities Act or under the securities laws of any state or other jurisdiction in the United States. The Subscription Rights and the New Shares may be offered, sold, exercised or otherwise transferred only in the following conditions: (i) within the United States to qualified institutional buyers ("**QIBs**") as defined in Rule 144A, in reliance on an exemption from the registration requirements of the Securities Act, or (ii) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**"). Prospective investors are hereby notified that the sellers of New Shares and Subscription Rights may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Subscription Rights and the New Shares, see "*Notice to Prospective Investors in the United States" and "Transfer and Selling Restrictions*" of sub-chapter 15.6 of this Prospectus. The Subscription Rights may only be exercised (i) within the United States by QIBs in reliance on Section 4(a)(2) under the Securities Act and only by persons that have executed and timely returned an investor letter to the Company to the effect that such person and any account for which it is purchasing New Shares is a QIB and satisfies certain other requirements, or (ii) outside the United States in offshore transactions as defined in Regulation S in reliance on Regulation S. In addition, the Joint Global Coordinators may arrange for New Shares subscribed under the rump placement to be offered and sold (i) within the United States only to persons they reasonably believe are QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or (ii) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S.

In connection with the Offer, the Underwriters and any of their respective affiliates may, in accordance with applicable legal and regulatory provisions, take up a portion of the New Shares and Subscription Rights in the Offer as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including New Shares and Subscription Rights) and may offer or sell such securities otherwise than in connection with the Offer, provided that the Underwriters and their respective affiliates may not engage in short selling for the purpose of hedging their commitments under the Underwriting Agreement (subject to certain exceptions contained in the Underwriting Agreement).

Accordingly, references in this Prospectus to New Shares or Subscription Rights being offered or placed should be read as including any Offer or placement of New Shares or Subscription Rights to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of New Shares and Subscription Rights. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions, otherwise than in accordance with any legal or regulatory obligation to do so.

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## IMPORTANT INFORMATION

### MiFID II Product Governance/ Target Market

For the purposes of the governance provisions provided for (i) in Directive 2014/65/EU, on markets in financial instruments, as amended ("**MiFID II**"), (ii) in articles 9 and 10 of the Commission Delegated Directive (EU) 2017/593 of April 7, 2016, supplementing MiFID II with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits, and (iii) in articles 309-I to 309-N of the PSC and other Portuguese legislation transposing said Directives (together, "**MiFID II Product Governance Requirements**"), after assessing the target market for the New Shares, it was concluded that the New Shares and Subscription Rights (i) are compatible with a target market of eligible counterparties, professional investors and non-professional investors, and which include shareholders of EDP and the addressees of this Offer; and (ii) may be distributed through all distribution channels permitted by law to the eligible counterparties, professional investors and non-professional investors referred to above ("**Target Market Assessment**").

Under the applicable laws, any entity or person who proposes, sells or recommends the New Shares or Subscription Rights (a "**Distributor**") must take into account the manufacturer's target market; nonetheless, a distributor subject to MiFID II is responsible for carrying out its own assessment of the target market in relation to the New Shares and Subscription Rights (adopting or changing the assessment of the manufacturer on the target market) and for determining the appropriate distribution channels.

Notwithstanding the foregoing, Distributors must take into account that the New Shares may suffer a depreciation and, consequently, potential investors may lose all or part of their investment and that the New Shares offer no guaranteed income and no capital protection. In addition, the investment in the New Shares and Subscription Rights is compatible only with investors who do not wish a guaranteed income or capital protection, who (by themselves or advised by a financial advisor) are able to assess the risks and merits of this investment and who have sufficient resources to bear any losses that may result therefrom.

It should also be noted that this Target Market Assessment does not constitute: (i) an assessment of the suitability or appropriateness for the purposes of MiFID II nor (ii) a recommendation for investment, acquisition or any other transaction with respect to the New Shares and Subscription Rights.

**WARNINGS**

This prospectus for the public subscription of shares is prepared for the purposes of the provision set forth in article 3(1) of Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 as amended by Regulation (EU) 2019/2115 of the European Parliament and of the Council of 27 November 2019 ("**Regulation 2017/1129**" or "**Prospectus Regulation**"). The Prospectus takes the form of a simplified prospectus, under the terms and for the purposes of article 14 of the Regulation 2017/1129 and its form and content comply with the provisions of Regulation 2017/1129, of the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 ("**Delegated Regulation 2019/980**"), of the Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 ("**Delegated Regulation 2019/979**") and other applicable legislation.

**The Prospectus expires on July 16, 2021, that is, 12 months after its approval and provided that it is supplemented by any supplements required under article 23 of Regulation 2017/1129; the obligation to supplement the Prospectus following the occurrence of any significant new factor, material mistake or material inaccuracy relating to the information included in the Prospectus ceases to apply from the time the Prospectus ceases to be valid.**

This Prospectus relates to the public subscription offer of 309,143,297 ordinary nominative book-entry shares, with a nominal value of 1.00 (one) euro each, representing approximately 8.45% of EDP – Energias de Portugal, S.A.'s ("**EDP**", "**Issuer**" or "**Company**") share capital after the relevant share capital increase has been fully paid up ("**New Shares**" and "**Offer**" or "**Rights Issue**", respectively).

This Prospectus was approved on July 16, 2020 by the *Comissão do Mercado de Valores Mobiliários* ("**CMVM**"), as competent authority under Regulation 2017/1129 and can be consulted at the places referred to in Chapter 20 ("*Information incorporated by reference and documentation available to the public*"), namely, in electronic form, on the CMVM website at www.cmvm.pt, and on EDP's website at www.edp.com.

The entities that, under the provisions of article 11(1) of the Prospectus Regulation and article 149 of the PSC, are responsible for the completeness, veracity, validity, clarity, objectivity and lawfulness of the information contained in this Prospectus being complete, true, up-to-date, clear, objective and lawful are indicated in Chapter 14 ("*Entities responsible for the information*").

The approval of this Prospectus consists of the positive act at the outcome of the scrutiny by CMVM, as the applicable competent authority, of the completeness, the consistency and the comprehensibility of the information given in the Prospectus, pursuant to Regulation (EU) 2017/1129. CMVM only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129; such approval shall not be considered as an endorsement of the Issuer or the of the securities that are the subject of this Prospectus.

Under the provisions of article 11(2) of the Prospectus Regulation and article 149(4) of the PSC and, the persons or entities responsible for the information contained in the Prospectus may not be held liable solely on the basis of the summary, or any translation thereof, unless the summary, when read together with other parts of the Prospectus, contains misleading, inaccurate or inconsistent references or does not provide key information necessary for investors to determine whether and when to invest in the New Shares.

Under the provisions of article 234(2) of the PSC, the decision to admit securities to trading by Euronext "*does not extend to any guarantee over the contents of the information, the economic and financial situation of the issuer, its viability or the quality of the securities admitted*".

Other than the Issuer, no entity has been authorized to provide information or make any statement that is not contained in this Prospectus or contradicts information contained in this Prospectus. If a third party were to issue such information or statement, it should not be regarded as authorized by (or made on behalf of) the Issuer and as such should not be regarded as reliable.

The existence of this Prospectus does not ensure that the information contained in it will remain unchanged from the date of its availability. Pursuant to article 23 of Regulation 2017/1129, every significant new factor, material mistake or material inaccuracy relating to the information included in a prospectus which may affect the assessment of the securities and which arises or is noted between the time when the Prospectus is approved and time when trading on a regulated market begins, whichever occurs later, shall be mentioned in a supplement to the Prospectus without undue delay. Such a supplement shall be approved in the same way as a Prospectus in a maximum of five working days and published in accordance with at least the same arrangements as were applied when the original Prospectus was published (see Chapter 20 "*Information incorporated by reference and documentation available to the public*"). The summary, and any translations thereof, shall also be supplemented, where necessary, to take into account the new information included in the supplement.

Investors who have already agreed to subscribe New Shares before the supplement is published shall have the right, exercisable within two working days after the publication of the supplement, to withdraw their acceptances, provided that the significant new factor, material mistake or material inaccuracy referred to in the previous paragraph arose or was noted before the delivery of the securities. That period may be extended by the Issuer. The final date of the right of withdrawal shall be stated in the supplement.

The main risks associated with the Issuer's activity, its shareholder structure, and the shares to be subscribed are referred to in Chapter 2 ("*Risk factors*"). Potential investors should carefully consider the risks referred to and the other warnings contained in this Prospectus before making any investment decision. For any doubts that may remain on these matters, potential investors should consult their legal and financial advisors. Prospective investors should also inform themselves of the legal and tax implications in their country of residence arising from the acquisition, holding or disposal of the shares applicable to them.

Notwithstanding the duties of information and suitability imposed on financial intermediaries, each potential investor in the New Shares and the Subscription Rights, the securities which are the object of this Prospectus, must determine the suitability of the investment taking into account their own circumstances.

In particular, the potential investors should:

- Have sufficient knowledge and experience to carry out a careful assessment of EDP's shares, the advantages and risks of investing in EDP's shares and the information contained or incorporated by reference in this Prospectus or any addendum thereto;

- Have access to and be knowledgeable about appropriate analytical instruments to assess, in the context of their own particular financial conditions, an investment in EDP's New Shares and its impact in their investment portfolio;
- Have sufficient financial resources and liquidity to support all the risks inherent to an investment in EDP's shares; and
- Have an in-depth understanding of the terms and conditions applicable to EDP's shares and be familiar with the relevant financial markets, if necessary with the advice of a financial adviser or other suitable adviser, as well as be able to assess possible scenarios regarding economic, tax and interest rates factors or others that may affect their investment and ability to bear the applicable risks.

Notwithstanding its preparation and approval being derived from a legal duty, this Prospectus does not constitute a recommendation by the Issuer or an invitation by the Issuer to subscribe securities. Nor does this Prospectus constitute an analysis as to the quality of the shares to be subscribed to or a recommendation to acquire them.

Any investment decision should be based on the information in the Prospectus as a whole and be made after an independent evaluation of the Issuer's economic condition, financial position and other details. No investment decision should be taken without prior review by the prospective investor and any advisors of the Prospectus as a whole, even if the relevant information is provided by reference to another part of this Prospectus or to other document incorporated therein.

## OFFER RESTRICTIONS

The distribution of this Prospectus, as well as the acceptance of the Offer, may be restricted in certain jurisdictions. Those in possession of this Prospectus should inform themselves and observe such restrictions.

### Notice to Prospective Investors in the United States

The New Shares or Subscription Rights have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States.

Subject to certain exceptions, this Prospectus is not an offer or invitation to sell or issue, or any solicitation of any offer to purchase or acquire, New Shares or Subscription Rights to any shareholder with a registered address in, or who is resident of, the United States (a "**U.S. Shareholder**"). If you are a U.S. Shareholder, you may not exercise your subscription rights and/or acquire any New Shares offered hereby. Notwithstanding the foregoing, the Issuer reserves the right to offer and deliver the Subscription Rights and the New Shares to a limited number of shareholders in the United States reasonably believed to be "qualified institutional buyers" (QIBs), within the meaning of Rule 144A under the Securities Act, or to other persons in Offers exempt from, or in a transaction not subject to, the registration requirements under the Securities Act.

The Underwriters may arrange for the offer of the New Shares not taken up in the Rights Issue in the United States only to persons reasonably believed to be QIBs, in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Shares and Subscription Rights are being offered outside the United States in reliance on Regulation S under the Securities Act.

By accepting delivery of this Prospectus, exercising the Subscription Rights or purchasing New Shares, prospective investors will be deemed to have made the acknowledgments, representations, warranties and agreements set out under "*Transfer of shares and selling restrictions*" of sub-chapter 15.6. The Subscription Rights and the New Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under applicable U.S. federal and state securities laws pursuant to a registration statement or an exemption from registration.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Shares within the United States by any dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY U.S. STATE SECURITIES COMMISSION NOR ANY NON-U.S. SECURITIES AUTHORITY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED THAT THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

**Notice to Investors in the European Economic Area and the United Kingdom**

This Prospectus has been prepared on the basis that any offer to subscribe New Shares or acquire Subscription Rights and thereafter subscribing New Shares in any Member State of the European Economic Area (except Portugal) or the United Kingdom will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the New Shares. Accordingly, any person making or intending to make an offer in that Member State or the United Kingdom of the Subscription Rights or New Shares which are the subject of the Offer contemplated in this Prospectus may only do so in circumstances in which no obligation arises for the Issuer or any of the Underwriters to publish a prospectus pursuant to Article 1 of the Prospectus Regulation or supplement a prospectus pursuant to article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor the Underwriters have authorized, nor do they authorize, the making of any offer of Subscription Rights or the New Shares in circumstances in which an obligation arises for the Issuer or the Underwriters to publish or supplement a prospectus for such offer (except in what concerns the Rights Issue, made in Portugal).

**Notice to Investors in Australia**

This Prospectus and the offer is only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act 2001 (Cth) ("**Australian Corporations Act**"). This document is not a prospectus, product disclosure statement or any other form of formal "disclosure document" for the purposes of the Australian Corporations Act, and is not required to, and does not, contain all the information which would be required in a disclosure document under the Australian Corporations Act. If you are in Australia, this document is made available to you provided you are a person to whom an offer of securities can be made without a disclosure document such as a professional investor or sophisticated investor for the purposes of Chapter 6D of the Australian Corporations Act.

This document has not been and will not be lodged or registered with the Australian Securities and Investments Commission or ASX or any other regulatory body or agency in Australia.

The persons referred to in this document may not hold Australian financial services licenses and may not be licensed to provide financial product advice in relation to Subscription Rights or New Shares. No "cooling-off" regime will apply to an acquisition of Subscription Rights or New Shares.

This document does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to this document, you should assess whether the acquisition of Subscription Rights or New Shares is appropriate in light of your own financial circumstances or seek professional advice.

Any securities issued upon acceptance of the Offer may not be offered for sale or transferred to any person located in, or a resident of, Australia for a period of at least 12 months after the issue, except in circumstances where the person is a person to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act. Accordingly, each investor acknowledges these restrictions and, by applying for the securities under this document, gives an undertaking not to sell these securities (except in the circumstances referred to above) for 12 months after their issue.

**Notice to Investors in Portugal**

The Offer in Portugal is being conducted in accordance with Portuguese laws and regulations, namely the PSC, and is only addressed to persons to whom it may lawfully be made.

This section should be regarded as an introduction to the Prospectus and does not exempt from its full reading, nor does it exempt from its reading in conjunction with the information items included therein by reference to other documents, which should be understood as part of this Prospectus.

**The Prospectus is available to the public for consultation during its validity period, upon request and free of charge, at EDP's head office, as well as, in electronic format, at the microsite www.edp.com/en/shares-subscription of the website www.edp.com and at www.cmvm.pt.**

## FORWARD-LOOKING STATEMENTS OR REFERENCES

This Prospectus includes forward-looking statements or references. All the statements contained herein – with the exception of those relating to historical facts, including namely those that concern the financial standing, income and profitability (including namely any financial or operational forecasts or predictions), corporate strategy, perspectives, management plans and objectives for future operations, and macroeconomic conditions in the jurisdictions EDP operates in – are forward-looking statements. Some of these statements may be identified by words such as "target" "anticipate", "believe", "estimate", "expect", "intend", "predict", "prognosis", "plans", "can", "could" and "might" or similar terms. However, these terms are not the only way pursuant to which forward-looking statements can be identified. These forward-looking statements or other forecasts contained herein concern known and unknown risks, uncertainties and other factors that could cause actual results or performance or conditions to differ materially from those that are expressed in, or suggested by, the forward-looking statements. These forward-looking statements or mentions are based on a multiplicity of assumptions, beliefs, expectations, estimates and projections of the EDP Group in relation to its current and future business strategies and the context in which the EDP Group expects to develop its activity in the future, which are not wholly or partially controllable by the EDP Group. Consequently, the offerees should carefully consider these forward-looking statements, which relate only to the date of this Prospectus, before making any investment decision on the Offer.

Several factors may determine that the EDP Group's future performance or results are significantly different from those that result expressly or tacitly from the forward-looking statements or mentions, including the following:

(i) changes in economic, financial and business conditions in Portugal, as well as in economic, financial and business conditions in EDP Group's operations abroad;
(ii) changes in consumption habits;
(iii) development in technological and/or innovation terms in the EDP Group's sector of activity;
(iv) changes in the competitive environment of the EDP Group;
(v) fluctuations in equity and debt markets in general and in the price of EDP's shares;
*(vi)* other factors that are described in Chapter 2 ("*Risk factors*") and sub-chapter 7.6 ("*Significant Changes in the Issuer's Financial Condition*"); and
(vii) factors not currently known to EDP.

Should any of these risks or uncertainties materialize or any of the assumptions prove to be incorrect, the future perspectives described or mentioned in this Prospectus might not come about, in whole or in part, and the actual result could differ materially from those described herein as anticipated, expected, forecast or estimated. These forward-looking statements refer only to the date of this Prospectus. EDP does not take on any obligation or undertaking to update or revise any forward-looking statement contained herein so as to reflect any change in their expectations arising from any changes in the facts, conditions or circumstances on which they are based, unless between the date of its approval and the closing of the offer term or the moment when trading on the regulated market of the New Shares begins, any significant new factor, material mistake or material inaccuracy relating to the information contained in the Prospectus is detected or is likely to influence the valuation of the securities or the decision of the addressees of the Offer, in which case the Issuer shall immediately request the CMVM for approval of a supplement to the Prospectus, pursuant to article 23 of the Regulation 2017/1129.

## PRESENTATION OF FINANCIAL INFORMATION AND OTHER INFORMATION

Under the terms of article 8(1) of the PSC, annual financial information contained in the accounts or prospectus that shall be (i) submitted to the CMVM or (ii) published following any request for admission to trading on regulated markets shall be subject to an auditor report prepared by a statutory auditor or an audit firm.

The historical financial information of EDP presented in this Prospectus as of and for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 has been extracted or derived from the audited annual consolidated financial statements of the Group as of and for the years ended December 31, 2019 ("**Annual 2019 Audited Consolidated Financial Statements**"), December 31, 2018 ("**Annual 2018 Audited Consolidated Financial Statements**") and December 31, 2017 ("**Annual 2017 Audited Consolidated Financial Statements**") (together, "**Audited Consolidated Financial Statements**").

The historical financial information of EDP presented in this Prospectus as of and for the three-month periods ended March 31, 2020 and March 31, 2019 has been extracted or derived from the unaudited condensed consolidated interim financial statements of the Group as of and for the three-month period ended March 31, 2020 (including comparative financial information as of and for the three-month period ended March 31, 2019) ("**Unaudited Condensed Consolidated Interim Financial Statements**" and, together with the Audited Consolidated Financial Statements, "**Consolidated Financial Statements**"). The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS-EU**"), pursuant to Regulation (EC) No. 1606/2002 of 19 July 2002.

The consolidated financial statements of EDP as of December 31, 2017, and for the year then ended, included in this Prospectus, have been audited by KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. ("**KPMG**"), independent auditor, as stated in their report appearing herein.

The consolidated financial statements of EDP as of December 31, 2018, and as of December 31, 2019 and for the years then ended, included in this Prospectus, have been audited by PricewaterhouseCoopers & Associados - Sociedade de Revisores de Contas, Lda. ("**PWC**"), independent auditor, as stated in their report appearing herein.

The Annual 2017 Audited Consolidated Financial Statements and related notes thereto were audited by KPMG, who issued an unqualified opinion. The Annual 2019 Audited Consolidated Financial Statements and the Annual 2018 Audited Consolidated Financial Statements and related notes thereto were audited by PWC, who issued an unqualified opinion. The Unaudited Condensed Consolidated Interim Financial Statements were reviewed by PWC, who issued an unqualified opinion. The financial information for the three months ended March 31, 2019 included in the Unaudited Condensed Consolidated Interim Financial Statements for comparative purposes has not been audited or reviewed.

### Business segments

As explained in more detail in sub-chapter 8.3.1 ("*Change in Reporting Segments*"), effective January 1, 2017, EDP decided to reduce the number of its reporting segments from five segments to four. Accordingly, EDP prepared the Annual 2017 Audited Consolidated Financial Statements and the Annual 2018 Audited Consolidated Financial Statements utilize the four segment presentation.

Effective January 1, 2019, EDP further reduced its reporting segments, from four segments to three. The new reporting segmentation subdivides the business into: (i) "Renewables", (ii) "Networks" and (iii) "Client Solutions and Energy Management". EDP has prepared the Annual 2019 Audited Consolidated Financial Statements and Unaudited Condensed Consolidated Interim Financial Statements (including the corresponding comparative period) applying the new reporting segmentation.

**IFRS 15 adoption**

The Group has applied IFRS 15 "Revenue from Contracts with Customers" in the Annual 2018 Consolidated Financial Statements as from January 1, 2018. EDP recognizes revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to exchange these goods or services. EDP adopted IFRS 15 using the cumulative method, which provides transition relief for not restating comparative figures, affecting comparability. The transition to these new accounting policies changed some of the critical accounting policies in place. For further information on these accounting policies and the impact on EDP's results of operations in 2018, see notes 2 and 3 to the Annual 2018 Audited Consolidated Financial Statements included in the Annex of this Prospectus.

**IFRS 16 adoption**

The Group has applied IFRS 16 "*Leases*" in the Annual Audited 2019 Consolidated Financial Statements as from January 1, 2019. Under IFRS 16, all leases are now recorded via the recognition of a right-of-use asset and a corresponding lease liability equal to the present value of the future lease payments. For the first application of this standard, EDP has opted to apply the modified retrospective method of transition. This consists in recognizing the cumulative effect of the initial application as an adjustment to opening shareholders' equity by considering that the asset represented by the right of use is equal to the amount of the lease liability. Due to the accounting impact of the first application of IFRS 16, certain of the Group's financial information as of and for the year ended December 31, 2019 may not be directly comparable to the corresponding information presented for earlier periods. The financial statements as of and for the years ended December 31, 2018 and 2017 included in the Annual 2018 Consolidated Financial Statements have not been restated. See sub-chapter 8.3 ("*Management's Discussion and Analysis of Financial Conditions and Results of Operations—Factors affecting the comparability of EDP's results of operations*") and Note 3 of the Annual 2019 Consolidated Financial Statements.

**IFRS 9 adoption**

The Group adopted IFRS 9 from January 1, 2018 (except in what concerns the hedging accounting requirements, as permitted by IFRS 9). The comparative financial information as of and for the year ended December 31, 2017 is presented in the Annual 2018 Consolidated Financial Statement in accordance with legacy standards and has not been restated to reflect the impact of IFRS 9. The Group has furthermore adopted the hedge accounting requirements of IFRS 2019, as permitted by this IFRS, from January 1, 2019 and the comparative financial information as of and for the year ended December 31, 2018 is presented in the Annual 2019

Consolidated Financial Statement in accordance with legacy standards and has not been restated to reflect the impact of such requirements. See sub-chapter 8.6 ("*Management's Discussion and Analysis of Financial Conditions and Results of Operations – Liquidity and Capital Resources and Cash Flow Analysis" - Interest Rate and Exchange Rate Hedging*).

**Joint ventures and associates**

EDP included a new "Joint Ventures and Associates" line item to its consolidated income statement in the Unaudited Condensed Consolidated Interim Financial Statements. Prior to this change, EDP presented its results from "Joint Ventures and Associates" as financial income or expenses arising from acquisitions or disposals. Given the growing relevance of joint venture and associate companies to the Group's business, and in particular the joint venture vehicle for offshore wind activity with Engie Services International, S.A. referred to in this Prospectus (see "*Overview*", in sub-chapter 10.1.1), EDP decided to include the new "Joint Ventures and Associates" line item integrating the results from these companies as well as the results from acquisitions and/or disposals after the "other operation income and costs" line item. The comparative period as of and for the three months ended March 31, 2019 has been restated accordingly. For more information, see Note 2(a) to the Unaudited Condensed Consolidated Interim Financial Statements included in the Annex of this Prospectus.

**Cash flows indirect method**

For the year ended December 31, 2019, EDP changed to the indirect method for the preparation of its statement of cash flows (which impacted the calculation of cash flows from operating activities) and restated the comparative data period ended December 31, 2018. For the avoidance of doubt, the statement of cash flows for the year ended December 31, 2017 has not been restated. For more information see Note 2 to the Annual 2019 Audited Consolidated Financial Statements included in the Annex of this Prospectus.

**Alternative performance measures**

This Prospectus (and the documents included in the Annex of this Prospectus) contains certain management measures of performance or alternative performance measures ("**APMs**"), which are used by management to evaluate EDP's overall performance, including EBITDA, Net Debt adjusted for regulatory receivables, Net Debt adjusted for regulatory receivables to EBITDA, Capex, Recurring EBITDA and Recurring Net Profit. These APMs are not audited, reviewed or subject to review by Issuer's auditors and are not measurements required by, or presented in accordance with, IFRS-EU. Accordingly, these APMs should not be considered as alternatives to any performance measures prepared in accordance with IFRS-EU and investors are cautioned not to place undue reliance on these APMs. Furthermore, these APMs, as used by EDP, may not be comparable to other similarly titled measures used by other companies. Investors should not consider such APMs in isolation, as alternatives to the information calculated in accordance with IFRS-EU, as indications of operating performance or as measures of Issuer's profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for, financial information prepared in accordance with IFRS-EU and investors are advised to review these APMs in conjunction with the Consolidated Financial Statements included in the Annex of this Prospectus. For a discussion of these financial measures, see sub-chapter 8.5 ("*Results of Operations*").

The APMs presented below are not recognized measures of financial performance under IFRS and have not been audited or reviewed. These alternative performance measures are presented because they are used by the Group to monitor the performance of the Group's business and operations. These measures also provide additional information to investors to enhance their understanding of the Group's results. The selected financial and operating information set forth below should be read in conjunction with Chapter 8 ("*Management's discussion and analysis of financial condition and results of operations (MD&A)*") and EDP's Consolidated Financial Statements and the notes to those financial statements included in the Annex of this Prospectus.

Each of the non-IFRS financial measures presented as APMs is defined below:

"**EBITDA**" is an alternative metric of performance non-audited, meaning earnings before interest, tax, depreciations and amortizations, and calculated as revenues from energy sales and services and other minus cost of energy sales and other, deducted of supplies and services and personnel costs and employee benefits plus/minus other income/expenses minus impairment losses on trade receivables and debtors. In operating segments information, EBITDA corresponds to "Gross Operating Profit". This APM has been presented to the market consistently by the Group. Accordingly, in this Prospectus, EBITDA is referred to as a measure of the company's "Gross Operating Profit" derived from its business.

"**Net Debt adjusted for regulatory receivables**" is an alternative metric of performance non-audited, that shows a company's overall debt situation calculated using company's view of debt situation. It includes Financial Debt, Cash and Cash Equivalents, Short-term financial assets at fair-value and fair value hedge and collateral deposits associated to financial debt, 50% of the amount related with the issuance of a subordinated debt instruments (hybrid) and the regulatory receivables (amount owed to EDP by the electricity tariff system in Portugal, Brazil and Spain). This APM translates the concept of financial debt minus liquidity and other adjustments necessary within the context of EDP's business and is presented in this Prospectus as a measure of the company's leverage for comparison purposes with EBITDA as a ratio.

"**Net Debt adjusted for regulatory receivables to EBITDA**" is an alternative metric of performance non-audited, meaning the ratio of Net Debt adjusted for regulatory receivables to EBITDA.

"**Capex**" is an alternative metric of performance non-audited, meaning capital expenditure, that includes additions in Property, Plant and Equipment, Intangible Assets and amounts receivable from concessions - IFRIC 12 under the financial asset model, excluding $CO_2$ licenses and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period. This APM is accordant with the concept of capital expenditure adjusted by some specific effects of EDP's business and has been presented to the market consistently by the company. In this, it is henceforth referred to as a measure of the company's capital expenditure.

For reconciliations of the aforementioned items to the corresponding IFRS measure in the Group's Financial Statements, see sub-chapter 7.5 ("*Alternative performance measures*").

In addition, the following APMs are presented for the purposes of the Profit Forecast (see Chapter 9 – "*Profit Forecast*"). "**Recurring EBITDA**" is an alternative metric of performance non-audited, meaning EBITDA less exceptional and non-recurring items. "**Recurring Net Profit**" is an alternative metric of performance non-audited, meaning net profit attributable to equity holders of EDP less exceptional and non-recurring items. These non-recurring and/or exceptional items include one-off impairment charges, capital gains/losses on sales of assets (excluding gains or losses derived from sales of assets pursuant to the Group's asset rotation strategy), costs associated with retroactive regulatory changes, human resources or debt restructuring costs and the CESE energy tax in Portugal.

**Non-financial operating data**

Certain non-financial operating data included in this Prospectus are derived from management estimates, are not part of the Consolidated Financial Statements or financial accounting records, and have not been audited by auditors or other outside consultants or experts. EDP's use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all these terms should not be considered in isolation or as an alternative measure of performance under IFRS. See sub-chapter 10.1.1 ("*Overview*"). All non-financial operating data presented in this Prospectus relates to December 31, 2020, except when otherwise indicated.

**Market and industry data**

EDP has generally obtained the market and competitive position data in this Prospectus from industry publications and surveys or studies conducted by third-party sources that we believe to be reliable, including, Eurostat, the International Monetary Fund ("**IMF**") and the Instituto Nacional de Estatística ("**INE**"). EDP has accurately reproduced the market and industry data, and as far as it is aware and able to ascertain from information published by the third-party sources identified above, no facts have been omitted which, to its knowledge, would render the reproduced information inaccurate or misleading. Generally, industry publications, surveys and studies contain forecasts, predictions and other forward-looking statements, which are subject to risks and uncertainties.

In addition, certain statements in this Prospectus regarding the Group's industry and its position in the industry have been based on EDP's experience and its own investigation of market conditions, though generally subject to assumptions and estimates. EDP cannot assure you that any of these assumptions or estimates are reasonable or that these statements correctly reflect our position in the industry, and none of its internal surveys or information have been verified by any independent sources.

EDP furthermore confirms that the information obtained from third parties included in this Prospectus has been rigorously reproduced and that, as far as it is aware and as far as it could verify, based on documents disclosed by the third parties concerned, no facts which omission could result in the information becoming less rigorous or misleading were omitted.

## DEFINITIONS

Except as otherwise required by the context, the terms used herein shall have the following meaning:

"**ACER**"
The Agency for the Cooperation of European Regulators.

"**ACR-Account**"
Has the meaning ascribed thereto in sub-chapter 11.5.1 (*Overview*).

"**AdC**"
The Portuguese Competition Authority.

"**ADENE**"
The Portuguese Energy Agency.

"**Capex**"
An alternative performance measure, which has the meaning ascribed thereto sub-chapter 7.5 ("*Alternative performance measures*").

"**Net Debt adjusted for regulatory receivables**"
An alternative performance measure, which has the meaning ascribed thereto sub-chapter 7.5 ("*Alternative performance measures*").

**"Net Debt adjusted for regulatory receivables to EBITDA"**
Means the ratio of Net Debt adjusted for regulatory receivables to EBITDA, an alternative performance measure also mentioned in sub-chapter 7.5 ("*Alternative performance measures*").

"**ANEEL**"
The Brazilian National Electric Energy Agency.

"**ANMP**"
The National Association of Portuguese Municipalities.

"**Annual 2017 Audited Consolidated Financial Statements**"
The audited annual consolidated financial statements of the Group as of and for the year ended December 31, 2017.

"**Annual 2018 Audited Consolidated Financial Statements**"
The audited annual consolidated financial statements of the Group as of and for the year ended December 31, 2018.

"**Annual 2019 Audited Consolidated Financial Statements**"
The audited annual consolidated financial statements of the Group as of and for the year ended December 31, 2019.

"**APMs**"
Alternative performance measures.

"**Articles of Association**"
The articles of association of the Issuer.

"**ASECE**"
Has the meaning ascribed thereto in sub-chapter 11.3.2 ("*The Electricity Value Chain"*).

"**Assumption Period**"
Has the meaning ascribed thereto in Chapter 9 ("*Profit forecast*").

"**Audited Consolidated Financial Statements**"
The Annual 2017 Audited Consolidated Financial Statements, the Annual 2018 Audited Consolidated Financial Statements and the Annual 2019 Audited Consolidated Financial Statements together.

"**Australian Corporations Act**"
Has the meaning ascribed thereto in the "*Warnings*" section.

"**AWEA**"
The American Wind Energy Association.

"**B2B**"
Business to business.

"**B2C**"
Business to consumer.

"**Base Commission**"
Has the meaning ascribed thereto in sub-chapter 5.3 *("Assistance, Placement and Underwriting").*

"**BAT**"
Best Available Techniques.

"**BCP**"
Banco Comercial Português, S.A., a limited liability company by shares (*sociedade anónima*) with its investment open to the public investment (*sociedade aberta*), incorporated under the laws of the Portuguese Republic, with registered office at Praça D. João I, 28, Porto, Portugal, with a share capital of EUR 4,725,000,000.00, and registered with the Commercial Registry Office of Porto under the sole registration and taxpayer number 501.525.882, acting through its investment banking division.

"**BGEPA**"
The U.S. Bald and Golden Eagle Protection Act.

"**BOEM**"
The U.S. Bureau of Ocean Energy Management.

"**CBA**"
Cost-benefit assessment.

"**CCEE**"

The Brazilian Electricity Energy Trading Chamber.

"**CCGTs**"
Has the meaning ascribed thereto in sub-chapter 2.1 ("*Risks relating to EDP's business activities*").

"**CCH**"
Hydrological Correction Account.

"**CDE**"
The Brazilian *Conta de Desenvolvimento Energético*.

"**CEC**"
Citizens energy community.

"**CELESC**"
Centrais Eléctricas de Santa Catarina S.A. – CELESC.

"**CEP**"
Clean Energy for All Europeans.

"**CER**"
Renewable energy communities.

"**CESE**"
The Portuguese extraordinary contribution applicable to the energy sector.

"**CGC**"
The Capital Group Companies, Inc.

"**CGD**"
Caixa Geral de Depósitos, S.A.

"**CHP**"
Combined heat and power.

"**CIEG**"
Costs of general economic interest.

"**CMEC**"
Contractual stability compensation mechanism.

"**CMVM**"
The Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários)*, with registered office at Rua Laura Alves, no. 4, 1050-138, Lisboa, Portugal.

"**CNMC**"
The Spanish *Comisión Nacional de los Mercados y la Competencia*.

"**CNPE**"
The Brazilian National Energy Policy Council.

“**Consolidated Financial Statements**”
The Audited Consolidated Financial Statements together with the Unaudited Condensed Consolidated Interim Financial Statements.

“**Conventions**”
Has the meaning ascribed thereto in sub-chapter 17.1 (“*Taxation of income and gains on shares issued by a Portuguese resident entity*”).

“**COP21**”
EU’s Paris Agreement commitments.

“**CPI**”
Parliamentary Inquiry Commission.

“**CRM**”
Capacity remuneration mechanisms.

“**CRMC**”
Capital Research and Management Company.

“**CTG**” or “**China Three Gorges**”
China Three Gorges Corporation

“**CVM**”
The central securities depository (*Central de Valores Mobiliários*) managed by Interbolsa, with registered office at Avenida da Boavista, 3433, 4100-138 Porto, Portugal.

“**DEC**”
Equivalent Interruption Duration per Customer.

“**Defaulted Shares**”
Has the meaning ascribed thereto in sub-chapter 5.3 *(“Assistance, Placement and Underwriting“).*

“**Delegated Regulation 2019/979**”
The Delegated Regulation (EU) 2019/979 of 14 March 2019 of the Commission complementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the technical standards for the regulation of key financial information in prospectuses, publication and classification of prospectuses, announcements relating to securities, supplements to prospectuses and the notification portal and repealing Delegated Regulation (EU) 382/2014 and Delegated Regulation (EU) 2016/301 of the Commission.

“**Delegated Regulation 2019/980**”
The Delegated Regulation (EU) 2019/980 of 14 March 2019 of the Commission complementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Regulation (EC) No. 809/2004 of the Commission.

“**DGEG**”

The Portuguese *Direcção-Geral de Energia e Geologia*.

"**Directive 2009/72/EC**"
Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009, concerning common rules for the internal market in electricity.

"**Directive 2009/73/EC**"
Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009, concerning common rules for the internal market in natural gas.

"**Distributor**"
Has the meaning ascribed thereto in the *Important Information* section.

"**DOI**"
The U.S. Department of the Interior.

"**DPH**"
Public Hydro Domain.

"**DSO**"
Distribution system operator.

"**DTC**"
Distribution transformer controller.

"**EB**"
Has the meaning ascribed thereto in sub-chapter 10.1 ("*Business description*").

"**EBITDA**"
An alternative performance measure, which has the meaning ascribed thereto sub-chapter 7.5 ("*Alternative performance measures*").

"**EC**"
European Commission.

"**EDP**", "**Issuer**" or "**Company**"
EDP – Energias de Portugal, S.A., a limited liability company by shares (*sociedade anónima*) with its investment open to the public investment (*sociedade aberta*), incorporated under the laws of the Portuguese Republic, with registered office at Avenida 24 de Julho no. 12, Lisboa, Portugal, with a share capital of EUR 3,656,537,715.00 and registered with the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500.697.256.

"**EDP Brasil**"
EDP Energias do Brasil, S.A.

"**EDP Comercial**"
EDP Comercial - Comercialização de Energia, S.A.

"**EDP Comercializadora**"
EDP Comercializadora, S.A.U.

"**EDP Comercializadora de Energia**"
EDP Comercialização e Serviços de Energia, Ltda.

"**EDP CUR**"
EDP Comercializadora de Último Recurso S.A.

"**EDP Distribuição**"
EDP Distribuição – Energia, S.A.

"**EDP España**"
EDP España, S.A.U. (formerly Hidroelectrica del Cantábrico S.A.U.).

"**EDP Espírito Santo**"
EDP Espírito Santo Distribuição de Energia S.A.

**"EDP Gás SU"**
EDP Gás - Serviço Universal, S.A.

"**EDP Grid**"
EDP Grid Gestão de Redes Inteligentes de Distribuição, S.A.

"**EDP Group**" or "**Group**"
EDP and the companies controlled by EDP, directly or indirectly.

"**EDP Produção**"
EDP - Gestão da Produção de Energia, S.A.

"**EDP Renováveis**" or "**EDPR**"
EDP Renováveis, S.A., a limited liability company by shares which shares are admitted to trading in the regulated market Euronext Lisbon, incorporated under Spanish law, with registered office at Plaza de la Gesta, no. 2, Oviedo, Spain, with a share capital of EUR 4.361.540.810,00 and registered with the Commercial Registry Office of Asturias (Spain), volume 3.671, separator 177, foil AS 37.669, with the Spanish taxpayer number A-74219304.

"**EDP São Paulo**"
EDP São Paulo Distribuição de Energia S.A.

"**EDP Soluções em Energia**"
EDP – Soluções em Energia, S.A.

"**EDP SU**"
EDP Serviço Universal, S.A.

"**EDP Transmissão**"
EDP Brasil's six transmission subsidiaries referred to in sub-chapter 10.1.1 *("Overview*").

"**EEA**"
The European Economic Area.

"**EED**"

Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012, on energy efficiency.

"**EEGO**"
Issuing Body for Guarantees of Origin.

"**Electricity Directive**"
Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity.

"**Electricity Framework**"
Has the meaning ascribed thereto in sub-chapter 11.3.1 ("*Electricity Sector: Regulatory framework*").

"**Electricity Sector Act**"
Has the meaning ascribed thereto in sub-chapter 11.4.1 ("*Electricity Sector: Regulatory Framework*").
"**EMTN**"
Has the meaning ascribed thereto in sub-chapter 8.6.6 ("*Indebtedness*").

"**Energest**"
Energest, S.A.

"**Enerpeixe**"
Enerpeixe, S.A.

"**Engie**"
Engie, *société anonyme*, and the companies controlled by the latter, directly or indirectly.

"**ENSE**"
The Portuguese *Entidade Nacional para o Sector Energético*.

"**Enterprise Value**"
Means the sum of the equity value of a company or asset (including minority interests) with its financial debt and debt-like liabilities net of cash and equivalents.

"**ESA**"
The U.S. Endangered Species Act.

"**ESG**"
Environmental, social and governance.

"**ESMA**"
The European Securities and Markets Authority.

"**ETS**"
Emissions trading system.

"**EU**"
European Union.

"**EU-ETS**"
The European Union emissions trading system.

"**Euro**", "**euro**", "**EUR**" or "**€**"
The official currency of the European Union Member States that adopted the single currency under the Treaty on the Functioning of the European Union.

"**Euronext**"
Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A., with registered office at Avenida da Liberdade, no. 196, 1250-096, Lisboa, Portugal.

"**Euronext Lisbon**"
The regulated market named "Euronext Lisbon", managed by Euronext.

"**EVU**"
Electrical vehicle user.

"**Executive Board of Directors**"
The Executive Board of Directors of the Company.

"**EWGs**"
Exempt wholesale generators.

"**FADE**"
Depreciation Fund of Electric Tariff Deficit.

"**FEC**"
Equivalent interruption frequency per consumer unit.

"**FERC**"
The U.S. Federal Energy Regulatory Commission.

"**FPA**"
The U.S. Federal Power Act, as amended from time to time.

"**FT**"
Transmission Functions.

"**FY**"
Financial year, running from January 1 to December 31.

"**FY 2017**"
The Company's financial year ended on December 31, 2017.

"**FY 2018**"
The Company's financial year ended on December 31, 2018.

"**FY 2019**"
The Company's financial year ended on December 31, 2019.

"**GDP**"

Gross domestic product.

"**GDPR**"
Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the General Data Protection Regulation).

"**General and Supervisory Board**"
The General and Supervisory Board of the Company.

"**General Meeting**"
The general meeting of shareholders of EDP.

"**GHG**"
Greenhouse gas.

"**GO**"
Guarantee of Origin.

"**Green Cent**"
Levy on coal-fired generation introduced in 2018 by the Spanish government.

"**GW**"
Gigawatt.

"**GWh**"
Gigawatt per hour.

"**HFCs**"
Hydrofluorocarbons.

"**Hydro Global**"
Hydro Global Investment, Ltda.

"**Hydrocarbons Act**"
Has the meaning ascribed thereto in sub-chapter 11.4.4 ("*Natural Gas Sector: Regulatory Framework*").

"**IE Directive**"
Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010, on industrial emissions (integrated pollution prevention and control).

"**IFRS**" or "**IFRS-EU**"
The International Financial Reporting Standards, as adopted by the European Union, pursuant to Regulation (EC) No. 1606/2002 of 19 July 2002.

"**IGP-M**"
Has the meaning ascribed thereto in sub-chapter 11.5.2 ("*Distribution tariffs*"*)*.

"**IMF**"
The International Monetary Fund.

“**INE**”
Instituto Nacional de Estatística.

“**Interbolsa**”
Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., with registered office at Avenida da Boavista no. 3433, 4100-138 Porto, Portugal.

“**Investigation**”
Has the meaning ascribed thereto in sub-chapter 2.3 (“*Risks relating to EDP’s operational activities*”).

“**IRC**”
The Portuguese corporate income tax.

“**IRS**”
The Portuguese personal income tax.

“**ISO**”
Independent system operator.

“**ISP**”
Has the meaning ascribed thereto in sub-chapter 11.3.2 (“*The Electricity Value Chain*”).

“**IT**”
Information technology.

“**ITC**”
Has the meaning ascribed thereto in sub-chapter 2.1 (“*Risks relating to EDP’s business activities*”).

“**Joint Bookrunners**”
Means, collectively, BNP Paribas, BofA Securities Europe S.A. and Goldman Sachs International.

“**Joint Global Coordinators**” or “**Global Coordinators of the Offer**”
Means, collectively, Banco Comercial Português, S.A., J.P. Morgan Securities Plc and Morgan Stanley & Co. International Plc.

“**Lajeado Energia**”
EDP Lajeado Energia, S.A.

“**LEI**”
The Legal Entity Identifier.

“**LNG**”
Has the meaning ascribed thereto in sub-chapter 2.1 (“*Risks relating to EDP’s business activities*”).

“**Lower-tier PFICs**”
Has the meaning ascribed thereto in sub-chapter 11.1.5 (“*Managing and Reducing Emissions*”).

“**LPG**”
Liquified petroleum gas.

“**M&A**”
Mergers and acquisitions.

“**MACRS**”
Has the meaning ascribed thereto in sub-chapter 2.1 (“*Risks relating to EDP’s business activities*”).

“**MBTA**”
The U.S. Migratory Bird Treaty Act.

“**MCP Directive**”
Directive (EU) 2015/2193 of the European Parliament and of the Council of 25 November 2015, on the limitation of emissions of certain pollutants into the air from medium combustion plants.

“**Medical Care Plan**”
Has the meaning ascribed thereto in sub-chapter 2.5 (“*Risks related to the shareholding structure of the Issuer*”).

“**MIBGAS**”
The Iberian Natural Gas Market.

“**MIBEL**”
Iberian Electricity Market (*Mercado Ibérico de Electricidade*).

“**MiFID II**”
Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, as amended from time to time.

**“MiFID II Product Governance Requirements”**
Has the meaning ascribed thereto in the *Important Information* section.

“**MIRA**”
Macquarie Infrastructure and Real Assets and entities managed by the latter.

“**MME**”
The Brazilian Ministry of Mines and Energy.

**“MMPA”**
The U.S. Marine Mammal Protection Act.

“**MRE**”
The Energy Reallocation Mechanism.

“**MSCIF**”
Macquarie Super Core Infrastructure Fund SCSp, managed by MIRA

“**MW**”
Megawatt.

“**MWh**”
Megawatt per hour.

“**NEPA**”
The U.S. National Environmental Policy Act.

“**NERC**”
The North American Electric Reliability Corporation.

“**New Electricity Act**”
Has the meaning ascribed thereto in sub-chapter 11.5.1 (“*Overview*”).

“**New Shares**”
The 309,143,297 ordinary nominative book-entry shares with a nominal value of 1.00 (one) euro each, representing approximately 8.45% of the Issuer’s share capital after the increase of its share capital, to be issued by the Issuer in connection with such share capital increase, which admission to trading on the regulated market Euronext Lisbon managed by Euronext will be requested by the Issuer.

“**NMFS**”
The U.S. National Marine Fisheries Service.

“**Non-Defaulting Underwriter**”
Has the meaning ascribed thereto in sub-chapter 5.3 (“*Assistance, Placement and Underwriting*“*)*.

“**NOPR**”
Notice of proposed rulemaking.

“**Notes**”
Has the meaning ascribed thereto in sub-chapter 8.6.6 (“*Indebtedness*“).

“**NOx**”
Nitrogen oxide.

“**OCS**”
The U.S. Outer Continental Shelf.

“**OCSUM**”
The Spanish *Oficina de Cambio de Suministrador*.

“**Offer**” or “**Rights Issue**”
The public subscription offer of 309,143,297 ordinary nominative book-entry shares, with a nominal value of 1.00 (one) euro each, representing approximately 8.45% of EDP’s share

capital after the relevant share capital increase has been fully paid up.

“**Offer Period**”
The period for the subscription of the New Shares under the Offer, commencing on July 23, 2020 and ending on August 6, 2020.

“**OJ**”
Official Journal of the European Union.

“**OLMC**”
Has the meaning ascribed thereto in sub-chapter 11.3.2 (“*The Electricity Value Chain*”).

“**OMIE**”
Operador del Mercado Ibérico de Energía, Polo Español, S.A.

“**OMIP**”
Operador do Mercado Ibérico de Energia – Pólo Português, S.A.

“**OPEX**”
Operating expenditure.

“**Parpública**”
Parpública – Participações Públicas (SGPS), S.A.

“**PCC**”
The Portuguese Companies Code, approved by Decree-Law No. 262/86 of 2 September, as amended from time to time.

“**PCH**”
Small Hydro Plants.

“**Pecém**”
Porto do Pecém Geração de Energia, S.A.

“**Pension Plan**”
Has the meaning ascribed thereto in sub-chapter 2.5 (“*Risks related to the shareholding structure of the Issuer*”).

“**PFIC**”
Has the meaning ascribed thereto in sub-chapter 17.3 (“*Certain U.S. federal income taxation considerations*”).

“**Phase 4**”
Has the meaning ascribed thereto in sub-chapter 11.1.5 (“*Managing and Reducing Emissions*”).

“**PNAEE 2016**”
Has the meaning ascribed thereto in sub-chapter 11.3.1 (“*Electricity Sector: Regulatory framework*”).

"**PNAER 2020**"
Has the meaning ascribed thereto in sub-chapter 11.3.1 ("*Electricity Sector: Regulatory framework*").

"**PNEC 2030**"
Has the meaning ascribed thereto in sub-chapter 11.3.1 ("*Electricity Sector: Regulatory framework*").

"**PNIEC**"
Has the meaning ascribed thereto in sub-chapter 11.1.5 ("*Managing and Reducing Emissions*").

"**PPA**"
Power Purchase Agreement.

"**Profit Forecast**"
Has the meaning ascribed thereto in Chapter 9 ("*Profit forecast*").

"**Prospectus**"
This prospectus dated July 16, 2020 relating to the Offer and the admission to trading of the New Shares subscribed by the relevant addressees in the regulated market Euronext Lisbon.

"**PSC**"
The Portuguese Securities Code, approved by Decree-Law No. 486/99 of 13 November, as amended from time to time.

"**PTC**"
Has the meaning ascribed thereto in sub-chapter 2.1 ("*Risks relating to EDP's business activities*").

"**PUHCA 2005**"
The U.S. Public Utility Holding Company Act of 2005.

"**PURPA 1978**"
The U.S. Public Utility Regulatory Policies Act of 1978, as amended from time to time.

"**PV**"
Photovoltaic.

"**Q1 2019**"
The period of three months corresponding to January, February and March 2019.

"**Q1 2020**"
The period of three months corresponding to January, February and March 2020.

"**QFs**"
Qualifying facilities.

"**QIB**"
"Qualified institutional buyers" within the meaning of Rule 144A under the Securities Act.

“**Qualified Investors**”
Means both (i) “qualified investors” within the meaning of the Prospectus Regulation and (ii) QIBs, or “qualified institutional buyers”, within the meaning of Rule 144A under the Securities Act.

“**RAB**”
Regulatory asset base.

“**RE Credits**”
Renewable energy credits.

“**REC**”
Renewable energy community.

“**Recurring EBITDA**”
An alternative performance measure, which has the meaning ascribed thereto sub-chapter 7.5 (“*Alternative performance measures*”).

“**Recurring Net Profit**”
An alternative performance measure, which has the meaning ascribed thereto sub-chapter 7.5 (“*Alternative performance measures*”).

“**Regulation 2017/1129**” or “**Prospectus Regulation**”
The Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended by Regulation (EU) 2019/2115 of the European Parliament and of the Council of 27 November 2019.

**“Regulatory Receivables”**
Amount owed to EDP by the electricity tariff system in Portugal, Brazil and Spain

“**Relevant Persons**”
Has the meaning ascribed thereto in sub-chapter 15.6. (“*Transfer of shares and selling restrictions*”).

“**Relevant State**”
Each Member State of the EEA (other than Portugal) and the United Kingdom.

“**REMIT**”
Regulation (EU) No. 1227/2011 of the European Parliament and of the Council of 25 October 2011, on wholesale energy market integrity and transparency.

“**REN**”
REN – Rede Eléctrica Nacional, S.A.

“**REN Armazenagem**”
REN Armazenagem, S.A.

“**REN Atlântico**”
REN Atlântico, S.A.

“**REN Gasodutos**”
REN Gasodutos, S.A.

“**RES**”
Renewable energy sources.

“**RGR**”
Global Reversion Reserve.

“**Restricted Territories**”
United States, Canada, Australia, and Japan and South Africa and any other jurisdiction where the allotment or issue of New Shares pursuant to the Offer would or may infringe the relevant laws and regulations for such jurisdiction or would or may require obtaining any governmental or other consent or to effect any registration, filing or other formality with which, in the opinion of the Company, it would be unable to comply or which is unduly onerous, and “**Restricted Territory**” means any one of them.

“**RPS**”
Has the meaning ascribed thereto in sub-chapter 2.1 (“*Risks relating to EDP's business activities*”).

“**Rump Placement**”
Resale to Qualified Investors of New Shares subscribed by the Underwriters in the Rights Issue.

“**Securities Act**”
The U.S. Securities Act of 1933, as amended from time to time.

“**SM**”
Smart meters.

“**SNGN**”
The Portuguese Natural Gas System.

“**SO2**”
Sulphur dioxide.

“**Social Voucher**”
Has the meaning ascribed thereto in sub-chapter 11.4.1 (“*Electricity Sector: Regulatory Framework*”).

“**Sonatrach**”
Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures.

“**Spanish Pool**”
Has the meaning ascribed thereto in sub-chapter 11.4.1 (“*Electricity Sector: Regulatory Framework*”).

“**Statutory Auditor”**

The statutory audit firm PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda., with registered office at Rua Sousa Martins, no. 1, 3.º, 1069-316 Lisboa, Portugal, registered with the Portuguese Institute of Statutory Auditors under no. 183 and with the CMVM under no. 20161485, represented by João Paulo Rui Fernandes Ramos (statutory auditor registered with the Portuguese Institute of Statutory Auditors under no. 1333 and with the CMVM under no. 20160943).

"**Strategic Update**"
The presentation for an update of EDP's strategy held in London on March 12, 2019.

"**Subscription Price**"
The subscription price for New Shares under the Offer, which corresponds to EUR 3.3 per share.

"**Subscription Rights**"
The legal pre-emption rights to subscribe New Shares attributed to the shareholders of EDP (and which, under applicable law and the terms of the Offer, may also be acquired by investors in transactions executed over the counter or in Euronext Lisbon).

"**Target Market Assessment**"
Has the meaning ascribed thereto in the *Important Information* section.

"**TCJA**"
The U.S. Tax Cuts and Jobs Act.

"**The Distribution Business**"
Has the meaning ascribed thereto in Chapter 4 ("*Description of Viesgo Transaction*").

"**TIEPI**"
Equivalent interruption time of installed capacity.

"**Treaty**"
Convention Between the United States of America and the Portuguese Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income.

"**TUR**"
Tariff of last resort.

"**TWh**"
Terawatt per hour.

"**UGS Tariff**"
Global Use of the System Tariff.

"**Unaudited Condensed Consolidated Interim Financial Statements**"
The unaudited condensed consolidated interim financial statements of the Group as of and for the three-month period ended March 31, 2020 (including comparative financial information as of and for the three-month period ended March 31, 2019).

"**Underwriters**"

Means, collectively, the Joint Global Coordinators and the Joint Bookrunners.

“**Underwriting Agreement**”
The agreement executed between the Issuer and the Underwriters governed by English law, for the purposes of subscribing New Shares that have not been subscribed in the Offer, either on behalf of the Underwriters or on behalf of Qualified Investors, as further described in sub-chapter 5.3. (“*Assistance, Placement and Underwriting*”*).*

“**UNFPCC**”
The United Nations Framework Convention on Climate Change.

“**UPAC**”
Renewable energy generation units.

“**U.S. Holder**”
Has the meaning ascribed thereto in sub-chapter 17.3 (“*Certain U.S. federal income taxation considerations*”).

“**U.S. Shareholder**”
Has the meaning ascribed thereto in the *Warnings* section.

“**USFWS**”
The U.S. Fish and Wildlife Service.

“**Viesgo**” or “**Vie**”
Fresco International S.à.r.l.

“**Viesgo Transaction**”
Has the meaning ascribed thereto in Chapter 4 (“*Description of Viesgo Transaction*”).

“**WACC**”
Weighted average cost of capital.

## CHAPTER 1. SUMMARY

**Section A – Introduction and Warnings**

**A.1. Introduction**

**1.1 Name and ISIN of securities**

The securities subject to the public subscription offer (the "**Rights Issue**") by EDP – Energias de Portugal, S.A. (the "**Issuer**", "**EDP**" or "**Company**") are up to 309,143,297 ordinary shares (the "**New Shares**"), in the share capital of the Issuer, the subscription of which is reserved to shareholders of EDP in the exercise of their pre-emption rights and other investors who acquire subscription rights (the "**Subscription Rights**"). The New Shares, when admitted to trading, shall have the same ISIN code (PTEDP0AM0009) as the shares representing EDP's share capital which are already admitted to trading on the date of the prospectus for the Rights Issue ("**Prospectus**"). The ISIN code for the Subscription Rights is PTEDP0AMS010 and these will be negotiated under the ticker "EDPS1".

If the New Shares under the Rights Issue are not fully subscribed, they may also be subscribed by Qualified Investors or the Underwriters (both as defined below) pursuant to an underwriting agreement governed by English law ("**Underwriting Agreement**").

**1.2 Identity and contact details of the Issuer, including LEI**

EDP is a limited liability company by shares (*sociedade anónima*) open to public investment (*sociedade aberta*), with telephone number +351210012500, e-mail address IR@edp.com and legal entity identifier ("**LEI**") 529900CLC3WDMGI9VH80.

**1.3 Identity and contact details of the competent authority which approved the Prospectus**

*Comissão do Mercado de Valores Mobiliários* ("**CMVM**"), with registered offices at Rua Laura Alves, no. 4, Lisbon, with telephone number (+351) 213177000 and e-mail address cmvm@cmvm.pt.

**1.4 Prospectus approval date**

July 16, 2020.

**A.2. Warnings and information regarding subsequent use of the Prospectus**

This summary should be read as an introduction to the prospectus (the "**Prospectus**"). Any decision to invest in the New Shares should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor may, under the national legislation of the member states of the European Union, have to bear the costs of translating the Prospectus before legal proceedings are initiated. Investment in the New Shares involves risks and investors may lose all or a part of their investment as a result of subscribing the New Shares or acquiring Subscription Rights and thereafter subscribing the New Shares. Civil liability in relation to this summary, including any translation thereof, attaches only to the persons responsible for this Prospectus but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the New Shares.

The Company does not consent to the use of the Prospectus for the subsequent resale or placement of the New Shares by financial intermediaries.

**Section B – Key information on the issuer**

**B.1. Who is the issuer of the securities?**

**a) Registered offices, legal form, LEI, legislation governing its activities and country of incorporation**

The Issuer is EDP, a limited liability company by shares (*sociedade anónima*) open to public investment (*sociedade aberta*) incorporated under the laws of Portugal, with registered office at Avenida 24 de Julho no. 12, 1249-300 Lisboa, Portugal, with, with telephone number +351210012500, e-mail address IR@edp.com and LEI code 529900CLC3WDMGI9VH80. The Issuer is governed by Portuguese law, in particular: *(i)* the Portuguese Companies Code ("**PCC**"); *(ii)* the Portuguese Securities Code ("**PSC**") and the CMVM and Euronext regulations which apply to it. The activities or the Issuer are regulated according to the place where they are undertaken, by European Union directives and regulations, by the legislation of European Union Members States and of other States and jurisdictions.

**b) Main activities**

The corporate purpose of the Issuer is the direct or indirect promotion, development and management of undertakings and activities in the energy sector, both at the national and international levels, with the goal of growing and improving the performance of its group's companies. The Issuer is active in the generation, distribution and transmission of electricity (traditional and renewable sources) and in the supply of electricity and natural gas.

**c) Main shareholders, including if the Issuer is directly or indirectly controlled and by whom**

To its knowledge, the qualifying holdings of the Issuer, as of the date of this Prospectus, calculated pursuant to article 20(1) of the PSC is the following:

| Shareholder | No. of shares at this date | % share capital with voting rights |
|---|---|---|
| China Three Gorges Corporation | 784,957,024 | 21.47% |
| Oppidum Capital, S.L. | 263,046,616 | 7.19% |
| BlackRock, Inc. | 165,054,327 | 4.51% |
| Alliance Bernstein | 107,505,681 | 2.94% |
| Sonatrach | 87,007,433 | 2.38% |
| Qatar Investment Authority | 82,868,933 | 2.27% |
| Norges Bank | 81,100,067 | 2.22% |
| Grupo BCP + Fundo de Pensões do Grupo BCP | 75,615,918 | 2.07% |
| Capital Group Companies | 74,806,605 | 2.05% |

**d) Identity of main directors**

The Executive Board of Directors currently in office, appointed at the General Meeting held on April 5, 2018 for the 2018-2020 term of office, is currently composed of the following 7 (seven) members: Miguel Stilwell de Andrade (ínterim chairman), António Fernando Melo Martins da Costa, João Manuel Veríssimo Marques da Cruz, Miguel Nuno Simões Nunes Ferreira Setas, Rui Manuel Rodrigues Lopes Teixeira, Maria Teresa Isabel Pereira and Vera de Morais Pinto Pereira Carneiro. António Luís Guerra Nunes Mexia and João Manuel Manso Neto have been suspended from office since July 6, 2020.

**e) Identity of statutory auditor**

PricewaterhouseCoopers & Associados - Sociedade de Revisores de Contas, Lda., with registered office at Rua Sousa Martins, no. 1, 3, 1069-316 Lisboa, Portugal, registered with the Portuguese Institute of Statutory Auditors under number 183 and with CMVM under number 20161485, represented by João Rui Fernandes Ramos and Aurélio Adriano Rangel Amado is the Issuer's statutory auditor.

**B.2. What is the key financial information regarding the issuer?**

**a) Selection of key historical financial information**

*Consolidated income statement data*

| Thousand Euros | 2019 | 2018 | 2017 | 1st quarter 2020 | 1st quarter 2019 |
|---|---|---|---|---|---|
| Revenues from energy sales and services and other | 14,333,009 | 15,278,085 | 15,745,987 | 3,501,962 | 3,744,177 |
| EBITDA | 3,705,617 | 3,317,129 | 3,989,949 | 979,575 | 926,799 |
| Net profit for the period attributable to equity holders of EDP | 511,751 | 519,189 | 1,113,169 | 145,851 | 100,460 |
| Year on year revenue growth (%) | -6% | -3% | n.a. | -6% | n.a. |
| EBITDA margin (%) | 26% | 22% | 25% | 28% | 25% |
| Net profit for the period attributable to equity holders of EDP growth (%) | 4% | 3% | 7% | 4% | 3% |
| Earnings Per Share (Basic and diluted) - Euros | 0.14 | 0.14 | 0.31 | 0.04 | 0.03 |

*Consolidated balance sheet data*

| Thousand Euros | 2019 | 2018 | 2017 | 1st quarter 2020 |
|---|---|---|---|---|
| Total Assets | 42,361,646 | 41,626,960 | 42,075,049 | 41,631,239 |
| Total Equity | 12,632,013 | 12,900,327 | 13,480,260 | 12,221,588 |
| Net financial debt * | 15,028,747 | 14,281,694 | 14,517,688 | 13,852,506 |

* (Non-current financial debt plus current financial debt minus cash and cash equivalents)

*Consolidated cash flow statement data*

| Thousand Euros | 2019 | 2018 | 2017 | 1st quarter 2020 | 1st quarter 2019 |
|---|---|---|---|---|---|
| Net cash flows from operating activities | 2,220,960 | 2,938,074 | 2,235,593 | 1,378,565 | 505,163 |
| Net cash flows from investing activities | -1,645,022 | -1,178,988 | 569,754 | -366,636 | -953,120 |
| Net cash flows from financing activities | -834,422 | -2,335,417 | -1,797,449 | -958,570 | 269,216 |
| **Changes in cash and cash equivalents** | **-258,484** | **-576,331** | **1,007,898** | **53,359** | **-178,741** |

**b) Brief description of any qualifications in the auditors' report relating to the historical financial information**

None of EDP's financial reports relating to the historical financial information were subject to qualifications in the respective auditors' reports.

**B.3. What are the key risks that are specific to the issuer?**

Below are some of the main risks which are specific to the Issuer:

a) **The selling price and gross profit per unit of energy sold by EDP may decline significantly due to a deterioration in market conditions and/or exposure to the local market of certain power plants** – A decline in gross profit per unit of electricity or natural gas can have an adverse impact on each of EDP Group's business segments, notably in its activities in the liberalized electricity and natural gas markets, which are fully exposed to market risk.

b) **Adverse weather conditions has affected and may continue to affect the profitability of EDP's hydro, wind and solar power plants** – As electricity generation output from EDP's power plants in operation and those under construction and under development are highly dependent on weather conditions, adverse weather conditions may result in lower revenues and lower gross margins for EDP. For example, in 2019, EDP's hydro-generated electricity volumes in Iberia fell by 26% from 13.3 TWh in 2018 to 9.8 TWh in 2019 following historically low precipitation levels in Portugal, which had an adverse impact on EDP's financial results for the period.

c) **Changes in energy demand in the countries in which EDP operates may materially adversely affect its results of operations and financial condition** – Significant changes in the demand for electricity and natural gas in the markets in which EDP operates may have a material impact on the profitability of EDP's business activities, such as generation and supply activities.

d) **The energy generation, distribution and supply markets are regulated; EDP is exposed to regulatory risks in the countries in which it operates, and changes in laws and regulations could have a material adverse effect on its business and results of operations** – Laws and regulations affecting EDP's activities in the countries it operates may vary by jurisdiction and may be subject to modifications, including those resulting from ordinary expiry of regulatory periods, unilateral imposition by regulators and legislative authorities or as a result of judicial or administrative proceedings or actions. Furthermore, additional laws and regulations may be implemented, including those enacted as a result of actions filed by third parties or lobbying by special interest groups. Any of those changes may make such laws and regulations more restrictive or in other ways less favorable to EDP and therefore have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

e) **EDP may fail to implement its strategic plan, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects** – EDP presented its Strategic Update to investors on March 12, 2019 setting forth the vision of the Company and the operating segments that will deliver EDP's results and allow the Company to meet such targets.

The failure to meet or execute its strategy could materially impact EDP's results and reputation and adversely affect the perceived value of the Company by investors.

f) **EDP is subject to risks related to acquisitions and divestments, and its failure to successfully consummate these transactions and/or integrate acquired businesses, in particular the Viesgo Transaction, could have a material adverse effect on its business and results of operations** – There can be no assurance that the conditions precedent of the Viesgo Transaction will be satisfied and that the latter will be completed within the expected timeframe or at all, in which case EDP Group will not realize any of the anticipated benefits from the Viesgo Transaction. Furthermore, additional investments or divestments could have a material adverse effect on EDP Group, or EDP may fail to complete the necessary additional divestments pursuant to its asset rotation strategy.

g) **EDP is exposed to uncertainty in the macroeconomic, political and social conditions in the countries in which it operates** – The COVID-19 pandemic has had a significant adverse impact on the global economy, including sharp reductions in GDP in key markets for EDP such as the European Union, the United States and Brazil. The impact of the pandemic is uncertain, there can be no assurance it will not have a material adverse effect on EDP's results and its ability to deliver its strategic plan.

h) **EDP is subject to increasing competition in the markets and regions where it operates** – Structural changes in competition in the markets where EDP operates, such as new entrants to the market, declines in demand, excess capacity or the launch of marketing campaigns, products or services, may affect EDP's market share, growth prospects and profitability.

i) **Certain members of the Issuer's Executive Board of Directors are currently suspended from their respective functions pursuant to an investigation relating to amounts due in connection with the early termination of certain PPAs and the costs for the maintenance of the contractual balance and certain payments made in relation to its rights in respect of the Public Hydro Domain concession** – It is not possible to predict any outcome at this stage in the process. Any such developments could have a material adverse effect on EDP's reputation, business, financial condition, and/or results of operations.

j) **EDP was notified that, in the context of the Investigation, the Public Prosecution Services has requested that EDP be named as a defendant regarding the alleged improper hiring of the father of the former energy secretary of state, Mr. Artur Trindade, which could have a material adverse effect on EDP's reputation, business, financial condition, and/or results of operations–** As the investigation is ongoing, there can be no assurance as to its ultimate outcome, including whether any charges will be brought against EDP by the Public Prosecution Services. While it is not possible to predict the outcome of any of the proceedings at this stage in the process, these matters could require significant attention from the Company's senior management and result in significant legal and other expenses.

k) **Foreign exchange rate fluctuations may negatively impact EDP's results of operations and financial condition** – EDP is subject to the risk of transactional foreign currency, as well as currency fluctuations which can occur when EDP incurs revenue in one currency and costs in another, or its assets or liabilities are denominated in foreign currency, and there is an adverse currency fluctuation in the value of net assets, debt and income denominated in foreign currencies, (and in the extreme case, exchange rate and capital controls), which EDP attempts to hedge. EDP's most material foreign exchange exposures are the United States Dollar and the Brazilian Real, the latter of which has in the past experienced high volatility and more recently, amid the COVID-19 pandemic, has depreciated by 24% from December 31, 2019 to May 31, 2020. If EDP is not successful in mitigating the effects of currency exchange rate fluctuations, it could have an impact on its financial condition and operating results.

l) **EDP may not be able to finance its planned capital expenditures ("Capex")** – EDP's business activities require significant Capex, which it expects to finance from cash from its operating activities and proceeds from asset sales. If these sources are not sufficient, however, EDP may need to finance certain of its planned Capex from outside sources, including bank borrowing, offers in the capital markets, institutional equity partnerships, state grants or divestments and no assurance can be given that EDP will be able to raise the financing required for its planned Capex on acceptable terms or at all.

m) **EDP's business requires high upfront investments based on forecasts and estimates of future returns that may not be realized –** EDP has significant construction and Capex requirements, and the recovery of its capital investment occurs over a substantial period of time. Furthermore, EDP makes significant long-term Capex and commitments on the basis of forecasts on certain investment parameters, including prices, volumes and interest rates which may turn out to be inaccurate. If EDP is not able to raise the financing required for its planned Capex on acceptable terms or at all this could have an adverse effect on its business, financial condition, results of operations and prospect.

**Section C – Key information on the securities**

**C.1. What are the main features of the securities?**

**a) Type, class and ISIN**

The securities subject to the Offer (the New Shares) are ordinary, registered and book-entry shares representative of the Issuer's share capital which, after admission to trading on Euronext Lisbon, will be fungible with the other existing EDP's shares, will be traded under the symbol "EDP". The New Shares, when admitted to trading, shall have the same ISIN code (PTEDP0AM0009) as the shares representing EDP's share capital which are already admitted to trading on the date of this Prospectus.

**b) Currency, denomination, nominal value and number of securities issued**

Up to 309,143,297 New Shares will be issued, each with a nominal value of EUR 1 (one euro), which, assuming a scenario of full subscription of the share capital increase, represent an increase in the share capital of EDP by up to EUR 309,143,297.00 of nominal amount (corresponding to a total amount of EUR 1,020,172,880.10, including share premium ("*ágio*") of EUR 2.30 per New Share), representative of approximately 8.45% of the share capital after the Offer.

EDP shares that currently represent EDP's share capital are issued in Euros. The New Shares will also be issued in Euros.

**c) Rights granted by the securities**

The holders of EDP shares have, in accordance with its articles of association ("**Articles of Association**") and the law, in particular, the right to participate in the profits (after deducting the amounts necessary to form or reconstitute the legal reserve, and in the manner resolved by the General Meeting), the right to participate in the General Meeting and to exercise their voting rights therein, the right to share the assets in the event of winding up, the Subscription Rights of new shares in the event of share capital increases by cash contributions in which the respective right is not limited or suppressed, the right to receive new shares of the Company in share capital increases by incorporation of reserves, and the right to information.

**d) Restriction to the free transferability of securities**

There are no restrictions on the transferability of EDP's shares set forth in law or in EDP's Articles of Association.

**e) Dividend policy**

In the Strategic Update held in London on March 12, 2019, EDP reiterated its dividend policy, comprising a dividend floor of EUR 0.19 per share on the dividend going forward. The announced dividend policy dictates that the dividend per share should continue to evolve in tandem with earnings per share within a payout-ratio interval of 75% to 85% of the recurring Net Profit.

**f) Relative seniority of the securities in the issuer's capital structure in the event of insolvency**

In the case of liquidation of EDP, and once the rights of unsubordinated creditors are satisfied, the remainder of the assets (if existing) shall be directed, in the first place, to the repayment of the contributions effectively made by each shareholder (corresponding to the portion of share capital held by such shareholders). If following this transaction there is still a positive balance to be distributed, such balance shall be apportioned between shareholders in the proportion applicable to the distribution of profits amongst them.

**C.2. Where will the securities be traded?**

EDP has requested the admission to trading of the New Shares on Euronext Lisbon.

**C.3. 'Is there a guarantee attached to the securities?**

No.

**C.4. What are the key risks that are specific to the securities?**

Below are some of the main risks which are specific to the securities:

a) **The volatility of the market may trigger a fall in the price of EDP's shares and in the value of the investment** – The market may be subject to fluctuations and the price of EDP's shares may be more or less volatile due to several factors (many of which are not under EDP's control). This volatility could have a negative effect on the market price of EDP's shares.

b) **The market price of EDP's shares may be lower than the subscription price for the New Shares** – EDP cannot ensure potential investors that the market price of EDP's shares will remain at or above the subscription price for the New Shares to be issued pursuant to this Offer. EDP cannot also guarantee to investors that, after the subscription of the New Shares, it will be possible to sell shares of EDP at a price equal to or higher than the Subscription Price, nor can it guarantee that the trading value of the New Shares will be equal or higher than the trading value of EDP's shares prior to the share capital increase.

**Section D – Key information on the offer of securities to the public and/or the admission to trading on a regulated market**

**D.1. Under which conditions and timetable can I invest in this security?**

**a) General terms and conditions**

The Rights Issue of up to 309,143,297 New Shares is exclusively addressed to (i) shareholders of the Issuer who, by virtue of holding shares representative of the Issuer's share capital, hold Subscription Rights for the New Shares; and (ii) investors who acquire Subscription Rights.

The New Shares that have not been subscribed under the Rights Issue may still be subscribed by Banco Comercial Português, S.A., J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, BNP Paribas, BofA Securities Europe SA or Goldman Sachs International (the "**Underwriters**") under the Underwriting Agreement.

The subscription price per New Share, pursuant to the Rights Issue, is of EUR 3.30 ("**Subscription Price**"), and the total amount of the offer of the New Shares is estimated to be of EUR 1,020,172,880.10 (taking into account such Subscription Price).

The effectiveness of the Offer is not subject to conditions.

**b) Calendar**

The envisaged calendar for the Offer and admission to trading is the following:

| Description of the main steps | Envisaged date |
|---|---|
| Approval and publication of the Prospectus | July 16, 2020 |
| Publication of the notice to shareholders of the Issuer regarding their Subscription Rights | July 16, 2020 |
| "Record date"/ Share cum-Subscription Rights date – last trading day of the Issuer's shares on Euronext Lisbon, with subscription rights attached<br><br>*Note: The Issuer's shares transferred or acquired outside a regulated market and registered in the book-entry securities account of the acquirer up to, and including, July 22, 2020 16:00 (Lisbon time) shall grant the shareholder Subscription Rights, unless otherwise stipulated.* | July 20, 2020 |
| First day of the subscription period for the New Shares | July 23, 2020 |
| First day of the trading period of Subscription Rights on Euronext Lisbon | July 23, 2020 |
| Last day of the trading period of Subscription Rights on Euronext Lisbon | August 3, 2020 |

| | |
|---|---|
| Remittance by financial intermediaries to Interbolsa of orders received in the Rights Issue | July 23, 2020 – August 6, 2020 at 16:00 Lisbon time |
| Date and time from which subscription orders for New Shares become irrevocable (inclusive) | August 5, 2020 at 15:01 Lisbon time |
| Last day of the subscription period for the New Shares | August 6, 2020 |
| Announcement of the results of the Offer | August 7, 2020 |
| Financial settlement of the New Shares subscribed for by means of the exercise of Subscription Rights | August 7, 2020 |
| Financial settlement of the New Shares attributed to oversubscription orders and the Underwriting Agreement | August 11, 2020 |
| Registration of the share capital increase with the commercial registry office | August 11, 2020 |
| Expected date for issue and physical settlement of the New Shares<br><br>*Note: the issue of New Shares and the commencement of trading on Euronext Lisbon is conditioned on obtaining the share capital increase registry on the Portuguese commercial registry, which is expected to occur on August 11, 2020. No assurance can be given that the registration of the share capital increase and, consequently, the issuance and delivery of the New Shares will not be delayed.* | August 12, 2020 |
| First day of trading of the New Shares | August 17, 2020 |

**c) Admission to trading**

The ordinary shares representing EDP's share capital are admitted to trading on Euronext Lisbon. The ISIN code for the shares representing EDP's share capital is PTEDP0AM0009 and they are traded on Euronext Lisbon under the symbol "EDP". It is expected that the admission to trading on Euronext Lisbon of the New Shares, should it be decided favorably by Euronext, will occur on or around August 17, 2020, upon the commercial registration of the share capital increase.

**d) Distribution of the Offer**

The New Shares shall be offered directly to shareholders of EDP pursuant to the exercise by the latter of their Subscription Rights and to other investors which acquire said Subscription Rights.

The New Shares shall be distributed among the holders of Subscription Rights in the subscription as follows: (i) pursuant to the exercise of Subscription Rights each holder of Subscription Rights shall be entitled to subscribe for the New Shares that result of the application of a factor of 0.085035375 to the number of Subscription Rights held at the moment of subscription and that such holder has declared its intention to exercise, rounded down to the nearest whole ordinary share; (ii) the New Shares that are not initially subscribed for are to be allotted to holders of Subscription Rights that have expressed an intention to subscribe for New Shares in addition to that which they are proportionally entitled to pursuant to their Subscription Rights, pro rata to their exercise of Subscription Rights, rounded down to the nearest whole ordinary share. The requests for additional subscription of New Shares shall be made by the holders of Subscription Rights in the subscription of New Shares jointly with the respective subscription request as a result of the exercise of rights; (iii) with regards to the New Shares that have not been allocated by the processes referred to in the preceding paragraphs, lots will be drawn, one time, to apportion such New Shares among the holders of Subscription Rights whose requests for additional subscription of New Shares were not fully satisfied.

The New Shares that have not been subscribed under the Rights Issue may still be subscribed by persons which are either (i) "qualified investors" within the meaning of the Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of 14 June 2017, as amended, or (ii) "qualified institutional buyers" within the meaning of Rule 144A under the U.S. Securities Act of 1933 ("**Qualified Investors**"), or by the Underwriters.

**e) Amount and immediate dilution resulting from the Offer**

The offer of up to 309,143,297 New Shares is addressed to the shareholders of EDP considering their Subscription Rights in the subscription for new shares, so that the shareholders who subscribe for all the New Shares to which they are entitled by exercising their Subscription Rights will receive a percentage of the New Shares to be issued equal to their current percentage of ownership in EDP's share capital. This way, these shareholders will maintain the same percentage of interest in EDP's share capital, thus not suffering any dilution.

The proportion of share ownership and voting rights in EDP of shareholders who do not exercise their subscription rights shall be diluted with the issuance of the New Shares, being such dilution equivalent to the quotient between the amount of the New Shares issued and the total number of shares representing the share capital of the Issuer after this Offer. For instance, for the current shareholders that do not exercise their subscription rights in the share capital increase, a participation in the share capital of EDP corresponding to 1% shall be reduced to approximately 0.922% after the capital increase, assuming that the shareholder does not exercise any subscription rights and that the share capital increase is fully subscribed.

**f) Estimate of total costs for the Offer**

The expenses of the Offer include, notably, fees due to the Underwriters and costs with other advisors and with the admission of the New Shares to trading, which are estimated to amount to EUR 23 million. EDP will not charge any costs to investors.

**D.2. Why is this prospectus being produced?**

**a) Use and estimated net proceeds**

The net proceeds of the Offer will only be ascertainable after the announcement of the Offer results. Assuming full subscription and the Subscription Price of EUR 3.30, it is expected that a total amount of cash contributions of EUR 1,020,172,880.10 will correspond to a net value for the Offer of approximately EUR 997 million, deducting all associated expenses.

The net proceeds from the share capital increase will be used to partially fund the acquisition by EDP, in partnership with MSCIF SD Holdings S.à.r.l., managed by Macquarie Infrastructure and Real Assets, of: (i) 75.1% of Fresco International S.a.r.l.'s electricity distribution business, (ii) 100% of Viesgo's renewable business and (iii) two coal thermal plants in the process of decommissioning until 2021 (the "**Viesgo Transaction**").

**b) Offer being subject to a placement or underwriting agreement**

On July 15, 2020, the Issuer signed with the Underwriters the Underwriting Agreement, with respect to the New Shares not subscribed for pursuant to the exercise of the Subscription Rights. The Underwriters have severally agreed to procure subscribers, or otherwise themselves to subscribe, for, and the Company has agreed to issue to the subscribers procured by the Underwriters or to the Underwriters, as the case may be, at the Subscription Price, any remaining New Shares in the percentages specified below:

Banco Comercial Português, S.A. – 20%; J.P. Morgan Securities plc – 20%; Morgan Stanley & Co. International plc – 20%; BNP Paribas – 13.33%; BofA Securities Europe SA – 13.33%; Goldman Sachs International – 13.33%.

Total – 100 %

If one or more of the Underwriters defaults in the performance of its obligations to underwrite its proportion of the underwritten New Shares as set out above ("**Defaulted Shares**"), the Joint Global Coordinators shall have the right, but not the obligation, within 48 hours thereafter, to make arrangements for one or more of the other Underwriters (each a "**Non-Defaulting Underwriter**") to procure subscribers for all, but not less than all, of the Defaulted Shares in such amounts as the Joint Global Coordinators may (acting in good faith) determine, upon and subject to the terms set out in the Underwriting Agreement. If the Joint Global Coordinators have not completed such arrangements within such 48-hour (or other agreed) period, then, if the number of Defaulted Shares does not exceed 10% of the aggregate number of New Shares to be subscribed for, each of the Non-Defaulting Underwriter shall be obliged, severally and not jointly or jointly and severally, to subscribe for the full amount thereof in the proportion that its respective underwriting obligation hereunder bears to the underwriting obligations of all Non-Defaulting Underwriters. If the number of Defaulted Shares exceeds 10% of the aggregate number of New Shares to be subscribed for, the Non-Defaulting Underwriters shall not be obliged to subscribe for any Defaulted Shares.

If the subscription of the Rights Issue becomes incomplete as a result of the non-subscription of the Defaulted Shares, the Offer results announcement will be republished indicating the effective total amount of the share capital increase subscribed.

In connection with the Rights Issue, the Company has agreed to pay the Underwriters: (i) an underwriting commission equal to 1.5% of the amount equal to the product of the Subscription Price and the aggregate number of New Shares ("**Base Commission**"); and (ii) in the Company's sole and absolute discretion, an additional discretionary commission of up to 0.5% of the amount equal to the product of the Subscription Price and the aggregate number of New Shares (allocated and paid by the Issuer between Underwriters at the Issuer's discretion). Out of such Base Commission payable to the Underwriters, the Underwriters shall pay or procure the payment of sub-underwriting commissions payable to such persons (if any) as the Underwriters may procure to acquire New Shares.

The Underwriting Agreement is subject to the fulfilment of certain conditions, and may be terminated upon the occurrence of certain events, including certain events of force majeure, and the breach of representations and warranties by EDP under the Underwriting Agreement. As the Offer is not subject to conditions, termination of the Underwriting Agreement shall not result in the Offer not becoming effective.

**c) Indication of conflicts of interest related to offer or admission to trading**

There is a declared interest of the Issuer in the success of this Offer since it aims to contribute to the funding of the Viesgo Transaction. In connection with the Offer, the Underwriters are in a contractual relationship with the Issuer. The Underwriters and/or their respective affiliates have in the past provided, and may in the future, from time to time, provide, commercial banking, investment banking and financial advisory or other services to the Issuer or any parties related to it, in the ordinary course of their respective businesses. The Underwriters have received and will receive customary fees and commissions for these transactions and services. In addition, in the ordinary course of their respective businesses, the Underwriters, the Issuer or any parties related to any of them, transact business and enter into commercial agreements.

Notwithstanding the above, there is no significant interest of any person involved in the Offer which is in conflict with the Offer.

# CHAPTER 2. RISK FACTORS

An investment in shares, including the New Shares and/or Subscription Rights, involves a high degree of risks. Prospective investors should carefully consider all the information in this Prospectus and the document incorporated by reference herein, including the following risk factors, before deciding to invest in the New Shares. The actual occurrence of any of the following risks could have a material adverse effect on the Issuer's business, financial condition, prospects, results of operations or cashflows.

The risk factors described below consist of a limited selection of risk factors which the Issuer considers to be of most relevance to investors when the investor is making an investment decision. Additional risks not currently known or which are currently deemed immaterial may also have a material adverse effect on the Issuer's business, financial condition, prospects or results of operations or cash flows.

EDP cannot ensure that, in the event of adverse scenarios, the policies and procedures it uses to identify, monitor and manage risks are effective.

Within each category, the most material risks, in the assessment of the Issuer, are set out first. The Issuer has assessed the relative materiality of the risk factors based on the probability of their occurrence and the expected magnitude of their negative impact. The order of the categories does not imply that any category of risk is more material than any other category. Prospective investors should read the detailed information set out in this Prospectus (including the document incorporated by reference herein), in conjunction with each of the risk factors described below and reach their own views prior to making an investment decision.

This Prospectus also contains statements about future events that involve risks and uncertainties. Actual results may differ materially from those foreseen in these forward-looking statements due to certain factors, including the risks faced by EDP, described below and in other parts of this Prospectus.

## 2.1. Risks relating to EDP's business activities

**The selling price and gross profit per unit of energy sold by EDP may decline significantly due to a deterioration in market conditions and/or exposure to the local market of certain power plants**

A decline in gross profit per unit of electricity or natural gas sold may result from a number of different factors, including (i) an adverse imbalance between supply and demand in the electricity and natural gas markets in the countries in which EDP operates or in other related energy markets; (ii) the performance of international and/or regional energy prices such as oil, natural gas, coal, $CO_2$ allowances and green certificates; (iii) below average rainfall or wind speed and solar incidence levels; (iv) higher cost of power plant construction; or (v) a change in the technological mix of installed generation capacity. The gross profit per unit of energy sold in liberalized energy markets can also be affected by administrative decisions imposed by legislative and regulatory authorities in the countries in which EDP operates. For example, EDP may not be able to renew its electricity/gas agreements on the same or similar terms due to the selling price or the gross margin of electricity/gas being worse than their actual market value. In Iberia, the volatility of EDP's gross profit per unit of electricity and natural gas sold can be particularly significant in its activities in the liberalized electricity and natural gas markets, which are fully exposed to market risk. See sub-chapter 8.2 ("*Principal factors affecting results of operations — Sale price and cost of production or purchase per unit of energy sold*"). If the difference between the market price for electricity and the marginal generation cost (which depends primarily on fuel and $CO_2$ costs) available at its thermal plants is too low, EDP's thermal plants may not generate electricity or electricity generation may be limited. This would directly result in lower gross margin and cashflows in the Group's Client Solutions and Energy Management segment.

In addition, the power plants still benefiting from the CMEC mechanism have, from 2017 onwards, entered into the final 10-year period of the mechanism, in which a final 10-year prospective adjustment amount to the initial CMEC compensation amount has been approved by the relevant authorities. See sub-chapter 11.3 ("*Regulatory framework of the Issuer's activity - Portugal*"). Such adjustment amount may not reflect the evolution of the market prices and other variables for the next 10-year period and, as such, the power plants still benefiting from the CMEC regime will be partially exposed to the risk of market prices.

Payments for electricity sold by certain EDP's wind and solar farms depend, at least in part, on market prices for electricity. In certain countries, such as the United States, EDP sells its wind and solar power output mainly through long-term PPAs, which set the sale price of electricity for the duration of the contract. When a PPA is not executed due to market conditions or as part of a commercial strategy, EDP sells its electricity output in wholesale markets in which it is fully exposed to market risk volatility. In jurisdictions where combinations of regulated incentives are used (such as green certificates, and market pricing), the regulated incentive component may not compensate for fluctuations in the market price component, and thus total remuneration may be volatile. In the future, as regulated remuneration schemes and/or PPAs end for existing wind and solar farms, the gross margin and cashflows of the Group's Renewables segment may become more volatile and a source of increased risk for the Company.

In Brazil, the electricity generated by EDP's power plants is primarily sold through PPAs, while EDP's electricity distribution business, in accordance with certain regulatory rules, has the ability to pass its electricity procurement costs through to customers when the contracted energy level is between pre-defined boundaries. Nevertheless, payments for electricity sold by EDP's electricity generation, distribution and supply activities in Brazil can be affected by significant changes in electricity market prices, particularly those due to extremely dry periods, wide fluctuations in electricity demand and changes of EDP's electricity distribution concession areas. Prices for new PPAs both for electricity generation plants under development or in operation are set through public tenders and can change significantly due to changes in competitive dynamics and/or the regulatory environment.

Although EDP seeks to mitigate market and price volatility risks through the use of various financial and commodity hedging instruments relating to electricity, carbon emissions, fuel (coal and natural gas) and foreign exchange, as well as bilateral PPAs and long-term fuel supply agreements, there can be no assurance that the Group's hedging and financial strategy will prove effective. Likewise, purchases of hedging instruments, such as financial derivative contracts, could increase the Group's costs and reduce the Group's profit margins. If any of the above risks were to materialize they could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**Adverse weather conditions have affected and may continue to affect the profitability of EDP's power plants**

Electricity generation output from EDP’s hydro, wind and solar power plants in operation, as well as expected levels of output from power plants under construction and under development, are highly dependent on weather conditions, particularly rainfall, wind and sunshine hours, which vary substantially across different locations, seasons and years. For example, in respect of hydro power plants, the upstream use of river flows for other purposes, restrictions imposed by legislation or the impact of climate change may result in a reduction in water flow available for electricity generation. Such impacts would result in lower hydro volumes available for power generation and lower revenues for EDP. In 2019, EDP‘s hydro-generated electricity volumes in Iberia fell by 26% from 13.3 TWh in 2018 to 9.8 TWh in 2019 following historically low precipitation levels in Portugal, which had an adverse impact on EDP’s financial results for the period. See sub-chapter 8.2 (“*Principal factors affecting results of operations - Natural resource availability for renewable power generation plants (in particular hydro, wind and solar)*”).

In respect of wind power plants, turbines only operate when wind speeds fall within certain operating ranges that vary by turbine type and manufacturer. If wind speeds fall outside or towards the lower end of these ranges, energy output at EDP’s wind farms declines. With regards to solar farms, the level of solar energy impacts the production of electricity, within specific operating ranges, which are particularly affected by temperature. In respect to thermal plants, the hydro volumes of the year may also impact profitability, for instance restricting the use of water in the cooling processes. Such restriction may translate into higher cost for power generation in thermal plants and/or lower outputs, which would translate into lower gross margin for EDP. EDP cannot guarantee that actual weather conditions at a project site will conform to the assumptions that were made during the project development phase and, therefore, it cannot guarantee that its power plants will be able to meet their anticipated generation levels. Any such shortfall in generation levels could have a material adverse effect on EDP’s business, financial condition, results of operations and prospects.

**Changes in energy demand in the countries in which EDP operates may materially adversely affect its results of operations and financial condition**

Significant changes in the demand for electricity and natural gas in the markets in which EDP operates may have a material impact on the profitability of EDP’s business activities, such as generation and supply activities. EDP’s investment decisions take into consideration the Company’s expectations regarding the evolution of demand for electricity and natural gas, which may be significantly affected by the economic conditions of the countries in which EDP sells and distributes electricity and sells natural gas, but also by a number of other factors including governmental policies, regulation, tariff levels, environmental and climate conditions. Significant changes in any of these variables may affect levels of per capita energy consumption, which could vary substantially from EDP’s expectations.

Lower energy demand typically impacts the Group’s Networks segment in Brazil and to a certain extent Portugal, where EDP’s power distribution businesses have part of their revenue linked to power demand. In addition, the Group’s Renewables and Client Solutions and Energy Management segments are also indirectly impacted by lower energy prices given the imbalance in supply and demand under such a scenario. Moreover, Client Solutions and Energy Management are impacted by lower sales due to lower energy demand, especially in business client segments.

Any decrease in power demand or decrease in the rate of demand growth, whether due to lower electrification of the economy, increased energy efficiency, the impact of the COVID-19 pandemic or other unexpected events or otherwise could adversely impact the demand for new renewable projects and otherwise have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**The profitability of EDP's thermal power plants and gas supply activities are dependent on the reliability of EDP's access to fossil fuels, such as coal and natural gas, in the appropriate quantities, at the appropriate times and under competitive pricing conditions**

EDP's thermal power plants need to have ready access to fossil fuels, particularly coal and natural gas, in order to generate electricity. EDP's strategy for fossil fuels procurement is to enter into long-term and short-term purchase agreements to cover any potential contingencies. Although EDP has such long-term purchase agreements for fossil fuels in place and corresponding transportation agreements, EDP cannot be certain that there will be no disruptions in its supply of fossil fuels. The adequacy of this supply also depends on shipping and transportation services involving various third parties. In the event of a failure in the supply chain of fossil fuels, EDP may not be able to generate electricity in some or all of its thermal power plants or may not be able to comply with the terms of existing PPAs for contracted power plants.

For example, the Pecém coal plant in Brazil, which operates under a long-term PPA, is able to pass on its fossil fuel cost in accordance with the terms of the PPA. However, the profitability of this plant could be reduced if available levels of fossil fuels are below contracted levels, for example, due to a shortage of fossil fuels. In the Iberian liberalized market, EDP's ordinary regime thermal power plants are fully exposed to changes in fossil fuel costs, including changes in related taxes. See sub-chapter 11.2.2(a)(i) ("*Regulatory Framework of the Issuer's Activity– The Electricity Value Chain – Electricity Generation – Ordinary Regime*").

The gas that EDP buys for use in its combined cycle gas turbine power plants ("**CCGTs**") or to supply its gas customers in Portugal and Spain is currently supplied primarily through long-term contracts and delivered both through liquefied natural gas ("**LNG**") terminals and international pipelines. The supply chain of gas to the Iberian Peninsula passes through several countries and involves gas production and treatment, transport through international pipelines and by ship, and processing in liquefaction terminals. This supply chain is subject to political and technical risks. Although these risks are often addressed in force majeure clauses in supply, transit and shipping contracts that may, to a certain extent, mitigate contractual risk by shifting it to the end-user market, contractual provisions do not mitigate other risks that might lead to diminished margins and loss of profits. In addition, any capacity, access or operational restrictions imposed by the transmission system operator on the use of LNG terminals, international grid connections or domestic grid connections may impair normal supply and sales activities, and such circumstances involve additional contractual risks that could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

EDP's long-term gas procurement contracts have prices indexed largely to benchmark oil price related indices in Europe and the Middle East and to benchmark gas prices in the United States and Europe. Under the terms of some of these gas contracts, EDP commits to purchasing a minimum amount of gas for a certain period of time through "take-or-pay clauses". As a result, under certain circumstances, EDP may have to purchase more gas than it needs to operate its CCGTs or supply its gas customers, which may cause disruptions in the supply chain of natural gas and/or the enforcement of "take-or-pay" clauses and, in turn, affect the profitability of EDP's CCGTs or gas supply activity. In addition, any structural change on international oil and gas markets may create significant differences between benchmark oil prices indices and benchmark gas price indices thereby increasing basis risk. This could adversely impact the competitiveness of EDP's long term gas procurement contracts. As a result, under certain circumstances, EDP may have to purchase more gas than it needs to operate its CCGTs or supply its gas customers, which may cause disruptions in the supply chain of natural gas and/or the enforcement of "take-or-pay" clauses and, in turn, affect the profitability of EDP's CCGTs or gas supply activity, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**The energy generation, distribution and supply markets are regulated; EDP is exposed to regulatory risks in the countries in which it operates, and changes in laws and regulations could have a material adverse effect on its business and results of operations**

EDP's operations include the generation, transmission, distribution and supply of electricity and related services (including the development, construction, licensing and operation of power plants, transmission and distribution grids), and supply of natural gas in several jurisdictions pursuant to concessions, licenses and other legal or regulatory permits, as applicable, granted by the governments, municipalities and regulatory entities in such jurisdictions. EDP's main countries of operations are Portugal, Spain, Brazil, the United States of America, Romania, France, Italy, Poland, Mexico, Belgium, Canada, the United Kingdom, Colombia and Greece. The laws and regulations affecting EDP's activities in these countries may vary by jurisdiction and may be subject to modifications, including those resulting from ordinary expiry of regulatory periods, unilateral imposition by regulators and legislative authorities or as a result of judicial or administrative proceedings or actions. Furthermore, additional laws and regulations may be implemented, including those enacted as a result of actions filed by third parties or lobbying by special interest groups. Any of those changes may make such laws and regulations more restrictive or in other ways less favorable to EDP.

In particular, the development and profitability of renewable energy projects is significantly dependent on policies and regulatory frameworks that support such development. Many states in the United States, the U.S. federal government, and many Member States of the European Union, including European countries in which EDP operates or has pipeline projects, have adopted policies and measures that actively support renewable energy projects. Support for renewable energy sources has been strong in past years and EDP has benefitted from such support. In the United States, the federal government has supported renewable energy primarily through income tax incentives. Historically, the main tax incentives for wind and solar projects have been the US federal Production Tax Credit ("**PTC**"), the five-year depreciation for eligible assets under the Modified Accelerated Cost Recovery System ("**MACRS**") and the Investment Tax Credit ("**ITC**"). In addition, many US state governments have implemented Renewable Portfolio Standards ("**RPS**"), which typically require that a certain percentage of the electricity supplied by a utility to consumers within such state is to be covered by renewable resources. The European Union has implemented energy targets for 2030, which are, for the most part, particularly in relation to energy efficiency and renewable energy, not binding on a national level. EDP cannot guarantee that such support, policies or regulatory frameworks in the jurisdictions in which it operates will be maintained.

For instance, in Portugal Decree-Law no. 35/2013, of 14 February, has curtailed the feed-in-tariff period for small hydroelectric power plants. Such decree-law also approved an alternative remuneration scheme for wind farms, enabling the promoters to opt for a regime which establishes an additional "feed-in tariff" period (either with a cap and floor relative to market price or a minimum reference price – thus mitigating market risk) in exchange for annual payments made for a period of eight years to the National Electricity System. In Spain, since 2013 the special regime for the remuneration of renewable energy projects has suffered several adjustments (effectively reducing the remuneration due to renewable energy promoters) as part of the measures taken by the Spanish government to ensure the financial sustainability of the electricity system. These regulatory changes in Portugal and Spain have adversely impacted the Group's financial performance. See sub-chapter 8.2 ("*Principal factors affecting results of operations - Government and/or regulatory intervention in energy markets*").

Some of EDP Group's operations are subject to concessions, licenses and permits which are granted for fixed periods of time or are subject to early termination or revocation ("*revogação*" or "*resgate*") under certain circumstances, including as a result of legal proceedings, challenges, disputes, legal or regulatory changes or failure to comply with the terms of the relevant concession, license or permit. Upon termination of a concession or the expiration of a license or permit, the fixed assets associated with such concessions, licenses or permits, in general, revert to the government or municipality, which granted the relevant concession, license or permit. Under these circumstances, although specified compensatory amounts might be payable to EDP with respect to these assets, such amounts, if any, may not be sufficient to compensate EDP for its actual or anticipated losses. Moreover, the expiration or termination of concessions, licenses or permits might limit EDP's ability to conduct its business or a segment thereof in an entire jurisdiction. For example, one of EDP's subsidiaries, EDP Distribuição – Energia, S.A ("**EDP Distribuição**"), is currently the concessionaire of approximately 99% of the municipal low voltage distribution concessions in Portugal, which have either expired (and are subject to annual renewal) or are set to expire soon (the latest of which in 2026), all of which are set to be subject to international public tenders to select new concessionaires. No assurance may be given in that EDP Distribuição will be successful in such public tenders or that the terms and conditions of any such concession will be favorable to EDP. See sub-chapter 11.3.2 ("*Regulatory Framework of the Issuer's Activity– The Electricity Value Chain – Electricity Distribution*").

The complex international regulatory environment in which EDP operates also exposes EDP to the risk of regulatory proceedings for disagreements on the interpretation of applicable laws. For example, in 2019, the EC announced the opening of infringement proceedings against eight Member States, including Portugal, alleging that certain national laws and past governmental practices regarding the award and renewal of hydropower concessions were inconsistent with applicable EU law. Regarding Portugal, in particular, the EC's proceedings focused on the 2008 extension of contracts for the use of public domain water resources by EDP's power plants, which benefited from CMEC stranded costs compensation approved by the EC in 2004. Although EDP is not a party to these proceedings, a final decision against the Portuguese State could ultimately result in a challenge to the validity of EDP's hydropower concessions or otherwise adversely impact such concessions, which would have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP's business is also affected by other general laws and regulations in the various jurisdictions in which it operates, including taxes, levies and other charges, which may be amended, or subject to varying interpretations, from time to time. Rapid or significant modification in such laws and regulations could impose additional costs on EDP, such as compliance costs or the restriction of business opportunities, among others. EDP cannot guarantee that current laws and regulations will not be rapidly or significantly modified or that their interpretation by relevant authorities will differ in the future, whether in response to public pressure or initiated by regulatory, judicial or legislative authorities.

For instance, in 2014, Portugal introduced a temporary levy on holders of electricity generation ("**CESE**"), which was intended to finance social and environmental policies and reduce the tariff debt of the National Electricity System. For more information see sub-chapter 2.3 ("*Risks relating to EDP's operational activities business—companies in EDP Group are parties to tax litigation proceedings, the results of which could affect the results of EDP*"). Furthermore, in 2014, a competition balancing mechanism was introduced in Portugal, which was designed to restore the competitive equilibrium in the wholesale electricity market in Portugal, with an impact on the allocation of costs of general economic interest between participants in the electricity system. The purpose of such mechanism is to capture the alleged windfall profits reaped by the Portuguese generators initially caused by higher pool prices following the introduction of taxes on Spanish generators, via a compensation due by generators that had unexpected benefits as a result of these and other off-market events. Some of EDP's generation plants in Portugal are liable to pay the balancing mechanism, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects. The scope and amount of this impact has changed over time and may continue to change in the future. For more information see sub-chapter 8.2 ("*Principal factors affecting results of operations - Government and/or regulatory intervention in energy markets*") and sub-chapter 11.3.2 ("*Regulatory Framework of the Issuer's Activity– The Electricity Value Chain – Extraordinary Contribution to the Energy Sector*").

In addition, as of the date of this Prospectus, other laws and regulations may in the future become applicable to EDP and/or the business activities in which EDP is engaged, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

For more information, please see Chapter 11 ("*Regulatory framework of the Issuer's activity*").

**Changes in the amounts and time of recovery of EDP's regulatory receivables from the relevant energy systems may have a material adverse impact on its results of operations and financial condition**

EDP has recognized annually an amount of regulatory receivables in its statement of financial position related to its regulated business activities in Portugal, Spain and Brazil. As of March 31, 2020, this amount was EUR 455 million. These regulatory receivables are to be recovered from the energy system within a pre-determined time period, set by the relevant regulator, and any changes in the amount and timings of the recovery of such receivables may have an impact on EDP's cash flow. For instance, with respect to regulated energy distribution activities in Portugal and Brazil, as well as generation activities in Spain, a tariff deficit/surplus is generated whenever market conditions are different from the regulator's assumptions when setting electricity tariffs for a certain year or, in case of deficit, when the regulator or the government decides not to recover all system costs in a given year and defer the payment of such regulatory receivables for a number of years. In the past, significant amounts of regulatory receivables were generated, mostly in Portugal, Spain and Brazil, meaning that revenues collected through electricity tariffs to end-customers were not sufficient to cover electricity system costs. In Portugal, EDP has been able to sell a significant portion of these receivables without recourse, but a portion is still pending to be recovered from the relevant regulators. The total amount of regulatory receivables in EDP's balance sheet can vary significantly within each period, either due to an increase or because EDP has sold a portion of its right to receive payment for these amounts without recourse. There can be no assurance that, in the future, new amounts of regulatory receivables will not continue to be generated or that final amounts received will not be different from the amounts initially expected or that EDP will be able to monetize them, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects. For more information see sub-chapter 11.1 ("*European Energy Policy*").

**EDP's financial condition and results of operations may be adversely affected by the COVID-19 pandemic**

The pandemic and governmental measures imposed around the world to stymie the spread of the COVID-19 virus have had and are continuing to have a significant impact in the global economy. The outbreak is currently having and is expected to continue to have a negative impact on, among others, energy demand and energy and commodity prices. EDP's financial results for the three months ended March 31, 2020 only partially capture the impact of the COVID-19 pandemic on the business and financial results of the Group because of EDP's business and jurisdictional diversification, the fact that a significant portion of its revenue is either regulated or under long-term contracts and that it has entered into various hedging transactions of energy before the start of the crisis covering the 2020 period. However, the Group expects an overall decrease in distributed volumes in Iberia and Brazil due to the decrease in demand resulting from the impact of COVID-19 and the measures imposed to contain it (EDP's distributed volumes in Iberia and Brazil decreased by 7% for the accumulated period from January to June, 2020 when compared to the same period of 2019, while electricity supply in Iberia fell by 7% for the accumulated period from January to June, 2020 when compared to the same period of 2019). Particularly in Brazil, worsening market conditions driven by lower energy demand, lower electricity prices and the significant depreciation of the Brazilian Real are expected to have a negative impact on the Group's operations and financial results in the country. EDP believes that the pandemic will increase working capital requirements brought about by an increase in bad debts, the extent of which is difficult to predict as of the date of this Prospectus. Such impact may also negatively affect the deleveraging trajectory of EDP. For more information on the impact of COVID-19 on the Group's operations and financial results, see sub-chapter 8.1 ("*Overview - Current Trading*"). There is significant uncertainty with respect to the future impact of COVID-19 and the duration thereof, and as such there can be no assurance that the Group will not be significantly impacted or that the Group's efforts to minimize its exposure will prove effective. In particular, continued macroeconomic uncertainty and low energy demand could create delays or service disruptions in the Group's operational activities should there be any issues in its supply chains and/or the unavailability of its suppliers or employees. Access to new funding necessary for its business operations or investments may also be more limited or more costly, due to generalized heightened credit risk concerns and financial markets' volatility. Moreover, economic uncertainty could lead to a deterioration in creditworthiness and significant delays in payments by EDP's counterparties and could increase the risk of default by such counterparties, some of whom may currently be benefitting from governmental support measures and which upon expiry of such measures could result in increased bad debts for the Group. In addition, EDP could also face heightened exchange rate risks for non-EUR denominated businesses as well as liquidity risks if cash flows are reduced or existing cash and equivalent liquidity is insufficient to meet EDP's commitments. In addition, continued economic disruption and depressed markets could affect EDP's assets and portfolio (for example, by delaying the construction or development of its projects, delaying asset maintenance, delaying auctions for new concessions or the execution of its corporate strategy, any of which may lead to an increase in costs, loss of profit and potential contractual disputes and penalties), processes (for example, by causing service disruptions among its critical suppliers), human resources, in particular key executive management or technical personnel (for example, illnesses may lead to health-related absenteeism which may, in turn, reduce productivity, as well as know-how and competitiveness in the Group) and IT systems (for example, any failure from outsourcers may disrupt the level of maintenance and support available to EDP and its business activities). In addition, the adverse macro-economic impact of the pandemic may reduce EDP's growth prospects and business profitability. In some countries, an economic downturn could lead to public finance difficulties, which alongside possible social unrest may cause unexpected changes in governments and government policies that could possibly be negative for EDP's business profitability or growth prospects. Any of these factors could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**The regulatory and physical risks of climate change could materially increase EDP's compliance and operating costs and adversely impact its results of operations and financial position**

Climate change may have a significant and wide-spread impact on EDP's and its stakeholders' activities over the medium to long-term. EDP faces transition risks related to the adoption of low-carbon strategies implemented to prevent and mitigate the effect of climate change, such as regulatory incentives and penalties, carbon pricing systems, energy efficiency solutions and low carbon products/services. The implementation of such policies to promote carbon reduction may impact the operations of EDP, in particular the operations of EDP's thermal plants which rely on coal and natural gas and are required to purchase $CO_2$ certificates, the market price of which fluctuates and can have an adverse impact on EDP's costs. In addition, EDP faces physical risks related to changes in physical parameters, such as changes to average temperatures, structural changes in water and/or wind volumes and solar exposure, average sea levels, or the incidence of extreme climatic events, such as storms floods, or temperature extremes that would result in a significant impact on EDP's hydro, wind and solar generation revenues as well as on assets resilience. EDP may not be able to predict, mitigate or adapt to the long-term regulatory and physical changes associated with such climate change which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**Environmental, natural disasters, health and safety risks could expose EDP to potential liability**

EDP's assets and facilities are subject to risks associated with fire, explosions, leaks and natural disasters, which may result in damage to the Group's plants, infrastructure and nearby properties, injury to employees and others and interruption of operations, which may lead to an increase costs and liabilities.

A disruption or failure of the Group's systems or operations in the event of a major earthquake, flood, weather event, public health crisis (such as the global COVID-19 pandemic), cyber-attack, terrorist attack or other catastrophic event could affect EDP's operations and financial condition if it occurs in a country or region where EDP operates its business, or from which EDP sources materials and/or equipment and components that are essential for the operation, or required in the construction and development of, its power plants. A catastrophic event that results in the destruction or disruption of any of the Group's critical business or energy infrastructure could harm its ability to conduct normal business operations and, consequently, its results of operations. Such natural disasters and other catastrophic events may result in additional costs in replacing equipment and infrastructure, potential difficulties in executing maintenance of EDP's assets and possible legal liabilities and reputational harm.

In particular, EDP could be subject to the risks arising from the operation of nuclear facilities and the storage and handling of radioactive materials. EDP has an interest in a nuclear power plant through EDP España, S.A.U. (formerly Hidroelectrica del Cantábrico S.A.U., "**EDP España**"), which holds a 15.5% interest in the Trillo nuclear power plant in Spain. As required by the international treaties ratified by Spain, Spanish law and regulations limit the liability of nuclear plant operators for nuclear accidents. Under Spanish law, the operator of each nuclear facility is liable for up to EUR 700 million as a result of claims relating to a single nuclear accident. EDP's liability would pro rata to EDP España's stake in the Trillo nuclear power plant.

Any such calamities are likely to result in a worsened macro-economic environment and could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**EDP's inability to successfully recover should it experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory action and reputational harm**

EDP's assets could be damaged by fire, storms, acts of terrorism, and other natural or man-made disasters. While EDP seeks to take precautions against such disasters, maintain disaster recovery strategies and purchase levels of insurance coverage that it regards as commercially appropriate should any damage occur and be substantial, EDP could incur losses and damages not recoverable under insurance policies in force, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

Such events could cause severe damage to EDP's power plants, distribution networks and facilities, requiring extensive repair or the replacement of costly equipment and may limit EDP's ability to operate and generate income from such facilities for a period of time. Such incidents could also cause significant damage to natural resources or property belonging to third parties, or personal injuries, which could lead to significant claims against EDP and its subsidiaries. The insurance coverage that EDP maintains for such natural disasters, catastrophic accidents and acts of terrorism may become unavailable or be insufficient to cover losses or liabilities related to certain of these risks.

Furthermore, the consequences of these events may create significant and long-lasting environmental or health hazards and pollution and may be harmful or a nuisance to neighboring residents. EDP may be required to pay damages or fines, clean up environmental damage or dismantle power plants in order to comply with environmental or health and safety regulations. Environmental laws in certain jurisdictions in which EDP operates, including the United States, impose liability, and sometimes liability without regard to fault, for release of hazardous substances into the environment. EDP could be liable under these laws and regulations at current and former facilities and third-party sites.

EDP may also face civil liabilities or fines in the ordinary course of its business as a result of damages to third parties caused by the natural and man-made disasters mentioned above. These liabilities may result in EDP being required to make indemnification payments in accordance with applicable laws that may not be fully covered by its insurance policies.

The materialization of any of these risks could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**EDP is subject to significant compliance costs as well as liabilities under environmental, health and safety laws and regulations, which could have a material adverse impact on its business, financial condition, results of operations and prospects**

EDP's businesses are subject to numerous environmental regulations. These include national, regional and local laws and regulations of the different countries in which EDP operates, as well as supra-national laws, particularly European Union regulations and directives and international environmental agreements. More restrictive or less favorable regulations, or the stricter interpretation of current regulations, such as an obligation to modify existing power plants and associated facilities or the implementation of additional inspection, monitoring, clean up or remediation procedures, could lead to changes in EDP's operating conditions that might require additional Capex, increase its operating costs or otherwise hinder the development of its business. Environmental regulations affecting EDP's business primarily relate to air emissions, water and soil pollution, waste disposal and electromagnetic fields.

EDP continues to operate according to its current $CO_2$ management practices and according to existing legislation and regulations regarding these emissions. There can be no assurance, however, that EDP will manage its $CO_2$ emissions to be less than or equal to the number of emission allowances it holds (or otherwise acquires) nor that the current relevant European or local laws, regulations and targets will not be subject to change in the future. Less stringent $CO_2$ regulations in the European Union may cause the price for $CO_2$ allowances to decrease and as a consequence power prices to fall, which would in turn impact EDP's gross margin in the short term and lead to slower deployment of new renewable capacity, thus reducing EDP's growth prospects in the long-term.

Apart from $CO_2$, the major waste products of electricity generation using fossil fuels are sulphur dioxide, nitrogen oxide, and particulate matter, such as dust and ash. A primary focus of the environmental regulations applicable to EDP's business is to reduce these emissions, and EDP may have to incur significant costs in the future to comply with environmental regulations that require the implementation of preventive, mitigation or remediation measures. Environmental regulation may include emission limits, cap-and-trade mechanisms, taxes or remediation measures, among others, and may determine EDP's policies in ways that affect its business decisions and strategy, notably discouraging the use of certain fuels.

EDP has incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of business in complying with safety and environmental laws and regulations in the jurisdictions in which it operates. Although EDP does not currently anticipate any significant Capex in connection with environmental regulations outside of the ordinary course of business, EDP can provide no assurance that such Capex will not be incurred or required in the future. Additionally, EDP may incur costs outside of the ordinary course of business to compensate for any environmental or other harm caused by its facilities or to repair damages resulting from any accident or act of sabotage.

In certain jurisdictions, EDP may be under a legal or contractual obligation to dismantle its facilities and restore the related site to a specified standard at the end of its operating term. In some cases, EDP is required to provide collateral for these obligations. EDP has EUR 488 million provisioned for dismantling costs and decommissioning as of March 31, 2020 based on its current estimates of these costs. There can be no assurance that such provisions will reflect all of EDP's dismantling obligations costs or the real costs incurred or to be incurred, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

Violations of environmental laws protecting migratory birds and endangered species in certain jurisdictions may also result in criminal penalties and fines. EDP's operational performance and profitability may also be adversely affected by changes in health and safety regulations in the future. Changes in health and safety regulations may affect the design of industrial equipment in the future or the manner in which EDP's power plants are constructed, including in ways that materially adversely affect EDP's operational performance or EDP's profitability, business, financial condition, results of operations and prospects.

**Changes in electricity, sale prices and other revenue related assumptions, or changes in costs with fuel and $CO_2$ license could result in lower than expected revenue, higher than expected costs, decreased profitability and generation asset impairments**

Electricity generation assets have a significant portion of their revenues derived from market prices or contracted sales. Additionally, the cost of fuel and $CO_2$ licenses represent a significant portion of the total cost related to the Group's thermal generation. As a result, a decrease in sales prices for any given reason and/or an increase in the cost of either coal, natural gas or $CO_2$ licenses could make any given generation asset less competitive than energy produced from other sources, which could decrease revenues, increase costs and the profitability of the Group's coal plants. Coal prices decreased significantly in 2019, reversing a trend of higher prices that continued through 2018. However, the average price of $CO_2$ licenses in the European market increased compared to the previous year, recording an annual average cost of EUR 25/ton, compared to EUR 16/ton in 2018. If EDP's thermal plants suffer a decrease in profitability or otherwise, EDP could be required to recognize an impairment of its assets. In the year ended December 31, 2019, the Group recognized a EUR 297 million impairment on EDP's coal plants in Iberia. If the Group is required to recognize additional impairments and incur added expenses relating to accelerated depreciation and amortization, decommissioning, reclamation and cancellation of long-term coal contracts of such generating plants and facilities, it could materially adversely affect EDP's operational performance or EDP's profitability, business, financial condition, results of operations and prospects.

## 2.2. Risks relating to EDP's strategy

**EDP may fail to implement its strategic plan, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects**

EDP presented its Strategic Update to investors on March 12, 2019 setting forth the vision of the Company and the operating segments that will deliver EDP's results and allow the Company to meet such targets. See sub-chapter 10.1.5 ("*Strategy of EDP*").

The Company's five pillar strategy is focused on its three operating segments: (i) Renewables, (ii) Networks and (iii) Client Solutions and Energy Management. The strategic plan is based on numerous assumptions, including among others energy prices, exchange and interest rates, and also relies heavily on EDP's assumptions for increased Capex and renewable generation asset additions as well as on a large asset disposal program. If any of these assumptions do not materialize or if EDP is unable to execute its expected Capex or other investments and asset disposals, the Company may be unable to deliver on one or more of its five strategic pillars, including its target dividend policy and leverage. Furthermore, EDP may change one or more elements of its strategy and/or investment and disposal plan on each of the three operating segments as a response to continuously evolving industry, macro-economic and/or political contexts.

In addition, the Strategic Update featured EBITDA and Net Profit targets for 2020 and 2022. While EDP reaffirms its 2020 targets, in respect of the 2022 targets and in light of the changes derived from the expected addition of Viesgo's assets to EDP's asset base, and since the Viesgo Transaction was not inscribed in the Strategic Update's targets or asset perimeter, EDP is therefore withdrawing such targets for 2022. Please see sub-chapter 9.4 ("*Strategic Update Targets*").

The failure to meet or execute its strategy could materially impact EDP's results and reputation and adversely affect the perceived value of the Company by investors, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**EDP may not achieve its profit forecast for the year ending December 31, 2020**

On February 21, 2020, the Group provided an update on its guidance for the year ended December 31, 2020 and on May 7, 2020, EDP announced that it was comfortable with the analyst consensus on its guidance and targets. In light of, among other factors, the challenging trading conditions following the COVID-19 pandemic and the current uncertainty in the macroeconomic and political environment, EDP decided to provide additional clarity about its guidance and targets by including an updated profit forecast in this Prospectus ("**Profit Forecast**"). For more information about the Profit Forecast, its basis of preparation and its underlying assumptions, see Chapter 9 ("*Profit forecast*").

The Profit Forecast is a forward-looking statement and there is a risk that EDP's actual results of operations could differ materially from those expressed or implied by the Profit Forecast as a result of numerous factors. The Profit Forecast does not include the impact of the proposed Viesgo Transaction and the potential capital gains on the disposal of the Group's interest in certain hydro-plants in Portugal and the disposal of a portfolio of thermal energy plants and supply clients in Spain. It also excludes the impact of CESE contributions and relies on a numerous assumptions which are inherently subject to significant business, operational, economic and other risks, many of which are outside of EDP's control. While the Group has described the key assumptions that underpin the Profit Forecast, these assumptions may not continue to reflect the commercial, regulatory and economic environment in which the Group operates. Accordingly, the assumptions underlying the Profit Forecast may change or may not materialize at all. In addition, unanticipated events may adversely affect EDP's actual results of operations regardless of whether the assumptions otherwise prove to be correct. Consequently, EDP's recurring EBITDA and recurring Net Profit for the year ending December 31, 2020 may vary materially from its Profit Forecast and investors should not place undue reliance on it.

**EDP is subject to risks related to acquisitions and divestments, and its failure to successfully consummate these transactions and/or integrate acquired businesses, in particular the Viesgo Transaction, could have a material adverse effect on its business and results of operations**

Pursuant to the Viesgo Transaction, on July 15, 2020, EDP entered into an agreement with MIRA, sole shareholder of Viesgo, pursuant to which EDP will acquire (i) 75.1% of Viesgo‘s distribution business, (ii) 100% of Viesgo's renewable business and (iii) two coal thermal plants in the process of decommissioning. For more information about the Viesgo Transaction, see Chapter 4 ("*Description of Viesgo Transaction*").

The acquisition is subject to the satisfaction of all applicable conditions precedent, in particular all relevant regulatory and governmental approvals, both at EU (namely anti-trust approval) and Spanish level (CNMC approval, regulatory approval for the purpose of foreign direct investment by MSCIF SD Holdings S.à.r.l, among others), as well as the necessary corporate restructuring, but is not conditional on the completion of the Offer. There can be no assurance that the conditions precedent will be satisfied and that the Viesgo Transaction will be completed within the expected timeframe or at all, in which case the Group will not realize any of the anticipated benefits from the Viesgo Transaction and the net proceeds from the Offer will no longer be used to partially fund the Viesgo Transaction but instead will be used at the broad discretion of EDP for general corporate purposes.

Even if the Viesgo Transaction is completed, its integration into the Group may be difficult and complex, and there can be no assurance that EDP will obtain any of the anticipated benefits. EDP could, for instance, face difficulties as a consequence of conflicts existing between standards, procedures, corporate culture or may need to implement, integrate or harmonize several procedures and business, financial, accounting, reporting, information technology, operational and other systems. The Viesgo Transaction is also based on a set of assumptions regarding future investments and costs of the business, which may turn out to be incorrect.

In addition, if EDP is unable to raise sufficient capital in the Offer, it will have to procure financing from other sources in order to partially fund the Viesgo Transaction, which could cause it to forego or delay other investments and/or increase its debt levels which could have a material impact on its cost of funding, earnings and cash flow generation.

The Viesgo Transaction is part of EDP's strategy to (i) expand the Group's operations; and (ii) re-focus its core business activities and markets. EDP plans to assess each investment based on extensive financial and market analysis, which may include certain assumptions. Additional investments or divestments could have a material adverse effect on the Group, or EDP may fail to complete the necessary additional divestments pursuant to its asset rotation strategy. Risks can emerge as a result of any of the following circumstances or other factors:

- EDP may incur substantial costs, delays or other operational or financial problems in integrating or splitting acquired businesses;
- EDP may not be able to identify deal opportunities that allow it to divest certain assets, whether through changes in the buyers' appetite or through any other effect leading to similar consequences;
- EDP may not be able to identify, acquire, integrate or profitably manage additional businesses;
- acquisitions or divestments may adversely affect EDP's operating results;
- acquisitions or divestments may divert management's attention from the operation of EDP's existing businesses;
- EDP may not be able to retain key personnel of acquired businesses;
- EDP may encounter unanticipated events, circumstances or legal liabilities;
- EDP or its counterparty may not be able to obtain all necessary clearances or authorization from regulatory, national and/or supra-national bodies, particularly in respect of anti-trust and/or competition law;

- EDP may have difficulties in obtaining the required financing or the required financing may only be available on unfavorable terms; and
- EDP may be subject to counterparty risk with respect to the fulfilment of contractual obligations, in particular payment of the price of the divested businesses.

Certain M&A transactions, which have been announced but are pending completion, are significant to the execution of EDP's strategy, namely the disposal of hydro assets in Portugal, the sale of a portfolio of thermal assets and supply clients in Spain and the creation of a joint-venture with Engie in offshore wind generation. All these transactions are subject to the satisfaction of corporate restructurings and/or regulatory approvals and there can be no assurance therefore that they will be completed.

If the Viesgo Transaction is delayed for a significant period of time or is not able to occur at all, the Group's ability to implement its strategy could be significantly hampered and its growth will be more limited, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**Increased focus by investors on environmental, social and governance matters may impact the Group's business and reputation**

Environmental, social and governance ("**ESG**") matters are of increasing importance, with companies facing heightened scrutiny for their performance on a variety of ESG matters, which are considered to contribute to the long-term sustainability of companies' performance.

A variety of organizations measure the performance of companies on such ESG topics, and the results of these assessments are widely publicized. In addition, investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of such ESG measures to their investment decisions. Topics taken into account in such assessments include, among others, the Company's efforts and impacts on climate change ethics and compliance with law, and the role of the Company's board of directors in supervising various sustainability issues. A number of advocacy groups, both domestic and international, have campaigned for governmental and private action to promote change at public companies related to ESG matters. These activities include demands for action related to climate change, promoting the use of substitutes to fossil fuel products, and encouraging the divestment of companies in the fossil fuel industry.

In its "2030 Vision: Decarbonization, Digitalization, Decentralization", EDP articulated its commitment to energy transition and sustainability and committed to certain ESG targets. See sub-chapter 10.1.5 ("*Strategy of EDP*"). There can be no certainty that EDP will manage such issues successfully, or that it will successfully meet its ESG targets and society's expectations. Any failure or perceived failure by EDP in this regard could have a material adverse effect on its reputation and on its business, stock price, financial condition, or results of operations, including the sustainability of the Group's business over time.

**EDP is exposed to uncertainty in the macroeconomic, political and social conditions in the countries in which it operates**

EDP's operational results and capacity to execute its strategy are directly related to, among other factors, the political and social conditions as well as the general level of economic activity in the countries in which EDP operates. The global economy and the global financial system have in the past experienced periods of significant turbulence and uncertainty, including a very severe dislocation of the financial markets and stress to the sovereign debt and economies of certain European Union countries including Portugal and Spain where EDP has a significant presence. This market dislocation was historically accompanied by recessionary conditions and trends in many economies throughout the European Union. More recently, the COVID-19 pandemic has had a significant adverse impact on the global economy, including sharp reductions in GDP in key markets for EDP such as the European Union, the United States and Brazil. The COVID-19 pandemic is expected to continue to affect economic activity and lead to significant GDP declines, large budget deficits and a rise in public and private debt in key EDP geographies. The pandemic has also brought about an increase in uncertainty regarding future macro-economic trends, financial markets' behavior and public policy, namely policies related to the energy sector. The impact of the pandemic is uncertain, there can be no assurance it will not have a material adverse effect on EDP's results and its ability to deliver its strategic plan.

Additionally, even under normal economic and social conditions, EDP cannot predict how the economic cycle will develop or whether there will be a deterioration of the economic situation globally or in Portugal, Spain, Brazil and the United States or any other country where EDP operates. As a result of any such recessionary conditions or economic deterioration, and resultant loss of liquidity in the global economy, executing EDP's strategy could prove to be more challenging.

Furthermore, EDP Group is subject to risks associated with the instability of the political and social environment in each of the jurisdictions where it operates, including among other things, (i) increase in taxation; (ii) lower and/or less financially attractive investment opportunities as consequence of negative evolution of public policy on the energy sector; (iii) changes in regulation which impose additional costs or reduce revenues for EDP; (iv) expropriation or nationalization of assets; (v) attacks on EDP's energy infrastructure; (vi) foreign exchange controls; (vii) taxes on remittances and other payments by subsidiaries; (viii) requirements to comply with conflicting national and local regulatory requirements; (ix) potential difficulties in staffing and labor disputes; and (x) civil disturbances and governmental instability. The occurrence of any of these risks could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**EDP is subject to rapid technological and regulatory change. The Group's inability or failure to adjust to such changes could result in decreased demand for its services**

The technologies used in the energy sector have undergone rapid changes in the past and may in the future continue to change rapidly as techniques to generate, distribute and retail electricity are constantly improving and becoming more complex. In order for EDP to maintain its competitiveness and to expand its business, it must effectively adjust to such technological changes. In particular, technologies related to power generation, electricity transmission, distribution and supply of energy related services are constantly updated and modified. EDP may be unable to identify, acquire or develop these technologies in a timely manner or without significant investment. If EDP is unable to modernize its technologies quickly and regularly and to take advantage of industry trends, it could face increased pressure from competitors and lose market share in the markets in which it operates. EDP could also lose valuable opportunities to expand its operations in existing and new markets if it is unable to integrate new technologies into its operations. Specifically, the evolution of technologies relating to distributed solar generation, utility-scale solar generation, floating and non-floating offshore wind generation, electricity storage and batteries and demand-side management may in the future come to be critical to EDP's competitive position and business prospects. In addition, other technologies which are currently deemed less important or others which may yet be developed have the potential to have equally or more disruptive impacts in the energy sector and on EDP's competitiveness. Moreover, new entrants in the supply, energy management and services sectors such as aggregators and players skilled in managing demand-side capacity and/or in the internet-of-things technology may also disrupt these business segments and cause EDP to lose market share. There can be no assurance that EDP will be able to identify, invest in or acquire the necessary technologies to increase or maintain its competitiveness, which in turn could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**EDP depends on relationships with joint venture partners and other third parties for revenues**

EDP has in the past invested in assets alongside other business partners or executed M&A deals such that created jointly-held assets, with EDP holding a minority interest, control or equal rights. Some of these joint ventures are significant to the successful execution of EDP's strategy, such as the joint-venture with Engie in offshore wind generation.

In these instances of joint-ventures, business partnerships or other shared asset holdings in which EDP is currently involved or may be in the future, there is a risk of governance disputes causing operational or managerial difficulties such as slower decision making, limitations in asset rotation deals, increased difficulty in refinancing these businesses or adverse spillover reputational effects from a business partner's actions. These examples or other forms of governance risks can result in reduced profitability, reputational risks or other impacts in the perceived value of the Company. Although no such issues have materially affected the Company in the past, there can be no assurance of that being the case in the future.

Joint venture transactions present certain operational risks, including the possibility that joint venture partners may have economic, business or legal interests or goals that are inconsistent with those of EDP, may become bankrupt, may refuse to make additional investments that the Group deems necessary or desirable or may prove otherwise unwilling or unable to fulfil their obligations under the relevant joint venture agreements. To the extent that EDP does not control a joint venture, the joint venture partners may take action that is not in accordance with the Group's policies or objectives. For example, joint venture partners may have the ability to block business, financial or management decisions, such as the decision to distribute dividends or appoint members of management, which may be crucial to the success of the project or to the investment in the project or otherwise implement initiatives that are contrary to the Company's interest. In addition, there is a risk that such joint venture partners may ultimately become competitors of the Group.

Further, the success of these joint ventures also depends, in large part, on the satisfactory performance by EDP's joint venture partners of their contractual, financial, legal, regulatory and other obligations, including their obligation to commit working capital, equity or credit support, to support their indemnification and other contractual obligations and to comply with applicable law and regulation. If a joint venture partner fails to perform its obligations satisfactorily or the relationship between the joint venture partners deteriorates or, ultimately, breaks down, for whatever reason, the joint venture may be unable to adequately perform or deliver its contracted services. Under these circumstances, the Group may be required to make additional investment and provide additional resources to ensure the adequate performance and delivery of the contracted services and there can be no assurance that EDP will recover any additional investment or additional resource in a timely manner or at all. This could in turn have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**EDP is subject to increasing competition in the markets and regions where it operates**

Structural changes in competition in the markets where EDP operates may have an impact on the Company's business activity, such as new entrants to the market, declines in demand, excess capacity or the launch of marketing campaigns, products or services.

In the Renewables segment (for more information see Chapter 10 – "*Description of the Issuer's business*"), increased competition may cause EDP to be unsuccessful in obtaining licenses for the construction or operation of new power plants, in acquiring available sites and grid interconnection rights, and in setting prices for energy produced. Although EDP has generally been able to obtain a sufficient number of interconnection rights through tender processes in the past, there is no certainty that it will be able to obtain such rights in the future, particularly in light of an increasingly competitive environment. Failure to obtain these rights may cause delays to, or prevent the development of, EDP's wind and solar power projects and affect the recoverability of any cost incurred. In addition, EDP's existing or future interconnection rights may not be sufficient to allow EDP to deliver electricity to a particular market or buyer. Wind and solar farms can be negatively affected by transmission congestion from other companies when there is insufficient available transmission capacity, which could result in lower prices for wind and solar farms selling power into locally priced markets, such as certain U.S. markets. The renewable energy market has been subject to an increase in the number of competitors with different backgrounds (including traditional companies operating in the utilities sector, newly specialized renewable companies, financial investors, companies from the oil & gas sector and others). These and other competitors may benefit from a number of advantages, including control of significantly greater resources, wider diversification of risk, larger financial capacity, improved economies of scale, enhanced specialization and technological innovation and/or broader or deeper technical and operational expertise. Increased competition may hinder the ability of EDP to grow in installed renewable capacity and deliver its strategic targets.

In the Networks segment (for more information see Chapter 10 – "*Description of the Issuer's business*"), EDP also faces competition with respect to its electricity transmission and distribution businesses, namely through competitive bids in auctions for new concessions and or/renewal of existing concessions in the different geographies where EDP is present or seeks new business. Increased competition could materially adversely affect the profitability and growth of this particular business and, in turn, the profitability of EDP.

In the Client Solutions and Energy Management segment (for more information see Chapter 10 – "*Description of the Issuer's business*"), the liberalized market in Portugal, Spain and Brazil, which were created to increase competitiveness in electricity and natural gas supply markets, have observed aggressiveness of retail offers from suppliers competing with EDP and added further volatility in terms of market shares and unit price margins. Moreover, there is a risk that the liberalized market may result in deviations in actual consumption that differ from EDP Group's forecasting model. EDP may not be able to anticipate the various risks and opportunities that may arise in the liberalized markets in Portugal, Spain and Brazil's electricity and natural gas markets, and the eventual end of the role of last resort suppliers in the regulated market, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP may also increasingly face new entrants with distinct competitive advantages in terms of technological skills and distribution channels, namely in decentralized solar, electric mobility, demand-side management and internet-of-things areas. Such competition, being generally different from the traditional players of this industry, may make it more difficult for EDP to achieve its strategy or may cause it to lose market share in existing businesses.

**EDP's international operations are exposed to a variety of economic, social and political risk which have a material adverse effect on EDP's results of operations and financial condition**

EDP has a significant share of its activities distributed across various countries, including in Latin America and North America. In the future, the Company may increase the share of its operations in these geographies and/or enter new countries. As a result, EDP is exposed to a variety of global and local economic, political, regulatory and social conditions, including, among others, energy market risks, regulation changes and compliance with local legislation.

In some geographies where EDP operates or others where it may enter in the future, public institutions and governments may be characterized by lack of transparency, corruption, lower level law enforcement and difficulties in protection of contractual and property rights or other practices that go against EDP's ethical principles and legislation or regulations to which it is subject in other countries, namely anti-corruption and/or anti-bribery legislation. In addition, EDP's activities and/or procedures in a given country may be affected by legislation, sanctions, embargoes or other restrictions imposed by another country. Failure to comply with any of these regulations and laws may result in fines or penalties and legal liabilities. Moreover, some regions may face heightened risks of terrorism, civil unrest, war or other threats to the safety of EDP's or its affiliates' employees, assets and/or facilities. These impacts, alongside other economic risks related to inflationary pressures, capital flow and exchange rate controls and unexpected political intervention in the economy create additional risks for EDP that could adversely materialize into lower profitability, difficulties in receiving cashflows from subsidiaries or affiliates, loss of assets or their economic value, reputational impact and legal exposure.

**EDP's Brazilian operations expose EDP to economic and regulatory risks**

EDP has long-standing operations in Brazil, through its listed subsidiary EDP Brasil and the Brazilian operations of EDP Renováveis, S.A. ("**EDP Renováveis**"). EDP's Brazilian revenues from energy sales and services and other account for 22.12% of EDP's total revenues from energy sales and services and other in FY 2017, 21.35% in FY 2018 and 24.64% in FY 2019.

The market price of EDP Brasil's shares have an impact on the market price of the EDP's shares as a result of the relative size of the Group's investment in EDP Brasil. The trading price of EDP Brasil's shares has been and may continue to be volatile and could fluctuate due to general market and industry factors, including political, regulatory, economic and social conditions in Brazil, factors affecting equity markets in Brazil as well as factors relating to EDP Brasil's business. Any such change in the value of EDP Brasil shares may have a material impact on the Group and the market value of EDP's shares.

EDP's operations in Brazil through EDP Brasil also subject EDP to a number of risks, which are:

- fluctuations in currency exchange rates;
- foreign and legal regulatory requirements;
- difficulties in managing and staffing international operations;
- potentially adverse tax consequences, including complexities of international tax systems and restrictions on the repatriation of earnings;
- expropriation or governmental regulation restricting foreign ownership or requiring divestiture;
- increases in the cost of labor (as a result of unionization or otherwise);
- environmental and climate change;
- the burdens of complying with different legal standards; and
- political, social and economic upheaval.

The occurrence of any of these risks could in particular negatively affect the Group's Brazilian operations, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

### 2.3. Risks relating to EDP's operational activities

**Certain members of the Issuer's Executive Board of Directors are currently suspended from their respective functions pursuant to an investigation relating to amounts due in connection with the early termination of certain PPAs and the costs for the maintenance of the contractual balance and certain payments made in relation to its rights in respect of the Public Hydro Domain concession**

In 2003, changes in European Union legislation occurred aiming to deepen the liberalization of the energy sector. In parallel, the government of Portugal and Spain assumed the commitment for the implementation of Mercado Ibérico de Electricidade – Iberian Electricity Market ("**MIBEL**"). Aiming to achieve such objectives, the Decree-Law no. 240/2004 was published, which provided for the early termination of the Power Purchase Agreements ("**PPA**s") that were signed in 1996. As a result of this required early termination, EDP and REN - Rede Eléctrica Nacional, S.A. ("**REN**") agreed in 2005, subject to a set of conditions (and with amendments in 2007), to the early termination of their long-term PPAs, with effect on the date in which such conditions were met (meaning July 1, 2007). One of such conditions was the grant of the right of use for the Public Hydro Domain ("**DPH"**) until the useful life of the equipment and of the civil infrastructures, for each hydroelectric power plant. The methodology which was used to determine the amount of the compensation that EDP was entitled to receive in connection with such early termination, the CMEC, was approved by the EC in 2004 (Decision N161/2004) which considered the compensation as effectively and strictly necessary. Moreover, Decree-Law no. 240/2004 was passed under legislative authorization by the Portuguese parliament.

On March 8, 2008, following the provision of Decree-Law no. 226-A/2007 that targeted the regularization of historic rights regarding the use of DPH, the Government, REN and EDP Produção signed several service concession arrangements for which EDP Produção paid 759 million Euros as consideration of the economic and financial balance for the use of the DPH (including hydro resources tax, amounting to 55 million Euros). The additional payment obligation did not exist within the 2004 legal framework that granted to hydroelectric power plants holders the option to continue to exploit such plants until the end of the respective useful life.

In 2012, the European Commission ("**EC**") and the Portuguese authorities ("**Public Prosecution Services**") received complaints concerning the early termination of the PPAs and the methodology of the costs for the CMEC, as well as in respect of EDP's rights to use the DPH.

Following the complaint received, the EC requested clarifications from the Portuguese State in relation to the early termination of the PPAs and its replacement for the CMEC, having concluded in September 2013 that the compensation payments received for early termination did not exceed what was necessary to repay the shortfall in investment costs repayable over the asset's lifetime, and determined that the implementation of the CMEC remains in keeping with the terms notified to and approved by the EC in 2004. Thus, the EC decided that no in-depth investigation into the CMEC process was required. Nevertheless, in the same document, the EC considered relevant to perform in-depth investigation regarding the concession rights of DPH by EDP plants.

On May 15, 2017, the EC formally concluded its in-depth investigation into the DPH concession rights concluding that the compensation paid by EDP was compatible with market conditions. The EC also concluded that the financial methodology used to assess the price of the concessions was appropriate and resulted in a fair market price, and therefore, no state aid had been granted to EDP.

As such, EDP believes that the amounts due for the termination of PPAs under the CMEC and the amount paid for the DPH concession rights were fair and in compliance with market conditions and based on arm's length transactions.

On June 2, 2017, the Issuer became aware of Portugal's Public Prosecution Services investigation ("**Investigation**") in relation to the amounts due to EDP for the termination of the PPAs and compensation paid by EDP for the DPH concessions (in the context of which EDP allegedly has been favored in the amount of EUR 1.2 billion, of which (i) EUR 339.5 million allegedly relate to the use of inadequate interest rates in the calculation and tariff repercussion of the initial CMEC (ii) EUR 852 million allegedly relate to the use of incorrect interest rates in the valuation of the DPH and (iii) EUR 55 million allegedly relating to a supposed "pardon" of the water resources tax). Portugal's Public Prosecution Services stated that the investigation relates to possible crimes of active and passive corruption and economic participation in business and it conducted searches at the offices of EDP, grid operator REN and the local division of a consulting group. In the context of the Investigation, the Portuguese Public Prosecution Services stated that Mr. António Luís Guerra Nunes Mexia and Mr. João Manuel Manso Neto, chairman and member of the Executive Board of Directors, respectively, as well as former EDP directors that had signed the relevant contracts, were named as targets of the Investigation.

On June 5, 2020, EDP's Chairman of the Executive Board of Directors, Mr. António Luís Guerra Nunes Mexia, and Member of the Executive Board of Directors of EDP Mr. João Manuel Manso Neto, were notified of the Public Prosecution Services' proposals to the Portuguese Central Court of Criminal Investigation (the "**Court**") regarding a review of the measures of constraint against such individuals in connection with the Investigation. The proposed measures being sought by the Public Prosecution Services included the suspension of their functions as members of the Executive Board of Directors of EDP and its subsidiaries.

On July 6, 2020, the Court adopted the measures of constraint being sought by the Public Prosecution Services and Mr. António Luís Guerra Nunes Mexia and Mr. João Manuel Manso Neto were suspended from their functions at EDP and its subsidiaries. The Investigation continues in the inquiry phase and neither Mr. António Luís Guerra Nunes Mexia nor Mr. João Manuel Manso Neto have been formally charged.

On July 6, 2020, the General and Supervisory Board and the Executive Board of Directors designated Mr. Miguel Stilwell de Andrade as Interim Chairman of the Executive Board of Directors while Mr. António Luís Guerra Nunes Mexia is suspended, in addition to his current role as Chief Financial Officer.

As the Investigation is ongoing, there can be no assurance as to its ultimate outcome, including whether any formal charges will be brought against Mr. António Luís Guerra Nunes Mexia, Mr. João Manuel Manso Neto or any other persons or entities. It is not possible to predict any outcome at this stage in the process. Any such developments could have a material adverse effect on EDP's reputation, business, financial condition, and/or results of operations.

**EDP was notified that, in the context of the Investigation, the Public Prosecution Services has requested that EDP be named as a defendant regarding the alleged improper hiring of the father of the former energy secretary of state, Mr. Artur Trindade, which could have a material adverse effect on EDP's reputation, business, financial condition, and/or results of operations**

On July 13, 2020, EDP was notified that, in the context of the Investigation, the Public Prosecution Services has requested that EDP be named as a defendant – under articles 374 (active corruption) and 374-A (qualification) of the Portuguese Penal Code – in connection with the alleged improper hiring of the father of the former Energy Secretary of State, Mr. Artur Trindade (also named Artur Trindade) as an external consultant to EDP's Institutional Relations and Stakeholders Department, between 2012 and 2016.

According to the notification, the Public Prosecution Services proposes to convene a hearing of EDP's legal representative to take place between July 20 to 24, 2020 or on August 6 or 7, 2020, at which EDP expects that it will be formally named as a defendant in relation to this investigation.

As the investigation is ongoing, there can be no assurance as to its ultimate outcome, including whether any charges will be brought against EDP by the Public Prosecution Services. While it is not possible to predict the outcome of any of the proceedings at this stage in the process, these matters could require significant attention from the Company's senior management and result in significant legal and other expenses. Any such developments could have a material adverse effect on EDP's reputation, business, financial condition, and/or results of operations.

**Delays in constructing or connecting its electricity generation, transmission and distribution facilities could have a material adverse effect on EDP's results of operations or financial condition**

EDP faces risks relating to the construction of its electricity generation, transmission and distribution facilities, including risks relating to the availability of equipment from reliable suppliers, availability of building materials and key components, availability of key personnel, including qualified engineering personnel, delays in construction timetables and completion of the projects within budget and estimate date of commissioning and to required specifications. EDP may also encounter various setbacks such as adverse weather conditions, difficulties in connecting to electricity transmission grids, construction defects, delivery failures by suppliers, unexpected delays in obtaining zoning and other permits and authorizations or legal actions brought by third parties. Such problems or delays could expose EDP to a variety of costs, including, among others, increasing EDP's construction costs, exposing it to contractual damages, or delaying when EDP expects to begin accruing benefits under such facilities or contracts. In addition, a decision to postpone or cancel construction of a project may lead to penalties and a loss of payments performed, for example, in connection with concession license rights.

**Equipment failure may negatively impact EDP's results of operations and financial performance**

EDP's business and ability to generate revenue depend on the availability and operating performance of the equipment necessary to operate its power plants and electricity transmission and distribution networks. Mechanical failures or other defects in equipment, or accidents that result in non-performance or under-performance of a power plant or electricity transmission or distribution network could have a material adverse effect on EDP's business, financial condition, results of operations and prospects. The cost to EDP of these failures or defects is reduced to the extent that EDP has the benefit of warranties or guarantees provided by equipment suppliers that cover the costs of repair or replacement of defective components or mechanical failures, or the losses resulting from such accidents can be partially recoverable by insurance policies in force. However, while EDP typically receives liquidated damages from suppliers for shortfalls in performance or availability (up to an agreed cap and for a limited period of time), there can be no assurance that such liquidated damages would fully compensate EDP for the shortfall and resulting decrease in revenues or penalties incurred, or that such suppliers will be able or willing to fulfil such warranties and guaranties, which in some cases may result in costly and time-consuming litigation or other proceedings, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**Information technology ("IT") system failures or breaches could materially adversely affect EDP's operations**

EDP's IT systems are critically important in supporting all of its business activities. Failures in EDP's IT systems could result from technical malfunctions, human error, lack of system capacity, security or software breaches. The introduction of new technologies and the development of new uses, such as social networking, expose EDP to new threats. In addition, cyber-attacks and hacking attempts to which companies may fall victim are increasingly targeted and carried out by specialists. Any failure or malfunctioning of EDP's IT systems could seriously affect its businesses and result in, among other things, breaches of confidentiality, delays or loss of data.

EDP has in the past been, and may in the future be, the target of cyber-attacks. Although such cyber-attacks have not materially impacted the Group's business or financial condition to date, there can be no assurance that the Group will not be materially impacted by cyber-attacks in the future, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

In addition, EDP also collects and stores sensitive data from customers, business partners, suppliers, institutional stakeholders and internal confidential information that is needed for its operations. This data is subject to data privacy protection regulations, namely the General Data Protection Regulation ("**GDPR**") in the European Union. Any events related to cyber-attacks, security breaches, computer viruses, malware or other that result in the loss of control of this data can potentially have a negative impact on EDP by means of regulatory fines, legal claims or liabilities, loss of customer confidence, reputational effects and otherwise materially adversely affect EDP's business, results of operations, financial condition and prospects. EDP's strategy also encompasses a commitment to digitalizing its operations and technology in order to allow the company to become more agile, flexible, global and efficient. Failure to meet such commitment could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**EDP's power plants are susceptible to industrial accidents, and employees or third parties may suffer bodily injury or death as a result of such accidents**

The design and manufacturing process is ultimately controlled by EDP's equipment suppliers or manufacturers rather than EDP, and there can be no assurance that accidents will not result during the installation or operation of this equipment. Such accidents or events could cause severe damage to EDP's power plants and facilities, requiring extensive repair or the replacement of costly equipment and may limit EDP's ability to operate and generate income from such facilities for a period of time. Such incidents could also cause significant damage to natural resources or property belonging to third parties, or personal injuries, which could lead to significant claims against EDP and its subsidiaries. The insurance coverage that EDP maintains for such natural disasters, catastrophic accidents and acts of terrorism may become unavailable or be insufficient to cover losses or liabilities related to certain of these risks. The materialization of any of these risks could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**EDP is unable to insure itself fully or against all potential risks and may become subject to higher insurance premiums**

EDP's business is exposed to the inherent risks in the construction and operation of power plants, electricity distribution and transmission grids and other energy related facilities, such as mechanical breakdowns, manufacturing defects, natural disasters, terrorist attacks, sabotage, personal injury and other interruptions in service resulting from events outside of EDP's control. EDP is also exposed to environmental risks, including environmental conditions that may affect, destroy, damage or impair any of its facilities. EDP has taken out insurance policies to cover certain risks associated with its business and it has put in place insurance coverage that it considers to be commensurate with its business structure and risk profile, in line with general market practice. EDP cannot be certain, however, that its current insurance policies will fully insure it against all risks and losses that may arise in the future. Malfunctions or interruptions of service at EDP's facilities could also expose it to legal challenges and sanctions which may not be covered by insurance.

In addition, while EDP has not made any material claims to date under its insurance policies that would make any policy void or result in an increase to the premiums payable in respect of any policy, EDP's insurance policies are subject to annual review by its insurers and EDP cannot be certain that these policies will be renewed at all or on similar or favorable terms.

The Company owns a captive insurer and thus self-insures part of its operational risks in order to optimize its insurance programs in terms of risk held and premia costs. The existence of captive insurer creates additional risks related to the adequate financial management of internal premia that could lead to losses on financial investments held and ultimately inadequate self-coverage and higher costs in the event of operational risks. If the Group suffers loss or damage that is not covered by insurance (including where the Group has decided to absorb the risk through self-coverage) or which exceeds its insurance cover, or has to pay higher insurance premia, this could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**EDP may have difficulty in hiring and retaining qualified personnel**

In order to maintain and expand its business, EDP needs to recruit, promote and maintain executive management and qualified technical personnel. An inability in the future to attract or retain sufficient technical and managerial personnel could limit or delay EDP's development efforts or negatively affect its operations.

The loss of key executive management or technical personnel could lead to a loss of specific know-how in several areas of the Company's activities, namely but not exclusively energy management, financial management, renewables' supply chain management, thermal plants supply chain management, renewables' site discovery and project development, dispatch of power networks and power plants, maintenance of power networks and power plants or construction and dismantling of power plants. There can be no assurance that such losses will not occur or that adequate replacement would be found, which exposes EDP to a potential loss of competitiveness possibly resulting in diminished profitability and growth prospects, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**EDP is subject to the risk of labor disputes, adverse employee relations and shortage of key personnel, each of which could adversely affect its operations and business**

Labor disputes could result in work stoppages, thereby damaging EDP's operations and cause EDP to obtain lower revenues due to fall in sales or to incur in additional costs, such as increased labor costs or other liabilities. Although EDP has not experienced any significant labor disputes or work stoppages to date, its existing labor agreements may not prevent a strike or work stoppage at any of EDP's facilities in the future.

Shortage of key personnel could lead to difficulties in executing critical operations and assuring the normal flow of the various activities that EDP executes. This could potentially lead to unexpected costs, loss of revenue and legal liabilities. Although the COVID-19 pandemic has not materially impacted EDP's critical operations, a negative labor market environment could create difficulties in maintaining critical activities, such as the dispatch and maintenance of power plants and power networks.

The materialization of any of these risks could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**EDP may be materially adversely affected by changes in tax laws or regulations or by an increase in taxes or reduction of tax benefits**

EDP is subject to corporate income tax, withholding tax, value added tax, payroll taxes and social security taxes and, in certain jurisdictions, local taxes on income or assets. EDP is also subject to taxes and levies which are specific to the energy sector. Any change in the applicable tax laws or the interpretation thereof by tax authorities or courts can affect EDP's profit and the value of its deferred taxes. For example, the jurisdictions in which EDP operates could either increase the applicable income tax rates or seek to enlarge the taxable base to generate more tax revenue, could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

Tax laws are subject to interpretation from the courts and tax authorities. Tax authorities may take the view that EDP's interpretations are inaccurate or disagree with EDP's views on such tax laws. Additionally, EDP may, from time to time, vary the way it conducts business to seek greater efficiency, which could entail a change in its tax policies, the correctness of which EDP may not be able to verify with the tax authorities.

Although EDP believes it has interpreted relevant tax laws and regulations in a correct manner, relevant tax authorities may disagree with, and subsequently challenge, its positions, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**Companies in EDP Group are parties to tax litigation proceedings, the results of which could materially affect the results of EDP**

In the ordinary course of business, EDP has been, and may from time to time in the future, be subject to tax legal proceedings.

For instance, EDP has disputed the legality of the CESE in Portugal. See sub-chapter 11.3.2 ("*Regulatory framework of the Issuer's activity – Portugal – The Electricity Value Chain*"). EDP challenged the constitutionality of CESE and temporarily withheld its payment of the levy in 2017 but has made the corresponding payments while the legal proceeding is ongoing. For the years ended December 31, 2017, 2018 and 2019, EDP recorded the following amounts regarding its CESE obligations: EUR 69,246 million, EUR 65,345 million and EUR 68,477 million, respectively. There can be no assurance EDP will be successful in such challenge or that EDP will not be required to pay CESE in subsequent years.

## 2.4. Risks relating to the financial markets and financial activities of EDP

**Foreign exchange rate fluctuations may negatively impact EDP's results of operations and financial condition**

EDP is subject to the risk associated with fluctuations in the cost of the purchase and sale of fossil fuels, electricity and related services, and with the cost of investments denominated in foreign currencies. EDP is also subject to the risk of transactional foreign currency, as well as currency fluctuations which can occur when EDP incurs revenue in one currency and costs in another, or its assets or liabilities are denominated in foreign currency, and there is an adverse currency fluctuation in the value of net assets, debt and income denominated in foreign currencies, (and in the extreme case, exchange rate and capital controls).

Moreover, certain of EDP's operating subsidiaries have in the past and may in the future enter into agreements or incur substantial Capex denominated in a currency that is different from the currency in which they generate revenues, creating a potential exposure to loss of profitability in the event of one or both of these currencies' exchange rate adversely changing.

EDP is also exposed to currency translation risk when the accounts of its businesses outside the Eurozone, denominated in the respective local currencies, are translated into its consolidated accounts, denominated in Euros, creating a potential exposure to loss of economic value in the event of one or more currencies' exchange rate adversely changing.

EDP's most material foreign exchange exposures are the United States Dollar and the Brazilian Real, the latter of which has in the past experienced high volatility and more recently, amid the COVID-19 pandemic, has depreciated by 24% from December 31, 2019 to May 31, 2020.

Although EDP attempts to naturally hedge currency fluctuation risks by matching its non-euro costs with revenues in the same currency as well as by using various financial instruments, there can be no assurance that EDP will always be successful in doing so. For example, with respect to the financial instruments held by the Group, the Group undertakes a sensitivity analysis to determine the impact on its profit or loss after taxes of a positive or negative 10% movement in the EUR/USD exchange rate. In 2019, assuming a positive 10% movement in the EUR/USD exchange rate, the Group's profit after taxes would have decreased by EUR 4.5 million. For further information, see note 5 to the Annual 2019 Audited Consolidated Financial Statements included in the Annex of this Prospectus. There can be no assurance that EDP's efforts to mitigate the effects of currency exchange rate fluctuations will be successful, that EDP will continue to undertake hedging activities or that any current or future hedging activities EDP undertakes will adequately protect its financial condition and operating results from the effects of exchange rate fluctuations, that these activities will not result in additional losses or that EDP's other risk management policies will operate successfully. For more information, please see sub-chapter 8.2 ("*Principal factors affecting results of operations - Foreign Exchange Rates*").

**EDP's level of indebtedness could have significant adverse consequences, including interest rate risk, and its cash flow may be insufficient to meet its debt service obligations when due**

EDP relies on access to short-term commercial paper, money markets and long-term bank and capital markets as sources of finance. EDP's consolidated nominal debt amounted to EUR 15,058 million as of March 31, 2020. See sub-chapter 8.6.6 ("*Indebtedness*"). In recent years, global financial markets have experienced extreme volatility and disruption and ongoing adverse financial market conditions as a result of COVID-19, which could increase EDP's cost of financing in the future, particularly as a result of its debt refinancing requirements. An increase in short-term or long-term base interest rates could also negatively impact EDP's cost of debt and reduce cash available for servicing the Group's indebtedness, particularly given that, as of March 31, 2020, one-third of EDP's financial debt has floating rate exposure. If the Group's cash flows and capital resources are insufficient to fund its debt service obligations it may be forced to reduce or delay investments and Capex, sell assets, seek additional capital or restructure or refinance its indebtedness.

Persisting low interest rates in the Euro Zone may create additional challenges in case of financial crisis due to increased difficulties in stimulating economic growth with monetary policy, which could have a material impact on EDP's ability to access capital markets and on liquidity. For more information, please see sub-chapter 8.2 ("*Principal factors affecting results of operations - Interest rates and inflation*"). In addition, as a result of the impact of COVID-

19, EDP's access to new funding may also be more limited or more costly, due to generalized heightened credit risk concerns and financial markets' volatility, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**EDP's financial position may be adversely affected by changes to EDP's credit ratings**

Some of EDP's debt is rated by credit rating agencies, and EDP is targeting a 'BBB' credit rating through debt reduction and credit metrics improvement. Any downgrade in EDP's credit ratings could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

In the event of a rating downgrade it is possible that EDP's funding options would be reduced and the cost of new debt would increase. In addition, under such a scenario, EDP would have increased liquidity needs due to the existence of rating trigger clauses in some PPAs and other contracts that require the Company to increase financial guarantees posted.

**EDP is exposed to counterparty risk in some of its businesses**

EDP's electricity and natural gas supply to final customers, its energy wholesale activities in the Iberian Peninsula and in international markets, as well as its PPAs in the United States, Italy, Belgium and Brazil, are all subject to counterparty risk. Additionally, in the normal course of its financial management, EDP enters into agreements (deposits, underwritten credit facilities and derivative instruments) with diversified financial institutions. Should the creditworthiness of these counterparties significantly change, EDP's liquidity and financial position could be negatively affected, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects. During any recession or macro-economic downturn, such as the current COVID-19 pandemic, counterparty risks tend to rise, reflecting the increase in uncertainty regarding future economic evolution. With higher counterparty risk, EDP's exposure to defaults or increased difficulties in doing business could lead to worsened profitability and growth prospects. While EDP seeks to mitigate counterparty risk by entering into transactions with creditworthy entities, by setting counterparty exposure limits, by diversifying counterparties and/or by requiring credit support, there can be no assurance EDP will be able to successfully do so. For example, EDP primarily faces the risks that counterparties may not comply with their contractual obligations, they may become subject to insolvency or liquidation proceedings during the term of the relevant contracts or the credit support received from such counterparties will be inadequate to cover EDP's losses in the event of its counterparty's failure to perform.

**EDP may not be able to finance its planned Capex**

EDP's business activities require significant Capex, namely the execution of its business plan which projected significant growth in additions of renewable plants. EDP expects to finance a substantial part of these Capex from cash from its operating activities and proceeds from asset sales. If these sources are not sufficient, however, EDP may need to finance certain of its planned Capex from outside sources, including bank borrowing, Offers in the capital markets, institutional equity partnerships, state grants or divestments. No assurance can be given that EDP will be able to raise the financing required for its planned Capex on acceptable terms or at all. If EDP is unable to raise such financing, it may have to reduce its planned Capex which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**EDP's business requires high upfront investments based on forecasts and estimates of future returns that may not be realized**

EDP has significant construction and Capex requirements, and the recovery of its capital investment occurs over a substantial period of time. The capital investment required to develop and construct a power plant generally varies based on the cost of the necessary fixed assets, such as material equipment costs and labor construction services. The price of such equipment or construction services may increase, or continue to increase, if the market demand for such equipment or services is greater than available supply, or if the price of key component commodities and raw materials used to build such equipment increases. In addition, the volatility in commodity prices could increase the overall cost of constructing, developing and maintaining power plants in the future. Other factors affecting the amount of capital investment required include, among others, construction costs and interconnection costs. The Group is also required to commit significant Capex for maintenance purposes throughout the operational period of the Group's assets. There can be no assurance such Capex will not differ from the levels initially expected, which could have a material adverse effect on EDP's business, financial condition, results of operations and.

Furthermore, EDP makes significant long-term Capex and commitments on the basis of forecasts on certain investment parameters, including prices, volumes and interest rates which may turn out to be inaccurate. In the event of any material deviations from such estimates, EDP may not earn the expected return on related projects. In such instance, and also due to the level of indebtedness of the Company related to the capital intensive nature of its business, EDP may find it more difficult to cover the debt interest rate with the asset's returns, potentially leading to a competitive disadvantage relative to peers that lead EDP to forgo opportunities and/or require the Company to sell asset or issue further equity to meet its financial commitments.

Additionally, in order to explore growth opportunities, EDP regularly incurs expenditure in exploring, developing and planning new projects. Such projects may or may not reach a stage where they become fully operational, thus incurring higher than expected costs. The ability to translate EDP's projects from an in-development to a fully-operational stage depends on several factors, including, inter alia, the prices, the availability of PPAs and the market conditions of where a project is located.

**EDP faces liquidity risk and may face shortage of cash to meet obligations**

EDP's sources of liquidity include short-term deposits, revolving credit facilities and underwritten commercial paper programs with a diversified group of financial institutions. There is the risk of devaluation of the financial assets that EDP holds (traded on securities markets) or increased difficulty or cost of short-term refinancing. However, if the creditworthiness of the financial institutions on which EDP relies for its funding significantly change or if financial conditions deteriorate, EDP's liquidity position could be negatively affected, which could in turn have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

Moreover, EDP's liquidity management also considers expected future incoming cash from its operations or financial activities, as well as expected future cash outflows to meet commitments with employees, investors, suppliers, counterparties, business partners and other stakeholders. Especially cash inflow, but also cash outflow projections can vary significantly and cause EDP to decrease cash and cash equivalent holdings and/or to increase external financing to compensate this volatility. If under such a scenario external financing was not readily available or was only available at a higher cost, EDP could face higher financing expenses, reputational risks that impair its business prospects or even shortage of cash and failure to meet commitments with its stakeholders, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

**EDP has significant funding obligations in relation to its defined pension and benefits schemes. Low investment return, high inflation, long life expectancy and regulatory changes may result in the cost of funding of such schemes becoming a significant burden on the Group's financial resources**

EDP grants some of its employees a supplementary retirement and survival plan including death subsidy ("**Pension Plan**") as well as a medical plan ("**Medical Care Plan**"). The liabilities and corresponding annual costs of these defined benefit Pension and Medical Care Plans are determined through annual actuarial calculations by independent actuaries. The most critical risks relating to employee benefit plans accounting often relate to the returns on Pension and Medical Care Plans assets and the discount rate used to assess the present value of future payments. Pension and medical care liabilities can place significant pressure on cash flows, in particular, if any of EDP's funds become underfunded according to local regulations, EDP or its relevant subsidiary may be required to make additional contributions to the funds. The Pension and Medical Care Plans in Portugal are currently governed by the collective labor agreement entered into in July 2014. As of March 31, 2020, provisions for current employee benefits including pension and medical liabilities amounted to EUR 181.2 million, while non-current employee benefits amounted to EUR 1,151.7 million.

### 2.5. Risks related to the shareholding structure of the Issuer

**Shareholders who do not exercise their rights shall suffer a significant dilution in the percentage of shares held in EDP**

The Offer allows EDP to increase its share capital in a way which attributes its shareholders the opportunity to subscribe the New Shares to be issued. The shareholders that do not exercise their Subscription Rights in the subscription of New Shares shall witness the respective proportion of share ownership and voting rights in EDP reduced as well as the percentage of ownership of ordinary shares in EDP following the completion of the Offer. In case the share capital increase is fully subscribed, such dilution shall be equivalent to 7.8%, resulting from the quotient between the amount of New Shares issued pursuant to the Offer and the total amount of shares representative of the Issuer's share capital after the Offer. As an example, for the current shareholders that do not exercise their Subscription Rights pursuant to the Rights Issue, a participation in the share capital of EDP corresponding to 1% shall be reduced to approximately 0.922%, after the capital increase, assuming that the shareholder does not exercise any Subscription Rights and that the share capital increase is fully subscribed.

Even if the shareholder opts to sell its Subscription Rights the value of the consideration received may not be enough to compensate such shareholder for the dilution of its percentage in the ownership of ordinary shares of EDP which may result from the Offer.

**The Articles of Association of EDP contain restrictions regarding the exercise of functions in its corporate bodies by competing persons**

Article 10 of EDP's Articles of Association establishes that the performance of functions in any corporate body is incompatible with, *inter alia* (i) the status of a legal person that is a competitor of EDP or a company in a control or group relation with EDP and (ii) the nomination, even if only a *de facto* nomination, as a member of a corporate body, if made by a legal person that is a competitor of EDP or by a legal person or individual related to a legal person that is a competitor of EDP (meaning it exercises an activity developed by EDP or a company controlled by EDP in Portugal or abroad, in the latter case provided that the EDP Group company exercises such activity through a permanent establishment).

While this incompatibility may not apply, in the case only of the general and supervisory board, if the appointment by EDP's competitor is authorized by a resolution of the general shareholder's meeting (by a majority of two thirds of the votes cast), the person so appointed may still not be present or participate in meetings of the general and supervisory board in which subjects involving competition risk or other sensible topics are discussed.

Therefore any person, even an investor subscribing New Shares pursuant to the Offer, shall be prevented from being appointed or from nominating a third person to exercise functions in the corporate bodies of EDP (or being severely restricted in exercising such functions, in case of a member of the general and supervisory board appointed pursuant to the process described in the last paragraph), if such person or investor is considered a competing person pursuant to EDP's Articles of Association.

**The limits on the exercise of voting rights set forth in EDP's Articles of Association may restrict the ability of shareholders to influence the resolutions taken at the Company's General Meeting**

In accordance with article 14(3) of EDP's Articles of Association, votes cast by a shareholder, on its own account or on behalf of another shareholder, that exceed 25% of the votes corresponding to EDP's share capital, shall not be taken into account in the voting of resolutions of the General Meeting.

Pursuant to article 14(4) of EDP's Articles of Association, it shall be deemed as cast by the same shareholder the votes that, under the terms of article 20(1) of the PSC, are attributable to it.

In case the subscription of the New Shares pursuant to the Offer results in any one shareholder being attributed (by itself and through the voting rights held by the entities related to it mentioned under article 20(1) of the PSC) with voting rights corresponding to more than 25% of EDP's share capital, said shareholder shall have its voting rights limited to 25% of EDP's share capital, therefore impairing the ability of the shareholder to influence the decisions of the General Meeting and ultimately to shape EDP's corporate governance, equity story and other relevant characteristics of the Company.

## 2.6. Risks related to the Offer, EDP shares and the market

**The volatility of the market may trigger a fall in the price of EDP's shares and in the value of the investment**

The shares representing EDP's share capital are admitted to trading on the regulated market Euronext Lisbon market and therefore the price of the shares representing EDP's share capital may vary.

The market may be subject to fluctuations and the price of EDP’s shares may be more or less volatile due to several factors (many of which are not under EDP’s control). These factors are, notably:

- The risk factors described in this Prospectus;
- The entry of new competitors in the market where, at each moment, EDP acts;
- Factors such as legislative, regulatory and tax changes in Portugal and in other jurisdictions in which EDP Group operates;
- Fluctuations in the operating results of EDP and EDP Group and in the expectations of investors in this regard;
- General conditions of the Portuguese economy, the budget deficit and the sustainability of the public debt;
- Political conditions and stability perception in Portugal, in the European Union and in other relevant geographical areas;
- Actual or estimated changes in the activity, results or financial situation of EDP Group;
- Variations in financial estimates and analysts’ recommendations regarding EDP or the sectors in which it operates, as well as variations in the conditions of the financial and capital markets in general (namely the securities market in Portugal);
- Announcements made by EDP or its competitors about significant contracts, merger and acquisition agreements, new services and products, any major operating event or future issue or disposal of EDP’s shares;
- Changes in investors’ perception of EDP and of the investment environment.

This volatility could have a negative effect on the market price of EDP’s shares.

General market and industry factors may adversely affect the market price of EDP’s shares, regardless of the operating performance of its subsidiaries.

In addition, if a significant number of EDP’s shares are acquired by a limited number of institutional investors, the number of entities holding EDP’s shares may be reduced, which, consequently, may have a negative influence on the shares’ liquidity. As a result, the price of EDP’s shares may vary and investors may be unable to acquire or dispose of EDP’s shares at the expected price and, in particular, the price of EDP’s shares may be higher or lower than the Subscription Price.

**The market price of EDP’s shares may be lower than the subscription price for the New Shares**

EDP cannot ensure potential investors that the market price of EDP’s shares will remain at or above the subscription price for the New Shares to be issued pursuant to this Offer. If there is a decrease in the market price of EDP’s shares after the irrevocable exercise of the Subscription Rights for the New Shares (after 15:00, Lisbon time, on August 5, 2020), investors who have exercised such rights will suffer an immediate loss, although unrealized. EDP cannot also guarantee to investors that, after the subscription of the New Shares, it will be possible to sell shares of EDP at a price equal to or higher than the Subscription Price, nor can it guarantee that the trading value of the New Shares will be equal or higher than the trading value of EDP’s shares prior to the share capital increase. The market price of EDP’s shares is volatile and may be subject to fluctuations for unpredictable reasons.

**Exchange rate fluctuations can have a significant impact on the value of the New Shares**

The market price of EDP's shares traded on the market is denominated in euro.

Fluctuations in the exchange rate between the euro and other currencies may affect the value of EDP's shares in the local currency of investors from countries using currencies other than the euro.

In addition, any payments in cash of dividends on EDP's shares will be denominated in euro and, therefore, will be subject to exchange rate fluctuations when converted to the investor's local currency.

**There will be no compensation if the Subscription Rights expire unexercised or if a market for their trading does not develop**

The subscription period for the New Shares for the exercise of Subscription Rights begins at 8:30 on July 23, 2020 (Lisbon time) and ends at 15:00 on August 6, 2020 (Lisbon time). Shareholders should be aware that some financial intermediaries may establish their own earlier cut off times for receipt of orders, but without exceeding the subscription period. Subscription rights that are not exercised or disposed of until the end of the subscription period will expire and no consideration will be due to the holders of the relevant shares.

EDP requested admission to trading of the Subscription Rights on Euronext Lisbon, but it is not possible to guarantee the development of an active market for the trading of such rights.

**The market price of the New Shares may be adversely affected by the sale of EDP's shares by the current shareholders**

A sale of a substantial number of shares representing EDP's share capital before or after completion of the Offer, or the perception that such sales may occur, may adversely affect the market price of the New Shares or EDP's ability to raise capital through a future public Offer of EDP's shares.

**The free float of EDP's shares may decrease**

The non-exercise by shareholders of their Subscription Rights for New Shares may result in a higher portion of EDP's share capital being held by the remaining shareholders of EDP.

This would reduce the corresponding free float, which may have an adverse effect on the liquidity of the shares representing EDP's share capital.

**The termination of the Underwriting Agreement may have a material adverse effect on EDP's business, financial condition, results of operations and prospects**

Pursuant to the Underwriting Agreement, the Underwriters have agreed severally, on the terms and subject to the conditions disclosed therein, to underwrite their relevant proportion of any New Shares that are not subscribed in the Offer, including through oversubscription. The Underwriting Agreement provides that the Underwriters' obligations are subject to certain conditions precedent, as more fully described in sub-chapter 5.3 ("*Assistance, Placement and Underwriting*"). The Underwriting Agreement also provides that the Underwriters may terminate the Underwriting Agreement under certain circumstances, as more fully described in sub-chapter 5.3 ("*Assistance, Placement and Underwriting*"). If the Underwriting Agreement is terminated, the Offer will not cease to be effective (however the subscription of New Shares under the Rights Issue may become incomplete instead) and EDP may fail to raise the capital it intended to raise pursuant to the Offer, which could undermine its expected credit metrics, notably should the Viesgo Transaction achieve completion, and have a material adverse effect on EDP's business, financial condition and prospects.

**The rights of investors as EDP's shareholders will be governed by Portuguese law and some aspects may differ from the rights conferred to shareholders in jurisdictions other than Portugal**

EDP is a listed company ("*sociedade aberta*") governed by Portuguese law and the rights of its shareholders are those arising from EDP's Articles of Association and from the Portuguese companies and securities law, regardless of the local law applicable to the respective shareholders. The possibility for shareholders to bring actions against EDP and its directors under foreign applicable laws and the recognition of foreign judicial decisions by Portuguese courts may be limited by that fact and, whenever a request is made in court regarding the information contained in the Prospectus, under the applicable law of the Member States, the investor may have to bear the costs of translating the Prospectus before the judicial proceeding begins. Under Portuguese law, shareholders are entitled to request the judicial declaration of nullity or the annulment of resolutions of a company's bodies that infringe statutory provisions or the articles of association of such company. Such rights may be exercised in relation to, for example, resolutions regarding the payment of dividends, increases or reductions of the share capital or any other changes to the articles of association, as well as resolutions relating to mergers or demergers. In case a resolution relating to the share capital increase of a public company is judicially disputed, the shares issued under such share capital increase will be deemed a separate class of shares in relation to the remaining company's shares (meaning that such shares will not be fungible in relation to the remaining shares of the company) until the judicial dispute is resolved, pursuant to article 25, paragraph b), of the PSC. Even if a resolution relating to the share capital increase of a listed company is not judicially disputed, the shares issued under a share capital increase will be deemed a separate class of shares in relation to the remaining company's shares (meaning that such shares will not be fungible in relation to the remaining shares of the company) for a period of 30 days from the date of the referred resolution, in accordance with article 25, paragraph a), of the PSC.

**EDP may not be able to pay dividends in accordance with its dividend policy**

EDP currently intends to distribute annual dividends in order to ensure a reasonable level of stability in the dividend policy. In this regard, please see sub-chapter 19.5 ("*Dividend policy*"), which describes EDP's dividend policy in further detail.

However, there is no guarantee that EDP will be able to make dividend distributions in the future, nor that future dividend distributions will comply with the dividend policy hitherto followed or the estimated pay-out. Such dividend distributions will be dependent on several factors, including EDP's business prospects, treasury needs and financial performance, market conditions and the general economic context, among other factors, including the fiscal and regulatory environment, as well as the amount of distributable results.

**Any increases in EDP's share capital may have a negative impact on the share price and existing shareholders may experience a dilution of their shareholdings to the extent that they are unable to participate in such share capital increases**

EDP may, in the future, increase its share capital, by means of contributions in cash or in kind, to finance any acquisitions or investments or to strengthen its balance sheet. Such capital increase may have a negative impact on EDP's share price. According to Portuguese law, shareholders have *pro rata* Subscription Rights in the context of share capital increases by means of contributions in cash, in case of issuance of new shares or other securities that entitle its holder to acquire new shares. This right may be limited or suppressed by means of a resolution taken at the General Meeting. In these cases, EDP's shareholders may witness a dilution in their shareholdings.

In addition, the exercise of Subscription Rights by certain shareholders not resident in Portugal may be restricted by the applicable law, as well as by standard practices or other rules, such shareholders being therefore prevented from exercising those rights. Shareholders in jurisdictions outside Portugal who are unable to exercise their Subscription Rights in the event of a future share capital increase may be diluted.

**EDP cannot ensure investors that the registration of the share capital increase before the competent commercial registry office and the subsequent admission to trading of the New Shares will take place on the scheduled date**

The admission to trading of the New Shares on Euronext Lisbon after completion of the Offer requires the prior registration of the corresponding share capital increase before the competent commercial registry office (which is expected to occur on August 12, 2020 following the settlement date of the Offer, said admission to trading being scheduled to occur on August 17, 2020. EDP cannot ensure investors that such commercial registration will take place when scheduled and, if there is a delay, there may be a relevant time period between the payment of the Subscription Price and the receipt of the New Shares. Additionally, the completion of the commercial registration of the share capital increase is subject to the interpretation of the applicable legislation, EDP's Articles of Association and its relevant corporate resolutions by the competent Portuguese commercial registry office.

Likewise, a delay in the admission to trading of the New Shares may affect their liquidity.

**Potential investors may face tax consequences resulting from an investment in the New Shares**

Potential investors should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where dividends are paid or the New Shares are transferred, where the investors are resident for tax purposes and/or other jurisdictions.

Dividends paid by EDP in respect of the shares representing its share capital are generally subject to Portuguese income tax to be collected through withholding, subject to applicable exemptions or treaty relief. Capital gains on the sale of EDP's shares are likewise generally subject to tax, to be declared through the filing of a tax return, subject to applicable exemptions or treaty relief. Under the terms of the Offer/the New Shares, EDP is not required to pay any additional amounts to the extent any withholding or tax applies.

Accordingly, if any such withholding or tax were to apply to income arising in respect of the New Shares, investors would receive less than the full amount which could otherwise be expected by such investors.

For a description of the material tax consequences resulting from an investment in the New Shares pursuant to the Offer, please see Chapter 17 ("*Taxation*") of this Prospectus. Potential investors are nonetheless advised not to rely upon the tax summary contained in this Prospectus and instead to consult their own tax advisers with respect to the potential tax consequences arising from the acquisition, ownership and disposal of New Shares, including the legal and tax consequences in foreign jurisdictions.

**If closing of the Offer does not take place, subscriptions for the New Shares will be disregarded, which may lead to losses for EDP's shareholders and potential investors in the Offer**

Under the PSC, in the event of an unforeseeable and substantial change in the circumstances which, in a manner known to the addressees of the Offer, motivated the decision to launch the Offer, and exceeding the risks inherent to the Offer, the Issuer may, within a reasonable period of time and after having obtained CMVM's authorization, modify or revoke the Offer.

A modification of the Offer constitutes grounds for the extension of the Offer Period, decided by the CMVM on its own initiative or at the request of EDP. In such scenario, the subscription orders presented prior to the amendments are considered effective for the purposes of the amended Offer, without prejudice to the possibility of such orders being revoked by investors. A modification to the Offer shall be disclosed immediately with the same arrangements as were applied when the Prospectus was published.

If the Offer is revoked or withdrawn, the Offer and all acceptances related thereto are deemed ineffective, and the investors are entitled to receive from the financial intermediaries the funds that have been delivered on their account. Under the PSC, CMVM must order the withdrawal of an Offer or prohibit its launch if it concludes that the Offer constitutes an irremediable legal or regulatory breach. A decision to withdraw or prohibit the Offer under such circumstances should be published by the CMVM, at the expenses of the Issuer, through the same means as the Prospectus. In this event, however, such investors may still account for losses which materialize in the opportunity cost of the funds delivered to the financial intermediaries not having been used for other ends.

With regards to the Subscription Rights which have been acquired under the Offer (over the counter or in Euronext Lisbon), if the Offer is revoked or withdrawn, such transactions will not be annulled, which will lead to losses for investors who have acquired such Subscription Rights and will not be able to place orders for the subscription of New Shares.

Also, in accordance with the PSC, CMVM shall suspend the Offer whenever it finds any illegality or breach of regulations that is susceptible of being remedied. If the Offer is suspended for any reason, investors may revoke their subscription orders within five days after the suspension has ceased. Investors have the right to receive all funds they have delivered for the subscription of New Shares.
In addition, if between the time when the Prospectus is approved and the time when trading of the New Shares on the regulated market Euronext Lisbon begins any significant new factor, material mistake or material inaccuracy relating to the information included in the Prospectus which may affect the assessment of the New Shares arises or is noted, the Issuer shall request

without undue delay to CMVM the approval of a supplement to the Prospectus pursuant to article 23 of Regulation 2017/1129.

The investors who have accepted the Offer before the publication of a supplement have the right to withdraw their acceptance within two business days after the publication of the supplement, provided that the relevant significant new factor, material mistake or material inaccuracy arose or was noted before the closing of the Offer Period or the delivery of the New Shares, whichever occurs first.

## CHAPTER 3. REASONS FOR THE OFFER, USE OF PROCEEDS AND DILUTION

### 3.1. Reasons for the Offer

The net proceeds from the Offer will be used to partially fund the acquisition (in partnership with MIRA) of (i) 75.1% of Viesgo's distribution business, (ii) 100% of Viesgo's renewable business and (iii) two coal thermal plants (which are under the process of decommissioning), with the objective of the funding for the acquisition not having an impact on EDP's expected credit metrics. The agreement underpinning this acquisition was entered into on July 15, 2020.

For more details on the Viesgo Transaction, see Chapter 4 ("*Description of Viesgo Transaction*").

Notwithstanding, the Offer is not conditional on the completion of the Viesgo Transaction.

### 3.2. Interest of natural and legal persons involved in the Offer

There is a declared interest of the Issuer in the success of this Offer, since it is expected to contribute to the funding of the Viesgo Transaction (for more details see Chapter 4 – "*Description of Viesgo Transaction*").

In connection with the Offer, the Underwriters are in a contractual relationship with the Issuer.

The Underwriters and/or their respective affiliates have in the past provided, and may in the future, from time to time, provide, commercial banking, investment banking and financial advisory or other services to the Issuer or any parties related to it, in the ordinary course of their respective businesses. The Underwriters have received and will receive customary fees and commissions for these transactions and services.

In addition, in the ordinary course of their respective businesses, the Underwriters, the Issuer or any parties related to any of them, transact business and enter into commercial agreements.

Notwithstanding the above, there is no significant interest of any person involved in the Offer which is in conflict with the Offer.

### 3.3. Use of proceeds

The net proceeds of the Offer will only be ascertainable after the announcement of the Offer results. Assuming full subscription and the Subscription Price of EUR 3.30, it is expected that a total amount of cash contributions of EUR 1,020,172,880.10 will correspond to a net value for the Offer of approximately EUR 997 million, deducting all associated expenses.

The net proceeds from the Offer will be used to partially fund the Viesgo Transaction. The remainder of the sources of funding for the Viesgo Transaction comprise the assumption of debt of Viesgo, equity and shareholder loans provided to Viesgo by EDP and its partner in the combined distribution business and a portion of the net proceeds from the expected sale of EDP's thermal generation and client portfolio in Spain. For additional information, see Chapter 4 ("*Description of Viesgo Transaction*").

### 3.4. Expenses of the Offer

The expenses of the Offer include fees due to the Underwriters (see sub-chapter 5.3 "*Assistance, Placement and Underwriting*") and costs of other advisors, registration of the New Shares with CVM and admission of the New Shares to trading, which are estimated to amount to EUR 23 million.

### 3.5. Dilution

The Rights Issue is addressed to the shareholders of EDP considering their Subscription Rights, so that the shareholders who subscribe for all the New Shares to which they are entitled by exercising their Subscription Rights will receive a percentage of the New Shares to be issued equal to their current percentage of ownership in EDP's share capital. This way, these shareholders will maintain the same percentage of interest in EDP's share capital, thus not suffering any dilution.

The proportion of share ownership and voting rights in EDP of shareholders who do not exercise their Subscription Rights shall be diluted with the issuance of the New Shares, being such dilution equivalent to the quotient between the amount of the New Shares issued and the total number of shares representing the share capital of the Issuer after this Offer.

For instance, for the current shareholders that do not exercise their Subscription Rights in the Rights Issue, a participation in the share capital of EDP corresponding to 1% shall be reduced to approximately 0.922% after the respective capital increase, assuming that the shareholder does not exercise any Subscription Rights and that the share capital increase is fully subscribed.

## CHAPTER 4. DESCRIPTION OF VIESGO TRANSACTION

### Background and description of the Viesgo Transaction

On July 15, 2020, certain subsidiaries of EDP entered into an agreement with certain entities managed by Macquarie Infrastructure and Real Assets (Europe) Limited (together with its managed funds, "**MIRA**"), sole shareholder of Fresco International S.à.r.l. ("**Viesgo**" or "**VIE**"), whereby through a series of steps and transactions:

a) EDP and MSCIF SD Holdings S.àr.l. (a subsidiary of the Macquarie Super Core Infrastructure Fund SCSp, which is managed by MIRA) ("**MSCIF**") will form a long term partnership in the electricity distribution businesses in Spain ("**The Distribution Business**"), which will consist of EDP's electricity distribution subsidiary in Spain, E-Redes, and Viesgo's electricity distribution companies Viesgo Distribution and Begasa. The Distribution Business will be 75.1% owned by EDP, ensuring control and full consolidation within EDP financial group in Spain, and 24.9% by MSCIF;
b) EDP Renováveis will acquire 100% of the renewables business of Viesgo; and
c) EDP Iberia S.L., a subsidiary ultimately owned by EDP, will acquire the coal power plants business of Viesgo, which are in the process of being decommissioned; such decommissioning expected to be completed by 2021 for the last thermal power plant.

The Viesgo Transaction implies a net equity investment by EDP of EUR 0.9 billion and will result in EDP consolidating existing net financial debt of EUR 1.1 billion. MSCIF is investing EUR 0.7 billion as part of the Viesgo Transaction.

The acquisition is subject to the satisfaction of all applicable conditions precedent, in particular all relevant regulatory and governmental approvals, both at EU (namely anti-trust approval) and Spanish level (CNMC approval, regulatory approval for the purpose of foreign direct investment by MSCIF, among others), as well as the necessary corporate restructuring and closing is expected to occur towards the end of 2020.

(the above steps in aggregate are referred to as the "**Viesgo Transaction**").

### Description of the assets to be acquired by EDP

Under the Viesgo Transaction, EDP will acquire control of Viesgo, which currently owns electricity distribution networks, renewable assets and soon to be decommissioned coal power plants in Iberia. In the year ended December 31, 2019, Viesgo reported total assets of EUR 1,917 million, gross margin of EUR 284 million and EBITDA of EUR 174 million (EUR 238 million excluding the coal power plants business). Excluding the coal power plants' business, more than 95% of Viesgo's EBITDA is regulated.

The electricity distribution assets that EDP will acquire pursuant to the Viesgo Transaction include the Viesgo Distribution and Begasa electricity distribution networks in Northern Spain, which are adjacent to EDP's distribution networks operated by E-Redes. The Viesgo Distribution and Begasa electricity distribution networks have a combined regulatory asset base ("**RAB**") of EUR 1,035 million as of December 31, 2019 (*post-lesividad*; on this, see Chapter 11 – "*Regulatory framework of the Issuer's activity*") and a network length of 31,300 km. Viesgo's electricity distribution networks benefit from a perpetual license and are regulated under a stable, RAB-based remuneration framework with visibility until 2025, with a pre-tax allowed return of 5.58% as defined by the Spanish government and published by CNMC in

2019 (for more information, see Chapter 11 – "*Regulatory framework of the Issuer's activity*"). Viesgo is the fourth most important electricity distributor in Spain, according to the company's website ([1]).

The Viesgo renewable assets to be acquired by EDPR comprise a portfolio of 511 MW ([2]) (801 gross MW), including a 50% stake in Compañia Eólica Aragonesa SA ("CEASA"), in which EDP Renováveis already has a 50% stake. Onshore wind power plants represent 95% of the portfolio's net installed capacity, with mini-hydro power plants accounting for the remaining 5%. The portfolio is spread across Spain and Portugal, with 84% of the installed capacity located in Spain. It has a weighted average life of 13 years and a weighted average remaining regulated life of 7 years (both calculated based on net installed capacity) and an average remuneration rate of 7.4% for the assets benefitting from the regulatory regime (see sub-chapter 11.4.2 – "*The Electricity Value Chain*"). The installed capacity has an average load factor of 29%, which EDP believes to be a strong wind resource in particular given the age of the assets, while more than 260 MW (including CEASA) have strong extension/repowering potential for a load factor above 30%.

The Viesgo coal power plants to be acquired by EDP comprise two power plants in Southern Spain: Los Barrios and Puente Nuevo, with a combined installed capacity of 912 MW. The Los Barrios power plant is located in Cádiz with 589 MW of installed capacity and was commissioned in 1985. It is currently undergoing decommissioning, which is expected to occur during 2021 with formal procedures already commenced with the competent authorities. The Puente Nuevo power plant is located in Córdoba with 324 MW of installed capacity and was commissioned in 1980. It is expected to be decommissioned during 2020, with formal authorization already requested from the competent authorities. The European Union's "*Green Deal Investment Plan and Just Transition Mechanism*" ([3]) foresees that the owners of thermal plants that convert such plants into renewable power plants with a social and environmental plan are potentially entitled to interconnection rights, which EDP expects to benefit from (potentially 912 MW total).

The Viesgo perimeter also includes a 5% stake in OMIE and a 5% stake in OMIP.

**Rationale for the Viesgo Transaction: an exceptional acquisition opportunity to further enhance EDP's equity story and deliver value to shareholders**

EDP believes that Viesgo represents a unique acquisition opportunity for EDP, as it is fully aligned with EDP's equity story; it should enhance the execution of its strategic plan and ultimately is expected to deliver value to shareholders. Key merits of the transaction include:

– **Enhances EDP's exposure to electricity networks, a critical enabler of the energy transition with strong long-term growth prospects, whilst offering a strong industrial project:** the transaction adds electricity distribution networks with RAB of over EUR 1 billion to EDP's existing electricity-only networks portfolio (the Distribution Business will have a total RAB of EUR 1.8 billion, more than doubling EDP's Spanish distribution networks). As per its existing strategy, EDP believes electricity networks are a key enabler to achieve the transition to a greener and more electrified economy. Electricity networks

([1]) https://www.viesgo.com/en/our-business/electrical-distribution/
([2]) Includes fully consolidated capacity plus equity method stakes' capacity multiplied by percentage of ownership.
([3]) The *Green Deal Investment Plan and Just Transition Mechanism* is a program from the EU aimed at providing tailored financial and practical support to help workers and generate the necessary investments in regions most affected by the energy transition towards renewable energy.

enable the shift to renewable and decentralized generation, the integration of energy storage, the penetration of electric mobility and ultimately the acceleration of new client solutions.

- **EDP believes that electricity distribution networks offer strong long-term prospects given the significant amount of investment that will be required at the network level to facilitate the energy transition and Viesgo reinforces the opportunity to take part in these investment opportunities:** powerful forces are aligned to drive growth and value creation in renewable energy alongside electricity distribution. In fact, at EU level, the Paris Agreement, the Green Deal, or more recently the Green Recovery Plan (see sub-chapter 11.1– "*European Energy Policy"*) are clear signals of:
  a) a push towards electrification of the economy;
  b) the need of higher networks resilience to accommodate higher share of renewables with Eurostat expecting the share of renewable energy sources in the final energy consumption for the European Union countries to grow from 13% in 2010, to 18% in 2018, to 20% in 2020 and to 32% in 2030;
  c) networks increasing complexity (with storage, two-way flows of energy, decentralized generation or digitalization), requiring smarter management and investments growing from EUR 43.8 billion in 2018 to EUR 79.5 billion as the estimated annual average investment in 2019-2040, in order to align with Paris Agreement ([4]); and
  d) electric mobility uptake ([5]) and decentralization, requiring networks' and cities' redesign.

- **Additionally, recent Spanish legislation provides strong growth prospects and value creation potential to the Viesgo portfolio:** in Spain (see sub-chapter 11.4 – "*Spain*"), through the National Energy and Climate Plan ("**PNIEC**") and the Economic Recovery Legislation approved in June 24, 2020, there is strong political support for an energy transition in which networks and renewables are fundamental. In particular, the PNIEC and the Economic Recovery Legislation pave the way for (i) increases in investments in networks by 8% (through an increase in the GDP cap on investments from 0.13% to 0.14%); (ii) a framework for renewable auctions, enabling increased investment; (iii) simplified licensing and interconnection access for existing renewable projects; and (iv) incentives for the closing of thermal plants closing by allowing access to interconnection rights.

- **Strengthens EDP's business risk profile:** the transaction is expected to further de-risk EDP's portfolio, increasing EBITDA coming from activities aligned with the EU Green Taxonomy ([6]), due to the increased exposure to regulated network assets, owned under perpetual concession licenses and remunerated under a transparent framework with regulatory visibility until 2025, as well as the addition of a renewable portfolio with 87% of the portfolio (net MWs) currently under regulatory regime, both in a stable geography and currency. Coupled with the recently announced disposals of merchant assets (see Chapter 10 – "*Description of the Issuer's business*"), the Viesgo Transaction significantly crystallizes value, de-risks EDP's business profile, reshapes EDP's Iberian portfolio and

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[4] 2018 value from IEA World Energy Investment 2019 compared to the value to align with the Paris agreement as per the International Energy Agency WEO19 Sustainable Development Scenario.

[5] According to BloomberNEF - Electric Vehicle Outlook 2019 – Annual passenger EV sales by Region: Electric Vehicles sold in Europe should increase from 181 thousand in 2015 to 663 thousand in 2020 and to 6,584 thousand in 2030.

([6]) The EU Green Taxonomy is a tool that sets performance thresholds in the context of the energy transition.

positions it at the front of the energy transition. EDP will control and consolidate the Distribution Business under the shareholders agreement and will have a majority representation on the Board of the new Distribution Business, with Chairman, CEO and CFO appointed by EDP. Additionally, both shareholders of the Distribution Business will commit to an investment grade credit rating.

- **Further reinforces EDP's position as leading global renewables player:** the acquired portfolio contributes approximately 0.8 gross gigawatts ("**GW**") and 0.5 net GW capacity of renewable assets in Iberia, some already co-owned by EDP Renováveis on a 50% basis, further reinforcing EDP's leading position in the renewables sector. The integration of Viesgo's renewables within EDP Renováveis' portfolio provides an opportunity for operational efficiencies and enables it to benefit from potential asset life extensions and/or repowering. The interconnection rights of Viesgo's coal power plants, soon to be decommissioned, offer an opportunity for developing additional renewable assets.

- **Maintains EDP's strong balance sheet and credit metrics:** The transaction overall is expected to improve EDP's long-term earnings and cash flow risk profile and to be broadly neutral from a credit metrics perspective once the Offer is taken into account. EDP expects to maintain its trajectory of deleveraging as presented in the Strategic Update announced to the market in March 2019. The proposed Offer has been sized to allow EDP to retain the balance sheet flexibility needed to continue its growth focused on the energy transition.

- **Creates value for shareholders:** EDP believes that the Viesgo Transaction will be accretive from both an earnings per share and cash flow perspective, while further enhancing EDP's strategic positioning in the sector and improving EDP's risk and growth profile, as well as reinforcing EDP's dividend policy sustainability.

**Enterprise value and financing**

The Viesgo Transaction, a bilateral deal between EDP and MIRA, implies an Enterprise Value for Viesgo of EUR 2.7 billion, in line with recent market references, corresponding to an Enterprise Value to EBITDA ratio for the year ended December 31, 2019 of 11.8x (EBITDA and Enterprise Value excluding Coal assets undergoing decommissioning). In addition, the Enterprise Value also reflects the strong industrial project and increased operational scale in the distribution and renewables business underlying the acquisition of Viesgo.

The consideration to be paid by EDP Renováveis in connection with the Viesgo Transaction for the Viesgo renewables business corresponds to an Enterprise Value of EUR 565 million, corresponding to an Enterprise Value to EBITDA ratio for the year ended December 31, 2019 of 9.4x and an Enterprise Value to net MW ratio of EUR 1.1 million (excluding 136 MW of capacity not yet installed).

The price paid for Viesgo takes into account a negative value contribution from the coal thermal power plants business which reflects estimated timing and cash costs until decommissioning (including dismantling, restructuring, pension plan liabilities and other liabilities) of the coal power plants, which is partially offset by the value of the potential interconnection rights for future renewables development and potential subsidies under the European Union's "*Green Deal Investment Plan and Just Transition Mechanism*".

The Viesgo Transaction will be funded through a combination of sources including:

– Existing EUR 1.1 billion debt at Viesgo (the transaction will not trigger a change of control under Viesgo's existing external debt);
– MSCIF retaining a 24.9% pro-rata interest in the equity and shareholder loans in The Distribution Business (with E-redes stake valued at an implied multiple in line with Viesgo's distribution business);
– Proceeds from the sale of a thermal generation and client portfolio in Spain, recently signed with a subsidiary of Total S.A, which is expected to be closed during the second half of 2020 and is only subject to competition approvals and the necessary internal restructuring concerning the preparation of the transaction perimeter; and
– The net proceeds from the Offer.

Should the Offer not be fully subscribed (See sub-chapter 5.3 ("*Assistance, Placement and Underwriting*"), EDP may fail to raise the capital it intended to raise pursuant to the Offer, which could undermine its expected credit metrics. Irrespective of such effect, EDP believes that its current available liquidity and its cash flow generation capacity are sufficient to fund the Viesgo Transaction.

**Viesgo indebtedness**

The Distribution Business comprising Viesgo Distribution, Begasa and EDP's Spanish distribution company (E-Redes) will:

– Maintain its existing consolidated external debt of EUR 1.1 billion (which will be fully consolidated by EDP); and
– Have intercompany loans at the level of Viesgo holding of EUR 1.1 billion, which will be owned by EDP (75.1%) and MSCIF (24.9%), in line with their equity holdings in The Distribution Business.

**Key Financial metrics of Viesgo and E-Redes**

The following financial metrics of Viesgo and Viesgo's business units (networks, renewables, coal and other) were obtained in connection with the Viesgo Transaction with reference date of as of December 31, 2019:

| Million EUR | Networks | Renewables[1] | Coal | Other[2] | Total |
|---|---|---|---|---|---|
| Gross margin | 212 | 66 | 6 | 0 | 284 |
| EBITDA | 176 | 60 | -63 | 1 | 174 |
| *EBITDA Margin* | 83% | 92% | n.a. | n.a. | 61% |
| EBIT | 119 | 34 | -216 | -3 | -67 |
| Capex | 55 | 21 | 5 | 3 | 84 |

1) EBITDA includes equity earnings

2) Holding Companies

EBITDA of E-Redes for the year ended December 31, 2019 amounts to EUR 155 million (EUR 145 million excluding the effect of revenue from previous years and the reversal of provisions). E-redes has a RAB of EUR 0.8 billion, EUR 34 million of Capex in 2019 and 299 employees.

# CHAPTER 5. CONDITIONS OF THE OFFER

## 5.1. Conditions, statistics, planned schedule and types of subscription of the Offer

### 5.1.1 Addressees of the Offer

The Offer is exclusively addressed to (i) shareholders of EDP who, by virtue of holding shares representative of the Issuer's share capital, hold Subscription Rights and (ii) investors who acquire Subscription Rights, to whom it may lawfully be made (for more information, see sub-chapter 15.6 – "*Transfer of shares and selling restrictions*"). Subscription Rights must be exercised in accordance with applicable laws, including securities laws, and EDP reserves the right to reject applications to exercise Subscription Rights where it is not satisfied (in its sole discretion) that this is the case.

If the New Shares of this Rights Issue are not fully subscribed, they may also be subscribed by Qualified Investors or the Underwriters pursuant to the Underwriting Agreement as described in sub-chapter 5.3 ("*Assistance, Placement and Underwriting*").

### 5.1.2 Allocation and negotiation of Subscription Rights

The New Shares are offered directly for subscription to shareholders of EDP upon exercise of their Subscription Rights.

Given that no Subscription Rights will be exercised in respect of the Issuer's treasury shares (21,070,741 shares), a subscription right will be granted for each share not held by the Issuer.

The determination of the number of New Shares to be issued under the terms of the Rights Issue that each shareholder of EDP or each holder of Subscription Rights may subscribe for is the result of applying the factor 0.085035375 to the number of Subscription Rights held at the time of the subscription order's transmission, rounded down to the nearest whole ordinary share.

The initially unsubscribed New Shares pursuant to the exercise of the Subscription Rights shall be apportioned amongst the holders of Subscription Rights who have expressed the intention to subscribe more shares than the amount they would be entitled to, in proportion to the value of the corresponding subscriptions for New Shares through the exercise of the Subscription Rights, rounded down to the nearest whole ordinary share. The request for the additional subscription of New Shares shall be made along with the request for subscription and shall not be detachable from the latter.

The shares of the Issuer that (i) were acquired on Euronext Lisbon up to, and including, July 20, 2020, corresponding to the last trading day of the shares with the corresponding Subscription Rights attached, and (ii) were transferred or acquired outside of a regulated market and which were registered on the acquirer's securities account up to, and including, the day before the beginning of the subscription period of the Rights Issue, that is, up to, and including, July 22, 2020, shall entitle such holders to the right to subscribe for New Shares as part of the Offer.

Shareholders of EDP that do not intend to exercise their Subscription Rights, in whole or in part, may dispose of such Subscription Rights on Euronext Lisbon whereby the Subscription Rights will trade under the ISIN PTEDP0AMS010 code between July 23, 2020 and August 3, 2020, that is, between the first day of the subscription period and the third day of trading prior to the closing of the Offer Period, inclusive. The Subscription Rights may also be traded outside Euronext Lisbon in accordance with the general terms of the law. Therefore, shareholders of EDP that do not intend to exercise the Subscription Rights inherent to their shares in EDP, in whole or in part, or that intend to hold a higher number of Subscription Rights, may trade such rights on Euronext Lisbon and/or outside such regulated market, under the terms of the applicable law, within the mentioned deadlines.

Subscription Rights that are not exercised or disposed of prior to the end of the subscription period, will expire and no compensation will be due to the holders of such Subscription Rights. The corresponding New Shares will be apportioned as described in sub-chapter 5.2 ("*Distribution and allocation plan*") below.

The ISIN code corresponding to the New Shares' Subscription Rights is PTEDP0AMS010 and they will be traded under the ticker "EDPS1".

### 5.1.3 Maximum and minimum amount of subscriptions

The maximum number of New Shares to be issued under the Offer is 309,143,297. The Offer is not conditional upon a minimum number of New Shares being subscribed. Therefore if the demand in respect of the Offer is lower than the offer and the Offer is incomplete namely due to the termination of the Underwriting Agreement, it will be maintained with respect to the New Shares that have been subscribed and, in that case, the share capital increase referred to in this Prospectus will be limited to the New Shares subscribed.

Investors are not required to order a minimum number of New Shares as part of their subscription. Also, the maximum number of New Shares that an investor may subscribe for (in the case where such investor has expressed the intention to subscribe more shares than the amount she would be entitled to) is limited to the maximum number of New Shares to be issued. The fulfilment of the subscription requests will occur according to the criteria described in sub-chapter 5.2 ("*Distribution and allocation plan*").

### 5.1.4 Conditions of the Offer

The effectiveness of the Offer is not subject to any conditions.

### 5.1.5 Term of the Rights Issue, subscription process for the New Shares and calendar

The New Shares may be subscribed for during the period from 8:30 of July 23, 2020 to 15:00 of August 6, 2020 (Lisbon time), inclusive ("**Offer Period**").

Subscription orders may be revoked up to the business day prior to the end of the Offer Period by means of a communication addressed to the financial intermediary that received such subscription order. Hence subscription orders may be revoked up to, and including, August 5, 2020 at 15:00. During the period of irrevocability, orders may only be amended to increase the number of New Shares to be subscribed.

Subscription orders may be submitted to any financial intermediary legally qualified to provide service for registration and deposit of securities. Any subscription order shall be given through a subscription form.

It is the responsibility of the financial intermediaries receiving subscription orders to monitor the veracity and authenticity of the information submitted by investors, as well as the capacity in which the persons making the relevant instructions act, in accordance with the legal requirements imposed by the conditions of this transaction; they shall not, however, be liable for their eventual falsehood, except in case of culpable action or omission by said financial intermediaries.

For the purpose of determining the results of the Rights Issue, the financial intermediaries to which subscription orders are transmitted under the terms of the Rights Issue under this Offer shall proceed as follows: subscription orders for the New Shares (and the respective requests for additional subscription in the apportionment phase), as well as the revocations and/or amendments of such orders shall be transmitted by the financial intermediaries to Interbolsa, in accordance with the usual system for processing subscription orders in share capital increase operations with subscription reserved for holders of Subscription Rights.

During the Offer Period, the financial intermediaries shall also send to BCP the daily result of subscription orders' transmissions to the e-mail address dtit.certificacoes@millenniumbcp.pt by 16:00 each day (Lisbon time).

**Planned Schedule**

The following table summarizes certain expected dates which are considered the most relevant in relation to the Rights Issue:

| Description of the main steps | Envisaged date |
|---|---|
| Approval and publication of the Prospectus | July 16, 2020 |
| Publication of the notice to shareholders of the Issuer regarding their Subscription Rights | July 16, 2020 |
| "Record date"/ Share cum-Subscription Rights date – last trading day of the Issuer's shares on Euronext Lisbon, with subscription rights attached<br><br>*Note: The Issuer's shares transferred or acquired outside a regulated market and registered in the book-entry securities account of the acquirer up to, and including, July 22, 2020 16:00 (Lisbon time) shall grant the shareholder Subscription Rights, unless otherwise stipulated.* | July 20, 2020 |
| First day of the subscription period for the New Shares | July 23, 2020 |
| First day of the trading period of Subscription Rights on Euronext Lisbon | July 23, 2020 |
| Last day of the trading period of Subscription Rights on Euronext Lisbon | August 3, 2020 |
| Remittance by financial intermediaries to Interbolsa of orders received in the Rights Issue | July 23, 2020 – August 6, 2020 at 16:00 Lisbon time |
| Date and time from which subscription orders for New Shares become irrevocable (inclusive) | August 5, 2020 at 15:01 Lisbon time |
| Last day of the subscription period for the New Shares | August 6, 2020 |
| Announcement of the results of the Offer | August 7, 2020 |
| Financial settlement of the New Shares subscribed for by means of the exercise of Subscription Rights | August 7, 2020 |
| Financial settlement of the New Shares attributed to oversubscription orders and the Underwriting Agreement | August 11, 2020 |
| Registration of the share capital increase with the commercial registry office | August 11, 2020 |
| Expected date for issue and physical settlement of the New Shares<br><br>*Note: the issue of New Shares and the commencement of trading on Euronext Lisbon is conditioned on obtaining the share capital increase registry on the Portuguese commercial registry, which is expected to occur on August 11, 2020.* | August 12, 2020 |

| | |
|---|---|
| *No assurance can be given that the registration of the share capital increase and, consequently, the issuance and delivery of the New Shares will not be delayed.* | |
| First day of trading of the New Shares | August 17, 2020 |

### 5.1.6 Price, method, payment terms and delivery of the New Shares

The New Shares to be issued will be offered at a subscription price of EUR 3.30 per share ("**Subscription Price**"), which represents a premium of EUR 2.30 per share relative to its nominal value.

The Subscription Price is of EUR 3.30, which contrasts with a net asset value per share of EUR 2.38, calculated dividing total equity attributable to equity holders of EDP set out in the statement of financial position as of March 31, 2020 (of EUR 8,657,894 thousand) by the number of shares representative of the share capital of EDP excluding treasury shares as of March 31, 2020 (of 3,635,132,368 shares).

The payment of the Subscription Price, including in relation to any additional subscription requests in the apportionment phase, will be made in cash and in full upon the act of subscription.

The Subscription Price may include commissions or other charges payable by subscribers. Eventual costs regarding the transmission of orders and the maintenance of securities accounts are dependent on the prices fixed at any given time by financial intermediaries for these services, which are available on CMVM's website at www.cmvm.pt and should be communicated by the financial institution receiving the subscription orders.

EDP will not charge any expenses to investors.

The financial settlement of the Offer is expected to occur on the first day of trading after the end of the Offer Period, that is, August 7, 2020, in case of the New Shares subscribed through the exercise of the Subscription Rights, and on the third day of trading after end of the Offer Period, that is, August 11, 2020, in case of the remaining New Shares allocated to subscribers who have expressed their intention to be allocated with such remaining New Shares.

The payment of the Subscription Price for the New Shares to be issued (either by means of the exercise of Subscription Rights or in relation to requests for additional subscription in the apportionment phase) shall be made in a securities account against the credit of share certificates representing the subscribed New Shares, which shall be converted into Issuer's shares following the commercial registration of the share capital increase.

If the total number of New Shares applied for any given investor are not allocated to it, the amount corresponding to the non-allocated New Shares shall be available with the financial intermediary through which the subscription order was transmitted, immediately upon receipt by the latter of the results of the Rights Issue.

The delivery of the New Shares to the investors participating in this Offer shall be executed by registering the New Shares in the individual securities accounts of the respective holders, domiciled with financial intermediaries legally qualified to render services of registration and custody of book-entry securities and which have an account opened with the CVM.

### 5.1.7 Assessment and disclosure of the results of the Offer

The results of the Offer, with respect to the exercise of Subscription Rights and the apportionment in the oversubscription requests of New Shares , will be determined by BCP, and are expected to be published on August 7, 2020 and disclosed on CMVM's website (www.cmvm.pt). This announcement will also include information, if applicable, about an eventual subscription of New Shares under the Underwriting Agreement.

In order to determine the results of the Rights Issue, the financial intermediaries to which subscription orders are transmitted during the Offer Period shall proceed as follows: subscription orders for the New Shares (and the respective requests for additional subscription in the apportionment phase), as well as the revocations and/or amendments of such orders shall be transmitted by the financial intermediaries to Interbolsa on a daily basis, in accordance with the usual system for processing subscription orders in share capital increase operations with subscription reserved for holders of Subscription Rights.

During the Offer Period, the financial intermediaries shall also send to BCP the daily result of subscription orders' transmissions to the e-mail address dtit.certificacoes@millenniumbcp.pt by 16:00 each day (Lisbon time).

#### 5.1.8 Circumstances permitting the amendment, withdrawal or suspension of the Offer

In accordance with the provisions of article 128 of the PSC, in the event of an unforeseeable and substantial change in the circumstances which, in a manner known to the addressees of the Offer, motivated the decision to launch the Offer, and exceeding the risks inherent to the Offer, EDP may, within a reasonable period of time and after having obtained CMVM's authorization, modify or revoke the Offer. A modification of the Offer constitutes grounds for the extension of the Offer Period, decided by the CMVM on its own initiative or at the request of EDP. In such scenario, the subscription orders presented prior to the amendments are considered effective for the purposes of the amended Offer, without prejudice to the possibility of such orders being revoked by investors. A modification of the Offer shall be disclosed immediately with the same arrangements as were applied when the Prospectus was published. If a modification to the Offer is based on a significant new factor, material mistake or material inaccuracy relating to the information included in the Prospectus, EDP shall request without undue delay that the CMVM approve a supplement to the Prospectus, pursuant to the provisions of article 23 of Regulation 2017/1129.

Under the terms of article 131 of the PSC, the CMVM shall order the withdrawal of the Offer or prohibit its launch if it concludes that the Offer constitutes an irremediable legal or regulatory breach. A decision to withdraw or prohibit the Offer under such circumstances should be published by the CMVM, at the expenses of the Issuer, through the same means as the Prospectus. The revocation or withdrawal of the Offer determines the ineffectiveness thereof and of the subscription orders communicated prior to or subsequent to the revocation or the withdrawal, and everything that was delivered shall be returned, as established by the provision of article 132 of the PSC.

In accordance with article 133 of the PSC, CMVM shall suspend the Offer whenever it finds any illegality or breach of regulations that is susceptible of being remedied.

If the Offer is suspended for any reason, investors may revoke their subscription orders within five days after the suspension has ceased. Investors have the right to receive all funds they have delivered for the subscription of New Shares. Each period of suspension of the Offer may not exceed 10 working days. Upon the expiry of such period, if the irregularities that led to the suspension have not been remedied, CMVM shall order the withdrawal of the Offer.

Pursuant to the provisions of article 23 of Regulation 2017/1129, if between the time when the Prospectus is approved and the time when trading of the New Shares on the regulated market Euronext Lisbon begins any significant new factor, material mistake or material inaccuracy relating to the information included in the Prospectus which may affect the assessment of the New Shares arises or is noted, the Issuer shall request without undue delay that the CMVM approve a supplement to the Prospectus.

The supplement to the Prospectus shall be approved in a maximum of 5 working days and published in accordance with at least the same arrangements as were applied when the Prospectus was published.

Investors who have already agreed to subscribe New Shares pursuant to the Rights Issue before the supplement is published shall have the right, exercisable within two working days after the publication of the supplement, to withdraw their acceptances, provided that the significant new factor, material mistake or material inaccuracy that led to the preparation and approval of the supplement arose or was noted before the closing of the Offer Period or the delivery of the New Shares, whichever occurs first. The final date of the right of withdrawal shall be stated in the supplement.

### 5.2. Distribution and allocation plan

Shareholders of EDP shall have Subscription Rights in the subscription of New Shares in accordance with article 458 of the PCC, and the New Shares shall be distributed among the holders of Subscription Rights in the Offer as follows:

a) pursuant to the exercise of Subscription Rights each holder shall be entitled to subscribe for the New Shares that result of the application of the factor 0.085035375 to the number of Subscription Rights held at the moment of subscription and that such holder has declared she intends to exercise, rounded down to the nearest whole ordinary share;

b) the shares that are not initially subscribed for are to be allotted to holders of Subscription Rights that have expressed an intention to subscribe for New Shares in addition to that which they are proportionally entitled to pursuant to their Subscription Rights, pro rata to their exercise of Subscription Rights, rounded down to the nearest whole ordinary share;

c) with regards to the New Shares that have not been allocated by the processes referred to in the preceding paragraphs, lots will be drawn, one time, to apportion such New Shares among the holders of Subscription Rights whose requests for additional subscription of New Shares were not fully satisfied.

The Subscription Rights not exercised shall expire at the end of the subscription period without any monetary or other compensation for such fact and the New Shares corresponding to such rights to be issued, in the context of this Rights Issue, shall be apportioned as described above.

The New Shares that have not been fully subscribed under the Rights Issue may still be subscribed by Qualified Investors or Underwriters under the Underwriting Agreement as described in sub-chapter 5.3 ("*Assistance, Placement and Underwriting*").

Should the subscription become incomplete, the Offer and consequently the share capital increase will be limited to the subscriptions collected.

## 5.3. Assistance, Placement and Underwriting

Banco Comercial Português, S.A. is the financial intermediary responsible for rendering assistance services to the Issuer in relation to the Rights Issue, under the terms and for the purposes of articles 113, 337 and 338 of the PSC, covering the services necessary for the preparation, launch and execution of the Rights Issue and advisory services in the process of admission to trading of the New Shares on Euronext Lisbon.

Banco Comercial Português, S.A., J.P. Morgan Securities plc, with registered office at 25 Bank St, London E14 5JP, United Kingdom, Morgan Stanley & Co. International plc, with registered office at 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom, BNP Paribas, with registered office at 16, boulevard des Italiens, 75009 Paris, France, BofA Securities Europe SA, with registered address at 51 rue La Boétie, 75008 Paris, France and Goldman Sachs International, with registered office at Plumtree Court, 25 Shoe Lane, London EC4A 4AU, United Kingdom, are the Underwriters of the Offer.

On July 15, 2020 the Issuer signed with the Underwriters the Underwriting Agreement, governed by English law, with respect to the New Shares not subscribed for pursuant to the distribution and allocation plan of sub-chapter 5.2 ("*Distribution and allocation plan*"*)*. The Underwriters have severally agreed to procure subscribers, or otherwise themselves to subscribe, for, and the Company has agreed to issue to the subscribers procured by the Underwriters or to the Underwriters, as the case may be, at the Subscription Price, any remaining New Shares in the percentages specified below:

Banco Comercial Português, S.A. – 20%;
J.P. Morgan Securities plc – 20%;
Morgan Stanley & Co. International plc – 20%;
BNP Paribas – 13.33%;
BofA Securities Europe SA – 13.33%;
Goldman Sachs International – 13.33%.

**Total** – 100 %

If one or more of the Underwriters defaults in the performance of its obligations to underwrite its proportion of the underwritten New Shares as set out above ("**Defaulted Shares**"), obligation which is due on the last day of the Offer Period, the Joint Global Coordinators shall have the right, but not the obligation, within 48 hours thereafter, to make arrangements for one or more of the other Underwriters (each a "**Non-Defaulting Underwriter**") to procure subscribers for all, but not less than all, of the Defaulted Shares in such amounts as the Joint Global Coordinators may (acting in good faith) determine, upon and subject to the terms set out in the Underwriting Agreement. If the Joint Global Coordinators have not completed such arrangements within such 48-hour (or other agreed) period, then, if the number of Defaulted Shares does not exceed 10% of the aggregate number of New Shares to be subscribed for, each of the Non-Defaulting Underwriter shall be obliged, severally and not jointly or jointly and severally, to subscribe for the full amount thereof in the proportion that its respective underwriting obligation hereunder bears to the underwriting obligations of all Non-Defaulting Underwriters. If the number of Defaulted Shares exceeds 10% of the aggregate number of New Shares to be subscribed for, the Non-Defaulting Underwriters shall not be obliged to subscribe for any Defaulted Shares. If the subscription of the Rights Issue becomes incomplete as a result of the non-subscription of the Defaulted Shares, the Offer results announcement (described in sub-chapter 5.1.7 – *"Assessment and disclosure of the results of the Offer*" above) will be republished indicating the effective total amount of the share capital increase subscribed.

In connection with the Rights Issue, the Company has agreed to pay the Underwriters: (i) an underwriting commission equal to 1.5% of the amount equal to the product of the Subscription Price and the aggregate number of New Shares ("**Base Commission**"); and (ii) in the Company's sole and absolute discretion, an additional discretionary commission of up to 0.5% of the amount equal to the product of the Subscription Price and the aggregate number of New Shares (allocated and paid by the Issuer between Underwriters at the Issuer's discretion). Out of such Base Commission payable to the Underwriters, the Underwriters shall pay or procure the payment of sub-underwriting commissions payable to such persons (if any) as the Underwriters may procure to acquire New Shares.

The Underwriting Agreement is subject to the fulfilment of certain conditions, and may be terminated upon the occurrence of certain events, including certain events of force majeure, and the breach of representations and warranties by EDP under the Underwriting Agreement. As the Offer is not subject to any conditions, termination of the Underwriting Agreement shall not result in the Offer not becoming effective.

Any financial intermediary duly authorized and registered for this purpose may take on the role of recipient of purchase orders and of depositary of the New Shares.

### 5.4. Supplementary allocation and call option (green-shoe option)

Not applicable.

### 5.5. Lock up agreements

The Company has agreed that, for a period commencing on the date of the Underwriting Agreement and ending 180 days after the date of financial settlement of the New Shares attributed to oversubscription orders and the Underwriting Agreement (meaning August 11, 2020), it will not, and will procure that no group company will:

- directly or indirectly, issue, offer, allot, lend, sell, contract to sell or issue, grant any option, right or warrant to subscribe or purchase or allow any encumbrance to be created over or otherwise dispose of, directly or indirectly, any ordinary shares (or any securities convertible into or exchangeable for ordinary shares or which carry rights to subscribe or purchase ordinary shares) or any interest in any ordinary shares or enter into any swap or other agreement that transfers, in whole or in part, any economic consequences of ownership of any securities of the Company, or enter into any transaction with the same economic effect as, or agree to do, any of such things; or
- undertake any consolidation or subdivision of its ordinary shares or any capitalisation issue connected with its ordinary shares; or
- publicly announce any intention to do any of such things,

in each case, without the prior written consent of the Joint Global Coordinators (not to be unreasonably withheld or delayed) other than in respect of: (i) Subscription Rights or New Shares to be issued pursuant to the Rights Issue; (ii) the grant, in accordance with normal practice, or exercise of options from time to time under the Company's share option and incentive schemes in existence on the date of admission to trading of the New Shares.

### 5.6. Undertakings from holders of qualified participations and members of the Issuer's corporate bodies to subscribe New Shares

The Issuer is not aware of any undertakings from holders of qualified participations or members of the Issuer's corporate bodies to subscribe New Shares.

## CHAPTER 6. ISSUER'S CAPITALIZATION AND INDEBTEDNESS

### 6.1. Capitalization and indebtedness

The table below sets forth the capitalization and indebtedness of EDP Group as of April 30, 2020. There has been no material changes on the capitalization and indebtedness of EDP Group since April 30, 2020.

This financial information was prepared according with IFRS rules and standards as approved by the European Union and should be read in conjunction with Chapter 8 ("*Management's discussion and analysis of financial condition and results of operations (MD&A)*") and the Consolidated Financial Statements and the notes to those financial statements included in the Annex of this Prospectus.

| **Indebtedness and Capitalization (thousands of euros)** | Apr 30, 2020 |
|---|---|
| Current Debt | |
| Guaranteed (1) | 321,895 |
| Collateralized (2) | 30,379 |
| Non-guaranteed / non-overdrafted | 2 683,739 |
| Total Current Financial Debt | 3,036,013 |
| Non-current debt (excluding current portion of long term debt) | |
| Guaranteed (1) | 1,293,309 |
| Collateralized (2) | 20,055 |
| Non-guaranteed / non-overdrafted | 11,428,019 |
| Total Non-Current Financial Debt | 12,741,382 |
| **Total indebtedness (3)** | 15,777,396 |
| Equity | |
| Share Capital | 3,656,538 |
| Treasury Stock | - 60,120 |
| Share premium | 503,923 |
| Reserves and retained earnings | 3,685,927 |
| **Total capitalization (4)** | 7,786,267 |
| | |
| **Total indebtedness and capitalization** | 23,563,663 |

(1) Includes the portion of the financial guarantees that correspond to financial debt, which relate to (i) project finance financings that include the usual guarantees on this type of financings, namely the pledge or a promise of pledge of bank accounts and assets of the related projects and (ii) loans and financing at EDP Brasil level
(2) Includes collateral loans related with financial debt (Collateral Deposits – current and non-current, respectively)
(3) Total indebtedness derived from the Unaudited Condensed Consolidated Interim Financial Statements, corresponding to the financial statements line item "Financial debt"
(4) Consolidated net profit for the period attributable to equity holders of EDP of EUR 177,961 thousand not included.

The table below sets forth net financial indebtedness of the EDP Group as at April 30, 2020:

| **Net financial indebtedness (thousands of euros)** | Apr 30, 2020 |
|---|---|
| A. Cash | 298 |
| B. Cash equivalents | 1,412,825 |

| | |
|---|---|
| C. Other items (3) | 50,434 |
| **D. Liquidity (A)+(B)+(C)** | 1,463,556 |
| | |
| E. Current financial receivables(4) | 140,038 |
| | |
| F. Current bank loans | 362,475 |
| G. Current portion of non-current debt | 2,202,202 |
| H. Other current financial debt | 471,336 |
| **I. Current financial debt (F)+(G)+(H)** | 3,036,013 |
| | |
| **J. Current net financial debt (I)-(E)-(D)** | 1,432,419 |
| | |
| K. Non-current financial receivables(4) | 69,082 |
| | |
| L. Non-current bank loans | 1,108,307 |
| M. Bond loans | 11,219,465 |
| N. Other non-current financial debt | 413,610 |
| **O. Non-current financial debt (L)+(M)+(N)** | 12,741,382 |
| **P. Net financial debt (J)-(K)+(O)** | 14,104,719 |

(3) Includes collateral deposits related with financial debt, namely deposits held as collateral guarantee for financing, divided in non-current (20,055 thousand euros) and current (30,379 thousand euros).

(4) Includes financial assets at fair-value through income statement and derivatives for hedging of financial debt

The table below sets forth financial liabilities for indirect and contingent indebtedness, as defined by IAS 32, and as at March 31, 2020:

| **Financial liabilities for indirect and contingent indebtedness (millions of Euros)** | 31 Mar 2020 |
|---|---|
| Institutional partnerships in USA (1) | 1,436 |
| Lease liabilities (rents due from lease contracts) (2) | 868 |
| Future cash outflows not reflected in the measurement of the lease liabilities (3) | 325 |
| Operating guarantees (3) | 2,532 |
| Guarantees rendered to third parties (4) | 142 |
| Financial guarantees related to liabilities assumed by certain of its joint ventures and associates (5) | 536 |
| Operating guarantees related to liabilities assumed by certain of its joint ventures and associates (5) | 345 |

(1) Note 30 of the Unaudited Condensed Consolidated Interim Financial Statements (2) Note 32 of the Unaudited Condensed Consolidated Interim Financial Statements (3) Note 36 of the Unaudited Condensed Consolidated Interim Financial Statements (4) Note 22 of the Unaudited Condensed Consolidated Interim Financial Statements (includes current and non-current) (5) Note 3 of 2019 Annual Audited Consolidated Financial Statements

For further details on the Group's Indebtedness please see sub-chapter 8.6.6 ("*Indebtedness*").

## 6.2. Working capital statement

In the opinion of the Company, the Group's working capital is sufficient for the Group's present requirements, that is, for at least 12 months following the date of this Prospectus.

EDP furthermore expects to be covering the negative difference that currently exists between current assets and current liabilities through its operational cash flow generation.

# CHAPTER 7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

## 7.1. Selected consolidated financial data

The selected consolidated financial information as of and for the three months period ended March 31, 2020 and March 31, 2019 which appears below has been derived from EDP‘s Unaudited Interim Condensed Consolidated Financial Statements for the three months period ended March 31, 2020 in accordance with IAS 34, included in the Annex of this Prospectus. The selected consolidated financial information as of and for the years ended December 31, 2019, 2018 and 2017 which appears below has been derived from EDP‘s Audited Consolidated Financial Statements for the years ended December 31, 2019, 2018 and 2017, prepared in accordance with IFRS as adopted by the EU, included in the Annex of this Prospectus.

The Group’s results of operations between periods presented below may not be comparable due to the application of IFRS 16 and IFRS 9 – Hedge Accounting (as of January 1, 2019) and IFRS 9 (except for hedge accounting requirements) and IFRS 15 (as of January 1, 2018). The adoption of the referred accounting standards required the effect of the initial application to be adjusted to opening shareholders’ equity and therefore the comparative financial information is presented in accordance with legacy standards and has not been restated.

The financial information as of the three months ended March 31, 2020 and March 31, 2019 and the financial information for the year ended December 31, 2019 presented below has been prepared in accordance with IFRS 16, IFRS 15 or IFRS 9, but the financial information for periods prior to January 1, 2019 were not, and were not required to be, prepared in accordance with IFRS 16, whilst the financial information for periods prior to January 1, 2018 were not, and were not required to be, prepared in accordance with IFRS 15 or IFRS 9.

Additionally, during the periods herein disclosed, the following changes occurred in the way the company prepares its financial statements:

– For the year ended December 31, 2019, EDP changed to the indirect method for the statement of cash flows (which impacted the calculation of cash flows from operating activities) and restated the comparative information for the period ended December 31, 2018. Please note that the statement of cash flows for the year ended December 31, 2017 has not been restated. See the section “*Presentation of financial information and other information– Cash Flows Indirect Method.”*

– EDP included a new “Joint Ventures and Associates” line item to its consolidated income statement in the Unaudited Condensed Consolidated Interim Financial Statements. Prior to this change, EDP presented its results from “Joint Ventures and Associates” as financial income or expenses arising from acquisitions or disposals. Given the growing relevance of joint venture and associate companies to the Group’s business, and in particular the joint venture vehicle for offshore wind activity with Engie referred to in this Prospectus (see sub-chapter 10.1.1 – “*Business description*”), EDP decided to include the new “Joint Ventures and Associates” line item integrating the results from these companies as well as the results from acquisitions and/or disposals after the “impairment losses on trade receivables and debtors” line item. The comparative period as of and for the three months ended March 31, 2019 has been restated accordingly. For more details, see Note 2(a) to the Unaudited Condensed Interim Consolidated Financial Statements for the three months period ended March 31, 2020 included in the Annex of this Prospectus.

## 7.2. consolidated income statement data

The following table has been derived from the audited consolidated income statements of EDP for years ended at December 31, 2019, 2018 and 2017.

**Consolidated Income Statements Data**
**for the periods ended at 31 December 2019, 2018 and 2017**

| Thousand Euros | 2019 | 2018 | 2017 |
|---|---|---|---|
| Revenues from energy sales and services and other | 14,333,009 | 15,278,085 | 15,745,987 |
| Cost of energy sales and other | -9,115,859 | -10,178,903 | -10,354,909 |
| | 5,217,150 | 5,099,182 | 5,391,078 |
| Other income | 691,886 | 562,677 | 1,036,999 |
| Supplies and services | -897,543 | -956,961 | -990,533 |
| Personnel costs and employee benefits | -620,196 | -651,540 | -680,833 |
| Other expenses | -652,473 | -715,379 | -766,762 |
| Impairment losses on trade receivables and debtors | -33,207 | -20,850 | - |
| | -1,511,533 | -1,782,053 | -1,401,129 |
| | 3,705,617 | 3,317,129 | 3,989,949 |
| Provisions | -101,530 | -287,938 | 3,627 |
| Amortisation and impairment | -1,765,619 | -1,444,812 | -1,675,659 |
| | 1,838,468 | 1,584,379 | 2,317,917 |
| Financial income | 387,817 | 456,245 | 439,636 |
| Financial expenses | -1,057,591 | -1,010,390 | -1,248,089 |
| Share of net profit in joint ventures and associates | 25,011 | 10,858 | 11,521 |
| Profit before income tax and CESE | 1,193,705 | 1,041,092 | 1,520,985 |
| Income tax expense | -225,901 | -99,666 | -10,304 |
| Extraordinary contribution to the energy sector (CESE) | -68,477 | -65,345 | -69,246 |
| | -294,378 | -165,011 | -79,550 |
| **Net profit for the period** | **899,327** | **876,081** | **1,441,435** |
| **Attributable to:** | | | |
| **Equity holders of EDP** | **511,751** | **519,189** | **1,113,169** |
| **Non-controlling Interests** | **387,576** | **356,892** | **328,266** |
| **Net profit for the period** | **899,327** | **876,081** | **1,441,435** |
| Earnings per share (Basic and Diluted) - Euros | 0.14 | 0.14 | 0.31 |

The following table has been derived from EDP's unaudited condensed consolidated income statement for the three months period ended March 31, 2020 and 2019:

**Condensed Consolidated Income Statements Data**
**for the three-month periods ended at 31 March 2020 and 2019**

| Thousand Euros | 2020 | 2019 * |
|---|---|---|
| Revenues from energy sales and services and other | 3,501,962 | 3,744,177 |
| Cost of energy sales and other | -2,027,137 | -2,383,306 |
| | 1,474,825 | 1,360,871 |
| Other income | 95,938 | 101,819 |
| Supplies and services | -201,011 | -199,610 |
| Personnel costs and employee benefits | -165,031 | -159,287 |
| Other expenses | -209,625 | -168,293 |
| Impairment losses on trade receivables and debtors | -14,224 | -14,035 |
| | -493,953 | -439,406 |
| Joint ventures and associates | -1,297 | 5,334 |
| | 979,575 | 926,799 |
| Provisions | -15,929 | -3,622 |
| Amortisation and impairment | -366,657 | -373,633 |
| | 596,989 | 549,544 |
| Financial income | 125,397 | 78,546 |
| Financial expenses | -331,214 | -264,205 |
| Profit before income tax and CESE | 391,172 | 363,885 |
| Income tax expense | -92,426 | -98,735 |
| Extraordinary contribution to the energy sector (CESE) | -62,759 | -67,046 |
| | -155,185 | -165,781 |
| **Net profit for the period** | **235,987** | **198,104** |
| **Attributable to:** | | |
| **Equity holders of EDP** | **145,851** | **100,460** |
| **Non-controlling Interests** | **90,136** | **97,644** |
| **Net profit for the period** | **235,987** | **198,104** |
| Earnings per share (Basic and Diluted) - Euros | 0.04 | 0.03 |

* Includes restatement due to changes in results in Joint Ventures and Associates as described in note 2a) of the interim report of the 1st quarter of 2020

## 7.3. Consolidated statement of financial position data

The following table has been derived from EDP's audited consolidated statements of financial position as at December 31, 2019, 2018 and 2017 and from the unaudited condensed consolidated statements of financial position of EDP as at March 31, 2020:

**Condensed Consolidated Statements of Financial Position Data**
**as at 31 March 2020 and 31 December 2019, 2018, 2017**

| Thousand Euros | Mar 31 2020 | 2,019 | 2018 | 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 19,513,335 | 19,676,222 | 22,707,511 | 22,730,615 |
| Right-of-use assets (2) | 854,759 | 828,503 | - | - |
| Intangible assets | 4,063,870 | 4,223,823 | 4,736,530 | 4,747,360 |
| Goodwill | 2,135,777 | 2,119,862 | 2,251,461 | 2,232,668 |
| Investments in joint ventures and associates | 988,051 | 1,098,512 | 951,613 | 843,082 |
| Available for sale investments (1) | - | - | - | 124,016 |
| Equity instruments at fair value (1) | 164,152 | 170,806 | 125,147 | - |
| Investment property | 29,328 | 29,944 | 30,973 | 39,199 |
| Deferred tax assets | 1,216,631 | 1,084,046 | 1,152,195 | 808,521 |
| Debtors and other assets from commercial activities | 3,246,020 | 3,424,220 | 2,522,640 | 2,839,379 |
| Other debtors and other assets | 1,061,712 | 932,578 | 629,620 | 518,772 |
| Non-Current tax assets | 290,323 | 389,037 | 53,728 | 60,793 |
| Collateral deposits associated to financial debt | 20,113 | 21,690 | 25,466 | 34,874 |
| Total Non-Current Assets | 33,584,071 | 33,999,243 | 35,186,884 | 34,979,279 |
| | | | | |
| Inventories | 337,765 | 368,334 | 342,037 | 265,775 |
| Debtors and other assets from commercial activities | 2,697,226 | 2,858,160 | 3,167,479 | 3,325,730 |
| Other debtors and other assets | 849,293 | 881,779 | 594,808 | 304,628 |
| Current tax assets | 373,916 | 415,735 | 354,057 | 520,500 |
| Financial assets at fair value through profit or loss | - | - | - | 37,544 |
| Collateral deposits associated to financial debt | 32,768 | 39,786 | 167,425 | 10,381 |
| Cash and cash equivalents | 1,444,625 | 1,542,722 | 1,803,205 | 2,400,077 |
| Non-Current Assets held for sale (3) (4) | 2,311,575 | 2,255,887 | 11,065 | 231,135 |
| Total Current Assets | 8,047,168 | 8,362,403 | 6,440,076 | 7,095,770 |
| **Total Assets** | 41,631,239 | 42,361,646 | 41,626,960 | 42,075,049 |
| **Equity** | | | | |
| Share capital | 3,656,538 | 3,656,538 | 3,656,538 | 3,656,538 |
| Treasury stock | -61,220 | -61,220 | -62,410 | -62,957 |
| Share premium | 503,923 | 503,923 | 503,923 | 503,923 |
| Reserves and retained earnings | 4,412,802 | 4,247,195 | 4,350,938 | 4,335,265 |
| Consolidated net profit attributable to equity holders of EDP | 145,851 | 511,751 | 519,189 | 1,113,169 |
| Total Equity attributable to equity holders of EDP | 8,657,894 | 8,858,187 | 8,968,178 | 9,545,938 |
| Non-controlling Interests | 3,563,694 | 3,773,826 | 3,932,149 | 3,934,322 |
| **Total Equity** | 12,221,588 | 12,632,013 | 12,900,327 | 13,480,260 |
| **Liabilities** | | | | |
| Financial debt | 12,465,632 | 13,124,615 | 15,469,636 | 15,469,636 |
| Employee benefits | 1,151,729 | 1,128,155 | 1,198,362 | 1,198,362 |
| Provisions | 908,177 | 926,426 | 726,771 | 726,771 |
| Deferred tax liabilities | 494,670 | 503,746 | 466,532 | 466,532 |
| Institutional partnerships in USA | 2,450,763 | 2,289,784 | 2,163,722 | 2,163,722 |
| Trade payables and other liabilities from commercial activities (5) | 1,556,627 | 1,644,307 | 1,343,171 | 1,343,171 |
| Other liabilities and other payables | 1,314,869 | 1,177,119 | 874,984 | 874,984 |
| Non-current tax liabilities | 113,738 | 138,212 | 91,551 | 91,551 |
| Total Non-Current Liabilities | 20,456,205 | 20,932,364 | 22,334,729 | 22,334,729 |
| | | | | |
| Financial debt | 2,831,499 | 3,446,854 | 2,622,509 | 1,448,129 |
| Employee benefits | 181,200 | 183,514 | 308,253 | 323,891 |
| Provisions | 123,344 | 126,091 | 35,930 | 26,058 |
| Hydrological correction account | - | - | - | 1,574 |
| Trade payables and other liabilities from commercial activities (5) | 4,276,518 | 3,859,623 | 3,862,245 | 3,498,131 |
| Other liabilities and other payables | 778,096 | 623,771 | 770,922 | 284,140 |
| Current tax liabilities | 687,619 | 478,594 | 566,089 | 563,456 |
| Non-Current Liabilities held for sale (3) (4) | 75,170 | 78,822 | - | 114,681 |
| Total Current Liabilities | 8,953,446 | 8,797,269 | 8,165,948 | 6,260,060 |
| **Total Liabilities** | 29,409,651 | 29,729,633 | 28,726,633 | 28,594,789 |
| **Total Equity and Liabilities** | 41,631,239 | 42,361,646 | 41,626,960 | 42,075,049 |

(1) From January 1, 2018, EDP adopted IFRS 9 and IFRS 15
(2) From January 1, 2019, EDP adopted IFRS 16
(3) At December 31, 2017, assets and liabilities held for sale comprised assets and liabilities relating to the potential sale of Moray Offshore Windfarm (East) Limited, Costa Rica Energética, Ltda, EDP Small Hydro, S.A. and Pebble Hydro – Consultoria, Investimento e Serviços, Lda.
(4) At December 31, 2017, these captions nomenclatures were “Assets held for sale” and “Liabilities held for sale”, respectively.
(5) At December 31, 2017, these captions nomenclatures were “Trade and other liabilities from commercial activities”.

## 7.4. Consolidated statement of cash flows data

The following information has been derived from the audited consolidated cash flow statement of EDP for the years ended December 31, 2019, 2018 and 2017 as well as the unaudited condensed consolidated cash flow statements of EDP for the three months period ended March 31, 2020 and 2019 and presents the main line items:

| Million Euros | 1st quarter 2020 | 1st quarter 2019 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Net cash flows from operating activities | 1,379 | 505 | 2,221 | 2,938 | 2,236 |
| Net cash flows from investing activities | -367 | -953 | -1,645 | -1,179 | 570 |
| Net cash flows from financing activities | -959 | 269 | -834 | -2,335 | -1,797 |
| **Changes in cash and cash equivalents** | **53** | **-179** | **-258** | **-576** | **1,008** |
| Effect of exchange rate fluctuations on cash held | -137 | 13 | -2 | -21 | -129 |
| Cash and cash equivalents at the beginning of the period * | 1,528 | 1,747 | 1,803 | 2,400 | 1,521 |
| **Cash and cash equivalents at the end of the period** | **1,445** | **1,582** | **1,543** | **1,803** | **2,400** |

* Cash and cash equivalents reclassified as held for sale in the 1st quarters of 2020 and 2019

## 7.5. Alternative performance measures

This Prospectus (and the documents included in the Annex of this Prospectus) contains certain management measures of performance or alternative performance measures ("**APMs**"), which are used by management to evaluate EDP's overall performance, including EBITDA, Net Debt adjusted for regulatory receivables, Net Debt adjusted for regulatory receivables to EBITDA, Capex, Recurring EBITDA and Recurring Net Profit. These APMs are not audited, reviewed or subject to review by Issuer's auditors and are not measurements required by, or presented in accordance with, IFRS-EU. Accordingly, these APMs should not be considered as alternatives to any performance measures prepared in accordance with IFRS-EU and investors are cautioned not to place undue reliance on these APMs. Furthermore, these APMs, as used by EDP, may not be comparable to other similarly titled measures used by other companies. Investors should not consider such APMs in isolation, as alternatives to the information calculated in accordance with IFRS-EU, as indications of operating performance or as measures of Issuer's profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for, financial information prepared in accordance with IFRS-EU and investors are advised to review these APMs in conjunction with the Consolidated Financial Statements included in the Annex of this Prospectus. For a discussion of these financial measures, see sub-chapter 8.5 ("*Results of Operations*").

The APMs presented below are not recognized measures of financial performance under IFRS and have not been audited or reviewed. These alternative performance measures are presented because they are used by the Group to monitor the performance of the Group's business and operations. These measures also provide additional information to investors to enhance their understanding of the Group's results. The selected financial and operating information set forth below should be read in conjunction with Chapter 8 ("*Management's discussion and analysis of financial condition and results of operations (MD&A)*") included in the Annex of this Prospectus and EDP's Consolidated Financial Statements and the notes to those financial statements included in the Annex of this Prospectus.

Each of the non-IFRS financial measures presented as APMs is defined below:

"**EBITDA**" is an alternative metric of performance non-audited, meaning earnings before interest, tax, depreciations and amortizations, and calculated as revenues from energy sales and services and other minus cost of energy sales and other, deducted of supplies and services and personnel costs and employee benefits plus/minus other income/expenses minus impairment losses on trade receivables and debtors. In operating segments information, EBITDA corresponds to "Gross Operating Profit". This APM has been presented to the market consistently by the Group. Accordingly, in this Prospectus, EBITDA is referred to as a measure of the company's "Gross Operating Profit" derived from its business.

"**Net Debt adjusted for regulatory receivables**" is an alternative metric of performance non-audited, that shows a company's overall debt situation calculated using company's view of debt situation. It includes Financial Debt, Cash and Cash Equivalents, Short-term financial assets at fair-value and fair value hedge and collateral deposits associated to financial debt, 50% of the amount related with the issuance of a subordinated debt instruments (hybrid) and the regulatory receivables (amount owed to EDP by the electricity tariff system in Portugal, Brazil and Spain). This APM translates the concept of financial debt minus liquidity and other adjustments necessary within the context of EDP's business and is presented in this Prospectus as a measure of the company's leverage for comparison purposes with EBITDA as a ratio.

"**Net Debt adjusted for regulatory receivables to EBITDA**" is an alternative metric of performance non-audited, meaning the ratio of Net Debt adjusted for regulatory receivables to EBITDA.

"**Capex**" is an alternative metric of performance non-audited, meaning capital expenditure, that includes additions in Property, Plant and Equipment, Intangible Assets and amounts receivable from concessions - IFRIC 12 under the financial asset model, excluding $CO_2$ licenses and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period. This APM is accordant with the concept of capital expenditure adjusted by some specific effects of EDP's business and has been presented to the market consistently by the company. In this, it is henceforth referred to as a measure of the company's capital expenditure.

A reconciliation between net profit for the period attributable to equity holders of EDP to EBITDA starting from the income statements previously presented is herein included:

| Thousand Euros | | 1st quarter 2020 | 1st quarter 2019 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Net profit for the period attributable to equity holders of EDP | (+) | 145,851 | 100,460 | 511,751 | 519,189 | 1,113,169 |
| Net profit for the period attributable to non-controlling interests | (+) | 90,136 | 97,644 | 387,576 | 356,892 | 328,266 |
| **Net profit for the period** | | **235,987** | **198,104** | **899,327** | **876,081** | **1,441,435** |
| Extraordinary contribution to the energy sector (CESE) | (-) | -62,759 | -67,046 | -68,477 | -65,345 | -69,246 |
| Income tax expense | (-) | -92,426 | -98,735 | -225,901 | -99,666 | -10,304 |
| **Profit before income tax and CESE** | | **391,172** | **363,885** | **1,193,705** | **1,041,092** | **1,520,985** |
| Financial expenses | (-) | -331,214 | -264,205 | -1,057,591 | -1,010,390 | -1,248,089 |
| Financial income | (-) | 125,397 | 78,546 | 387,817 | 456,245 | 439,636 |
| Share of net profit in joint ventures and associates (*) | (-) | (*) | (*) | 25,011 | 10,858 | 11,521 |
| | | **596,989** | **549,544** | **1,838,468** | **1,584,379** | **2,317,917** |
| Amortisation and impairment | (-) | -366,657 | -373,633 | -1,765,619 | -1,444,812 | -1,675,659 |
| Provisions | (-) | -15,929 | -3,622 | -101,530 | -287,938 | 3,627 |
| **EBITDA** | | **979,575** | **926,799** | **3,705,617** | **3,317,129** | **3,989,949** |

(*) Change in results in Joint Ventures and Associates as described in note 2a) of the interim report of the 1st quarter of 2020. Restated for 1st quarter 2019. After 2019 included in EBITDA

A reconciliation of the Capex formula is presented below. For more information, see the Operating Segments Note of the Consolidated Financial Statements included in the Annex of this Prospectus (i.e. Note 41 of the Unaudited Condensed Consolidated Interim Financial Statements for the three months period ended March 31, 2020).

| Million Euros | 1st quarter 2020 | 1st quarter 2019 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Total Fixed Assets additions (2) | 335 | 361 | 1,795 | 2,320 | 2,007 |
| Concession Rights - IFRIC 12 | 101 | 130 | 771 | - | - |
| Emission of CO2 Licenses and Green Certificates | -8 | -124 | -296 | -301 | -111 |
| Investment Grants | 0 | 1 | 2 | 63 | -11 |
| Other Investments (3) | 0 | -22 | 23 | -37 | -144 |
| Discomission of Tangible Assets (4) | -2 | -2 | -36 | -13 | -16 |
| **Capex (1)** | **425** | **343** | **2,258** | **2,031** | **1,725** |

(1) Items disclosed in the "Reconciliation of information between Operating Segments and Financial Statements" note to the consolidated financial statements

(2) Includes the total additions of the period of Property, Plant & Equipment and Intangible Assets as disclosed in the respective notes to the consolidated financial statments

(3) In 2017, refers mainly to the in-kind contribution of the Lisbon headquarter (EUR 120 million), lease contract of the Lisbon headquarter (EUR 55 million), partially compensated by the held for sale reclassification of the investment in the intangible assets of EDP Gás Distribuição (-EUR 14 million), which was sold in the fourth quarter of 2017.

(4) "Discomission of Tangible Assets includes i)"Dismantling/discomission of PP&E" in 1Q2020 and 2019 reports, and; ii) "Discomission of Property, plant and equipment" in 1Q2019 and 2018 reports, as disclosed in the "Reconciliation of information between Operating Segments and Financial Statements".

A reconciliation of the Net Debt adjusted for regulatory receivables is presented below.

| Million Euros | 1st quarter 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Non-current and current financial debt (1) | 15,297 | 16,571 | 16,085 | 16,918 |
| Cash and cash equivalents (2) | -1,445 | -1,543 | -1,803 | -2,400 |
| Short-term financial assets at fair-value (3) | -105 | -99 | -102 | -38 |
| Fair Value Hedge (4) | -85 | -135 | -117 | -141 |
| Non-current and current collateral deposits associated to financial debt (5) | -53 | -61 | -193 | -45 |
| 50% of the hybrid bonds (6) | -897 | -906 | -391 | -391 |
| Regulatory Receivables | -455 | -370 | -287 | -870 |
| o.w. Amounts receivable from tariff adjustments - Electricity - Portugal (current and non-current) (7) | -434 | -346 | -225 | -870 |
| o.w. Amounts receivable from tariff adjustments - Electricity - Brazil (current and non-current) (7) | -57 | -80 | -110 | -77 |
| o.w. Included in Amounts receivable relating to CMEC (current and non-current) (7) | -101 | -101 | -96 | -237 |
| o.w. Amounts payable from tariff adjustments - Electricity - Portugal (current and non-current) (8) | 58 | 44 | 86 | 261 |
| o.w. Amounts payable from tariff adjustments - Electricity - Brazil (current and non-current) (8) (9) | 52 | 76 | 39 | 52 |
| o.w. Included in other creditors and sundry operations (8) | 28 | 37 | 19 | 1 |
| **Net Debt adjusted for regulatory receivables** | **12,258** | **13,457** | **13,191** | **13,032** |

(1) Refer to "Financial debt" note to the financial statements of each period

(2) Refer to "Cash and cash equivalents" note to the financial statements of each period.

(3) Included in "Other debtors and other assets" note to the financial statements of each period.

(4) Refer to "Derivative financial instruments" note to the financial statements of each period, which comprises "Interest rate swaps" and "Cross-currency interest rate swaps"

(5) Refer to "Financial debt" note to the financial statements of each period

(6) Refer to "Financial Risk Management Policies" note to the financial statements of each period. Amount considers 50% of the contractual undiscounted cash flows and the estimated interests due of the hybrid bonds.

(7) Refer to "Debtors and other assets from commercial acctivities" note to the financial statements of each period. For CMEC, refer to portion relating to revisibility.

(8) Refer to "trade payables and other liabilities from commercial activities" note to the financial statements of each period.

(9) For the period ended March 31, 2020 and December 31, 2019, the recognition of EUR 311 million and EUR 389 million, against tax receivable as a result of the non-inclusion of the amounts of VAT borne in the basis of calculation of PIS and COFINS, is excluded.

In addition, the following APMs are presented for the purposes of the Profit Forecast (see Chapter 9 – "*Profit Forecast*"). "**Recurring EBITDA**" is an alternative metric of performance non-audited, meaning EBITDA less exceptional and non-recurring items. "**Recurring Net Profit**" is an alternative metric of performance non-audited, meaning net profit attributable to equity holders of EDP less exceptional and non-recurring items. These non-recurring and/or exceptional items include one-off impairment charges, capital gains/losses on sales of assets (excluding gains or losses derived from sales of assets pursuant to the Group's asset rotation strategy), costs associated with retroactive regulatory changes, human resources or debt restructuring costs and the CESE energy tax in Portugal.

## 7.6. Significant Changes in the Issuer's Financial Condition

Since the reference date of the Unaudited Condensed Consolidated Interim Financial Statements for the three months period ended March 31, 2020, there have been no significant changes to the Issuer's financial condition and performance.

# CHAPTER 8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

*The following discussion of EDP's financial condition and results of operations should be read in conjunction with the section entitled "Presentation of financial information and other information" and Chapter 7 ("Selected consolidated financial information") of this Prospectus, the financial statements and notes thereto and the information relating to EDP's business included in the Annex of this Prospectus. This discussion involves forward-looking statements that reflect the current view of management and involve risks and uncertainties. EDP's actual results could differ materially from those contained in any forward-looking statements as a result of factors discussed below and in the Annex of this Prospectus, particularly the risk factors discussed in the section entitled "*

Risk factors*" of this Prospectus. Certain regulatory and industry issues also affect EDP's results of operations and are described in sub-chapter 8.5 ("Results of Operations") of this Prospectus.*

*The financial information in this Chapter 8 has been extracted or derived without adjustment from the historical financial information described in "Presentation of financial information and other information", save where otherwise stated.*

## 8.1. Overview

EDP – Energias de Portugal, S.A. is a multinational, vertically integrated, utility company with energy generation, distribution and supply operations mainly in Iberia, North America and Brazil. The Group operates in 19 countries across Europe, the Americas, Africa and Asia with a focus on renewable energy generation. With a total installed capacity in Iberia of 17 GW and a distribution network spanning 363,000 kilometers as of March 31, 2020, EDP believes it is the largest generator, distributor and supplier of electricity in Portugal and the third largest electricity generator in the Iberian Peninsula. EDP believes it is also a global leader in the renewable energy sector with a total installed capacity in wind, solar and hydro of 20 GW as of March 31, 2020.

EDP organizes its business along three operating segments:

- **Renewables:** The Renewables operating segment is central to the Group's growth strategy. EDP participates in the renewable energy space through EDP Renováveis, a leading renewable energy company headquartered and listed in Spain that develops, builds, manages and operates power plants that generate electricity using renewable energy sources (including onshore and offshore wind, and solar energy) and through its hydroelectric generation assets in Iberia and Brazil. EDP Renováveis has built significant growth platforms in the European, Latin American and North American markets and is continuously monitoring opportunities to expand its activities globally. EDP currently holds an 82.6% stake in EDP Renováveis, with the remaining 17.4% traded on Euronext Lisbon. Renewables generated 62% of the Group's EBITDA for the year ended December 31, 2019.

- **Networks:** EDP's Networks operating segment comprises activities related to electricity distribution in the Iberian Peninsula and Brazil, as well as the Group's electricity transmission operations in Brazil. EDP's regulated networks RAB was EUR 5.0 billion as of December 31, 2019. EDP believes that the importance of electricity networks in the context of the energy transition landscape will continue to increase given the gradual shift to a more customer-centric paradigm which will require the deployment of a smarter grid and the offer of a more personalized portfolio of services. Such services are likely to include smart control systems, decentralized generation, energy-storage and electric cars, which represents an opportunity for further growth. Networks generated 27% of the Group's EBITDA for the year ended December 31, 2019.

- **Client Solutions and Energy Management:** The Client Solutions and Energy Management segment comprises activities related to thermal generation, energy trading and natural gas and electricity supply in the Iberian Peninsula and Brazil. This segment includes energy management activities that allow EDP to manage its portfolio of generation assets in the liberalized market and its clients in Iberia, enabling the Group to hedge merchant risk according to its risk policies. The Client Solutions and Energy Management segment accounted for 13% of the Group's EBITDA for the year ended December 31, 2019.

The Group's EBITDA for the year ended December 31, 2019 was EUR 3,706 million and its total assets as of December 31, 2019 were EUR 42,362 million.

**Current Trading**

The pandemic and the lockdown measures imposed around the world to stymie the spread of COVID-19 have had a significant impact on the global economy. Besides the costs and challenges that will follow the gradual lifting of restrictions, the severity of which will ultimately hinge on the length of the crisis and pace of recovery, EDP believes that the pandemic has reaffirmed the need for a more sustainable economic and social model. In the energy sector, EDP therefore continues to believe that increasing electrification and the acceleration of decarbonization driven by faster renewables growth will likely present new opportunities for the utilities sector, and EDP in particular.

EDP's financial results for the three months ended March 31, 2020 only partially capture the impact of the COVID-19 pandemic on its business and financial results. However, although the severity of the crisis remains uncertain, EDP believes that it is well placed to weather the storm as a result of the Group's business and jurisdictional diversification, the fact that a significant portion of its revenue is either regulated or under long-term contracts and that it has entered into various energy hedges before the start of the crisis, which cover the 2020 period. In particular, for the rest of the year of 2020, in Iberia, hedging considered forward contracts for nearly all of the Group's expected production, with hydro and nuclear production contracted at close to EUR 55/MWh (considered at baseload hourly price and excluding ancillary services and any supply margin) and thermal volumes hedged at middle single digit spread.

Below is a summary description of the Group's financial and operating performance since March 31, 2020:

– **Renewables:** EDP's Renewables operating segment has performed in line with management's expectations with no significant delays in the Group's pipeline caused by the restrictions related to COVID-19. The financial results of wind and solar assets have been stable given the predominantly regulated or contracted nature of their revenue. In addition, hydro results in Iberia and Brazil are also in line with expectations, despite higher volatility and lower market prices due to hedging positions entered prior to the crisis for 2020 hydro generation in Iberia. Installed capacity in Renewables changed only slightly due to the conclusion of an asset rotation deal in Brazil in February 2020. Electricity generation volumes from wind capacity decreased due to lower overall wind resources compared to the same period last year. This decrease was offset by the increase in hydro generation volumes, mainly in Portugal, where the hydro resources were 4% below the long-term average from January 1, 2020 to June 30, 2020 (compared to 44% below the long-term average in the previous year).

  The following tables set out changes in the Group's installed capacity in Renewables between December 31, 2019 and June 30, 2020 and changes Renewables electricity generation between June 30, 2019 and June 30, 2020. June 2020 figures are preliminary and subject to adjustments.

| Installed Capacity[1] | | | |
|---|---|---|---|
| **MW** | **June 30, 2020** | **December 31, 2019** | **Change** |
| **Total** | **27,861** | **27,791** | **+0%** |
| Wind | 10,743 | 10,667 | +1% |
| North America | 6,053 | 5,853 | +3% |
| Europe | 4,360 | 4,346 | +0% |
| Brazil | 331 | 467 | -29% |
| Hydro | 8,785 | 8,785 | - |
| Iberia | 7,186 | 7,186 | - |
| Brazil | 1,599 | 1,599 | - |
| Solar | 145 | 145 | - |
| Gas Iberia | 3,729 | 3,729 | -0% |
| Coal | 3,150 | 3,150 | -0% |
| Iberia [2] | 2,430 | 2,430 | -0% |
| Brazil | 720 | 720 | - |
| Nuclear Spain | 156 | 156 | -0% |
| Cogen. & Waste | 42 | 49 | -14% |
| Equity Consolidated | 1,111 | 1,111 | |

(1) Includes installed capacity of EDP's equity method stakes multiplied by EDP's percentage of ownership;
(2) Reflects revisions in the installed capacity of some plants

| Electricity Generation | | | |
|---|---|---|---|
| **GWh** | **Year until June 30, 2020** | **Year until June 30, 2019** | **Change** |
| **Total** | **31,995** | **33,815** | **-5%** |
| Wind | 14,523 | 16,017 | -9% |
| North America | 9,114 | 8,750 | +4% |
| Europe | 5,022 | 6,570 | -24% |
| Brazil | 388 | 697 | -44% |
| Hydro | 11,079 | 6,802 | +63% |
| Iberia[1] | 7,950 | 4,336 | +83% |
| Brazil | 3,129 | 2,467 | +27% |
| Solar | 140 | 141 | -0% |
| Gas Iberia | 3,952 | 3,720 | +6% |
| Coal | 1,683 | 6,423 | -74% |
| Iberia | 1,207 | 5,028 | -76% |
| Brazil | 476 | 1,395 | -66% |
| Nuclear Spain | 521 | 552 | -6% |
| Cogen. & Waste | 96 | 161 | -40% |

(1) Includes small-hydro

– **Networks**: In Iberia, EDP's Networks operating segment has performed in line with management's expectations despite a decrease in volumes resulting from the COVID-19 pandemic, given the limited impact of demand in the Group's financial results. However, in Brazil, the Networks operating segment has been adversely impacted by worsening market conditions driven by the compounded effect of lower energy demand, lower electricity prices and the significant depreciation of the Brazilian Real against the Euro. The Group conducts its operations in Brazil through its subsidiary, EDP Brasil, which has already adopted several measures to address these challenges, including revising its planned capital expenditures, cutting its dividend payments for 2020 and taking the funding steps necessary to ensure adequate levels of liquidity. Additionally, the Brazilian regulator has created a mechanism to tackle liquidity constraints suffered by the distribution companies, the Covid-Account, which will enable EDP Brasil to receive BRL 594 million as a means to reduce its regulatory receivables. The following table sets out changes in electricity distributed between June 30, 2020 and June 30, 2019. June 2020 figures are preliminary and subject to adjustments.

| Electricity Distribution | | | |
|---|---|---|---|
| | Year until June 30, 2020 | Year until June 30, 2019 | Change |
| **Electricity distributed (GWh)** | **39,186** | **41,976** | **-6.6%** |
| Portugal[1] | 23,491 | 24,783 | -5.2% |
| Spain | 3,827 | 4,247 | -9.9% |
| Brazil | 11,868 | 12,944 | -8.3% |

(1) Electricity volume that entered the distribution grid

– **Client Solutions and Energy Management**: EDP's Client Solutions and Energy Management operating segment has performed in line with management's expectations despite a decline in industrial demand, particularly during April and May. There has been an uptick in demand in early June but it remains below 2019 levels. The impact of lower power demand has been mitigated by the Group's hedging of most of its expected thermal generation for 2020 and the Group's vertically integrated management of generation and supply of electricity. However, the Group estimates that the regulatory measures adopted to protect consumers in Iberia, along with the effect of lower demand and lower energy prices is likely to increase the Group's working capital requirements during 2020 driven by an increase in client bad debts, potentially higher tariff deficits and an increase in regulatory receivables which the Group expects to return gradually to historical averages upon recovery of the pandemic. The table below sets out changes in volumes of gas and electricity supplied in Iberia between June 30, 2020 and June 30, 2019. June 2020 figures are preliminary and subject to adjustments.

| Volumes supplied (GWh) | | | |
|---|---|---|---|
| | Year until June 30, 2020 | Year until June 30, 2019 | Change |
| **Electricity[1]** | **13,846** | **14,949** | **-7%** |
| Portugal | 8,424 | 8,845 | -5% |
| Spain | 5,422 | 6,104 | -11% |
| | | | |
| **Gas[1]** | **6,639** | **6,463** | **3%** |
| Portugal | 2,014 | 1,935 | +4% |
| Spain | 4,624 | 4,528 | +2% |

(1) Last resort supply excluded for Portugal but included for Spain

In addition, the effect of lower energy demand, and the resulting decrease in forward prices for electricity in Iberia, have negatively impacted expected working hours of the Group's coal power plants in the region. In this context, EDP is reassessing the profitability of the Sines coal plant in Portugal, which will result in an impairment of this asset (see sub-chapter 2.1 – *"Risks relating to EDP's business activities"*). Moreover, and following the continued material deterioration of the operating outlook for coal plants in the Iberian market observed since 2019, EDP anticipates that the closing date for its coal plants in Iberia will occur no later than 2021 for Sines and Soto 3 power plants, while the Aboño power plant will be converted from coal to furnace gas by 2022. The closure or conversion of the plants is aligned with energy transition goals, since the plants' facilities or interconnection points are expected to become part of wider renewable or circular economy projects. All in all, the impairment in Sines and the additional costs related with the closure of the plants should result in a one-off pre-tax cost of around EUR 0.1 billion.

During the lockdown period, which extended from March to May of 2020 in Iberia, EDP continued to operate in compliance with government restrictions to provide uninterrupted supply of energy and high quality service. It also continued to advance its strategy. Since March 31, 2020, EDP has entered into three new PPAs (100 MW in US, 200 MW in Mexico and 59 MW in Spain) and has been awarded 54 MW in an Italian wind auction. Further, on April 2020, EDP issued a 1.625% EUR 750 million green bond due 2027 and in May it announced the sale of 843 MW CCGTs and its portfolio of B2C clients in Spain for an aggregate amount of EUR 515 million. As part of its customary financing activities, EDP continues to sell parts of the tariff deficit from  the special regime generation in Portugal. Following the sale of a portion of the Portuguese tariff deficit for EUR 0.8 billion in March 9, 2020, EDP has agreed to sell an additional amount for EUR 0.3 billion in July 2020.

In addition, EDP continues to execute its asset rotation strategy involving the disposal of wind and solar assets with the proceeds being reinvested in new renewable capacity additions. In particular, EDP is in advanced discussions regarding the disposal of a 100% stake in a portfolio of assets comprising 0.24 GW in Europe, as well as the disposal of an 80% stake in a portfolio of assets comprising 0.56 GW in the United States, both during 2020. The outlook in terms of execution at the date of this Prospectus is positive for both transactions, with European process expected to be executed sooner than the North-American transaction. Both transactions are expected to be closed at a price aligned with market references in terms of multiple for Enterprise Value per MW. Also, pursuant to the process of transferring assets by EDP and Engie to the joint venture formed by both companies for offshore wind (see sub-chapter 10.1.1 – "*Business description*"), asset rotation gains are expected to be recognised in 2020 as a result of the revaluation of EDP's assets in the context of such transfers.

In parallel, EDP continues to look into opportunities to redeploy capital in renewables capacity, either through organic growth or through M&A opportunities for the acquisition pipeline of projects in a "ready-to-build" stage. These opportunities are fundamental for EDP to deliver its strategic goals of building 7 GW of cumulative renewable capacity in the 2019-2022 period, as announced in EDP's Strategic Update.

EDP believes that the pandemic will increase its working capital requirements as a result of an increase in bad debts, the extent and impact of which is difficult to predict as of the date of this Prospectus. Up to the date of this Prospectus, the magnitude of the working capital impacts due to bad debts has been nonetheless reduced. It is worth noting, that financial debt at June 30, 2020 should be higher when compared to March 31, 2020 due to a combination of effects, in particular the payment of the annual dividend in May 2020, the continued investment in renewables, which is intended to be funded through transactions which have not yet occurred in 2020, particularly asset rotation (for which EDP is in advanced discussions) and tax equity deals (for which outlook is positive), and the sale of EUR 0.8 billion of 2020's tariff deficit in March 9, 2020 whose respective regulatory receivables are progressively becoming due during the year. However, EDP is seeking to deleverage over the remainder of the year to reach by the end of the year a Net Debt adjusted for regulatory receivables to EBITDA ratio broadly in line with the ratio presented in the Stategic Update for 2020.

Notwithstanding the difficulties and consequences of the pandemic, EDP's business is focused on regulated and long-term contracted business segments, which has reaffirmed the Group's resilience at a time of global economic turbulence.

The foregoing impacts have been taken into account by EDP in preparing the Profit Forecast for 2020. For information regarding the basis of preparation and assumptions relating to its Profit Forecast for 2020, please see Chapter 9 ("*Profit forecast*").

EDP will release its financial results for the period ended at June 30, 2020 on September 3, 2020.

## 8.2. Principal factors affecting results of operations

The Members of the Executive Board of Directors believe that the combination of factors described below significantly affected the Group's results of operations and financial condition in the period under review and/or are expected to have significant impact on its results of operations and financial condition in the future.

### Growth in renewables and networks

As part of its strategy, EDP expects to add 7.2 GW of renewable capacity during the 2019-2022 period (as of March 31, 2020, EDP has secured long term contracts that cover 84% of this amount). A significant portion of this growth in renewables is expected to be funded through the Group's asset rotation strategy, which consists of selling stakes in operating assets, or assets under development, to reinvest the proceeds in further additions of capacity. While this strategy may not necessarily lead to higher total installed capacity, owned by EDP, it allows EDP to frontload value creation. For the year ended December 31, 2019, EDP recorded EUR 313 million in capital gains on disposals of electricity business assets as part of its asset rotation strategy.

During the period under review, the Group has significantly increased its installed capacity in Brazil. As of March 31, 2020, EDP had completed 63% of its total planned R $3.9 billion investment in transmission lines in Brazil. As these six transmission lines become operational over the next two to three years, they are expected to have a positive impact in the Group's financial results.

### Sale price and cost of production or purchase per unit of energy sold

The Group's revenues from (i) generation in all geographies and (ii) liberalized supply in Portugal, Spain and Brazil are largely determined by the sale price of electricity and the unitary cost of production.

The sale price of electricity is determined by a combination of factors, which include:

- supply and demand in the wholesale energy market;
- energy mix (in which renewable power is subject to lower variable costs);
- applicable regulatory tariffs and charges (such as the *clawback* charge in Portugal and the *Green Cent* charge in Spain) (see sub-chapter 11.3.1 ("*Electricity Sector: Regulatory framework*") and sub-chapter 11.4.1 ("*Electricity Sector: Regulatory Framework*");
- the cost of fuel (such as natural gas and coal);
- weather factors (such as rainfall, wind levels and sunlight);
- the cost of $CO_2$ licenses (primarily in Europe); and
- the applicable tax regime.

Suppliers of electricity, which purchase energy in the spot daily market or through PPAs from generators and distributors, depending on the applicable geography, are also subject to these costs which electricity generators pass on to them, and which they in turn pass on to their clients.

In order to mitigate price volatility, EDP sells most of its solar and wind energy through long-term PPAs, which largely fix the sale price for the duration of the contract. A large portion of Brazil's power generation is also sold through fixed-price PPAs. The remaining power output that is not under a PPA or similar long-term arrangement, primarily hydro and thermal energy generation in Iberia, is typically price-hedged using financial derivatives or equivalent contractual instruments.

Hedging allows EDP to fix prices for future purchases or sales. In the instances where hedging is performed without financial derivatives, other instruments are used for the same end result, which is to guarantee a given price for a future cash-flow and reduce volatility. EDP's integrated presence along the electricity value chain, with operations in both the electricity generation and the liberalized energy supply segments allows it to benefit from natural hedges. The strategic integration between business segments compensates opposite structural market positions, namely power selling positions in power plants and power sourcing positions for clients' supply within the Renewables and Client Solutions and Energy Management segments (for more information see Chapter 10 ( "*Description of the Issuer's business*"). The use of these tools has allowed EDP to reduce the fluctuation of its results in generation and supply activities in the short-term, as the gains in the hedging instruments has mitigated its possible losses in the underlying business and vice-versa.

Cost volatility is also addressed through long-term PPAs and sourcing contracts to ensure stability in power and gas cost and supply, with the remaining costs being, as previously mentioned, price-hedged using financial derivatives or equivalent contractual instruments (in particular coal, gas and $CO_2$ allowances).

**Natural resource availability for renewable power generation plants (in particular hydro, wind and solar)**

EDP's renewable generation capacity consists of hydro, solar and wind power plants that use rainfall, sunshine hours and wind intensity, respectively, as their source to produce electricity. Weather conditions determine the output of these plants, which vary across different locations, seasons and years. Competing uses of these resources also can affect the productivity of renewable plants. Hydro plants, for example, compete with agricultural, industrial and human consumption for access to hydrological resources, which are often also subject to stringent regulations regarding their use and treatment.

Below-average precipitation in Portugal and Spain during 2019 reduced EDP's hydro generation in Iberia from 49 TWh in 2018 to 36 TWh in 2019, which negatively affected the financial performance of its Renewables operating segment for the year ended December 31, 2019. This was one of the factors which led the Group to pursue a rebalancing of its portfolio in the region. In the year ended December 31, 2019, EDP entered into agreements to dispose of 1.7 GW portfolio of six large hydro plants in Portugal (See sub-chapter 8.2 ("*Principal factors affecting results of operations – Acquisitions and disposals completed during the period under review*") in order to reduce the Group's exposure to volatility in hydro resources and merchant prices while improving financial leverage and reinforcing EDP's low business risk profile.

The availability of renewable power within a national power system also affects thermal generation output. When electricity produced by renewable sources is insufficient to meet the energy demands of the system, thermal generation output must increase to offset this shortage.

The decrease of the aggregate energy supply caused by lower renewable energy generation is also likely to result in higher prices in the wholesale electricity market, although its effect on thermal generation margins is dependent on the relative prices movement of other commodities such as gas, coal and/or $CO_2$ against the movement in power prices.

**Government and/or regulatory intervention in energy markets**

EDP's financial performance, particularly in Portugal, Spain and Brazil, is sensitive to governmental and/or regulatory interventions in energy markets.

*Generation Business*

Governments tend to intervene actively in the energy markets to, among other things, reign-in the price of electricity by regulating the cost of generation. Energy price caps and floors in the geographies where EDP operates, including Iberia and Brazil, are common. These collars provide certainty and stability in regulated energy prices but they are subject to periodic reviews which may lead to unanticipated and sometimes adverse changes. Brazil, for example, tends to review these collars on an annual basis.

Government intervention may also seek to influence the energy mix in a country by reconfiguring the costs and incentives associated with energy generation. The current trend in Iberia and in the European Union favors a change in mix towards a more renewable-weighted asset base through auctions for renewable capacity and other incentives.

In 2014, the Portuguese government introduced the CESE, an extraordinary contribution to the Portuguese energy sector levied on energy operators to promote the sustainability of the country's energy sector by reducing the tariff deficit and promoting social and environmental policies. The CESE originally corresponded to a tax on net assets of the energy operators that develop the following activities: (i) generation, transport or distribution of electricity; (ii) transport, distribution, storage or wholesale supply of natural gas; and (iii) refining, treatment, storage, transport, distribution and wholesale supply of crude oil and oil products. Pursuant to the law approving the State Budget for 2019, CESE is now also levied on generators operating renewable energy power plants that have been licensed under a guaranteed remuneration scheme such as feed-in-tariffs. Despite being labelled as a temporary measure, CESE has been continuously extended under each year's State budget law and it is expected that it will continue to be applied in the foreseeable future. The legality and constitutionality of CESE is currently being disputed by EDP. EDP expects CESE to be a transitory measure, which the State Budget for 2020 acknowledges. The State Budget for 2020 also contemplates a reduction of the CESE's tax rate in line with the reduction in the electricity tariff debt deficit as published by ERSE.

In 2018, the Spanish government introduced a levy on coal-fired generation known as the *Green Cent* along with other sectorial taxes focused primarily on hydro and non-renewable energy generation, including CCGT, nuclear and coal. In Portugal, a similar levy, known as *clawback*, was introduced to eliminate windfall profits that Portuguese generators were getting as a result of the taxes introduced in Spain, which had impacted electricity prices in the integrated Iberian energy market.

At the supranational level, the European Union has introduced regulations around $CO_2$ allowances that indirectly impact Iberian energy market prices through the creation of a higher variable cost applicable to thermal plants, which are required to purchase $CO_2$ certificates to compensate emissions released from burning fossil fuels. $CO_2$ certificates experienced a sustained increase in price during the year ended December 31, 2019, which negatively affected the costs and revenues of EDP's thermal generation business. This effect is typically compensated by the increase in electricity prices derived from higher $CO_2$ prices, which leads to higher revenues from EDP's renewable generation exposed to market prices, particularly hydro capacity in Iberia.

The trend in favor of renewable energy is also significant in North America. In the United States, the federal government has supported renewable energy primarily through income tax incentives. Historically, the main tax incentives for wind and solar projects have been the US federal Production Tax Credit (PTC), the five-year depreciation for eligible assets under the Modified Accelerated Cost Recovery System (MACRS) and the Investment Tax Credit (ITC). In addition, many US state governments have implemented Renewable Portfolio Standards (RPS), which typically require that a certain percentage of the electricity supplied by a utility to consumers within such state is to be covered by renewable resources. These measures have had a positive impact on EDP's activities in the country.

As a result of the foregoing measures, during the period under review the Group has experienced an increase in costs associated with energy generation in Iberia, while the support for renewable energy in the US continued to allow higher margins overall and total revenues related to its renewables energy generation activities.

*Distribution Business*

Revenues derived from the distribution segment are also largely determined by governmental and regulatory intervention in the energy market. Regulators periodically review the applicable rate of return paid to distributors, assess the value of the RAB, dictate the amount of operational expenses that can be passed-through the system, and define the maximum level of grid losses.

Legislative initiatives related to concession allocation in the energy distribution market may also affect EDP's results of operations. In particular, the Group's distribution business may be impacted by the new regulatory framework for low-voltage grid concession tenders in Portugal, which may result in EDP being unable to renew all or some of its currently existing concessions. As of March 31, 2020, EDP was the concessionaire of approximately 99% of the low-voltage grid network in Portugal. The Group's RAB related to low-voltage networks as of March 31, 2020 represented EUR 1,152 million, almost one-third of the Group's EUR 2,906 million total RAB in Portugal, which also includes medium and high voltage networks.

*Supply Business*

The Group's liberalized and regulated supply businesses in Iberia are dependent on periodic regulatory decisions for their revenues and costs. In the Group's liberalized supply business, pass-through system costs, which are included in the final client sale price (and may affect a client's perception of the value of EDP's offer relative to its competitors) is subject to annual review by the competent authority, which may lead to an upward or downward revision in price, leading to a potential reaction of clients and change in churn rates, leading to potential effects on the Group's financial results. Legislative initiatives may have a similar effect. The retail energy market has increased in size between 2017 and 2019 as a result of new laws regulating electric mobility, decentralized solar energy generation and energy communications. In Brazil, regulators lessened barriers to entry by reducing the minimum contracted power level to access the liberalized market in in the country, which has had the effect of intensifying the competition. In Portugal, clients now have the option to return to the regulated market, which may affect the Group's margins and revenues.

**Impact of Acquisitions and Disposals**

A significant part of EDP's strategy consists of continuously optimizing its portfolio of assets and businesses, through strategic acquisitions and strategic and/or non-core disposals. Such acquisitions and disposals impact numerous line items in the Group's financial statements including, revenues from energy sales and services and other, other income, other expense, amortization and impairment, as well as the Group's net cash flows from operations and net cash flows from investing activities.

*Acquisitions and disposals completed during the period under review*

Historically, the financial results of EDP have been partly driven by acquisitions and disposals of assets and businesses which have impacted the Group's revenues, costs, depreciation and interest expenses. The impact of an acquisition or disposal in any period depends on the date of its acquisition, with the full year impact of an acquisition or disposal being seen in the subsequent full period. As a result, such transactions make the comparison of performance between periods difficult, especially when EDP has undertaken multiple acquisitions and disposals throughout the period under review. During the year ended December 31, 2017, the Group completed the disposal of its gas distribution businesses in Portugal and Spain for EUR equivalent to a sale price of EUR 0.5 billion (which includes the fair value of the contingent price, the loans in the amount of EUR 0.1 billion and deducted from transaction costs of EUR 2.7 million) and EUR 2.3 billion (which includes the fair value of the contingent price, the loans in the amount of EUR 1.4 billion and deducted from transaction costs of EUR 15.5 million)., respectively. In the year ended December 31, 2018, it completed the sale of EDP Small Hydro, S.A. for EUR 164 million, which consisted of seven small hydro plants in Portugal and a subsidiary, which in turn owned an additional 14 small hydro plants. On December 31, 2018, in Brazil, the Group sold eight mini-hydro plants for R$601 million. As part of its asset rotation strategy, EDP also sold an 80% equity stake in a portfolio of 499 MW fully-owned wind onshore assets in the United States and Canada valued at US$ 860 million. For more information, see Chapter 10 ("*Description of the Issuer's business"*).

*Acquisitions and disposals that have not yet been completed*

EDP plans to continue entering into acquisitions and disposals in accordance with its business strategy. See sub-chapter 10.1.5 ("*Strategy of EDP*").

On July 15, 2020, EDP entered into an agreement with MIRA, sole shareholder of Viesgo, pursuant to which EDP will, subject to the satisfaction of certain conditions, acquire (i) 75.1% of Viesgo's distribution business, (ii) 100% of Viesgo's renewable business and (iii) two coal thermal plants under the process of decommissioning. For more information about the Viesgo Transaction, see Chapter 4 ("*Description of Viesgo Transaction*").

On May 18, 2020 EDP announced it had entered into an agreement to sell a portfolio of thermal assets and supply clients in Spain to Total. The portfolio is comprised of: (i) two combined cycle gas turbine power plants (Castejón I & III), with 843 MW of installed capacity located in Navarra, north of Spain; and (ii) the B2C energy supply business in Spain, which includes 1.2 million clients in the free market, and a 50% stake in the joint venture with CIDE for electricity supply in this segment (CHC Energia). The agreed transaction value represents an

Enterprise Value of EUR 515 million, with equity value subject to customary adjustments up to the completion of the transaction. The transaction is expected to be completed by the second half of 2020 subject to satisfaction of applicable corporate and regulatory conditions.

On December 2019, EDP announced it had entered into an agreement to sell a portfolio of six large hydro plants in Portugal to a consortium of investors formed by Engie, Crédit Agricole Assurances and Mirova – Natixis Group. The hydro portfolio comprises 1,689 MW of installed capacity mostly in the Douro river basin. The agreed transaction value represents an enterprise value of EUR 2,210 million (with the equity value subject to adjustments until the completion of the transaction). The transaction is expected to be completed by the second half of 2020, subject to satisfaction of applicable corporate and regulatory conditions.

**Foreign Exchange Rates**

As a result of the geographical scope of its operations, EDP's results of operations and financial position are subject to risks related to currency exchange rate fluctuations, namely the risks associated with fluctuations in the cost of the purchase and sale of electricity and fuel and with the cost of investments denominated in foreign currencies, as well as fluctuations in the value of net assets, debt and income denominated in foreign currencies. In addition to the transaction risks related with business operations, EDP's results of operations and financial position are subject to the translation risks that arise from the consolidation in Euros of subsidiary accounts in which EDP has an interest and whose functional currency is not the Euro. These alternative currencies are primarily the Brazilian Real and the U.S. dollar with depreciation of the Brazilian Real and/or U.S. dollar against the euro having a negative impact on the Group's consolidated results of operations.

In 2019, 25% of EDP's revenues from energy sales and services and other was generated in Brazilian market and 4% in U.S. market. The Brazilian Real depreciated against the Euro by 2% in the year ended December 31, 2019, while the U.S. dollar appreciated 5% during the same period. In 2018, the Brazilian Real and the U.S. dollar both depreciated against the Euro by 16% and 4%, respectively. In the three months ended March 31, 2020, the average exchange rate from Brazilian Real to EUR against the same period for 2019 depreciated 13%, while the average exchange rate for the U.S. dollar to EUR recorded an appreciation of 8% for the same period.

As a result of the foreign exchange effect, an adjustment to the Group's total income is reflected in the income statement as a gain under financial income or a loss under financial expenses. For the three months ended March 31, 2020 and 2019, the difference between foreign exchange gains and foreign exchange losses ("net foreign exchange") was reflected as a gain of EUR 9.8 million and a loss of EUR 0.9 million, respectively. For the years ended December 31, 2019 and 2018, such net foreign exchange impact was reflected as a loss of EUR 22.0 million and a loss of EUR 29.9 million, respectively.

In the consolidation process, the assets and liabilities of foreign subsidiaries are translated into Euros at the official exchange rate at the balance sheet date. Regarding consolidated income statement items, the average exchange rate for the year is applied. In the case of equity items, translation to Euros is done at the historical exchange rate at the date of the acquisition. The translation differences arising from consolidation are taken directly to reserves under the currency translation reserve and exchanges differences arising on consolidation captions on December 31, 2019 and December 31, 2018, respectively. For the years ended December 31, 2019 and 2018 the net impact for equity holders of EDP was reflected as a loss of EUR 70.6

million and a loss of EUR 121.5 million, respectively. For the three months ended March 31, 2020 and 2019, the same aggregate effect was reflected as a loss of EUR 331 million and a gain of EUR 11 million, respectively.

**Energy demand and consumption**

EDP's operations and revenues in (i) electricity generation in all geographies and (ii) liberalized supply in Portugal, Spain and Brazil are affected by energy demand and consumption patterns. Energy prices associated with total output and generation costs may also affect demand of electricity. See sub-chapter 8.2 ("*Principal factors affecting results of operations – Sale price and cost of production or purchase per unit of energy sold*").

Energy demand is a structural driver of EDP's operations and its impact on results follows a positive cause-effect relationship, whereby higher demand has led to a stronger financial performance by the Group and lower demand to a worse financial performance.

Energy demand is seasonal and can also be cyclical. Changes in weather and temperature directly affect the demand for electricity and gas with a corresponding effect on supply volumes and prices. Low temperatures generally drive higher energy demand for heating in the form of gas and electricity, whereas high temperatures drive increased demand for electricity to power cooling systems.

Energy demand can also be cyclical. GDP growth is generally characterized by an increase in power generation and consumption, while periods of GDP contraction tend to be characterized by lower energy demand and correspondingly low volumes of electricity generated, distributed and supplied. In recent years, the most material adverse impacts on EDP's results of operations from decreasing energy demand have occurred in Portugal, Spain and Brazil given each country's economic recessions in the years that followed the global financial crisis in 2008 and the European sovereign crisis in 2013 and, most recently, the COVID-19 pandemic in 2020.

EDP believes that the trend toward electrification of the economy should lead to higher electricity consumption levels in the long term which may be partly offset by a drive towards greater energy efficiency. Overall, the anticipated growth in demand in the future is expected to positively impact EDP's financial results.

**Interest rates and inflation**

EDP Group's operations in distribution in Portugal, Spain and Brazil are affected by interest rate fluctuations and EDP Group's operations in all segments in Brazil are directly exposed to inflation.

The regulated remuneration for companies involved in the transmission and distribution phase cover the company's operating costs, provides the company with a return on investment, gives the company a margin to invest on expanding the network and encourages companies to adopt operational efficiencies. Most countries have instituted transmission and distribution fees or tolls that have two components: (i) a *fixed charge*, which should cover the return on investment and a margin for future investment, as well as other fixed costs related to the operation and maintenance of the network, and (ii) a *variable* component which should cover variable operation and maintenance costs, as well as transmission efficiencies, distribution losses, and the costs of energy purchases from generators. In Portugal, Spain and Brazil a significant amount of the fixed charge relates to the rate of return set by the regulators to remunerate the regulated asset base. This rate of return has traditionally been linked to interest rates on sovereign bonds in Portugal and Spain and a weighted average cost of capital calculation in Brazil, of which interest rates constitute a relevant input. Rates of return indexation to sovereign bond yields is typically subject to a collar with a ceiling and floor setting maximum and minimum rates. The recent low yield environment in Iberia has led to rates of return set close to their floors. Should interest rate levels increase, regulatory rates of return in distribution are also expected to increase, acting as a partial hedge to an increase in interest rate expenses.

In Brazil, generation plants have inflation-linked prices in a significant share of their long-term power PPAs. Additionally, in the transmission and distribution segments, a material share of the operating results is also annually adjusted for inflation. These inflation adjustments protect EDP's revenues in case of an overall increase in the price level.

In terms of EDP financing costs, an increase in interest rates could has a negatively impact EDP's cost of debt, since as of the first quarter of March 31, 2020, one third of EDP's financial debt had floating rate exposure. Worth noting that, in the past three years, average cost of financial debt has been reducing in light of the current level of low interest rates.

## 8.3. Factors affecting the comparability of EDP's results of operations

### 8.3.1 Change in Reporting Segments

Effective January 1, 2019, EDP re-organized its operating segments to align the organization of the Group with its commitment to energy transition, and further reducing the number of its reporting segments from four segments to three segments. Accordingly, EDP has prepared the 2019 Annual Audited Consolidated Financial Statements and Unaudited Condensed Consolidated Interim Financial Statements (including the corresponding comparative period in the previous year) utilizing its new three segment presentation.

Between January 1, 2017 and December 31, 2018, the Group organized its operations into the following four reporting segments:

- **Generation and Supply in Iberia**. This segment primarily includes the activity of Iberian ordinary regime generation, some special regime generation technologies (small hydro, biomass and cogeneration) and liberalized supply activities of electricity and gas in Portugal and Spain.

- **Regulated Networks in Iberia**. This segment includes the activities of electricity and gas distribution in Portugal and Spain (until the sale of the respective gas distribution companies) and EDP's activity as a last-resort supplier in Portugal and Spain.

- **EDP Renováveis**. This segment consists of the Group's power generation activity through wind and solar energy resources and includes the companies of EDP Renewables Europe, SL, EDP Renewables North America, LLC and EDP Renováveis Brasil S.A. subgroups.

- **EDP Brasil**. This segment includes the activities of electricity generation (excluding power generation activity through wind and solar energy resources which are included in EDP Renováveis), transmission, distribution and supply in Brazil as well as the holding company, EDP Energias do Brasil, S.A. and all of its subsidiaries.

The Group's reporting segments effective January 1, 2019 are as follows:

- **Renewables**. This segment includes the Group's hydro, wind and solar power assets across all geographies. This segment includes the activities that were previously reported in the segment "*EDP Renováveis*", as well as results from hydro plants that were previously reported under "*Generation and Supply Iberia*" and "*EDP Brasil*".

- **Networks**. This segment includes the Group's transmission lines in Brazil, its distribution activities in Iberia and Brazil and activities from regulated suppliers in Portugal. It includes what was previously reported in the segment "*Regulated Networks in Iberia*", as well as results from networks activities that were reported in "*EDP Brasil*".

- **Client Solutions and Energy Management**. This segment includes the Group's activities from liberalized suppliers in Iberia and Brazil and from regulated suppliers in Spain, thermal generators and energy management. This segment covers all activities, except hydro, that were previously under "*Generation and Supply Iberia*", as well as thermal, supplier and energy management activities previously reported under "*EDP Brasil*".

For more information please see "*Presentation of financial information and other information*" section.

### 8.3.2 Implementation of new accounting standards

**IFRS 15 and IFRS 9**

For financial reporting periods beginning on January 1, 2018 EDP has applied IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 – "Financial Instruments" (however, EDP continued to apply hedge accounting requirements of IAS 39 – "Financial Instruments: Recognition and Measurement", as permitted by IFRS 9) utilizing the transition relief for not restating the comparative figures and thus the transition effect of each is recognised in the retained earnings as of January 1, 2018, affecting comparability. The transition to these new accounting policies changed some of the critical accounting policies in place. For further information on these accounting policies and the impact on EDP's results of operations in 2018, see notes 2 and 3 to the Annual 2018 Audited Consolidated Financial Statements included in the Annex of this Prospectus.

**IFRS 16 and IFRS 9**

For financial reporting periods beginning on January 1, 2019, EDP has applied IFRS 16 – "Leases" and the hedge accounting requirements of IFRS 9 – "Financial Instruments" utilizing the transition relief for not restating the comparative figures and thus the transition effect is recognized in the retained earnings as of January 1, 2018, affecting comparability. The transition changed some of the critical accounting policies. Detailed information of changes in accounting policies and impacts on the year ended December 31, 2019 is presented in notes 2 and 3 to the 2019 Annual Audited Consolidated Interim Financial Statements included in the Annex of this Prospectus.

### 8.3.3 "Joint Ventures and Associates" change

In the first quarter of 2020 the Group changed the way of reporting results from "Joint Ventures and Associates" in the consolidated income statement. Previously, these results were presented below the operating profit line and were not part of EBITDA. As of March 31, 2020, they are presented above the operating profit line and included as part of EBITDA for the three-months ended March 31, 2020 and the comparative period, which has been restated accordingly. EDP felt the need to include, within the operating results, a single line related to "Joint Ventures and Associates", due to increasing relevance of results through joint ventures, given its asset rotation strategy and its joint-venture with Engie for offshore wind. For more details see notes 2(a) to Unaudited Condensed Consolidated Interim Financial Statements included in the Annex of this Prospectus.

## 8.4. Key Income Statement Line Items

### 8.4.1 Revenues from energy sales and services and other

Revenues from energy sales and services and other comprise revenues from sales of electricity and network access, gas and network access, sales of $CO_2$ licenses and revenue from assets assigned to concessions.

### 8.4.2 Cost of energy sales and other

Cost of energy sales and other comprise cost of electricity and gas purchases, expenditure with assets assigned to concessions, as well as changes in inventories and cost of raw materials and consumables used, namely fuel, steam and ashes, gas and $CO_2$ licenses.

### 8.4.3 Supplies and services

Supplies and services comprise the cost of supplies and services provided to EDP by external suppliers, including external maintenance and repairs, specialized services, communication, rentals (outside the IFRS 16 scope), insurance and other services. External maintenance and repairs consist of work on EDP's power plants, substations and transmission and distribution networks that EDP subcontracts. Other specialized services include technical services such as auditing, legal, consulting and revenue collection services. Communication services include telecommunications, post, delivery and courier services.

### 8.4.4 Personnel costs and employee benefits

Personnel costs and employee benefits consist mainly of wages, salaries, social security and employee benefit expenses.

### 8.4.5 Other income (and other expenses)

Other income comprise income arising from production and investment tax credits (PTC/ITC) related to institutional partnerships in North America (See Chapter 11 – "*Regulatory framework of the Issuer's activity*"), gains on disposals related to asset rotation strategy and gains from contractual indemnities and insurance companies.

Other expenses primarily include concession rents paid to the local authorities under the terms of the low voltage electricity distribution concession contracts and rents paid to city councils where the power plants are located, direct and indirect taxes such as tax over electricity generation in Spain, property tax and other taxes and levies, impairment losses on doubtful debts and other assets, donations and other operating expenses.

#### 8.4.6 Impairment losses on trade receivables and debtors

Impairment losses on trade receivables and debtors recognizes impairment losses based on the Group's "expected credit loss" model, before the objective evidence of a loss event from past actions. This model is the basis for the recognition of impairment losses on held financial assets that are measured at amortized cost or at fair value through other comprehensive income (which includes cash and cash equivalents, trade receivables, loans and debt securities).

#### 8.4.7 Share of net profit in "Joint Ventures and Associates"/"Joint ventures and associates"

This caption considers the Group's attributable share of net profit from joint arrangement (the parties have joint control of the arrangement) and from associates (entities over which the Group has significant influence, but not control). Considering the relevance of "Joint Ventures and Associates", mainly through the development of the offshore wind activity through such entities, the Group, since January 1, 2020, includes after the other operation income and costs caption, a line item related to "Joint Ventures and Associates", integrating the results from this companies as well the results from acquisitions and/or disposals in these investments. Until the end of 2019, the caption Share of net profit in "Joint Ventures and Associates" was shown after financial income and financial expenses.

#### 8.4.8 Provisions

Provisions of the Group cover legal and labor matters and other contingencies, customer guarantees under current operations, dismantling and decommissioning and other liabilities and charges.

**Amortization and Impairment**

Amortization is used to reflect the reduction in assets value over their estimated useful lives and impairment is booked when the recoverable amount of property, plant and equipment, intangible assets and goodwill is less than the corresponding net book value of the assets.

**Financial income**

Financial income comprises interest income from bank deposits and other investments, interest income from loans to joint ventures and associates, interest from derivative financial instruments, other interest income, derivative financial instruments, interest income on tariff deficit, equity instruments measured at fair value through profit or loss, foreign exchange gains, interest on initial CMEC included in the annuity and on the financial effect considered in the calculation and final adjustment of CMEC, gains on the sale of financial investments, gain on the sale of the electricity tariff deficit and other financial income.

**Financial expenses**

Financial expenses comprise interest expense on financial debt, capitalized borrowing costs, bonds buyback, interest payable on derivative financial instruments, interest expense on tariff deficit, interest expenses (unwinding) calculated on the liabilities regarding the rents from lease contracts, derivative financial instruments, other interest expense, equity instruments measured at fair value through profit or loss, foreign exchange losses, unwinding of the initial CMEC, unwinding of discounted liabilities, net interest on the net pensions plan liability, net interest on the medical liabilities and other financial expenses.

**Income tax expense**

Income tax expense includes current and deferred tax. EDP's income taxes provision is determined on the basis of the estimated taxable income for the period.

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

Deferred tax is calculated in accordance with the balance sheet liability method, considering temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, using the tax rates enacted or substantively enacted at the balance sheet date for each jurisdiction and that are expected to be applied when the temporary difference is reversed. Deferred tax liabilities are recognized for all taxable temporary differences except for goodwill that is not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably be reversed in the future. A deferred tax asset is recognized to the extent it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes.

The effective tax rate (corresponding to the ratio between income tax expense and profit before tax) is different from the nominal tax rate each year, due to non-deductible provisions and amortizations for tax purposes, tax credits, tax exempt dividends, tax benefits, financial investments in associates and subsidiaries, other adjustments and changes in estimates, state surcharge and fair value of financial instruments and financial investments.

**Extraordinary Contribution to the Energy Sector**

The Portuguese Law 83-C/2013 of December 31, 2013, which approved the State Budget for 2014, established the CESE, an extraordinary contribution applicable to the energy sector, with the goal of financing mechanisms that promote the energy sector systemic sustainability. CESE is calculated based on the companies' net assets as at January 1, such assets being, cumulatively: (i) tangible assets; (ii) intangible assets, except industrial property elements; and (iii) financial assets assigned to concessions or licensed activities. The applicable rate is 0.85%, with the exception of some activities in particular generation through CCGTs, where the applicable rate is: (i) 0.85%, if the equivalent annual utilization is greater than or equal to 3,000 hours; (ii) 0.565% if the equivalent annual utilization is greater than or equal to 1,500 and less than 3,000 hours; and (iii) 0.285% if the equivalent annual utilization is less than 1,500 hours. Law 71/2018, of December 31, which approved the State Budget for 2019 extended this contribution to 2019 and introduced the following amendments to this regime: (i) repealed the legal exemption foreseen for renewable energy power plants that benefit from a guaranteed remuneration and (ii) recognized that CESE is a transitory measure being due according to the evolution of National Electricity System's tariff debt and the current need to finance social and environmental policies in energy sector.

The State Budget for 2020 (approved by Law 2/2020, of March 31) extended the contribution to 2020 and introduced an amendment reinstating the exempt status of renewable energy power plants with an installed capacity under 20 MW but excluding power plants with a combined installed capacity in excess of 60 MW with guaranteed remuneration. The State Budget for

2020 also contemplates a reduction of the CESE's tax rate in line with the reduction in the tariff debt as published by ERSE.

## 8.5. Results of Operations

The following table sets forth the results of operations for each of the periods indicated.

**Three months ended March 31, 2020 ("Q1 2020") compared to the three months ended March 31, 2019 ("Q1 2019")**

| | Three months ended March 31 | | |
|---|---|---|---|
| | **2020** | **2019** | **Change** |
| | *(Thousand Euros)* | | *%* |
| Revenues from energy sales and services and other | 3,501,962 | 3,744,177 | (6%) |
| Cost of energy sales and other | (2,027,137) | (2,383,306) | (15%) |
| | **1,474,825** | **1,360,871** | **8%** |
| Other income | 95,938 | 101,819 | (6%) |
| Supplies and services | (201,011) | (199,610) | 1% |
| Personnel costs and employee benefits | (165,031) | (159,287) | 4% |
| Other expenses | (209,625) | (168,293) | 25% |
| Impairment losses on trade receivables and debtors | (14,224) | (14,035) | 1% |
| | **(493,953)** | **(439,406)** | **12%** |
| Joint ventures and associates | (1,297) | 5,334 | (124%) |
| | **979,575** | **926,799** | **6%** |
| Provisions | (15,929) | (3,622) | 340% |
| Amortization and impairment | (366,657) | (373,633) | (2%) |
| | **596,989** | **549,544** | **9%** |
| Financial income | 125,397 | 78,546 | 60% |
| Financial expenses | (331,214) | (264,205) | (25%) |
| Profit before income tax and CESE | **391,172** | **363,885** | **7%** |
| Income tax expense | (92,426) | (98,735) | (6%) |
| Extraordinary contribution to the energy sector (CESE) | (62,759) | (67,046) | (6%) |
| **Net profit for the period** | **235,987** | **198,104** | **19%** |
| **Attributable to equity holders of EDP** | **145,851** | **100,460** | **45%** |
| **Attributable to non-controlling interests** | **90,136** | **97,644** | **(8%)** |

*Performance summary*

EBITDA increased by 6% in Q1 2020 compared to Q1 2019, from EUR 927 million to EUR 980 million. The increase was primarily attributable to strong results delivered by the Group's energy management activity in Iberia and the recovery of hydro production in Iberia. The increase was offset in part by lower wind generation and the negative impact of the 13% depreciation in Q1 2020 of the Brazilian Real against the Euro.

Please see section "*Presentation of financial information and other information – Alternative performance measures*" and sub-chapter 7.5 ("*Alternative performance measures*") for a discussion as to how the Group defines and calculates EBITDA, as well as a discussion as to other considerations with respect to the use of EBITDA to assess EDP's financial performance.

The following table sets forth EDP's EBITDA by segment in Q1 2020 and Q1 2019.

| | Three months ended March 31 | | |
|---|---|---|---|
| | 2020 | 2019 | Change |
| | (Millions Euros) | | % |
| **EBITDA** | **980** | **927** | **6%** |
| Renewables | 549 | 559 | (2%) |
| Networks | 237 | 242 | (2%) |
| Clients solutions & Energy management | 203 | 117 | 74% |
| Gross Operating Profit from Other Segments and Adjustments and Inter-segments eliminations | (9) | 9 | (206%) |

EBITDA from Renewables decreased by 2% in Q1 2020 compared to Q1 2019, from EUR 559 million to EUR 549 million. Despite a strong recovery of hydro production increase in Iberia leading to an 84% hydro production in Q1 2020 in Iberia, the overall decrease in EBITDA from Renewables was primarily due to weak wind production (10% below average levels), the disposal of controlling stakes in wind assets as part of the Group's asset rotation strategy, a decrease in hydro production in Brazil and a sharp depreciation of the Brazilian Real against the Euro.

EBITDA from Networks decreased by 2% in Q1 2020 compared to Q1 2019, from EUR 242 million to EUR 237 million. The decrease was mainly attributable to a lower rate of return on RAB in Portugal (due to a decrease in the 10-year Portuguese government bond yield), as well as the depreciation of the Brazilian Real and a decline in electricity distributed in Brazil due to lower demand, due, in part, to the COVID-19 pandemic. The decrease in EBITDA from Networks was partly offset by the rollout of new transmission lines and a positive change to distribution tariffs in Brazil during the second half of 2019.

EBITDA from Client Solutions and Energy Management increased by 74% in Q1 2020 compared to Q1 2019, from EUR 117 million to EUR 203 million. The increase was due to the combined impact of the Group's hedging strategy and higher realized energy prices and thermal spreads, which allowed EDP to realize higher margins as compared to Q1 2019. This increase was offset by (i) lower output in thermal plants, (ii) stabilization of results in the Group's supply business compared to exceptionally strong results in Q1 2019 and (iii) the re-imposition of generation taxes in Spain and a clawback levy in Portugal, which were suspended during Q1 2019. In Brazil, EBITDA benefited mainly from a better performance of the thermal variable cost of the plant relative to its PPA benchmark against which it is compensated.

*Revenues from energy sales and services and other*

Revenues from energy sales and services and other decreased by 6% in Q1 2020 compared to Q1 2019 from EUR 3,744 million to EUR 3,502 million. The main factors contributing to the reduction of revenues were: (i) the disposal of controlling stakes in wind assets sold, including 997 MW in Europe (July 2019) and 137 MW in Brazil (February 2020); (ii) a 13% depreciation of Brazilian Real against the Euro, which had a negative translation effect on the results from EDP's activities in Brazil; (iii) the impact from the 37% decline in average wholesale electricity price in Spain and, to a lesser extent, (iv) the reduction of the rate return on RAB for distribution activities in Iberia. This decrease was partly offset by: (i) improved hydro resources in Portugal (which were still 9% below the long-term average) following an abnormally dry quarter in Q1 2019; and (ii) improved results from energy management, driven by the Group's successful hedging strategy. The following table sets forth a segmental breakdown of revenues from energy sales and services and other.

| Revenues from energy sales and services and other | Three months ended March 31 2020 | 2019 | Change |
|---|---|---|---|
| | *(Millions Euros)* | | % |
| Renewables | 766.7 | 745.1 | 3% |
| Networks | 1,438.4 | 1,561.0 | (8%) |
| Clients solutions and energy management | 2,184.7 | 2,517.7 | (13%) |
| **Total Segments** | **4,389.7** | **4,823.8** | **(9%)** |
| Revenues from energy sales and services and others from other segments | 56.3 | 67.7 | (17%) |
| Adjustments and inter-segment eliminations* | (944.0) | (1,147.3) | (18%) |
| **Revenues from energy sales and services and other of EDP Group** | **3,502.0** | **3,744.2** | **(6%)** |

* Mainly relating to intragroup balances and transactions eliminations

Revenues from energy sales and services and other in Renewables increased by 3% in Q1 2020 compared to Q1 2019 from EUR 745.1 million to EUR 766.7 million. This increase was mainly attributable to the hydro recovery in Iberia, which led to 85% increase in output in Q1 2020, together with the Group's hedging strategy. The increase was partly offset by (i) 35% decline in the average selling price of hydro generation in Iberia, to 42 EUR/MWh, which in turn is due to the recovery of hydro resources and lower generation cost of thermal plants; (ii) the disposal of controlling stakes in wind assets following asset rotation transactions carried out in 2019; (iii) weaker wind resources year-on-year (and 10% short of long-term average), which led to an 8% decrease in output; and (iv) in Brazil, the strategy of allocation of a higher amount of the Group's generation capacity to the second half of 2020 resulted in lower sales in the Q1 2020.

Revenues from energy sales and services and other in Networks decreased by 7.9% in Q1 2020 from EUR 1,561.0 million to EUR 1,438.4 million. This decrease was mainly attributable to (i) in Portugal, the evolution of sovereign 10-year bond yields in the last 12 months, prompting a lower rate of return on RAB of high voltage and medium voltage grid (a 0.5 % decrease year-on-year, to 4.81% and close to the floor of 4.75%) and (ii) in Brazil, the 13 % depreciation of the Brazilian Real against the Euro and the 5% decline year-on-year in electricity distributed, which offset the benefits from the rollout of the transmission projects and tariff revisions in Portugal on distribution businesses in the second half of 2019.

Revenues from energy sales and services and other in Client Solutions and Energy Management decreased by 13.2% in Q1 2020 compared to Q1 2019 from EUR 2,517.7 million to EUR 2,184.7 million. This decrease was mainly attributable to (i) 37% reduction in the wholesale electricity price in Spain; (ii) lower volumes from thermal plants, following partial normalization of hydro resources in Iberia; and (iii) a decrease of 4% in the volume of energy supplied in Iberia, particularly in Spain which were partially mitigated by sound results of energy management in Q1 2020 as a result of the Group's hedging policy and high volatility in the wholesale electricity market.

*Cost of energy sales and other*

Cost of energy sales and other decreased by 15% in Q1 2020 compared to Q1 2019, from EUR 2,383.3 million to EUR 2,027.1 million. The decrease was primarily due to lower commodities costs (natural gas and coal), lower volumes of thermal generation and the effect from Brazilian Real depreciation versus the Euro. The following table sets forth a segmental breakdown of costs.

| Cost of energy sales and other(1) | Three months ended March 31 2020 | 2019 | Change |
|---|---|---|---|
| | *(Millions Euros)* | | % |
| Renewables | 72.7 | 71.2 | 2% |
| Networks | 987.4 | 1,101.9 | (10%) |

| Cost of energy sales and other[1] | Three months ended March 31 | | |
|---|---|---|---|
| | 2020 | 2019 | Change |
| | (Millions Euros) | | % |
| Clients solutions and energy management | 1,848.5 | 2,288.8 | (19%) |
| **Total Segments** | **2,908.5** | **3,462.0** | **(16%)** |
| Adjustments and inter-segment eliminations | (881.4) | (1,078.7) | (18%) |
| **Cost of energy sales and other of EDP Group** | **2,027.1** | **2,383.3** | **(15%)** |

(1) Cost of energy sales and other by segment is determined through the difference between "Gross Profit" and "Revenues from energy sales and services and other" by segment

Cost of energy sales and other in Renewables remained broadly stable over the period. The generation of renewable energy does not require fuel nor $CO_2$ and therefore the costs associated with it are relatively small and relate primarily to self-consumption of electricity for pumping activities, the costs related to social tariff in Portugal borne by hydro plants and to electricity purchases from hydro plants in Brazil in the spot market to deliver on PPA sales. During this period, the main change was in Iberia, where there was a 26% increase in the volume of pumped energy in Q1 2020 as compared to Q1 2019, which was partly offset by a lower cost of energy purchased.

Cost of energy sales and other in Networks decreased by 10.4% to EUR 987.4 million in Q1 2020 from EUR 1,101.9 million in Q1 2019, mainly reflecting: (i) lower costs in energy purchases from distribution companies in Brazil, following mainly the tariff revisions of both EDP's concessions during 2019 and the 5% demand reduction in Q1 2020; (ii) lower costs of materials for transmission activities in Brazil, due to the slowdown of our expansion activities in Brazil, as construction works slowed down due to heavy rainfalls observed in some regions of the country; (iii) depreciation of the Brazilian Real against the Euro; and (iv) a decrease in access tariffs in Portugal, which is mainly a pass-through cost for EDP Distribuição.

Cost of energy sales and other in Client Solutions and Energy Management decreased by 19.2% to EUR 1,848.5 million in Q1 2020 from EUR 2,288.8 million in Q1 2019. This decrease reflects lower cost of sales of thermal energy, supported by lower natural gas and coal prices, as well as lower volumes of thermal energy sales and energy supplied.

*Other income*

Other income decreased by 5.8% to EUR 95.9 million in Q1 2020 from EUR 101.8 million in Q1 2019. This reduction reflects income received in Q1 2019 from contractual obligations of an equipment supplier of a hydro plant in Portugal, as well as income received in Q12019 from insurance from thermal plants in Iberia. Other income in Q1 2020 included an increase of EUR 4.6 million arising from institutional partnerships in the United States of America, mostly related to new PTC.

*Supplies and Services*

Supplies and Services increased slightly by 1% in Q1 2020 compared to Q1 2019, from EUR 199.6 million to EUR 201.0 million. The increase was primarily related to (i) an increase in thermal generation in Brazil, due to programed maintenance work in the Pecém coal plant; and (ii) a EUR 2.4 million increase in distribution in Portugal due to higher costs for vegetation management and adverse climate events in Portugal, partially offset by a reduction in distribution in Brazil, mainly due to the Brazilian Real depreciation against the Euro.

*Personnel costs and employee benefits*

Personnel costs and employee benefits increased by 3.6% in Q1 2020 compared to Q1 2019, from EUR 159.3 million to EUR 165.0 million. The increase was primarily due to an increase from wind and solar activities for which more employees were hired, following requirements to promote expansion growth, particularly with 1.3 GW of capacity under construction.

*Other expenses*

Other expenses increased by 25% in Q1 2020 compared to Q1 2019, from EUR 168.3 million to EUR 209.6 million. The increase was primarily driven by the recognition, in Q1 2020, of the costs related to the 7% tax on electricity generation revenues in Spain and to the clawback in Portugal as these payments were suspended during Q1 2019 and therefore not reflected in Q1 2019 figures.

*Joint ventures and associates*

The contribution from "Joint Ventures and Associates" decreased in Q1 2020, from a contribution of EUR 5.3 million to a loss of EUR 1.3 million primarily due to weaker results from hydro plants in Brazil, which experienced a year-on-year decrease due to the Group's strategy of allocating a higher amount of the generation capacity to the second half of 2020, which resulted in lower sales in Q1 2020, as well as lower results from wind and solar activities reflecting decreased wind resources. In Q1 2020, EDP changed the way of reporting results from "Joint Ventures and Associates" in the consolidated income statement. See sub-chapter 8.3 ("*Principal factors affecting results of operations*"). EDP decided to include, within the operating results, a single line related to "Joint Ventures and Associates" due to the increasing relevance of results from Joint Ventures, particularly given EDP's asset rotation strategy and its joint venture with Engie for offshore wind. See sub-chapter 10.1.2 ("*History*").

*Provisions*

Provisions increased in Q1 2020 compared to Q1 2019, from EUR 3.6 million to EUR 15.9 million. The increase was due to the Group's periodic reassessment of contingent liabilities, which led to an adjustment related to a regulatory proceeding in Iberia.

*Amortization and impairment*

Amortizations and impairment decreased by 2% in Q1 2020 compared to Q1 2019, from EUR 374 million to EUR 367 million. The decrease was primarily due to the disposal of a controlling stake in wind assets and the impairments related to coal plants recorded in Q4 2019.

*Financial income/expenses*

Net financial expenses (reflecting the difference between "Financial expenses" and "Financial income") increased by EUR 20 million in Q1 2020 compared to Q1 2019, from EUR 186 million to EUR 206 million. The increase was primarily driven by prepayment expenses incurred in connection with a liability management exercise carried out by EDP during the period to repurchase the 5.4% EUR 750 million hybrid bonds due 2075. Excluding the impact of liability management exercise, net financial expenses would have declined by EUR 37 million due to the lower cost of debt achieved by the Group's proactive debt management efforts and a favorable low-interest environment globally and in particular in Brazil. Capitalized borrowing costs, at EUR 12 million in Q1 2020 (a EUR 3 million year-on-year increase), are mainly related to transmission in Brazil and renewable capacity under construction.

*Income tax expense*

Income tax expense in Q1 2020 was EUR 92.4 million, compared to EUR 98.7 million in Q1 2019. In light of this, the effective income tax rate for Q1 2020 was 24% compared to 27% for Q1 2019.

*Extraordinary contribution to the energy sector (CESE)*

Extraordinary contribution to the energy sector (CESE) decreased by 6% in Q1 2020 compared to Q1 2019, from EUR 67 million to EUR 63 million. The decrease was driven by annual amortizations and different working regimes of CCGT plants. The annual amount of the extraordinary contribution to the energy sector is fully booked on the first quarter of each year.

*Net profit for the period attributable to equity holders of EDP*

As a result of the factors described above, net profit for the period attributable to equity holders of EDP increased by 45% in Q1 2020 compared to Q1 2019, from EUR 100.5 million to EUR 145.9 million.

## Year ended December 31, 2019 ("FY 2019") compared to the year ended December 31, 2018 ("FY 2018")

The following table shows EDP's annual results of operations derived from the 2019 Financial Statements and the results of operations for the year ended December 31, 2018.

| | **Year ended December 31** | | |
|---|---|---|---|
| | **2019** | **2018** | **Change** |
| | *(Thousand Euros)* | | % |
| Revenues from energy sales and services and other | 14,333,009 | 15,278,085 | (6%) |
| Cost of energy sales and other | (9,115,859) | (10,178,903) | (10%) |
| | **5,217,150** | **5,099,182** | **2%** |
| Other income | 691,886 | 562,677 | 23% |
| Supplies and services | (897,543) | (956,961) | (6%) |
| Personnel costs and employee benefits | (620,196) | (651,540) | (5%) |
| Other expenses | (652,473) | (715,379) | (9%) |
| Impairment losses on trade receivables and debtors | (33,207) | (20,850) | 59% |
| | **(1,511,533)** | **(1,782,053)** | **(15%)** |
| | **3,705,617** | **3,317,129** | **12%** |
| Provisions | (101,530) | (287,938) | (65%) |
| Amortisation and impairment | (1,765,619) | (1,444,812) | 22% |
| | **1,838,468** | **1,584,379** | **16%** |
| Financial income | 387,817 | 456,245 | (15%) |
| Financial expenses | (1,057,591) | (1,010,390) | 5% |
| Share of net profit in joint ventures and associates | 25,011 | 10,858 | 130% |
| Profit before income tax and CESE | **1,193,705** | **1,041,092** | **15%** |
| Income tax expense | (225,901) | (99,666) | 127% |
| Extraordinary contribution to the energy sector (CESE) | (68,477) | (65,345) | 5% |
| **Net profit for the period** | **899,327** | **876,081** | **3%** |
| **Attributable to equity holders of EDP** | **511,751** | **519,189** | **(1%)** |

| | Year ended December 31 | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| | *(Thousand Euros)* | | % |
| **Attributable to non-controlling interests** | **387,576** | **356,892** | **9%** |

*Performance Summary*

EBITDA increased by 12% in FY 2019 compared to FY 2018, from EUR 3,317 million to EUR 3,706 million driven by growth in all three business segments.

Please see section "*Presentation of financial information and other information – Alternative performance measures*" and sub-chapter 7.5 ("*Alternative performance measures*") for a discussion as to how the Group defines and calculates EBITDA, as well as a discussion as to other considerations with respect to the use of EBITDA to assess EDP's financial performance.

The following table sets forth the Group's segmental breakdown of EBITDA.

| | Year ended December 31 | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| | *(Millions Euros)* | | % |
| **EBITDA** | **3,706** | **3,317** | **12%** |
| Renewables | 2,286 | 2,197 | 4% |
| Networks | 991 | 831 | 19% |
| Clients solutions & Energy management | 474 | 312 | 52% |
| Gross Operating Profit from Other Segments and Adjustments and Inter-segments eliminations | (46) | (23) | 100% |

EBITDA from Renewables increased by 4% in FY 2019 compared to FY 2018, from EUR 2,197 million to EUR 2,286 million. The increase was mainly driven by an increase in volumes and the average selling price of wind and solar electricity and by gains related to EDP's asset rotation strategy. The increase during the period was partially offset by (i) a 3.7 TWh decrease in hydro generation in Iberia caused by lower hydrologic resources in Portugal as well as lower average selling prices and (ii) the expiration of ten-year production tax credits in some wind farms. In addition, the disposal of a controlling stake in wind farms in Europe in 2019 and some mini-hydro plants in Portugal and Brazil at the end of 2018 contributed to a lower EBITDA in FY 2019 against FY 2018.

EBITDA from Networks increased by 19% in FY 2019 compared to FY 2018, from EUR 831 million to EUR 991 million. The increase was mainly driven by the ramp up of the Group's transmission business in Brazil with the operation of newly installed transmission lines. In addition, a regulatory review of EDP Espírito Santo and EDP São Paulo in FY 2019 led to an increase in tariffs payable to EDP and the residual value of its network in Brazil. EBITDA from distribution activities in Iberia declined slightly during FY 2019 compared to FY 2018 following a decrease in Portuguese ten-year bond yields during 2019 offsetting the Group's cost management efforts.

EBITDA from Client Solutions and Energy Management increased by 52% in FY 2019 compared to FY 2018, from EUR 312 million to EUR 474 million. The increase was mainly due to the Group's hedging strategy in the context of decreasing energy prices following previously closed forward sales at higher margins, in particular in Q4 2019 and the normalization of supply margins in Iberia compared to FY 2018.

*Revenues from energy sales and services and other*

Revenues from energy sales and services and other decreased by 6.2% in FY 2019 compared to FY 2018 from EUR 15,278 million to EUR 14,333 million due to (i) lower average selling price and lower volumes of thermal and hydro generation in Iberia; (ii) changes in the accounting method of part of the revenues of EDP Distribuição (discussed below); (iii) deconsolidation of assets sold in FY 2018 or during FY 2019, in particular small hydro plants in Portugal and Brazil, as well as wind farms in North America and Europe. This decrease was partially offset by (i) higher volume and average selling price of wind and solar and (ii) strong performance in networks in Brazil, which benefited from a regulatory review of EDP Espírito Santo and EDP São Paulo in FY 2019, which led to an increase in tariffs payable to EDP and the residual value of its network in Brazil and the ramp-up of transmission activities. The following table sets forth a segmental breakdown of revenues from energy sales and services and other.

| | Year ended December 31 | | |
|---|---|---|---|
| **Revenues from energy sales and services and other** | **2019** | **2018** | **Change** |
| | *(Millions Euros)* | | *%* |
| Renewables | 2,782.8 | 2,775.2 | 0.3% |
| Networks | 6,195.3 | 6,637.1 | (7%) |
| Clients solutions and energy management | 8,639.2 | 9,873.7 | (13%) |
| **Total Segments** | **17,617.3** | **19,286.0** | **(9%)** |
| Revenues from energy sales and services and others from other segments | 258.6 | 325.5 | (21%) |
| Adjustments and inter-segment eliminations* | (3,542.9) | (4,333.4) | (18%) |
| **Revenues from energy sales and services and other of EDP Group** | **14,333.0** | **15,278.1** | **(6%)** |

* Mainly relating to intragroup balances and transactions eliminations

Revenues from energy sales and services and other in Renewables increased by 0.3% in FY 2019 compared to FY 2018, from EUR 2,775.2 million to EUR 2,782.8 million. This increase was driven by the higher average selling price of wind, which increased by 2%, and by the 6% increase in wind electricity generation supported by higher wind resources and higher average installed capacity. This increase was partially offset by weak hydro generation in Iberia caused by significantly lower-than-average precipitation during the first half of 2019, as well as a 14% decrease in the average captured price of hydro.

Revenues from energy sales and services and other in Networks decreased by 6.7% in FY 2019 compared to FY 2018, from EUR 6,637.1 million to EUR 6,195.3 million. This decrease was mainly attributable to a change in the Group's accounting standards in FY 2018 following Directive 13/2018 of 15 December 2018, which implemented a different accounting classification. Under the previous regime, part of the revenues from tariffs received by EDP Distribuição were used to remunerate REN, the owner of the transmission grid, and accounted for as both a revenue and a cost that netted each other out. EDP has been assessed as an agent under IFRS 15 "Revenue from Contracts with Customers" and therefore, such revenue and cost are no longer reflected in the accounts of EDP Distribuição, which negatively affects revenue, but ultimately has a neutral net effect**.** See note 7 of the Annual 2019 Audited Consolidated Financial Statements included in the Annex of this Prospectus. The decrease was partially offset by an increase in revenue in Brazil following the positive outcome from the regulatory review of EDP Brasil's distribution concessions, the higher demand and tariff update and the ramp-up of its transmission activity following the Group's first transmission line becoming operational at the end of FY 2018.

Revenues from energy sales and services and other in Client Solutions and Energy Management decreased by 12.5% in FY 2019 compared to FY 2018, from EUR 9,873.7 million to EUR 8,639.2 million. This decrease was mainly attributable to a reduction in the Iberian wholesale market price, from 57.3 EUR/MWh in FY 2018 to 47.7 EUR/MWh in 2019. Regarding thermal generation, FY 2019 was marked by a sharp decline in the load factors of coal plants in Iberia, as a result of an increase in the cost of $CO_2$ licenses and reduced natural gas prices, which was partially offset by a robust growth on the load factors of gas power plants. On the supply side, lower volumes of energy supplied in Portugal and Brazil also contributed to the reduction of revenues in this segment, which is explained by milder temperatures in Iberia, while in Brazil the overall liberalized market contracted due to the bankruptcy of some companies in FY 2018.

*Cost of energy sales and other*

Cost of energy sales and other decreased by 10.4% in FY 2019 compared to FY 2018, from EUR 10,178.9 million to EUR 9,115.9 million. This decrease in cost was due to the change in accounting approach on Networks discussed above, and a combination of lower fuel prices and lower volumes of electricity sold. The following table sets forth a segmental breakdown of costs.

| | **Year ended December 31** | | |
|---|---|---|---|
| **Cost of energy sales and other**[(1)] | **2019** | **2018** | **Change** |
| | *(Millions Euros)* | | *%* |
| Renewables | 374.1 | 280.5 | 33% |
| Networks | 4,379.0 | 4,922.4 | (11%) |
| Clients solutions and energy management | 7,637.8 | 8,976.6 | (15%) |
| **Total Segments** | **12,390.9** | **14,179.5** | **(13%)** |
| Adjustments and inter-segments eliminations | (3,275.0) | (4,000.6) | (18%) |
| **Cost of energy sales and other of EDP Group** | **9,115.9** | **10,178.9** | **(10%)** |

(1) Cost of energy sales and other by segment is determined through the difference between "Gross Profit" and "Revenues from energy sales and services and other" by segment.

Cost of energy sales and other in Renewables increased by 33% to EUR 374.1 million in FY 2019 from EUR 280.5 million in FY 2018. The generation of renewable energy does not require fuel or $CO_2$ licenses so the costs associated with it are relatively small and relate primarily to self-consumption of electricity for pumping activities, the costs related to the social tariff in Portugal borne by hydro plants and the costs of electricity purchases in Brazil in the spot market to deliver on PPA contracts which could not be supplied by EDP's own generation. The increase of cost of energy sales and other in Renewables in FY 2019 was almost fully driven by higher amount of electricity purchases in Brazil in the spot market to deliver on PPA contracts which could not be supplied by EDP's own generation.

Cost of energy sales and other in Networks decreased by 11% to EUR 4,379.0 million in FY 2019 from EUR 4,922.4 million in FY 2018. This decrease was mainly driven by the change in the accounting standard affecting the revenues of EDP Distribuição which was partially offset by the costs associated with commencement of operations of the transmission business in Brazil.

Cost of energy sales and other in Client Solutions and Energy Management decreased by 15% to EUR 7,637.8 million in FY 2019 from EUR 8,976.6 million in FY 2018. This decrease was primarily due to lower cost of sales of thermal energy, propelled by reduced natural gas and coal prices, as well as lower volumes of thermal energy sales and energy supplied.

*Other income*

Other income increased by 23.0% to EUR 691.9 million in FY 2019 from EUR 562.7 million in 2018. This increase was largely attributable to income related to the Group's asset rotation strategy. During FY 2019 this item comprised the gain on the sale of ownership in a wind portfolio of 997 MW (net 491 MW) in Europe, amounting EUR 225.6 million and to the gain related to the sale of 100% of the Group's stake in the Babilonia wind farm in Brazil, amounting EUR 87.1 million.

*Supplies and Services*

Supplies and Services decreased by 6.2% in FY 2019 compared to FY 2018 from EUR 957.0 million to EUR 897.5 million driven primarily by the adoption of IFRS 16, which reduced operating costs by EUR 62.3 million in FY 2019.

*Personnel costs and employee benefits*

Personnel costs and employee benefits decreased by 4.8% in FY 2019 compared to FY 2018 from EUR 651.5 million to EUR 620.2 million due primarily to a change in the medical plan and operator granted to Brazilian employees of EDP Espírito Santo and Energest and a broadly stable workforce in the Group.

*Other expenses*

Other expenses decreased by 8.8% to EUR 652.5 million in FY 2019 from EUR 715.4 million in FY 2018. This decrease was largely attributable to lower generation taxes in Spain, reflecting: (i) lower pool prices, which reduced the amount paid from the 7% tax over electricity generation in Spain; (ii) the removal of the *Green Cent* charge for gas plants in Spain on October 2018 and (iii) lower cost from *Green Cent* charges on coal, due to decreased load factors of coal plants in FY 2019.

*Provisions*

Provisions decreased by 65% in FY 2019 compared to FY 2018 from EUR 287.9 million to EUR 101.5 million. This decrease was largely driven by a one-off EUR 285 million provision recorded in FY 2018 following an administrative decision to retroactively cut the CMEC charged in FY 2019 due to alleged overcompensation related to the calculation of the real availability factor of the plants under the CMEC regime. Provisions for FY 2019 include a EUR 86 million provision related to amounts invested in Fridão hydro project in Portugal from the date in which the concession was awarded.

*Amortization and impairment*

Amortization and impairment losses increased by 22% in FY 2019 compared to FY 2018 from EUR 1,444.8 million to EUR 1,765.6 million.

Amortization and impairment expenses in FY 2019 included: (i) a EUR 312 million impairments (of which EUR 297 million was recorded on coal plants in Iberia following the deterioration of market conditions due to the increase in the average price of $CO_2$ licenses); (ii) the adoption and implementation of IFRS 16 on leases on January 1, 2019; and (iii) new additions to the Group's installed base during FY 2019.

Amortization and impairment expenses in FY 2018 included: (i) EUR 24 million of impairments of coal plants in Iberia and EUR 7 million in wind and solar assets; (ii) an increase in amortizations of the supply business, related to the acquisition of new clients due to the adoption and implementation of IFRS 15; (iii) new capacity to the Group's installed base during FY 2018; and (iv) the depreciation of the Brazilian Real against the Euro.

*Financial income/expenses*

Net financial expenses (which comprises the difference between "Financial expenses" and "Financial income") increased in FY 2019 compared to FY 2018, from EUR 554.1 million to EUR 669.8 million primarily due to gains realized in connection with the sale of financial investments as part of its asset rotation strategy in the total amount of EUR 115 million, partially offset by the EUR 31 million fair value change of the Group's equity stake in Feedzai in FY 2019 and by the evolution of the USD against EUR interest rates on mark-to-market of financial hedges.

*Share of net profit in "Joint Ventures and Associates"*

Share of net profit in "Joint Ventures and Associates" increased in FY 2019 compared to FY 2018, from EUR 10.9 million to EUR 25.0 million reflecting the larger contribution from hydro plants in Brazil and the stake in Centrais Elétricas de Santa Catarina S.A. – CELESC ("**CELESC**"), also in Brazil.

*Income tax expense*

Income tax expense in FY 2019 was EUR 226 million compared to EUR 100 million in FY 2018. The effective tax rate for FY 2019 was 18.9% reflecting the normalization of the effective tax rate from FY 2018. The effective tax rate for FY 2018 was an abnormally low rate of 9.6% resulting from the provision of EUR 285 million for the alleged overcompensation of CMEC plants due to innovative features in FY 2018, which contributed to reduce income tax expense by EUR 89.8 million.

*Extraordinary contribution to the energy sector (CESE)*

The extraordinary contribution to the energy sector in 2019 increased 5% compared to FY 2018 from EUR 65.3 million to EUR 68.5 million driven by the higher load factor at EDP Group's gas plants in Portugal.

*Net Profit for the period attributable to equity holders of EDP*

As a result of the factors described above, net profit for the period attributable to equity holders of EDP increased by 9% in FY 2019 compared to FY 2018, from EUR 357 million to EUR 388 million.

**Year ended December 31, 2018 ("FY 2018") compared with year ended December 31, 2017 ("FY 2017")**

The following table sets forth the breakdown of net profits for each of the periods indicated.

| | Year ended December 31 | | |
|---|---|---|---|
| | **2018** | **2017** | **Change** |
| | *(Thousand Euros)* | | *%* |
| Revenues from energy sales and services and other | 15,278,085 | 15,745,987 | (3%) |

| | Year ended December 31 | | |
|---|---|---|---|
| | 2018 | 2017 | Change |
| | (Thousand Euros) | | % |
| Cost of energy sales and other | (10,178,903) | (10,354,909) | (2%) |
| | 5,099,182 | 5,391,078 | (5%) |
| Other income | 562,677 | 1,036,999 | (46%) |
| Supplies and services | (956,961) | (990,533) | (3%) |
| Personnel costs and employee benefits | (651,540) | (680,833) | (4%) |
| Other expenses | (715,379) | (766,762) | (7%) |
| Impairment losses on trade receivables and debtors | (20,850) | - | - |
| | (1,782,053) | (1,401,129) | 27% |
| | 3,317,129 | 3,989,949 | (17%) |
| Provisions | (287,938) | 3,627 | (8,039%) |
| Amortisation and impairment | (1,444,812) | (1,675,659) | (14%) |
| | 1,584,379 | 2,317,917 | (32%) |
| Financial income | 456,245 | 439,636 | 4% |
| Financial expenses | (1,010,390) | (1,248,089) | (19%) |
| Share of net profit in joint ventures and associates | 10,858 | 11,521 | (6%) |
| Profit before income tax and CESE | 1,041,092 | 1,520,985 | (32%) |
| Income tax expense | (99,666) | (10,304) | 867% |
| Extraordinary contribution to the energy sector (CESE) | (65,345) | (69,246) | (6%) |
| **Net profit for the period** | **876,081** | **1,441,435** | **(39%)** |
| **Attributable to equity holders of EDP** | **519,189** | **1,113,169** | **(53%)** |
| **Attributable to non-controlling interests** | **356,892** | **328,266** | **9%** |

*Performance Summary*

EDP's consolidated EBITDA decreased by 17% to EUR 3,317 million in FY 2018. The decrease was mostly driven by the sale of EDP's natural gas distribution activities in Spain and Portugal in July 2017 and October 2017, respectively. Other key drivers of this decrease were (i) the adverse impact from energy management results in Iberia, due to the hedge position closed in FY 2017, (ii) weaker results from supply activities in Iberia due to the adverse regulatory context, (iii) in Portugal, new regulatory terms applicable to electricity distribution and last resort supply as of January 1, 2018, (iv) in Spain, the consideration of possible regulatory changes, even ahead of the end of the then current regulatory period, (v) the depreciation of the USD and the Brazilian Real against the Euro and (vi) the expiration of the ten-year period of PTCs in some wind farms. The decrease was partially offset by (i) the normalization of hydro resources in Iberia and Brazil in 2018, (ii) the sale of small hydro plants in 2018, and (iii) better operational performance in distribution in Brazil, with an increase in energy volumes and the update in the value of concession assets.

Please see section "*Presentation of financial information and other information– Alternative performance measures* " and sub-chapter 7.5 ("*Alternative performance measures*") for a discussion as to how the Group defines and calculates EBITDA, as well as a discussion as to other considerations with respect to the use of EBITDA to assess EDP's financial performance.

*Revenues from energy sales and services and other*

EDP's consolidated revenues from energy sales and services and other in FY 2018 decreased by 3.0% to EUR 15,278.1 million from EUR 15,746.0 million in FY 2017, mainly impacted by: (i) lower wind load factor and lower average selling price in EDP Renováveis, (ii) currency depreciation (in both US dollar and Brazilian Real against the Euro); and (iii) lower regulated revenues from EDP's distribution business in Portugal as a consequence of regulatory changes introduced and entered into force in FY 2018.

The following table sets forth a segmental breakdown of revenues from energy sales and services and other.

| | Year ended December 31 | | |
|---|---|---|---|
| | **2018** | **2017** | **Change** |
| | *(Millions Euros)* | | *%* |
| Generation and Supply in Iberia | 8,382.0 | 7,817.8 | 7% |
| Regulated Networks in Iberia | 4,794.7 | 5,352.5 | (10%) |
| EDP Renováveis | 1,527.6 | 1,636.8 | (7%) |
| EDP Brasil | 3,211.9 | 3,432.5 | (6%) |
| **Total Segments** | **17,916.2** | **18,239.6** | **(2%)** |
| Revenues from energy sales and services and others from Other Segments | 334.0 | 390.6 | (14%) |
| Adjustments and inter-segment eliminations* | (2,972.1) | (2,884.2) | 3% |
| **Total Revenues from energy sales and services and other of EDP Group** | **15,278.1** | **15,746.0** | **(3%)** |

* Mainly relating to intragroup balances and transactions eliminations

Revenues from energy sales and services and other in "Generation and Supply in Iberia" increased by 7.2% to EUR 8,382.0 million in 2018 from EUR 7,817.8 million in FY 2017. This increase was largely attributable to a higher average selling price, whereby there was a 10% increase in the average pool price to EUR 57.3/MWh in 2018 from EUR 52.2/MWh in FY 2017. This increase was in turn driven by more expensive thermal generation, specifically, due to the strong increase in the price of $CO_2$ from EUR 5.8/ton in 2017 to EUR 15.9/ton in FY 2018. In addition, energy volumes sold in the wholesale market in Iberia increased 2.6% to 34.6 TWh in FY 2018 from 33.8 TWh in FY 2017. Specifically, hydro generation volumes increased by 86% to 13.8 TWh in FY 2018, reflecting the strong increase of hydro resources in Iberia. This was offset by a decline in the generation from gas and coal in Iberia by 22.2% to 19.3 TWh in FY 2018. Volumes of electricity supplied to clients declined by 4.9% to 30.7 TWh in FY 2018 from 32.2 TWh in FY 2017, following the strategy of more selective commercial criteria focused on delivering high quality value added services.

Revenues from energy sales and services and other in "Regulated Networks in Iberia" decreased by 10.4% to EUR 4,794.7 million in FY 2018 from EUR 5,352.5 million in FY 2017. Revenues from electricity distribution networks and last resort supply in Portugal decreased 5.9% to EUR 4,393.7 million in FY 2018 compared to EUR 4,671.6 million in FY 2017, mainly reflecting: (i) a 126 basis point reduction in return on regulatory asset base in Portugal for high and medium voltages (from 6.68% in 2017 to 5.42% in FY 2018, prompted by lower average Portuguese government 10-year bond yields); and (ii) the new regulatory period in distribution networks in Portugal in 2018, which led to a downwards revision of allowed costs and regulated revenues. Revenues from electricity distribution in Spain were broadly constant at EUR 385.3 million in FY 2018 compared to EUR 384.5 million in FY 2017. Volume of electricity distributed in Spain increased 0.3% in 2018, to 9.4 TWh from 9.3 TWh in FY 2017. Revenues from gas distribution activities in Iberia decreased by 94.7% year-on-year to EUR 15.6 million in 2018 from EUR 296.4 million in FY 2017, reflecting the Group's sale of its gas distribution assets in Spain and Portugal, which were concluded on July 27, 2017 and October 4, 2017, respectively (although the Group retained its regulated supply of gas business, which continued to impact its revenues).

Revenues from energy sales and services and other in EDP Renováveis decreased by 6.7% to EUR 1,527.6 million in FY 2018 from EUR 1,636.8 million in FY 2017. This decrease was largely attributable to a 9% decrease in average selling price, from EUR 59.2/MWh in 2017 to EUR 53.7/MWh in 2018, which was observed across the whole portfolio. This was primarily caused by: (i) in the US, the scheduled expiration of specific tax equity structures in PTC's and by exchange rate effects; (ii) in Europe, negative price developments mainly in Spain, Poland

and Romania; and (iii) in Brazil, a decrease in the average electricity price by 32% to BRL 195.4/MWh, mainly impacted by a temporary PPA unwinding at Baixas do Feijão in FY 2017. In addition, there was a lower average wind load factor (a decrease of 1 percentage point to 30% in FY 2018), as a result of the fact that the Group's wind resources were 6% below long-term average in FY 2018. However, the Group's installed capacity rose by 625 MW, which offset the low load factor effect on total generation. In North America, electricity production grew by 4% year-on-year, reflecting higher installed capacity (an increase of 278 MW), but this was slightly offset by a slightly lower average load factor at 34 % (a decrease of 1 percentage point year-on-year). In Europe, the Group's output decreased 2% year-on-year, reflecting 211 MW of new capacity additions, partially offset by a 26% average load factor (a decrease of 1 percentage point year-on-year). In Brazil, production increased by 40% year-on-year, benefitting from 137 MW of new capacity additions, despite a lower load factor (40% in 2018 versus 43% in FY 2017).

Revenues from energy sales and services and other in EDP Brasil decreased by 6.4% to EUR 3,211.9 million in FY 2018 from EUR 3,432.5 million in 2017, mainly due to exchange rate effect. In local currency, revenues from energy sales and services and other in Brazil increased by 11.8% In Euros, revenues from distribution activity in Brazil decreased by 8.4% to EUR 1,760.1 million, but in local currency revenues from distribution activity in Brazil increased by 9.4% This was mainly due to (i) the growth in distributed energy volumes; (ii) the reduction of the losses, in particular non-technical losses in the low-voltage grid; (iii) year-on-year positive impact from over contracting (i.e., volumes of energy contracted surpassed the volumes demanded by clients by more than 5%, resulting in a gain due to a higher spot price than long-term contracted prices); and (iv) the inflation update of the concessions' assets value, as contemplated by the regulatory framework. In generation activity, revenues decreased by 15.8% to EUR 711.5 million in FY 2018 from EUR 844.8 million in FY 2017, but in local currency revenues from generation activity in Brazil increased 0.6 % to BRL 3,064.6 million in 2018. This was mainly due to: (i) higher revenues from Pecém coal plant, related with the revision of the availability reference; (ii) higher resources, which was reflected in a "generation scaling factor", the ratio of the deficit of the actual production volumes to the energy delivery obligations, of 84% in FY 2018 vs 82% in FY 2017; (iii) higher hydro sale price. Revenues from energy sales and services and other from supply activity decreased by 5.5% to EUR 947.6 million in FY 2018 from EUR 1,003.1 million in 2017, but increased by 12.9% in local currency, due to (i) a 10.4% increase in the average tariff to BRL248.6/MWh in 2018 and (ii) a slight increase of 1.7 % in volume of electricity sales. Revenues from both generation and supply activities in Brazil benefited from an active hedging strategy and generation scaling factor insurance, coupled with the sale of uncontracted volumes, which avoided potential significant losses due to below average generation scaling factor.

*Cost of energy sales and other*

EDP's total consolidated cost of energy sales and other decreased by 1.7% to EUR 10,178.9 million in FY 2018 from EUR 10,354.9 million in FY 2017, predominantly driven by: (i) Generation and Supply in Iberia, due to more expensive thermal generation in Iberia on the back of higher $CO_2$ price, despite the fact that higher hydro resources in Iberia during FY 2018 led to a lower use of thermal generation plants; (ii) operations in Brazil, due to reduced generation in Pecém and depreciation of the Brazilian Real against the Euro; (iii) sale of gas networks business in Iberia. The following table sets forth a segmental breakdown of costs.

| Cost of energy sales and other[1] | Year ended December 31 | | |
|---|---|---|---|
| | 2018 | 2017 | Change |
| | (Millions Euros) | | % |
| Generation and Supply in Iberia | 6,947.7 | 6,582.1 | 6% |
| Regulated Networks in Iberia | 3,514.4 | 3,756.2 | (6%) |
| EDP Renováveis | 16.1 | 35.1 | (54%) |
| EDP Brasil | 2,334.5 | 2,463.3 | (5%) |
| **Total Segments** | **12, 812.7** | **12,836.8** | **(0.2%)** |
| Other segments and adjustments and inter-segments eliminations | (2,633.8) | (2,481.9) | 6% |
| **Total cost of energy sales and other** | **10,178.9** | **10,354.9** | **(2%)** |

Note: The segments presented in this table reflect EDP's prior segmentation. See "—Factors affecting the comparability of EDP's results of operations—Change in Reporting Segments" above.
[1] Cost of energy sales and other by segment is determined through the difference between "Gross Profit" and "Revenues from energy sales and services and other" by segment.

Cost of energy sales and other in "Generation and Supply in Iberia" increased by 5.6% to EUR 6,947.7 million in FY 2018 from EUR 6,582.1 million in FY 2017, mainly impacted by (i) a higher cost of electricity purchases, mainly driven by a 10% increase in pool prices and; (ii) more expensive thermal generation, as the cost with $CO_2$ licenses increased by 220% from FY 2017 to FY 2018, due to the higher $CO_2$ price partially offset by a higher use of hydro resources, during FY 2018 which led to a lower use of thermal generation plants.

Cost of energy sales and other in "Regulated Networks in Iberia" decreased by 6.4% in FY 2018, reaching EUR 3,514.4 million (2017: EUR 3,756.2 million) due to the Group's sale of the gas distribution business in both Spain and Portugal during FY 2017 and the lower costs in electricity networks in Iberia, mainly related to reduced access tariff that EDP Distribuição passes-through.

Cost of energy sales and other in EDP Renováveis decreased by 54.3% to EUR 16.1 million in FY 2018 from EUR 35.1 million in FY 2017.

Cost of energy sales and other in EDP Brasil decreased by 5.2% to EUR 2,334.5 million in FY 2018 from EUR 2,463.3 million in FY 2017. In local currency, the cost of energy sales and other in EDP Brasil increased by 13.2%, supported by higher volumes of electricity supplied and prices charges from the networks access.

*Other income*

Other income decreased by 45.7% to EUR 562.7 million in FY 2018 from EUR 1,037.0 million in FY 2017, largely impacted by a decrease in capital gains on disposals, compared to FY 2017, in which there was a gain of EUR 590.9 million related to the sales of 100% of NED and of a 23.3 % stake in the Moray offshore windfarm in the United Kingdom, in the amount of EUR 28.5 million. In FY 2018, the gains on disposals reflect the gain on the sale of 80% stake in Vento XIX LLC, previous a fully owned subsidiary of EDP Renováveis, in the amount of EUR 109.0 million and the sale of small hydro plants in Portugal and Brazil in the amount of EUR 82.3 million.

*Supplies and services*

Supplies and services expenses decreased by 3.4% to EUR 957.0 million in FY 2018 from EUR 990.5 million in FY 2017. In Iberia, supplies and services expenses decreased by 10.7% to EUR 567.2 million in FY 2018, mainly due to significantly lower expenses from commercial activity as a result of the Group's efficiency gains and digitalization. Supplies and services expenses decreased by 15.1% in EDP Brasil, mainly as a result of local currency depreciation, as in local currency supplies and services expenses increased by 1.4% in FY 2018 (still below the inflation rate at 3.7%). EDP Renováveis supplies and services expenses increased by 5.6% to EUR 345.3 million in FY 2018, as a result of higher costs of operation and maintenance due to a higher installed capacity.

*Personnel costs and employee benefits*

Personnel costs and employee benefits decreased by 4.3% to EUR 651.5 million in FY 2018 from EUR 680.8 million in FY 2017. In Iberia, personnel costs and employee benefits decreased by 2.4% to EUR 295.9 million, mainly due to headcount reduction and generational replacement. In EDP Brasil, personnel costs and employee benefits decreased by 12.6% to EUR 113.1 million in FY 2018, mainly due to local currency depreciation. EDP Renováveis' personnel costs and employee benefits increased by 14.1% to EUR 115.0 million in FY 2018, due to a 14% increase in headcount as a result of portfolio expansion.

*Other expenses*

Other expenses decreased by 6.7% to EUR 715.4 million in FY 2018 from EUR 766.8 million in FY 2017, mainly reflecting the six month suspension of the 7% tax over electricity generation in Spain, due to the entry into force of Spanish Royal Decree 15 2018 in October 2018.

*Provisions*

Provisions changed from a gain of EUR 3.6 million in FY 2017 to a loss of EUR 287.9 million, in FY 2018 largely reflecting a one-off provision EUR 285 million booked in FY 2018 due to an administrative decision on a retroactive CMEC cut for alleged overcompensation related to the calculation of the real availability factor of the plants under the CMEC regime.

*Amortization and impairment*

Amortization and impairment losses decreased by 13.8% to EUR 1,444.8 million in FY 2018 from EUR 1,675.7 million in FY 2017. In FY 2018 amortization expenses were mainly affected by: (i) an increase in impairments of EUR 24 million related to coal plants in Iberia and of EUR 7 million at EDP Renováveis; (ii) an increase in amortizations of the supply business, related to the acquisition of new clients, due to the adoption of the IFRS 15 methodology; (iii) new capacity additions throughout the year; and (iv) depreciation of the Brazilian Real against the Euro. In FY 2017, amortization and impairment loss was mainly affected by: (i) impairment of EUR 196 million in Iberian coal plants following the deterioration of prospects driven by regulatory and fiscal developments; and (ii) impairment of EUR 42 million in windfarms in Poland. In addition, the amortization and impairment loss in FY 2017 also reflected: (i) the extension of the useful life of the Group's wind generation assets from 25 years to 30 years (resulting in a decrease of EUR 120 million year-on-year) and the CCGTs from 35 years to 40 years (resulting in a decrease of EUR 11 million year-on-year); (ii) the end of the amortization of the Group's gas distribution assets in Portugal and Spain due to the classification of these as assets held for sale as at December 31, 2016 and March 31, 2017, respectively; (iii) the positive impact from higher installed capacity; and (iv) Brazilian Real appreciation against the Euro.

*Financial income and financial expenses*

Net financial expenses (which comprise the difference between "financial expenses" and "financial income") decreased to EUR 554.1 million in FY 2018 from EUR 808.5 million in FY 2017. This was primarily due to: (i) a EUR 111.7 million decrease in interest expense on financial debt, reflecting steady improvement in interest costs arising from a lower average cost of debt and the decrease of average debt amount; (ii) an increase of EUR 86.3 million in gains on the sale of financial investments, associated with the sale of equity stakes (detailed in note 6 of Annual 2018 Audited Consolidated Financial Statements); and (iii) a EUR 53.1 million improvement from the fair value of derivative financial instruments.

*Share of net profit in "Joint Ventures and Associates"*

Share of net profit in "Joint Ventures and Associates" remained broadly stable, amounting to EUR 10.9 million in FY 2018 compared with EUR 11.5 million in FY 2017, reflecting the mixed impact from the contribution of CELESC (23.6% stake built up during FY 2018) and the early stage of operations at the Group's hydro plants in Brazil.

*Income tax expense*

Income tax expense increased to EUR 99.7 million in FY 2018 from EUR 10.3 million in FY 2017. The main non-recurring events affecting the income tax expense in FY 2018 were: (i) the provision of EUR 285 million for the alleged overcompensation of CMEC plants due to innovative features in FY 2018 contributed to reduce income tax expense by EUR 89.8 million; (ii) a lower deduction in FY 2018 from the assets sales or purchases, since in FY 2017 this amount was particularly high due to the sale of NED in FY 2017; (iii) the fiscal revaluation of EDP Distribuição assets, which led to EUR 35 million deferred taxes; and (iv) the resolution of tax inspection in Spain in Q2 2018 contributed to EUR 44 million income tax expense.

In light of the above, EDP's effective income tax rate was 9.6% in FY 2018 compared with 0.7% in FY 2017.

*Extraordinary contribution to the energy sector (CESE)*

The extraordinary contribution to the energy sector in FY 2018 decreased to EUR 65.3 million from EUR 69.2 million in FY 2017, related to the lower load factor of the Group's gas plants in Portugal, as the Decree-Law 83-C/2013, of 31 December (approving the state budget for 2014), includes a reduction of this tax for CCGT plants with working regimes below 3,000 hours per annum.

*Net profit for the period attributable to equity holders of EDP*

As a result of the factors described above, EDP's net profit for the period attributable to equity holders of EDP in FY 2018 decreased by 53.4% to EUR 519.2 million from EUR 1,113.2 million in FY 2017, principally due to the change in EDP's provisions.

### 8.6. Liquidity and Capital Resources and Cash Flow Analysis

As of March 31, 2020, EDP's cash and cash equivalents totaled EUR 1,445 million.

EDP continues to manage its businesses to maximize operating cash flows as the primary source of liquidity. In addition to its available cash and operating cash flows, EDP maintains additional sources of liquidity, including committed credit lines, short-term debt from the commercial paper market under its commercial paper program and long-term borrowings. It also has accessed the public debt and equity markets. The Group uses cash generated through operations to invest in its existing operating segments, fund its acquisitions and pay dividends.

Funding activities for most of the Group are centralized at the EDP level, except with respect to its Brazilian subsidiaries, which raise funding in the local market, and some of EDP Renováveis' subsidiaries, which have project finance type agreements. Nevertheless, in all cases, EDP sets the funding policy, and its implementation is closely monitored.

### 8.6.1 Cash Flows

The Group's cash flows from operating, investing and financing activities, as reflected in the consolidated statements of cash flows, are summarized as follows:

| | Q1 2020[(1)] | Q1 2019[(1)] | FY 2019 | FY 2018 | FY 2017 |
|---|---|---|---|---|---|
| | | | *Million Euros* | | |
| Net cash flows from operating activities | 1,379 | 505 | 2,221 | 2,938 | 2,236 |
| Net cash flows from investing activities | (367) | (953) | (1,645) | (1,179) | 570 |
| Net cash flows from financing activities | (959) | 269 | (834) | (2,335) | (1,797) |
| **Changes in cash and cash equivalents** | **53** | **(179)** | **(258)** | **(576)** | **1,008** |
| Effect of exchange rate fluctuations on cash held | (137) | 13 | (2) | (21) | (129) |
| Cash and cash equivalents at the beginning of the period* | 1,528 | 1,747 | 1,803 | 2,400 | 1,521 |
| **Cash and cash equivalents at the end of the period** | **1,445** | **1,582** | **1,543** | **1,803** | **2,400** |

*Cash and cash equivalents reclassified as held for sale in the 1st quarters of 2020 and 2019

[1] Q1 2020 and Q1 2019 numbers are unaudited.

On December 31, 2019, EDP adopted the indirect method for the preparation of its statement of cash flows and restated the comparative data for the year ended December 31, 2018. The cash flow information presented in the table above for the year ended December 31, 2017 has not been restated. For additional information, see the section "*Presentation of financial information and other information – Cash Flows Indirect Method*".

### 8.6.2 Net cash flows from operating activities

EDP's primary source of liquidity is cash generated from operations. Net cash flows from operating activities in Q1 2020 amounted to EUR 1,378.6 million, an increase of 173% compared to Q1 2019. The increase was primarily driven by (i) higher revenues coming from hydro generation on the back of the partial normalization of hydro resources; and (ii) the securitization of EUR 0.8 billion related to tariff deficit from special regime generation.

Net cash flows from operating activities in FY 2019 amounted to EUR 2,221.0 million, a decrease of 24% from EUR 2,938.1 million in FY 2018. This decrease was primarily driven by changes in working capital related to regulatory assets receivables from a EUR 917 million inflow in 2018 to a EUR 251 million outflow in 2019. This effect was only partially compensated by a higher cash receipts from customers.

Net cash flows from operating activities in FY 2018 increased to EUR 2,938.1 million, compared to EUR 2,235.6 million in FY 2017. This increase was predominantly driven by higher energy volumes, on both generation and supply, as well to higher wholesale prices in Iberia. However, the increase was partly offset by weak wind resources and the de-consolidation of the Group's gas distribution assets in Iberia following their sale.

### 8.6.3 Net cash flows from investing activities

Net cash flows from investing activities in Q1 2020 amounted to EUR (366.6) million and related to (i) steady build out activity devoted to new renewable capacity and networks in Brazil, reflecting acceleration of Capex, and (ii) payments made for the capital increases in windfarms and solar plants (mostly in North America) and applications in short-term treasury funds in Brazil offset in part by cash proceeds from asset sales, including EUR 122 million related to the asset rotation of 137 MW in Brazil and lower payments to suppliers of fixed assets.

Net cash flows from investing activities in Q1 2019 amounted to EUR (953.1) million primarily related to (i) cash out flows of EUR 776.5 million on property, plant and equipment and intangible assets in connection mainly with the build out of renewable capacity and networks in Brazil and (ii) cash outflows of EUR 187.2 million on other financial assets and investments related primarily to payments made for the capital increases in Vento XIX and Mayflower Wind Energy LLC and the investment funds.

Net cash flows from investing activities in FY 2019 amounted to EUR (1,645.0) million and mostly related to (i) cash outflows of EUR 2,348.5 million on the purchase of property, plant and equipment and intangible assets, mostly devoted to renewables, with the construction and the acquisition of wind and solar power plants, followed by networks, with the acquisition of a new transmission line in Brazil, the acceleration of the programmed Capex in the remaining four transmission lines under construction, but also with continuing high level of investment in distribution networks in Brazil, to reduce losses and improve quality of service; and (ii) cash outflows of EUR 739.1 million related to equity contributions to several offshore wind projects in North America, the United Kingdom, France and Portugal, the construction of San Gaban hydro plant in Peru and the increase of the Group’s stake in CELESC in Brazil. These outflows were offset in part by EUR 1,066.8 million in cash proceeds from asset sales (which comprised cash receipts relating to the sale of assets and subsidiaries with loss of control and other financial assets and investments), including EUR 780 million from the sale of 997 MW (491 MW net) of a wind portfolio in Europe announced in April 2019, and EUR 190 million proceeds associated with Capex incurred over 2019 with the full completion of Prairie Queen wind farm in the United States (which disposal was previously agreed in FY 2018).

Net cash flows from investing activities in FY 2018 amounted to EUR (1,179.0) million and related to (i) the construction of new wind capacity and execution of programmed Capex in transmission lines in Brazil, and (ii) equity contributions by EDP Renováveis mainly focused on wind offshore projects and hydro generation in Brazil. These expenditures were partially offset by divestments (driven by the asset rotation strategy) of a majority stake in wind onshore (EUR 226 million in the fourth quarter of 2018) and the disposal of several small hydro plants in Brazil and Portugal (EUR 229 million in the fourth quarter of 2018).

Net cash flows from investing activities in FY 2017 amounted to EUR 569.8 million and was largely attributable to the portfolio reshuffling divestments carried out by EDP in FY 2017, which generated net cash proceeds of EUR 2.4 billion in FY 2017, reflecting the sale of the gas distribution activities in Spain and Portugal, which accounted for EUR 2.7 billion, offset in part by the acquisition of an additional 5.1% stake in EDP Renováveis (EUR 0.3 billion) and by the execution of Capex aligned with the Group’s strategy. Cash flows from investing activities in FY 2017 also reflected lower Capex, following the end of construction of hydro plants in Portugal with the full commissioning of Venda Nova III and Foz-Tua hydro plants.

#### 8.6.4 Net cash flows from financing activities

Net cash flows from financing activities in Q1 2020 amounted to EUR (958.6) million and related (i) cash outflows of EUR 2,048.4 million related to payments relating to financial debt (including collateral deposits), including the repurchase of EUR 750 million hybrid bond, issued in 2015 with a coupon of 5.38%, which translated into a liability management cost of EUR 57 million, and US$583 million to the repayment of bonds maturing on January 2020; and (ii) cash outflows of EUR 231.7 million related to interest and similar costs of financial debt including hedge derivatives. These outflows were partly offset by (i) cash inflows of EUR 1,235.4 million from receipts relating to financial debt (including the issuance of a 1.7% EUR 750 million hybrid bond in January 2020 and collateral deposits); and (ii) cash inflows related to proceeds from institutional partnerships in the United States totaling EUR 135 million from two wind farms with a combined capacity of 175 MW. For a discussion about institutional partnerships in the United States see sub-chapter 11.6.4 ("*Renewable Energy Policies*").

Net cash flows from financing activities in Q1 2019 amounted to EUR 269.2 million and related to cash inflows of EUR 1,193.8 million relating to financial debt receipts (including collateral deposits) partly offset by, (i) cash outflows of EUR 637.8 million related to the payments relating to financial debt (including collateral deposits); and (ii) cash outflows of EUR 203.7 million related to interest and similar costs of financial debt including hedge derivatives.

Net cash flows from financing activities in FY 2019 amounted to EUR (834.4) million and related to (i) cash outflows of EUR 3,443.4 million related to payments of financial debt (including collateral deposits); (ii) cash outflows of EUR 557.3 million related to interest and similar costs of financial debt including hedge derivatives, and (iii) cash outflows of EUR 690.7 million in dividend payments paid to equity holders of EDP. These expenditures were partly offset by cash inflows of EUR 4,099.9 million from receipts relating to financial debt, which included the issuance of EUR 1,000 million subordinated hybrid bond in January 2019 and EUR 600 million green bond in September 2019.

Net cash flows from financing activities in FY 2018 amounted to EUR (2,335.4) million and related to (i) cash outflows of EUR 3,634.5 million related to the payments of financial debt (including collateral deposits), including the repayment of US$ 531 million of a US$ 1 billion bond and the repurchase of EUR 500 million of outstanding bonds in multiple series; (ii) cash outflows of EUR 623.4 million related to interest and similar costs of financial debt including hedge derivatives; and (iii) cash outflows of EUR 690.5 million in dividend payments paid to equity holders of EDP. These outflows were offset in part by cash inflows of EUR 2,704.4 million from receipts related to financial debt and collateral deposits.

Net cash flows used in financing activities in FY 2017 amounted to EUR 1,797.4 million and related to (i) EUR 789.9 million in payments of interest and similar costs of financial debt including hedging derivatives; (ii) EUR 690.6 million related to dividends payments; and (iii) EUR 440.3 million net payments relating to financial debt. These outflows were partially offset by receipts from sales of assets/subsidiaries without loss of control, receipts relating to loans from non-controlling interests in wind farms and proceeds from institutional partnerships in the United States.

### 8.6.5 Capex

EDP's 2019-2022 strategy entails significant gross investments of EUR 12 billion mostly focused in renewable generation assets (more than 7 GW of additions planned for the period) and electricity networks. This gross investment is expected to be partially funded by disposals, namely through the renewable assets rotation program of more than EUR 4 billion and EUR 2 billion of disposals of assets in Iberia (which has already been exceeded with the announced transactions).

The following table sets forth the Group's Capex by operating segment for the periods under review.

| Capex(1) | Three-Months ended March 31, 2020 | 2019 | Year ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| | | *(Millions Euros)* | | | |
| Renewables | 276 | 163 | 1,168 | 1,355 | 1,149 |
| Networks | 123 | 155 | 912 | 502 | 517 |
| Other (2) | 26 | 26 | 179 | 174 | 60 |
| **Capex** | **425** | **343** | **2,258** | **2,031** | **1,725** |

*(1) Capex includes increases in Property, Plant and Equipment, Intangible Assets and amounts receivable from concessions - IFRIC 12 under the financial asset model, excluding $CO_2$ licenses and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period, as disclosed in the "Reconciliation of information between Operating Segments and Financial Statements" note to the consolidated financial statements for each period. See also sub-chapter 7.5 ("Alternative performance measures").*
*(2) Capex – Other is determined by Capex minus Capex Renewables minus Capex Networks.*

EDP spent EUR 425 million on Capex in Q1 2020 compared to EUR 343 million in Q1 2019. These expenditures were mostly dedicated to expansion projects of renewable capacity in North America, Europe and Latin America and to investments in transmission networks in Brazil.

EDP spent EUR 2,258 million on Capex in FY 2019, mostly dedicated to expansion Capex. Expansion Capex consisted primarily of expenditures related to the construction of new renewables capacity and transmission lines in Brazil. Capex in wind and solar capacity amounted to EUR 1,109 million, of which 70% was invested in North America, 23% in Europe and 3% in Brazil. Capex in connection with the ramp up in transmission lines in Brazil continued in FY 2019, with EUR 455 million invested in connection to the development and construction of six transmission lines. Maintenance Capex was primarily used in Networks in Iberia and Brazil.

EDP spent EUR 2,031 million on Capex in FY 2018, mostly dedicated to expansion Capex. Expansion Capex consisted primarily of expenditures related to the construction of new renewables capacity and transmission lines in Brazil. Capex in wind and solar capacity amounted to EUR 1,275 million, of which 59%was applied in North America, 27% in Europe and 13%in Brazil. Capex in transmission lines in Brazil experienced a ramp up with EUR 73 million invested in FY 2018 in connection with the development and construction of six transmission lines. Maintenance Capex was primarily used in networks in Iberia and Brazil.

EDP's Capex in FY 2017 was EUR 1,725 million, mostly on expansion Capex. Expansion Capex consisted primarily of expenditures related to the construction of new renewables capacity. Capex of EDPR in wind and solar capacity amounted to EUR 1,051 million. Expansion Capex in FY 2017 also included spending related to hydro capacity in Portugal. Maintenance Capex was used primarily in networks in Iberia and Brazil.

### 8.6.6 Indebtedness

As of March 31, 2020, nominal debt at EDP and EDP Finance B.V. (a subsidiary of EDP used for most debt financing issuance transactions) amounted to EUR 12,865 million (EUR 12,879 million as of December 31, 2019). Bonds, bank loans and commercial paper corresponded to

85% (79% as at December 31, 2019) of EDP's consolidated nominal debt, which amounted to EUR 15,058 million as of March 31, 2020 (compared to EUR 16,222 million as of December 31, 2019).

EDP's consolidated indebtedness (current and non-current financial debt including collateral deposits), including nominal financial debt, accrued interests, collateral deposits associated with debt and fair value hedge derivatives was EUR 15,244 million as of March 31, 2020 compared to EUR 16,510 million as of December 31, 2019

EDP has project finance loans with the customary guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As of March 31, 2020, these loans amounted to EUR 737.3 million, compared with EUR 771.9 million as at December 31, 2019.

As of March 31, 2020, approximately 67% of the Group's indebtedness carried a fixed rate, (65% as of December 31, 2019).

EDP's financial policy guidelines remain focused on: (i) actively managing debt and liquidity, to ensure to provide a strong liquidity position, allowing for 12 to 24 months of refinancing ahead, and improve cost of debt and capital optimization; (ii) centralizing the Group's financial management, by raising funding needs primarily at EDP level (except with respect to the Group's Brazilian and Latin American activities, where financing is ring-fenced (EDP finances its Brazilian operations through its subsidiaries and directly in BRL); (iii) targeting a 'BBB' credit rating through debt reduction and credit metrics improvement; (iv) diversifying funding sources, tapping the most efficient markets, namely debt capital markets or international loan markets, partly through green funding, in line with the Group's sustainability strategy, and reaching out to a wide range of banking counterparties; and (v) actively managing interest risk, to minimize funding costs targeting more than 55% of the Group's indebtedness at fixed rate, and foreign exchange risk, through a net investment hedge policy aimed at raising funding in the same currency of investments.

The following table shows the Group's future debt and interest payments as at December 31, 2019.

| | **December 2020** | **December 2021** | **December 2022** | **December 2023** | **December 2024** | **≥ 2025** | **Total** |
|---|---|---|---|---|---|---|---|
| | | | | *(Millions Euros)* | | | |
| Future debt and interest payments | 3,447 | 1,695 | 1,442 | 2,022 | 2,873 | 5,093 | 16,571 |

For more detailed information of the Group's indebtedness, including issuing entity, issue date, interest rate, type of hedge and currency see note 27 of the Unaudited Condensed Interim Consolidated Financial Statements and note 33 of the Annual 2019 Audited Consolidated Financial Statements included in the Annex of this Prospectus.

**Description of Debt Arrangements**

As of March 31, 2020, EDP (hereafter referring to either EDP or EDP Finance B.V) has several credit facilities it uses for liquidity management purposes. EDP has short-term credit facilities in the amount of EUR 256 million indexed to the Euribor for the agreed period of utilization and with spread conditions agreed in advance, all with a firm underwriting commitment, and which, as of March 31, 2020 were fully available. EDP also has a commercial paper program in the amount of EUR 50 million with guaranteed placement, which as of March 31, 2020 was fully available. Regarding medium-term credit facilities with a firm underwriting commitment, EDP has three revolving credit facilities:

- EUR 75 million, maturing in July 2021 and fully available as at March 31, 2020;
- EUR 3,300 million, of which EUR 3,295 million matures in October 2024, while the remaining amount matures in October 2023, was fully available as of March 31, 2020; and
- EUR 2,240 million, of which EUR 2,095 million matures in March 2025, while the remaining amount matures in March 2023, which as of March 31, 2020 had EUR 1,632 million of available borrowing capacity.

**EMTN Program**

EDP has a EUR 13.5 billion Euro Medium Term Notes ("**EMTN**") program for the issuance of debt instruments ("**Notes**"). As of March 31, 2020, EUR 9,912 million of Notes were outstanding under its EMTN program.

*Euro Denominated Notes*

On January 24, 2017, EDP issued EUR 600.0 million of Notes with a coupon of 1.875% and due in 2023. On November 14, 2017, EDP issued EUR 500.0 million of Notes with a coupon of 1.5% and due in 2027. On June 20, 2018, EDP issued EUR 750.0 million of Notes with a coupon of 1.625% and due in 2026. On October 9, 2018, EDP issued EUR 600.0 million of green Notes with a coupon of 1.875% and due in 2025. On September 10, 2019, EDP issued EUR 600.0 million of green Notes with a coupon of 0.375% and due in 2026.

*US Denominated Notes*

On June 21, 2017, EDP issued US$ 1.0 billion of Notes with a coupon of 3.625% and due in 2024.

**Hybrid Bonds**

On January 23, 2019, EDP issued subordinated green notes ("hybrid bonds") in the amount of EUR 1,000 million, with a first call option exercisable by EDP in January 2024, final maturity date in April 2079 and a coupon of 4.496%. On January 13, 2020, EDP issued a green hybrid bond in the amount of EUR 750 million, with a first call option exercisable by EDP in April 2025, final maturity date in July 2080 and a coupon of 1.7%. As of March 31, 2020, a total of EUR 1,750 million of green hybrid bonds were outstanding.

**Interest Rate and Exchange Rate Hedging**

The Group uses financial instruments to hedge interest rate risk and exchange rate risk resulting from its financing activities. Derivatives not qualified for hedge accounting under IFRS 9 are accounted for as trading instruments.

For more detailed information of the Group's hedging arrangements and accounting see Notes 3, 5 and 35 of the Unaudited Condensed Interim Consolidated Financial Statements and Notes 2, 3, 5 and 41 of the Annual 2019 Annual Consolidated Financial Statements included in the Annex of this Prospectus.

### 8.6.7 Contractual Obligations

**Commitments**

EDP acts as obligor with respect to some long-term arrangements, which include PPAs, interconnection, permits and market participation guarantees. As of March 31, 2020, EDP had entered into contractual commitments for the purchase of fuel and electricity as well as assets, equipment, materials and professional services in connection with the operation of its business in the amount of EUR 21,053.5 million.

On July 15, 2020, EDP entered into the Viesgo Transaction which the Group expects to fund with (i) shareholder loans provided to Viesgo by EDP and MIRA in the combined distribution business; (ii) a portion of the proceeds from the sale of a thermal generation and client portfolio in Spain and (iii) the proceeds from the Offer. For more information about the Viesgo Transaction, see Chapter 4 ("Description of Viesgo Transaction").

**Contingent Liabilities**

EDP has contingent liabilities in respect of legal claims arising in the ordinary course of business. It reviews these matters in consultation with internal and external legal counsel to make a determination on a case-by-case basis whether a loss from each of these matters is probable, possible or remote. See sub-chapter 10.4 ("*Legal and Arbitration Proceedings*") and see note 35 to the Annual 2019 Audited Consolidated Financial Statements included in the Annex of this Prospectus.

**Guarantees**

EDP enters into various contracts that include indemnification and guarantee provisions as a routine part of its business activities. Such contracts generally indemnify the counterparty for tax, environmental liability, litigation and other matters, as well as breaches of representations, warranties and covenants set forth in the agreements. In many cases, EDP's maximum potential liability under the guarantees is limited to that of the underlying agreements.

EDP grants operating guarantees, not included in the consolidated statement of financial position in the amount of EUR 2,532.1 million. For more information, see note 36 to the Unaudited Interim Condensed Consolidated Financial Statements included in the Annex of this Prospectus.

EDP also provides financial and operating guarantees related to liabilities assumed by certain of its "Joint Ventures and Associates" in the amount of EUR 536.1 million and EUR 345.1 million, respectively, as of December 31, 2019.

**Lease commitments**

With the adoption of IFRS 16, as of January 1, 2019, EDP recognized operating lease commitments in the statement of financial position, unless (i) the lease term is under 12 months, or (ii) the lease is for a low-value asset. Accordingly, future cash outflows not reflected in the measurement of the liabilities regarding the rents due from lease contracts as of March 31, 2020 are presented, by maturity, as follows:

| | Mar 2020 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by Maturity | | | | |
| | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| | | | *Millions Euros* | | |
| Future cash outflows not reflected in the measurement of the lease liabilities (rents due from lease contracts) | 325 | 30 | 69 | 62 | 165 |
| Purchase obligations | 21,053 | 4,591 | 4,408 | 2,371 | 9,683 |
| | **21,379** | **4,620** | **4,477** | **2,433** | **9,848** |

#### 8.6.8 Pensions and Benefits

EDP operates a number of defined contribution pension schemes as well as a closed defined benefit scheme for certain employees in Portugal, Spain and Brazil. As of March 31, 2020, provisions for current employee benefits including pension and medical liabilities amounted to EUR 181.2 million, while non-current employee benefits amounted to EUR 1,151.7 million.

### 8.7. Critical Accounting Policies and Significant Accounting Judgment and Estimates

EDP's reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of EDP's consolidated financial statements. EDP's critical accounting policies, the judgments and other uncertainties that affect the application of those policies, and the sensitivity of reported results to changes in conditions, assumptions or estimates are important factors that should be considered in reviewing EDP's consolidated financial statements and the discussions above in sub-chapter 8.5 "*Results of Operations*".

A critical accounting policy is one that is both important to results of operations and financial condition and require management to make critical accounting estimates. An accounting estimate is an approximation made by management of a financial statement component or account. Accounting estimates reflected in EDP's financial statements measure the effects of past business transactions or events, or the present status of an asset or liability. Accounting estimates included in the accounting policies presented in the consolidated financial statements require management to make assumptions and judgments about matters that are highly uncertain at the time the estimate is made. Additionally, different estimates that could have been used, or changes in an accounting estimate that are reasonably likely to occur, could have a material impact on the financial statements. The inherent uncertainty of some matters makes judgments subjective and complex. The effects of estimates and assumptions related to future events cannot be made with certainty. EDP's estimates are based upon historical experience and on assumptions that management believes to be reasonable under the circumstances. These estimates may change with changes in events, information, experience or EDP's operating environment. Detailed information regarding EDP's critical accounting policies is provided in note 4 to the Annual 2019 Annual Audited Consolidated Financial Statements and Unaudited Condensed Interim Consolidated Financial Statements included in the Annex of this Prospectus.

**Quantitative and Qualitative Disclosure about Market Risk**

The Group's business is exposed to a variety of financial risks, including the effect of foreign exchange, interest rates and changes in market prices. The Group's exposure to financial risks arises essentially from its debt portfolio, resulting in interest and exchange rate exposures. The status and evolution of the financial markets are analyzed on an on-going basis in accordance with the Group's risk management policy. Derivative financial instruments are used to minimize potential adverse effects, resulting from interest rate and/or foreign exchange rate risks on the Group's financial performance. For further information, see note 5 to the Annual 2019 Audited Consolidated Financial Statements included in the Annex of this Prospectus.

# CHAPTER 9. PROFIT FORECAST

## 9.1. Profit Forecast

On February 21, 2020, the Group provided guidance in relation to recurring EBITDA and recurring Net Profit for the year ending December 31, 2020. Further, on May 7, 2020, on its Q1 2020 results conference call with the market, EDP affirmed that it was comfortable with the analyst consensus for the year ending December 31, 2020 (and still affirms it is comfortable with such consensus as of the date of this Prospectus).

In light of, among other factors, the COVID-19 pandemic and uncertainty in the macroeconomic environment, EDP has decided to provide additional clarity about its guidance for the year ending December 31, 2020. Accordingly, EDP believes, on the basis set out below, that recurring EBITDA and recurring Net Profit for the year ending December 31, 2020 should be EUR 3.6 billion and between EUR 0.85 and 0.9 billion, respectively ("**Profit Forecast**").

The Group defines "recurring EBITDA" as EBITDA less exceptional and non-recurring items, and "recurring Net Profit" as Net Profit less exceptional and non-recurring items. For the purposes of the Profit Forecast, non-recurring and/or exceptional items include one-off impairment charges, capital gains/losses on sales of assets (excluding gains or losses derived from sales of assets pursuant to the Group's asset rotation strategy), costs associated with retroactive regulatory changes, human resources or debt restructuring costs and the CESE energy tax in Portugal. The following items are known non-recurring or exceptional items that are being excluded from the definitions of recurring EBITDA and recurring Net Profit for purposes of the Profit Forecast: (i) the impact of the Viesgo Transaction (given that the same is an exceptional or one-off transaction that will most likely only be completed towards the end of 2020) and (ii) the potential capital gains on the disposal of the Group's interest in certain hydro-plants in Portugal and the disposal of a portfolio of thermal plants and supply clients in Spain, which are expected to occur in 2020 (for more information regarding these transactions which are expected to be completed in 2020, see sub-chapter 10.1.2 – "*History*").

The Profit Forecast reflects the forward-looking expectations of the Group which are based on a number of assumptions and estimates about future events and actions, including management's assessment of opportunities and risks. The data and assumptions used by the Group in calculating the Profit Forecast are subject to change as a result of uncertainties due to the operational, economic, financial, accounting, competitive, regulatory and tax environments, among others, or as a result of other factors of which EDP is unaware of at the date of this Prospectus. Should one or more of these assumptions prove to be inappropriate or incorrect, EDP's actual results could materially deviate from the Profit Forecast. Accordingly, prospective investors should treat this information with caution and should not place undue reliance on the Profit Forecast. In addition, the materialization of certain risks described in Chapter 2 ("*Risk factors*") of this Prospectus could have an impact on EDP's operations, financial position, results or outlook, and thus jeopardize its forecasts. Furthermore, achieving these forecasts presupposes the success of EDP's strategy. As a result, EDP makes no undertaking and gives no assurance as to the achievement of the Profit Forecast.

## 9.2. Basis of Preparation

The Profit Forecast and the underlying assumptions discussed below were prepared in accordance with the provisions of delegated Regulation (EU) No. 2019/980 and the European Securities and Markets Authority ("**ESMA**") recommendations on forecasts. The basis of accounting used for the Profit Forecast is comparable with the Group's historical financial information and consistent with its accounting policies, which are in accordance with IFRS as adopted by the EU, and are those which will be applied in preparing the Group's financial statements for the year ending December 31, 2020.

The Profit Forecast uses recurring EBITDA and recurring Net Profit as a means to provide guidance on estimates because the Group believes that these metrics more-accurately reflect the true financial performance of EDP by excluding the impact arising from exceptional and non-recurring events, which are necessarily more uncertain and harder to anticipate by the market.

### 9.3. Assumptions

The Group has prepared the Profit Forecast on the basis referred to above and the assumptions set out below. The Profit Forecast is inherently uncertain and there can be no guarantee or assurance that any of the factors listed or referred to below will not occur and/or, if they do, what would be their effect on the Group's results of operations, financial condition or financial performance. The Profit Forecast should therefore be read in this context and construed accordingly.

In preparing the Profit Forecast, the Group has used financial results data available to May 31, 2020 and made the following assumptions for the period from June 1, 2020 through December 31, 2020 ("**Assumption Period**"):

**Factors outside the influence or control of EDP**

- Weather conditions are in line with the long-term average for hydro, wind and solar generation;
- There are no non-recurrent or exceptional items that occur after May 31, 2020;
- No change in market conditions (including, without limitation, in relation to client or customer demand or competitive environment) which are material in the context of the Profit Forecast. Although the Profit Forecast incorporates EDP's expectation of the impact of the COVID-19 pandemic on its business as described in Chapter 8 ("*Management's discussion and analysis of financial condition and results of operations (MD&A)"*), particularly in terms of its effects on demand and energy prices in Iberia and on the exchange rate for the Brazilian operations and its impact in the Brazilian distribution business derived from lower demand, lower electricity prices and potentially higher bad debts from clients, assumptions in relation to the impact of COVID-19 are inherently uncertain and difficult to predict;
- No change in exchange rates compared to those assumed in the Profit Forecast, which are aligned with the current level of the market;
- No change in inflation, interest or tax rates in the Group's markets compared with those assumed in the Profit Forecast;
- No change in the political and/or economic environment, which are material in the context of the Profit Forecast, aligned with the current level of the market;
- No change in taxes or tariffs to the energy sector in the jurisdictions in which the Group operates and that are material in the context of the Profit Forecast;
- No change in general sentiment towards the Group and/or its operations which has an impact on the Group which is material in the context of the Profit Forecast;
- No business disruptions affect the Group, its clients, customers, supply-chain or other stakeholders (including, without limitation, natural disasters, public health crisis, severe

adverse weather, acts of terrorism, cyber-attacks, labor strikes, health and safety issues or technological issues) which are material in the context of the Profit Forecast;

- No changes in legislation or regulatory requirements relating to the Group or the legislative or regulatory environment within which the Group, or a material part of it, operates which are material in the context of the Profit Forecast;
- No changes in the cost of the supply-chain to the Group (for example, as a result of changes in the cost of fuels or the availability of labor) and/or Group's labor costs (including pensions and other post-retirement benefits), which in either case are material in the context of the Profit Forecast;
- No changes in the accounting standards or policies which were used for the Profit Forecast which are material in the context of the Profit Forecast;
- No reduction in the Group's credit facilities or other financial arrangements, or its access to external financing, which is material in the context of the Profit Forecast;
- No event occurs that has a material adverse effect on the Group's results of operations, financial condition or financial performance;
- No issues arise in respect of the Group's contracts which are material in the context of the Profit Forecast, beyond those reflected in the Profit Forecast; and
- No change in control of EDP.

**Factors within the influence or control of EDP**

- No additional acquisitions or disposals are completed in 2020, other than (i) asset sales pursuant to the Group's asset rotation strategy and (ii) the disposal of the Group's interest in certain hydro-plants in Portugal and the disposal of a portfolio of thermal plants and supply clients in Spain;
- No changes to the Group's expected capital gains as part of its asset rotation strategy, including but not limited to, the contemplated disposal of 0.7 GW in Europe and the United States;
- No changes to EDP's contracted generation in any of its jurisdictions;
- No changes to EDP's hedging levels, which in Iberia include forward contracts for nearly all of the Group's expected production, with hydro and nuclear production contracted at close to EUR 55/MWh (considered at baseload hourly price and excluding ancillary services and any supply margin) and thermal volumes hedged at middle single digit spread ([7]);
- All costs and expenses during the Assumption Period are in line with the Group's 2020 budget;
- No deterioration in the Group's relationships with clients or customers which are material in the context of the Profit Forecast;
- No delays in energy production and distribution which are material in the context of the Profit Forecast;
- No concession losses or non-renewals which are material in the context of the Profit Forecast;
- No change in the management of the Group which is material in the context of the Profit Forecast;
- No change in the Group's strategy which is material in the context of the Profit Forecast;
- The level of contract-related provisions and the assessment of recoveries on contracts which are reflected in the accounting records on which the Profit Forecast is based

([7]) Thermal spread portrays the marginal gain per MWh generated between market wholesale price of electricity and the variable costs incurred to generate such MWh, including fuel costs and $CO_2$ emission licenses.

adequately cover the future losses and recoveries, respectively, under the relevant contracts; and

- There is no other issue that is material in the context of the Profit Forecast, beyond those issues that are already known to the Group at the current time.

### 9.4. Strategic Update Targets

On its Strategic Update, presented to the market in March 12, 2019, EDP disclosed EBITDA and Net Profit targets for 2022, such targets having been re-affirmed in the communications made by EDP to investors during the remainder of 2019 and also the beginning of 2020. In light of the changes derived from the expected addition of Viesgo's assets to EDP's asset base, and since the Viesgo Transaction was not inscribed in the Strategic Update's targets or asset perimeter, EDP is therefore withdrawing such targets for 2022.

Therefore, investors should not place undue reliance on the 2022 EBITDA and Net Profit numbers.

# CHAPTER 10. DESCRIPTION OF THE ISSUER'S BUSINESS

## 10.1. Business description

### 10.1.1 Overview

EDP – Energias de Portugal, S.A. is a multinational, vertically integrated, utility company with energy generation, distribution and supply operations mainly in Iberia, North America and Brazil. The Group operates in 19 countries across Europe, the Americas, Africa and Asia with a focus on renewable energy generation. With a total installed capacity in Iberia of 17 GW and a distribution network spanning 363 thousand kilometers as of March 31, 2020, EDP believes it is the largest generator, distributor and supplier of electricity in Portugal and the third largest electricity generator in the Iberian Peninsula. EDP believes it is also a global leader in the renewable energy sector with a total installed capacity in wind, solar and hydro of 20 GW as of March 31, 2020.

EDP organizes its business along three operating segments.

- **Renewables:** The Renewables operating segment is central to the Group's growth strategy. EDP participates in the renewable energy space through EDP Renováveis, a leading renewable energy company headquartered and listed in Spain that develops, builds, manages and operates power plants that generate electricity using renewable energy sources (including onshore and offshore wind, and solar energy) and through its hydroelectric generation assets in Iberia and Brazil. EDP Renováveis has built significant growth platforms in the European, Latin American and North American markets and is continuously monitoring opportunities to expand its activities globally. EDP currently holds an 82.6% stake in EDP Renováveis, with the remaining 17.4% traded on Euronext Lisbon. Renewables generated 62% of the Group's EBITDA for the year ended December 31, 2019.

- **Networks:** EDP's Networks operating segment comprises activities related to electricity distribution in the Iberian Peninsula and Brazil, as well as the Group's electricity transmission operations in Brazil. EDP's regulated networks RAB was EUR 5.0 billion as of December 31, 2019. EDP believes that the importance of electricity networks in the context of the energy transition landscape will continue to increase given the gradual shift to a more customer-centric paradigm which will require the deployment of a smarter grid and the offer of a more personalized portfolio of services. Such services are likely to include smart control systems, decentralized generation, energy-storage and electric cars, which represents an opportunity for further growth. Networks generated 27% of the Group's EBITDA for the year ended December 31, 2019.

- **Client Solutions and Energy Management:** The Client Solutions and Energy Management segment comprises activities related to thermal generation, energy trading and natural gas and electricity supply in the Iberian Peninsula and Brazil. This segment includes energy management activities that allow EDP to manage its portfolio of generation assets in the liberalized market and its clients in Iberia, enabling the Group to hedge merchant risk according to its risk policies. The Client Solutions and Energy Management segment accounted for 13% of the Group's EBITDA for the year ended December 31, 2019.

The Group's EBITDA for the year ended December 31, 2019 was EUR 3,706 million and its total assets as of December 31, 2019 were EUR 42,362 million.

### 10.1.2 History

EDP was created in 1976 under the name EDP - Electricidade de Portugal, E.P., as a result of the nationalization and merger of the main Portuguese companies in the electricity sector in mainland Portugal. Between 1997 and 2012, EDP went through a privatization process with eight phases that concluded with the Portuguese state selling a 21.35% stake in EDP to China Three Gorges Corporation, a Chinese company, which as of the date of this Prospectus is the largest shareholder of EDP, holding 21.47% of the Company's shares.

The internationalization process of EDP started in 1996 in Brazil, with the acquisition of a minority stake in Cerj. In 2007, EDP expanded to the North American market with the acquisition of Horizon Wind Energy, a world-leading onshore wind energy generator. As of the date of this Prospectus, EDP has operations in 19 countries across Europe, the Americas, Africa and Asia. The internationalization process outside Iberia has mostly been carried out by EDP Renováveis, S.A. and Energias do Brasil, two listed majority-owned subsidiaries of EDP. In May 2018, China Three Gorges (Europe), SA., a shareholder of EDP, launched a EUR 9 billion voluntary tender offer. The tender offer was conditional on abolishing the voting rights cap, which limits the voting rights of any single EDP shareholder to a maximum of 25%. At the 2019 annual general shareholders' meeting, a majority of shareholders voted against lifting the cap, which resulted in the termination of the tender offer.

In March 2019, EDP presented its strategic update to the market in which it disclosed its strategic goals for the 2019-2022 period. See sub-chapter 10.1.5 ("*Strategy of EDP*"). A key component of EDP's strategy is the expansion of its operations through strategic acquisitions and the re-focusing its core business activities and markets through strategic and/or non-core disposals. During the period from December 31, 2017 to March 31, 2020, the Group announced the following material transactions:

**2017:**

– Disposal of 49% equity shareholding and shareholder loans in a portfolio of 422 MW wind assets in Portugal for a final price agreed between the parties of EUR 248 million;
– Disposal of Naturgas Energía Distribución, S.A., the Group's gas distribution subsidiary in Spain equivalent to a sale price of EUR 2,335 million (which includes the fair value of the contingent prices and loans in the amount of EUR 1,427 million reduced of transaction costs of EUR 15.5 million);
– Disposal of EDP Gás - SGPS, S.A., EDP Gás Distribuição, S.A. and EDP Gás GPL – Comércio de Gás de Petróleo Liquefeito, S.A., the Group's gas distribution subsidiary in Portugal equivalent to a sale price of EUR 474 million (which includes the fair value of the contingent prices and loans in the amount of EUR 147 million and excluding transaction costs in the amount of EUR 2.7 million);
– Increase of the Group's ownership of EDP Renováveis from 77.5% to 82.6%; and
– Acquisition of a minority interest in CELESC in Brazil through Energias do Brasil.

**2018:**

– Sale of a total of 33.4% stake in Moray Offshore Windfarm (East) Limited UK offshore wind project by EDP Renováveis in two tranches during the year;
– Increase of stake in CELESC to 23.56%;
– Sale of a 29.5% stake in Yeu-Noirmoutier and Dieppe-Le Tréport French offshore wind projects;

- Disposal EDP Small Hydro, S.A., owner of seven mini-hydro plants in Portugal and Pebble Hydro, which owns 14 small hydro plants for an enterprise value of EUR 164 million;
- Disposal of several mini-hydro plants by Energias do Brasil for a total amount of R$601 million; and
- Sale of majority stake of 80% in a portfolio of 499 MW onshore wind assets in North America for USD 860 million.

**2019:**

- Agreement with Northern Indiana Public Service Company LLC for the development and construction of EDP Renováveis's 102 MW Rosewater Wind Farm and 302 MW Indiana Crossroads Wind Farm, both of which are located in the state of Indiana. This build and transfer agreement is expected to be completed in the second half of 2020;
- Joint venture agreement with Engie to create a co-controlled 50/50 joint-venture in fixed and floating offshore, which has become EDP's exclusive investment vehicle for offshore wind worldwide;
- Acquisition of 142 km transmission line in Brazil by Energias do Brasil for R$407 million;
- Disposal of portfolio of onshore wind assets with 997 MW of installed capacity in Spain, Portugal, France and Belgium, for which the Group will provide operating and maintenance services pursuant to a Master Services Agreement, for a total amount of EUR 806 million;
- Acquisition of 50% stake in a 278 MW solar portfolio located in the United States;
- Investment in GridBeyond, a leading company in demand side response technology in the United Kingdom and Ireland; and
- Disposal of onshore wind project with 137 MW of installed capacity in Brazil for R$598 million, concluded in February 2020.

In December 2019, EDP announced it had entered into an agreement to sell a portfolio of six large hydro plants in Portugal to a consortium of investors formed by Engie, Crédit Agricole Assurances and Mirova – Natixis Group. The hydro portfolio comprises 1,689 MW of installed capacity mostly in the Douro river basin. The agreed transaction value represents an Enterprise Value of EUR 2,210 million (with the equity value subject to adjustments until the completion of the transaction). The transaction is expected to be completed by the second half of 2020, subject to satisfaction of the applicable corporate and regulatory conditions.

On February 12, 2020, EDP completed the sale of its holding in an onshore wind project in Brazil with 137 MW of installed capacity for EUR 300 million.

Further, on May 18, 2020 EDP announced it had entered into an agreement to sell a portfolio of thermal assets and supply clients in Spain to Total. The portfolio comprises (i) two combined cycle gas turbine power plants (Castejón I & III), with 843 MW of installed capacity located in Navarra, north of Spain; and (ii) the B2C energy supply business in Spain, which includes 1.2 million clients in the free market, and a 50% stake in the joint venture with CIDE for electricity supply in this segment ("**CHC Energia**"). The agreed transaction value represents an Enterprise Value of EUR 515 million, with equity value subject to customary adjustments up to the completion of the transaction. The transaction is expected to be completed in the second half of 2020, subject to satisfaction of the applicable corporate and regulatory conditions.

Pursuant to the Viesgo Transaction, on July 15, 2020, EDP entered into an agreement with

MIRA, sole shareholder of Viesgo, pursuant to which EDP will, subject to the satisfaction of certain conditions, acquire (i) 75.1% of Viesgo's distribution business, (ii) 100% of Viesgo's renewable business and (iii) two coal thermal plants under the process of decommissioning. For more information about the Viesgo Transaction, see Chapter 4 ("*Description of Viesgo Transaction*").

The pandemic and governmental measures imposed around the world to stymie the spread of the COVID-19 virus have had and are continuing to have a significant impact in the global economy. The outbreak is currently having and is expected to continue to have a negative impact on, among others, energy demand and energy and commodity prices. EDP's financial results for the three months ended March 31, 2020 only partially capture the impact of the COVID-19 pandemic on the business and financial results of the Group. See Chapter 8 ("*Management's discussion and analysis of financial condition and results of operations (MD&A)*").

### 10.1.3 Organizational Structure

EDP – Energias de Portugal, S.A. is a listed company (*sociedade aberta*) whose ordinary shares are publicly traded on the regulated market of Euronext. EDP is established in Portugal, organized under the laws of Portugal and registered with the Commercial Registry Office of Lisbon, under no. 500.697.256. Its registered head office is located at Avenida 24 de Julho, no. 12, 1249-300 Lisboa, Portugal, and its telephone number is +351210012500.

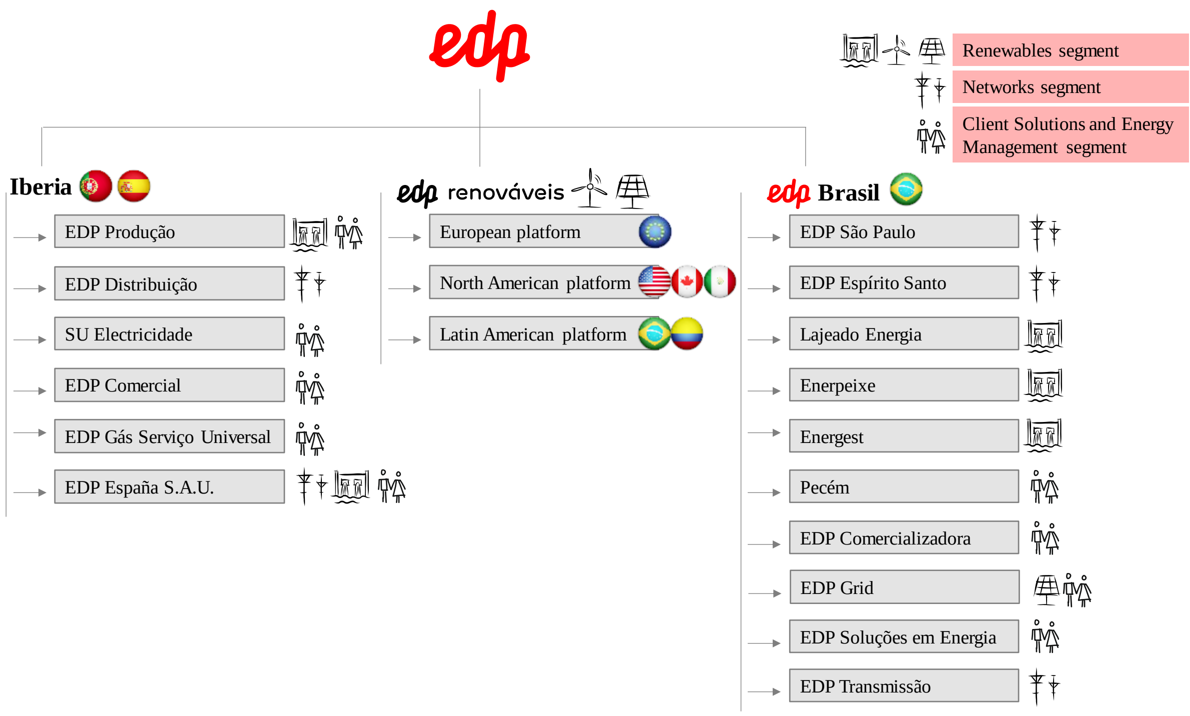
As of the date of this Prospectus, EDP's material subsidiaries are described below.

In Iberia, its electricity generation company, EDP Produção – Gestão da Produção de Energia, S.A. ("**EDP Produção**"), its electricity distribution company, EDP Distribuição de Energia, S.A. (EDP Distribuição), and its two supply companies EDP Serviço Universal, S.A. ("**SU Eletricidade**") and EDP Comercial - Comercialização de Energia, S.A. ("**EDP Comercial**"), are all based in Portugal. In Spain, EDP's main subsidiary is EDP España, S.A.U. (formerly HC Energía Hidroelétrica del Cantábrico, S.A.U.), which operates electricity generation plants and distributes and supplies electricity mainly in the Asturias region of Spain. In addition to the electricity market, EDP is also present in the natural gas supply business in both Portugal and Spain. In Portugal, EDP supplies natural gas through EDP Comercial and EDP Gás Serviço Universal, S.A. ("**EDP Gás SU**"). In Spain, EDP holds indirectly (through EDP España) EDP Comercializadora, S.A.U. ("**EDP Comercializadora**"), which EDP believes is one of the largest natural gas suppliers in the Spanish market in terms of number of clients. In July and October 2017, EDP sold 100% of its gas distribution networks in Spain and Portugal, respectively, in line with EDP's strategy of strengthening its financial profile and focusing on electricity networks.

EDP participates in the renewable energy sector mainly through EDP Renováveis, S.A, a leading renewable energy company headquartered in Spain that designs, develops, builds, manages and operates power plants that generate electricity using wind and solar resources. EDP currently holds an 82.6% stake in EDP Renováveis, with the remaining 17.4% traded on Euronext Lisbon. EDP Renováveis has built significant growth platforms in the North American, European and Latin American markets for the development and operation of power plants that generate electricity using these renewable resources and is continuously monitoring opportunities to expand its activities globally. In January 2020, EDP signed an agreement with Engie for the creation of a co-controlled 50/50 joint venture for offshore wind, aiming to become a major global player in the field.

In Brazil, in addition to EDP Renováveis's renewable energy generation business, EDP has significant electricity generation, distribution, supply and transmission businesses in 11 states through its 51.4% stake in EDP Brasil, a company listed on the São Paulo Stock Exchange. EDP Brasil is the holding company for the majority of EDP's investments in the Brazilian electricity industry, including, among others, (i) its distribution subsidiaries, EDP São Paulo Distribuição de Energia S.A. ("**EDP São Paulo**") and EDP Espírito Santo Distribuição de Energia S.A. ("**EDP Espírito Santo**"); (ii) its generation subsidiaries, Energest, S.A. ("**Energest**"), EDP Lajeado Energia, S.A. ("**Lajeado Energia**"), Enerpeixe, S.A., ("**Enerpeixe**") and Porto do Pecém Geração de Energia, S.A. ("**Pecém**"); (iii) its supply subsidiaries, EDP Comercialização e Serviços de Energia, Ltda. ("**EDP Comercializadora de Energia**"), EDP – Soluções em Energia, S.A. ("**EDP Soluções em Energia**") and EDP Grid Gestão de Redes Inteligentes de Distribuição, S.A ("**EDP Grid**"); and more recently, (iv) its six transmission subsidiaries (together referred to as "**EDP Transmissão**"). In 2016, EDP Brasil entered the transmission business, after being awarded the concession to operate a transmission grid in Brazil. In 2017, EDP Brasil was awarded a further four electricity transmission concessions and an additional one was acquired in May 2019.

The following diagram summarizes EDP's corporate organizational structure.




### 10.1.4 Key Competitive Strengths

EDP believes that it has the following key competitive strengths:

1) **Green energy leader, positioned at the forefront of the energy transition**

**EDP is one of the leading renewables players globally**, with an existing renewables portfolio of 20 GW across 14 countries in Europe, North America and Latin America, contributing an average of 64% of EDP's EBITDA in the period ended December 31, 2018 and 2019. EDP's renewables footprint is diversified across technologies (wind, solar and hydro), with 12 GW of wind capacity developed since 2005. EDP believes it has benefitted from being one of the pioneering companies in the development of renewable energy, which allows it to have a solid knowledge in every stage of the respective process.

EDP is also a **leading electricity networks player**, with regulated assets totaling EUR 5.0 billion RAB as of December 31, 2019, across Portugal, Spain and Brazil. EDP's networks portfolio is exclusively focused on electricity, comprising distribution assets in Iberia and Brazil and transmission assets in Brazil since 2018. EDP believes that its Iberian networks, characterized by a 47% smart meter penetration, are a key enabler to achieve the transition to a greener and more electrified economy, due to the connection of new renewable capacity and investments in grid automation and digitization. Smarter electricity grids are instrumental to the energy transition, which embodies a shift to a decentralized generation model focused on consumers, the integration of energy storage, the penetration of electric mobility and ultimately to the acceleration of new client solutions.

**EDP is committed to socially-responsible decarbonization.** The Group's commitment to ESG has a long-standing recognition by the main ESG indexes, in particular, by the Dow Jones Sustainability Index: EDP ranked number one among integrated utilities in 2019. Moreover, since 2008, EDP has been consistently recognized by the Dow Jones Sustainability Index as one of the most sustainable companies in the world.

**Strong ESG position and ambitious environmental targets for 2030.**

EDP's environmental targets for 2030 include:

(i) reaching a share of renewables of at least 90%;
(ii) reducing its specific emission factor by 90%, with respect to 2005 levels; and
(iii) becoming coal free.

Furthermore, EDP was one of the 87 global corporations that pledged to reduce emissions to seek to ensure global warming does not exceed 1.5ºC up to 2050. It is also committed to achieving net-zero emissions by no later than 2050. See sub-chapter 10.5 ("*Environmental, Social and Governance*") below.

**2) Low-risk business with high cash flow visibility**

EDP derived 79% of its EBITDA for the year ended December 31, 2019 from either regulated or long-term contracted activities (compared to 75% for the year ended December 31, 2018). This includes the contribution from electricity distribution and transmission under visible regulatory regimes, as well as the contribution from hydro assets in Brazil and EDP's global wind /solar assets, largely benefitting from secured tariffs or long-term contracts and average remaining lives of approximately 26 years as of December 31, 2019.

EDP's low risk profile is enhanced through its diversified global footprint across 19 countries and complementary positions across the energy value chain, including generation, distribution, transmission and supply. The Group's integrated activities throughout the energy value chain allow it to (i) diversify risk across different markets; (ii) hedge price fluctuations by managing an integrated generation and supply portfolio in Iberia; (iii) hedge market risk in Brazil through a locally integrated utility with a ring-fenced policy; and (iv) generate significant cost synergies.

As part of its prudent approach to financial structure, EDP actively manages foreign exchange risk and maintains a net investment hedge policy by raising funds in the same currency as the underlying investments. Moreover, EDP has sought to diversify its sources of funding by tapping the most competitive markets and maintaining a wide range of strong banking counterparties.

As part of its strategy, EDP is constantly considering ways to further reduce its merchant exposure while increasing its exposure to regulated and long-term contracted activities, as evidenced by the recently-announced disposals of hydro generation assets in Portugal and CCGT and customer supply portfolio in Spain, as well as the contemplated Viesgo Transaction.

**3) Attractive growth prospects driven by renewables development and networks investment**

EDP has built up an attractive growth pipeline, diversified geographically and across segments, with a particular focus on renewables development.

In the Renewables segment, EDP's activities across 19 countries provide it with a diverse collection of regulatory markets, enabling it to take advantage of the most attractive growth opportunities. EDP's renewables growth is supported by an extensive pipeline of secured contracts, which as of March 31, 2020, stood at 5.9 GW of wind and solar capacity to be commissioned up to 2022, and a further 1.1 GW of capacity secured for beyond 2022. EDP is further expanding the geographic scope of its Renewables activities, such as through its recent entry in Greece and Colombia, while regularly monitoring opportunities in other new markets.

EDP's Renewables growth is supported by its history of successful past Capex deployment, having executed over EUR 20 billion of value-accretive investments in renewable projects since 2006. It is also supported by EDP's proven asset rotation model, which since 2012 has generated over EUR 4.2 billion of proceeds for reinvestment into additional growth projects. Going forward, EDP is enhancing its asset rotation model with a focus on sales of majority stakes in projects, which enables full upfront value crystallization.

In its Networks operating segment, EDP believes that the energy transition provides attractive investment opportunities: decarbonization, digitization and decentralization require smarter networks to accelerate new client solutions. The build-out of new renewable capacity requires investment in new connections and grid reinforcement. The central role energy consumers turned producers (often referred to as "prosumers") is driving new client solutions, which require investments in networks digitization and automation, decentralized generation and storage, and charging systems for electric vehicles. As a leading operator of smart energy grids, EDP believes that it is well placed to capture the growth opportunities offered by the energy transition.

**4) Operational excellence and focus on cost efficiency**

EDP has a strong focus on operational excellence ([8]) and cost efficiency across its segments.

In the Renewables operating segment, EDP focuses on optimizing performance throughout each project's life-cycle, with specialized teams dedicated to optimizing operations and maintenance activities with the support of proprietary internal models, resulting in high net

([8]) According to EDP's internal sources.

capacity factors and levels of availability. Through improved operational management of renewables assets, EDP successfully achieved a 3% reduction in core operational expenditure per MW in the renewables segment over the 2016-18 strategic plan period.

In the Networks operating segment, EDP has been able to deliver high quality of service in all markets: in Iberia, the equivalent time of interruption of service has been systematically below regulatory threshold; in Brazil, EDP's strong investments in reducing non-technical losses are yielding positive results, specifically in the low voltage segment. EDP successfully improved network cost efficiency with approximately 4% decrease in cost per customer over the 2016-18 strategic plan period.

Under its current plan, EDP is targeting EUR 100 million of annual like-for-like operational expenditures savings by 2022 (2% reduction per year), which implies a reduction in operational expenditure relative to gross profit from approximately 30% in 2018 to approximately 27% in 2022. The current investment plan to 2022 also reflects approximately EUR 800 million in digitalization Capex that we believe will deliver further efficiency and revenue gains.

**5) Strong financial profile and capital structure**

EDP has a strong financial profile, a conservative financial policy and has been pursuing its deleverage efforts, with current Net Debt adjusted for regulatory receivables to EBITDA of 3.4x ([9]) as of the last twelve months ended March 31, 2020, (3.6x as of the year ended December 31, 2019) and a target to reinforce its investment-grade credit rating. In the Strategic Update presented to the market in March 12, 2019, EDP expected to reach the end of 2020 with a Net Debt adjusted for regulatory receivables to EBITDA ratio of 3.2x ([10]).

EDP also has a strong liquidity position supported by committed credit facilities and available cash and cash equivalents of EUR 6.9 billion as of March 31, 2020. The Group actively seeks to maintain funds for refinancing needs for at least 12 to 24 months ahead.

**6) Track record of delivering value to shareholders**

EDP has a strong track record of delivering value to shareholders through the successful execution of its green energy-focused growth plan, accretive portfolio optimization transactions and ultimately, delivery of predictable dividends.

EDP is focused on delivering growth in accordance with its 2019-2022 strategic plan period. In addition, nearly 84% of EDP's 7 GW target additions in renewables for 2019-2022 is already secured with long-term contracts, while nearly 65% of its R$3.9 billion transmission investment program in Brazil has already been executed.

With regards to portfolio optimization, EDP has already achieved EUR 2.7 billion disposals at approximately 14x EV/EBITDA multiple (pending closing) of merchant assets compared to the target of EUR 2.0 billion. The Group has also delivered on EUR 1.1 billion of renewable assets rotations in Europe and Brazil out of its EUR 4.0 billion target; these portfolio optimization transactions have achieved attractive implicit valuations which were above its strategic plan assumptions, thereby creating additional value for the company.

([9]) Adjusted by securitization of tariff deficit of anticipated deficit of EUR 585 million.
([10]) According to EDP's internal sources.

EDP's operational and financial performance has been able to support an attractive and steadily-improving dividend to its shareholders, which has grown over the long term from a dividend per share ratio of EUR 0.10 in 2005 to a current dividend per share ratio floor of EUR 0.19. EDP plans to maintain its dividend payout ratio at 75%-85% of recurring net profit, which will enable the dividend to benefit from its targeted earnings growth trajectory.

### 10.1.5 Strategy of EDP

EDP's vision is to lead the energy transition and to create superior value to shareholders. To achieve this ambitious vision, in March 2019, EDP announced a new strategic update for the period of 2019 through 2022. The key elements of its five pillar strategy are: (i) accelerated and focused growth; (ii) continuous portfolio optimization; (iii) preserving a solid balance sheet and a low-risk business profile; (iv) improving efficiency and enabling digitalization of the business; and (v) delivering attractive shareholder remuneration. The five pillar strategy is further supported by EDP's commitment to decarbonization and sustainability pursuant to its Vision 2030.

**1) Accelerated and focused growth**

EDP intends to significantly increase its annual investments, targeting approximately EUR 2.9 billion per year in Capex in the period 2019-2022, a 60% increase from the yearly average of EUR 1.8 billion per year in Capex for the period 2016-2020. In 2019, EDP's Capex amounted to EUR 2.3 billion. The fast deployment of renewables capacity will be combined with the intended sale of majority stakes in selected renewable assets (targeted at over EUR 4 billion in the period 2019-2022), to enable a less capital intensive growth model.

In line with EDP's objective to reinforce its distinctive "green" positioning and low risk business profile, nearly 90% of the Group's Capex is expected to be allocated to regulated and long term activities with a focus on Renewables (approximately 75% of total investment) and Networks (approximately 20% of total investment). In geographical terms, approximately 40% of total investment is expected to be deployed in North America, 35% in Europe and the remaining 25% in South America.

EDP was an early mover in renewables energy and has built a strong track record. EDP believes it is one of the largest wind power operators worldwide with 11.2 GW of wind and solar power capacity installed as of March 31, 2020 (0.6 GW of which constitutes equity consolidated capacity), based on its assessment of wind generation figures published by top wind market operators. This position is the result of strong execution and excellence in operations, including in relation to asset availability, cost and load factors, among other areas.

As of March 31, 2020, EDP had a renewable energy installed capacity of 20.6 GW consisting of 11.2 GW of wind and solar power (mostly in Europe and the United States) and 9.3 GW of hydro power (in Iberia and Brazil). In 2019, 66% of EDP's generated electricity came from renewable sources of energy compared to 20% in 2005. EDP expects to add 7.2 GW of renewable capacity in the period 2019 to 2022, with a focus on wind onshore and solar power ("**PV**"). As of May 2020, approximately 84% of the expected capacity additions were already secured with PPAs, feed-in tariffs or similar long-term arrangements.

With regards to EDP's wind offshore portfolio, EDP's strategy is to develop projects in partnerships with other operators in the market, seeking to diversify its risk exposure. As such, in May 2019, EDP announced the signing of a strategic Memorandum of Understanding to create a co-controlled 50/50 joint-venture with Engie for fixed and floating offshore wind. EDP and Engie were already partners in the development and construction of five wind offshore projects in Europe. The new entity will be the exclusive investment vehicle of EDP, through its subsidiary EDP Renováveis, and Engie for offshore wind opportunities worldwide. EDP expects the joint venture will become a major global player in the field, bringing together the industrial expertise and development capacity of both companies. The agreement and joint venture with Engie was signed in January 2020 and obtained regulatory approval from the EC in February 2020. EDP and Engie are currently in the process of transferring assets to this joint venture.

Another component of EDP's growth strategy is centered on Networks, which are seen by EDP as key enablers of the energy transition, in addition to providing stable and long-term cash flow. EDP is continuously seeking efficiency improvements in networks' operations, while delivering high quality service. As part of these efforts, grids are being modernized and digitalized in order to respond to the challenges of the energy transition, that require smarter grids to accommodate an increasing weight of intermittent renewable generation and to manage demand in real time. A particular focus of the Group's investment in networks in the short term is the growth in the transmission business line in Brazil. Between 2016 and 2017, EDP was awarded five transmission lines in Brazil, totaling nearly 1,300 km. Transmission line "24", in Espírito Santo state started operations in December 2018 (20 months ahead of the regulatory schedule), and transmission line "11" commenced partial operation in January 2020 (19 months ahead of schedule). The remaining three lines are under construction and scheduled to be completed by 2021, which would be in advance of the regulatory schedule. In May 2019, EDP announced the acquisition of a further transmission line in Brasil (142 km), expected to commence operation by 2021. The six transmission lines have a budgeted total investment of R$3.9 billion until 2022, of which 63% was already incurred as of March 2020.

In the Client Solutions and Energy Management segment, EDP is focused on active portfolio management, allowing for a natural hedge of generation with customers and also between renewables and thermal assets. Additionally, EDP is focused on enhancing value for its approximately 11 million clients by improving quality of service and providing new solutions that meet clients' needs, while contributing to the energy transition.

**2) Continuous portfolio optimization**

EDP is continuously considering portfolio optimization strategies that promote sustained value creation and acceleration of growth.

In parallel with the investment plan related to EDP's accelerated growth strategy, EDP is focused on optimizing its portfolio through its asset rotation strategy and disposal, targeting more than EUR 6 billion in proceeds, for the period of 2019-2022, of which approximately 65% has been already executed or agreed and pending financial closing, including:

– asset rotations of majority stakes in renewable projects (targeting EUR 4 billion, of which EUR 1.2 billion have been concluded), which allows EDP to re-deploy capital to accelerate growth in renewables. In December 2018, EDP executed its first asset rotation of a majority stake (80%) in a 499 MW wind farm in the United States with significant gains. A new transaction was announced in April 2019 and closed in July 2019, the sale of EDP's 51% stake in a 997 MW wind onshore portfolio in Europe, equivalent to 491 MW equity share. In July 2019, EDP announced the sale of a wind farm in Brazil, with 137 MW, which was closed in February 2020.

– disposals of non-core assets mainly in Iberia (targeting EUR 2 billion, already exceeded), aiming to reduce exposure to market risk and/or thermal energy sources. On 19 December 2019, EDP announced the sale of six hydro plants totaling 1.7 GW, in a transaction valued at EUR 2.2 billion. Additionally, on May 18, 2020 EDP announced it had entered into an agreement to sell a portfolio of thermal assets and supply clients in Spain for an enterprise value of EUR 515 million, with equity value subject to customary adjustments up to the completion of the transaction. Both transactions are expected to be completed by the second half of 2020, subject to satisfaction of the applicable corporate and regulatory conditions. The assets underlying these transactions had an EBITDA of EUR 192 million in 2019.

**3) Preserving a solid balance sheet and a low risk business profile**

A key element of EDP's strategy is to maintain a strong financial profile while delivering growth targets. EDP's financial deleveraging efforts aim to reinforce the visibility of free cash flow generation over the medium term, supported by strict financial criteria underlying investment decisions, timely execution of projects and a risk-controlled growth strategy.

EDP aims to reduce leverage in the period from 2019 to 2022 through strong cash flow generation and proceeds from disposals. This reduction of leverage, together with an anticipated increase in operating results, is expected to lead to an improvement in leverage indicators. As of March 31, 2020, EDP had reduced its Net Debt adjusted for regulatory receivables to EBITDA ratio to 3.4x ([11]) from 4.0x as of December 31, 2018.

EDP intends to reinforce its deleveraging strategy with a low-risk business profile. EDP seeks to maintain diversification in terms of markets and regulatory environments while also seeking to reduce its exposure to market volatility.

EDP has a high proportion of activities in its portfolio that are either long-term contracted or regulated. As such, its revenues are dependent on the outcome of regulatory decisions by governments and other authorities. To reduce its exposure to regulatory risk, EDP is in regular contact with regulatory authorities in order to ensure an accurate and appropriate regulatory treatment, including regarding the level of returns EDP receives on capital employed in connection with its Networks activities, which are fully regulated.

Some of EDP's operations are undertaken in liberalized energy markets, which are subject to fluctuations in energy demand, supply and prices both in EDP's core markets and in other related international markets. In order to reduce its exposure to these sources of volatility, EDP operates an integrated generation and supply model and maintains a hedging strategy that seeks to enable it to secure pricing for a significant portion of its fuel needs and electricity and gas sales in the liberalized markets for a period between 12 and 18 months.

**4) Improving efficiency and greater digitalization**

EDP is implementing a digital transformation plan focused on improving the efficiency of the organization and introducing new technologies in the various stages of the value chain with a preliminary focus on transitioning to smart grids in Iberia. EDP is implementing its operational expenditures efficiency program which aims to achieve cumulative savings of EUR 300 million

([11]) Adjusted by securitization of tariff deficit of anticipated deficit of EUR 585 million.

for the period 2019 to 2022 and includes, among others measures, the digitalization of processes, zero-based budgeting (a method of budgeting in which all expenses must be justified for each new period) and the investment in young talent to embed new skills in the organization and train future management personnel.

5) **Delivering attractive shareholder returns**

EDP is committed to delivering attractive returns through a sustainable dividend policy based on a target payout ratio of 75 to 85% of recurring Net Profit, with a dividend floor at EUR 0.19 per share, allowing for potential future increases in the dividend per share in line with sustainable earnings per share growth.

Furthermore, EDP is focused on delivering values to shareholders through a sustainable business model for the long-term. Accordingly, EDP has committed to various sustainability targets by 2030 and beyond, focused on a clear green positioning and facilitating the energy transition.

**Sustainability within EDP**

In 2019, EDP announced its "2030 Vision: Decarbonization, Digitalization, Decentralization" where it articulated its commitment to the energy transition and sustainability. The Group's sustainability strategy rests on three core pillars: (i) Decarbonization of the economy, in which renewable energy plays a central role, (ii) Digitalization, which is centered around the development and deployment of disruptive new technologies such as blockchain, internet-of-things and artificial intelligence, and (iii) Decentralization, where energy users gradually become small energy producers (by using solar panels, smart control systems, batteries and electric vehicles) and their energy production is integrated into the smart grid network. EDP has committed to six targets by 2030:

- Have 90% of its electricity generation come from renewable sources;
- Reduce $CO_2$ specific emissions by 90% compared to 2005 levels;
- Become coal-free;
- Install more than 4 million decentralized solar photovoltaic panels;
- Provide e-mobility solutions to more than one million clients; and
- Deploy smart meters to 100% of its networks.

In addition to these targets, EDP has committed to the following sustainable growth targets, focused on its ESG framework, by 2022:

- To comply with environmental standards, targeting zero pollution accidents;
- To have 20% of its employees as volunteers for charitable causes;
- To have 100% of its employees with skills for the energy transition challenge (e.g. with digital capabilities);
- To have 50% more women in the workforce than in 2010;
- To have invested EUR 20 million in "access to energy" in developing countries;
- To comply with safety standards, targeting zero fatal accidents (including third party suppliers);
- To socially invest EUR 25 million a year in the community;
- To achieve more than 75% in customer satisfaction;
- To have 100% of its administrative buildings as carbon-neutral;

– To have more than 20% of its fleet of vehicles powered by electricity.

### 10.1.6 Operating segments

The following sets forth certain operational and financial information for EDP's segments. See "*Presentation of financial information and other information - Non-Financial Operating Data*".

#### 1) Renewables

Renewables represented 20,698 MW of EDP's total installed capacity and 62% of the Group's EBITDA for the year ended December 31, 2019. The Group operates renewable energy assets in Europe (Spain, Portugal, France, Belgium, Italy, Poland, the United Kingdom, Greece and Romania), North America (United States, Canada and Mexico), and Latin America (Brazil and Colombia). As of December 31, 2019, the average residual life of EDP's renewable portfolio was 25 years. The following table provides an overview of EDP's installed renewables capacity by energy source and country for the years ended December 31, 2018 and 2019.

**Renewable Installed Capacity MW**

| | Year ended December 31, 2019 | | | Year ended December 31, 2018 | | |
|---|---|---|---|---|---|---|
| **Total Installed Capacity** | **Wind Onshore & Solar** | **Hydro** | **Total** | **Wind Onshore & Solar** | **Hydro** | **Total** |
| **Installed Capacity*** | **10,812** | **8,785** | **19,597** | **11,301** | **8,785** | **20,086** |
| **Europe** | **4,401** | **7,186** | **11,587** | **5,272** | **7,186** | **12,458** |
| Portugal | 1,164 | 6,759 | 7,924 | 1,309 | 6,759 | 8,068 |
| Spain | 1,974 | 426 | 2,401 | 2,312 | 426 | 2,738 |
| France | 53 | - | 53 | 421 | - | 421 |
| Belgium | - | - | - | 71 | - | 71 |
| Poland | 418 | - | 418 | 418 | - | 418 |
| Romania | 521 | - | 521 | 521 | - | 521 |
| Italy | 271 | - | 271 | 221 | - | 221 |
| **North America** | **5,944** | **-** | **5,944** | **5,562** | **-** | **5,562** |
| United States | 5,714 | - | 5,714 | 5,332 | - | 5,332 |
| Canada | 30 | - | 30 | 30 | - | 30 |
| México | 200 | - | 200 | 200 | - | 200 |
| **Brazil** | **467** | **1,599** | **2,066** | **467** | **1,599** | **2,066** |
| **Equity Installed Capacity*** | **550** | **551** | **1,101** | **371** | **551** | **922** |
| **Europe** | **152** | **-** | **152** | **152** | **-** | **152** |
| Portugal | | | | | | |
| Spain | 152 | - | 152 | 152 | - | 152 |
| United Kingdom | | | | | | |
| **North America** | **398** | **-** | **398** | **219** | **-** | **219** |
| United States | 398 | - | 398 | 219 | - | 219 |
| **Brazil** | **-** | **551** | **551** | **-** | **551** | **551** |

* Installed Capacity refers to 100% of the installed capacity of all of EDP's consolidated assets. See "*Presentation of financial information and other information*" section. Equity Installed Capacity refers to the installed capacity of EDP's equity method stakes multiplied by EDP's percentage of ownership.

Wind onshore and solar energy represented (with 11,362 MW of capacity) or 55% of EDP's total installed capacity as of December 31, 2019 (11,266 MW at March 31, 2020), with a majority of these assets located in North America (56%) and Europe (40%). Hydroelectric power is generated in plants predominantly located in Iberia (77%) and Brazil (23%). As of March 31, 2020, EDP's total installed hydroelectric capacity was 9,336 MW or 45% of the Group's total installed capacity.

EDP believes that it holds an attractive and diversified portfolio of renewable assets from a technological and geographic point of view. EDP's renewable energy portfolio typically has long-term contracts (either in the form of "PPAs", contracted tariffs or "feed-in tariffs"), which guarantee a sales price for each MWh of electricity generated, thus limiting price risk of the portfolio significantly. Hydro capacity in Iberia, on the other hand, operates in the liberalized market, thus bearing both price and volume risk, although it benefits from high flexibility (40% pumped storage capacity in Iberia). In Brazil, a supportive regulatory structure with mostly contracted prices helps EDP's hydro assets to reduce the impact of potentially volatile weather conditions on its financial results, diversifying exposure to different regulatory frameworks as well as allowing for geographical diversification.

All in all, it is worth highlighting that EDP, through EDP Renováveis, has wind and solar projects in 14 countries: Portugal, Spain, United States of America, Brazil, Canada, Mexico, Belgium, France, Poland, Romania, the United Kingdom, Greece and Colombia. Overall, EDP Renováveis's capacity is long-term contracted with PPAs, feed-in tariffs or other types of incentive mechanisms to renewables. The most significant jurisdictions in terms of wind and solar capacity are:

– The United States of America, where typically PPAs are signed in tandem with tax incentives (production tax credits, for instance);
– Portugal, where feed-in tariffs are contracted;
– Spain, where volumes are sold in the liberalized market, but a premium is paid as to compensate the shortfall up to a contracted return;
– Brazil, where feed-in tariffs and, more recently PPAs are the standard.

Other than EDP Renováveis's assets, the renewables segment also entails EDP's hydro capacity:

– In Iberia, mostly Portugal, EDP's hydro generation assets operate within the liberalized market and thus bear merchant risk, although EDP's hedging policy typically enables the reduction of short-time price risk through derivatives contracting or through the vertical integration in EDP's portfolio of clients;
– In Brazil, most of EDP's generation assets are contracted with long-term PPAs, mitigating price risk, although volume risk still exists nonetheless.

EDP actively manages and continuously optimizes the composition of its renewable energy portfolio by selling assets or holdings in accordance with its asset rotation policy, which allows it to monetize operating assets and redeploy capital to accelerate growth. The following table provides an overview of EDP's Renewables capacity additions, reductions and under construction for the year ended December 31, 2019.

| Capacity additions, reductions and under construction (MW) | | | | | | |
|---|---|---|---|---|---|---|
| | Additions in 2019 | Reductions in 2019 | Capacity under construction in 2019 | | | |
| | Wind Onshore & Solar | Wind Onshore & Solar | Wind Onshore & Solar | Wind Offshore | Hydro | Total |
| **Installed Capacity*** | **749** | **1,239** | **664** | **-** | **-** | **664** |
| **Europe** | **169** | **1,040** | **154** | **-** | **-** | **154** |
| Portugal | 47 | 191 | 6 | - | - | 6 |
| Spain | 53 | 390 | 18 | - | - | 18 |
| France | 19 | 388 | 63 | - | - | 63 |
| Belgium | - | 71 | 10 | - | - | 10 |
| Poland | - | - | 58 | - | - | 58 |
| Romania | - | - | - | - | - | - |
| Italy | 50 | - | - | - | - | - |
| **North America** | **581** | **199** | **509** | **-** | **-** | **509** |
| United States | 581 | 199 | 409 | - | - | 409 |
| Canada | - | - | 100 | - | - | 100 |
| México | - | - | - | - | - | - |
| **Brazil** | - | - | - | - | - | - |
| **Equity Installed Capacity**** | **179** | **-** | **-** | **330** | **78** | **408** |
| **Europe** | **-** | **-** | **-** | **330** | **-** | **330** |
| Portugal | - | - | - | 14 | - | 14 |
| Spain | - | - | - | - | - | - |
| United Kingdom | - | - | - | 316 | - | 316 |
| **North America** | **179** | **-** | **-** | **-** | **-** | **-** |
| United States | 179 | - | - | - | - | - |
| **Brazil** | - | - | - | - | **-** | **-** |
| **Peru** | | | | | **78** | **78** |

* Installed Capacity refers to 100% of the installed capacity of all of EDP's consolidated assets.
** Equity Installed Capacity refers to the installed capacity of EDP's equity method stakes multiplied by EDP's percentage of ownership.

As of December 31, 2019, EDP had 1,072 MW renewables capacity under construction. Approximately 484 MW are located in Europe. These projects include the construction of a 316 MW offshore wind farm in Moray East (United Kingdom) and a 14 MW floating wind turbine off the coast of Portugal. Approximately 87% of the remaining 587 MW under construction represented wind and solar assets located in the United States.

In January 2020, EDP entered into a 50/50 joint venture with Engie, which was subsequently approved by the European Commission on February 26, 2020, for the development of fixed and floating offshore wind assets. The new entity, which combines the offshore assets of EDP and Engie has a capacity of 1.5 GW under construction and 3.7 GW under development.

On February 12, 2020, EDP completed the sale of its holding in an onshore wind project in Brazil with 137 MW of installed capacity for EUR 300 million.

In 2019, EDP produced 44,137 GWh of clean electricity representing 66% of its production in its generation portfolio in line with 2018 and allowing EDP to cut 19 million tons of $CO_2$ emissions during 2019. The following table provides an overview of EDP's Renewable production volumes by technology and geographies in 2019 and 2018:

| Renewable Electricity Generation | | | | | | |
|---|---|---|---|---|---|---|
| | Year ended December 31, 2019 | | | Year ended December 31, 2018 | | |
| | Wind Onshore & Solar | Hydro | Total | Wind Onshore & Solar | Hydro | Total |
| **Generation (GWh)** | **30,041** | **14,096** | **44,137** | **28,359** | **19,296** | **47,655** |
| **Europe** | **11,791** | **9,967** | **21,758** | **11,480** | **13,702** | **25,182** |
| Portugal | 3,160 | 9,087 | 12,247 | 2,995 | 12,648 | 15,643 |
| Spain | 5,298 | 880 | 6,178 | 5,164 | 1,054 | 6,218 |
| France | 465 | - | 465 | 829 | - | 829 |
| Belgium | 68 | - | 68 | 129 | - | 129 |
| Poland | 1,098 | - | 1,098 | 919 | - | 919 |
| Romania | 1,151 | - | 1,151 | 1,059 | - | 1,059 |
| Italy | 551 | - | 551 | 385 | - | 385 |
| **North America** | **16,492** | **-** | **16,492** | **15,644** | **-** | **15,644** |
| United States | 15,696 | - | 15,696 | 14,873 | - | 14,873 |
| Canada | 70 | - | 70 | 71 | - | 71 |
| México | 726 | - | 726 | 700 | - | 700 |
| **Brazil** | **1,757** | **4,129** | **5,886** | **1,235** | **5,594** | **6,829** |

## a) Renewables North America

In North America, the installed capacity as of December 31, 2019 was 5,944 MW, of which 98% are wind and the remaining 2% are solar. Approximately 5,551 MW was spread across 14 different states in the United States, 200 MW in Mexico and 30 MW in Canada. As of December 31, 2019, 87% of EDP's installed capacity in North America was under long-term contracts.

EDP holds 398 MW of capacity through minority stakes in wind projects in the region (an increase of 82% compared to the previous year), through a 20% stake in the 199 MW Prairie Queen wind project Kansas and the acquisition of 50% of First Solar's project portfolio.

Electricity production in North America for the year ended December 31, 2019 increased by 5% to 16,492 GWh compared to 15,644 GWh for the year ended December 31, 2018. The increase was due to a 7% increase in installed capacity and was partly offset by lower wind resources in the central and western regions of the United States.

## b) Renewables Iberia

In Iberia, the installed renewable energy capacity as of December 31, 2019 was 10.3 GW, of which approximately 30% consisted of wind and approximately 70% of hydroelectric. In December 2018, EDP disposed of seven small hydro plants and of Pebble Hydro – Consultoria, Investimentos e Serviços, Lda., the owner of 14 small hydro plants, for EUR 164 million. In December 2019, EDP sold a further six hydroelectric assets in Portugal which accounted for 1.7 GW of total capacity for EUR 2.2 billion to a consortium led by Engie, which is expected to close in the second half of 2020.

Wind and solar electricity production in Iberia for the year ended December 31, 2019 increased by 4% to 8.5 TWh compared to 8.2 TWh for the year ended December 31, 2018. The increase was primarily due to strong winds and higher utilization factors and was partially offset by the de-consolidation of 539 MW sold in 2019. Hydroelectric production decreased by 26% to 10.0 TWh compared to 13.7 TWh for the year ended December 31, 2018. The decrease was primarily due to lower water resources in Portugal (19% below the historical average compared to 5% above in 2018). Hydro resources in Iberia partially recovered in the last quarter of 2019 with water resources raising the levels of EDP's reservoirs 0.4 TWh above the historical average in Portugal.

### c) Renewables in the rest of Europe

In Europe (excluding Iberia), namely in France, Italy, Poland, Belgium and Romania, installed capacity as of December 31, 2019 was heavily concentrated on onshore wind energy (1,203 MW), with only 60 MW of solar capacity.

Electricity production in the rest of Europe for the year ended December 31, 2019 remained stable at 3,333 GWh, compared to 3,321 GWh in 2018 as the benefits resulting from stronger wind resources, primarily in Poland and Romania, were partly offset by the deconsolidation of wind farms sold (388 MW in France and 71 MW in Belgium).

### d) Renewables Brazil

EDP's portfolio of renewable energy installed in Brazil was comprised 1,599 MW hydroelectric and 467 MW wind capacity as of December 31, 2019. Additionally, EDP has stakes in hydro plants that total 551 MW net capacity as of December 31, 2019.

Hydroelectric production for the year ended December 31, 2019 decreased by 26% to 4,129 GWh compared to 5,594 GWh for the year ended December 31, 2018, mainly due to the sale of mini-hydro plants (EDP PCH, Santa Fé and Costa Rica) in 2018. Wind electricity production increased by 42% to 1,757 GWh compared to 1,235 GWh in 2018 mainly due to the addition of 137 MW in wind capacity at the end of 2018, which also contributed to improving the average hours of operation of the wind farms.

### 2) Networks

EDP's Networks operating segment comprises activities related to electricity distribution in the Iberian Peninsula and Brazil, as well as the Group's electricity transmission operations in Brazil. Networks generated 27% of the Group's EBITDA for the year ended December 31, 2019.

Electricity distribution is an activity regulated under licenses or concessions. Since these activities are highly regulated, they provide long-term stable and predictable cash flow streams as well as significant growth prospects in the context of the energy transition.

EDP's electricity distribution grid extends over 340,774 km as of December 31, 2019. During 2019, EDP distributed 79,519 GWh of electricity to over 10,470 supply points. EDP's distribution grid does not include gas distribution, which EDP discontinued in 2017 following the disposal of all of its gas distribution assets in Spain and Portugal.

The following table provides an overview of key operational indicators of EDP's Networks business as of December 31, 2018 and 2019:

**Networks**

| | 31 December 2019 | | | 31 December 2018 | | |
|---|---|---|---|---|---|---|
| | **Network length (km)** | **Distributed Volume (GWh)** | **Supply points ('000)** | **Network length (km)** | **Distributed Volume (GWh)** | **Supply points ('000)** |
| **Distribution Networks** | **340,744** | **79,519** | **10,470** | **339,403** | **80,426** | **10,343** |
| Portugal | 226,823 | 45,666 | 6,277 | 226,308 | 46,059 | 6,226 |
| Spain | 20,766 | 8,262 | 668 | 20,709 | 9,360 | 666 |
| Brazil | 93,155 | 25,591 | 3,524 | 92,386 | 25,007 | 3,451 |

Revenue for electricity distributors in Portugal, Spain and Brazil is determined by a remuneration framework based on RAB. Under this model, regulators approximate how much money a distribution network company has invested in the energy infrastructure network and recognizes a return on that investment. The aggregate RAB of the Group's distribution networks amounted to approximately EUR 5 billion as of December 31, 2019 (78% based in Iberia and 22% in Brazil), an increase of 0.6% from 2018. For information on the calculation of aggregate RAB, see the "*Presentation of financial information and other information – Non-financial operating data*" section. This remuneration framework is thus mostly dependent of the investment on RAB and the return allowed on the investments. Investments are allowed by the regulator under a specific benchmark or set of assumptions for cost of investment and the network operators may either outperform or underperform such benchmark (please see Chapter 11 ("*Regulatory framework of the Issuer's activity*"). Demand bears little impact in the remuneration of distribution in Portugal and none in Spain, while for Brazil its impact is more significant, even though a remuneration framework on RAB is still followed.

### a) Distribution in Iberia

### Portugal

*Electricity Distribution*

EDP Distribuição is EDP's regulated electricity distribution company in Portugal, which operates under a public service concession. Within the scope of its activity, EDP Distribuição performs approximately 99% of the electricity distribution in Portugal.

EDP Distribuição had over 226,000 km of network in Portugal on December 31, 2019, (an increase of 0.2% year on year), of which 78% correspond to overhead lines and 22% to underground lines.

For the year ended December 31, 2019, the volume of electricity distributed declined by 1% to 45,666 GWh from 46,059 GWh in 2018, mainly due to the negative effect of weather conditions, which negatively affected the residential segment. EDP had 6.3 million supply points in 2019, a 1% increase compared to the previous year.

*Service quality*

The quality of EDP's technical service, monitored by ERSE, is measured by the indicator "equivalent interruption time of installed capacity" ("**TIEPI**"), which measures the specific amount of interruption time under the company's control. In 2019, TIEPI decreased 5 minutes year-over-year to 56 minutes, remaining below the regulator's benchmark.

EDP continued to invest in the maintenance of its systems and continues to undertake new technical and organizational initiatives, which have enabled its distribution network to function properly despite adverse weather conditions. EDP is particularly focused on Portuguese regions that have historically recorded comparatively lower levels of quality of service, for which it has devised specific improvement plans that include maintenance, restructuring and strengthening of networks.

*Innovation*

The transition towards a smarter network is a key enabling factor of the energy transition and an increasingly important part of EDP's strategy. To increase efficiency, reduce costs and improve the quality of supply, while also allowing for distributed generation and servicing of electric vehicles, EDP developed InovGrid. InovGrid is an innovative project that seeks to introduce advanced metering infrastructure improvements to its network management capability in Portugal through the use of smart meters. EDP believes that InovGrid will bring significant benefits to customers, with increased control over energy consumed, increased flexibility of tariffs and value added services.

During 2019, EDP installed 655,000 EDP Boxes smart meters ("**EBs**") in Portugal, resulting in a total installed base of 2.6 million EBs as of December 31, 2019.

In addition to smart metering, EDP is introducing remote metering in all locations of transformers and public lighting circuits. It has also installed distribution transformer controllers ("**DTC**") to monitor the grid in low-voltage substations. As of December 31, 2019, there were approximately 23,000 DTCs installed in Portugal, of which 3,000 units were installed between January 1 and December 31, 2019.

*Operational Efficiency*

The increase in operational efficiency at EDP Distribuição has allowed more customers to be served and more energy distributed with fewer employees. At EDP Distribuição, the ratio of supply points per employee, frequently used as a measure of productivity in distribution companies, increased from 1,052 in 2004 to 2,035 for the year ended December 31, 2019. The energy distributed per employee as of December 31, 2019 was 14.8 GWh compared to 7.4 GWh in 2004.

*Last Resort Supplier*

Under Portuguese law, transitory last resort supply tariffs are available to encourage Portuguese customers to switch to the liberalized natural gas and electricity markets. Customers can nevertheless opt for a regulated tariff even if they have moved to the liberalized market. For more information, please see sub-chapter 11.3.2 ("*The Electricity Value Chain"*).

In Portugal, EDP supplies electricity in the regulated market through EDP Serviço Universal, S.A. ("**EDP SU**"). The prices that EDP SU charges for the electricity supplied to the customers remaining in the regulated market are uniform throughout mainland Portugal and subject to extensive regulation. Revenues for last resort suppliers comprise different components according to the regulated activity: (i) the costs with the purchase and sale of energy and the access to the networks are fully recovered and recognized in the regulated cost base; (ii) r the operational expenditure for the commercialization activity, which is subject to a price-cap mechanism, with an efficiency factor of 1.5%. Total clients supplied by EDP SU in the year ended December 31, 2019 declined by 8% to 1.0 million from 1.1 million as of December 31,

2018. Volumes supplied by EDP SU fell from 3.02 TWh in 2018 to 2.66 TWh in the year ended December 31, 2019.

EDP Gás SU is the entity responsible for the supply of natural gas in the regulated market. As of December 31, 2019, EDP Gás SU had 37,450 customers and supplied 202 GWh during 2019 a reduction of 8%and 19% year-on-year, respectively, mainly due to the switch from customers to the liberalized market.

The following table provides an overview of the last resort supply customers and energy volumes as of December 31, 2019 and 2018:

**Last resort supply Portugal**

| | Year ended December 31, 2019 | | Year ended December 31, 2018 | |
|---|---|---|---|---|
| | Customers ('000) | Energy Supplied (GWh) | Customers ('000) | Energy Supplied (GWh) |
| Electricity | 1,034 | 2,658 | 1,125 | 3,016 |
| Gas | 37 | 202 | 41 | 249 |

## Spain

*Electricity Distribution*

EDP España is EDP's Spanish regulated electricity distribution company that operates under a public service license. EDP España has an electricity distribution network covering the regions of Asturias (representing a large majority of its network), Cantabria, Murcia, the Basque Country, Madrid, Valencia, Catalonia and Aragon, totaling 20,766 km on December 31, 2019.

The volume of electricity distributed by the Group in Spain fell 12% to 8,262 GWh in 2019 from 9,360 GWh in 2018, largely due to a change in the energy mix used by a large industrial client. As of December 31, 2019, EDP España's electricity distribution business had 668,494 supply points a 0.3% increase compared to the previous year.

*Service Quality*

Investments made in recent years together with the continuous employment of good work practices have resulted in a decrease in supply interruptions over the period under review. Despite the challenging topographic characteristics in most of its market, EDP believes that EDP España is a leader in service quality in the Spanish electricity system. In 2019, TIEPI increased 9 minutes compared to the same period last year, to 26 minutes, mainly due to unfavorable weather conditions.

*Efficiency of operations*

The results of EDP España's distribution network reflect the Group's continued efforts to maintain a high level of efficiency. In the electricity distribution area, productivity in the year ended December 31, 2019 was 28.7 GWh distributed per employee and 2,321 supply points per employee.

### b) Distribution in Brazil

*Electricity Distribution*

Power transmission and distribution activities are natural monopolies in Brazil. Most Brazilian power distribution consumers are still legally obliged to purchase energy from the local distribution companies to which they are connected. As such, the regulated electricity market in Brazil is composed mainly of distribution companies and captive consumers whose commercial relationship is fully regulated by the Brazilian National Electric Energy Agency ("**ANEEL**").

EDP's distribution activities in Brazil are carried out by two concessionaires, EDP São Paulo and EDP Espírito Santo which together serve more than 3.5 million customers. EDP São Paulo distributes electricity in 28 cities in Alto Tietê, Vale do Paraíba and regions of the north coast in São Paulo State and EDP Espirito Santo performs its activity in 70 cities in Espírito Santo State, which represents 90% of the territory of Espírito Santo.

The volume of electricity distributed in the year ended December 31, 2019 totaled 25,591 GWh, a 2% increase from 25,007 GWh in 2018, reflecting an increase in the number of supply points, to 3.5 million in 2019 compared to 3.4 million in the previous year.

*Service Quality*

Equivalent Interruption Duration per Customer ("**DEC**") measures the time a customer has run out of electricity in a given period. ANEEL sets limits for this indicator and requires distribution companies to maintain a minimum level of service quality. To this end, EDP conducts regular preventive maintenance inspections and improvement measures to reduce the number of faults in the electricity grid and ensure the rapid recovery of operation in case of a fault.

In year ended December 31, 2019, amid challenging weather conditions, EDP Brasil posted its best results to date, with DEC decreasing to 7.0 hours for EDP São Paulo (from 7.8 hours in 2018) and 8.2 hours for EDP Espírito Santo (from 8.3 hours in 2018) in compliance with ANEEL standards.

*Electricity transmission in Brazil*

The electricity system in Brazil is connected by transmission lines that transport electricity produced in remote areas of Brazil to major consumers' markets, mainly located in the south-east of the country. The grid is actually managed by the Operator of the National Electricity System, a non-profit entity responsible for the coordination and control of generation and transmission installations in the National Interconnected System to reduce global costs and enhance security of supply, especially during dry seasons.

In April 2017, EDP Brasil strengthened its position in the Brazilian electric transmission market by winning a concession to operate four additional electricity transmission lines in a regulated area. Adding the transmission line concession awarded in 2016, EDP Brasil is expected to invest R$3.1 billion in the construction of approximately 1,300km of new transmission lines in the states of Santa Catarina, São Paulo, Minas Gerais, Espírito Santo and Maranhão.

On December 23, 2018, transmission line “24” began its commercial operation, nearly 20 months ahead of ANEL’s schedule. Transmission line “24”, consists of a 113 km transmission line in the state of Espírito Santo, and was awarded to EDP through an auction process auction on October 28, 2016.

At the date of this Prospectus, EDP holds 25.6% of the total shares of CELESC, the electricity utility company for the southern Brazilian state of Santa Catarina.

On May 28, 2019, EDP announced the acquisition of transmission line with a total length of 142 km and two sub-stations, from CEE Power and Brafer, for R$407 million, including acquisition price and investment amount.

### 10.1.7 Clients Solutions & Energy Management

The Clients Solutions and Energy Management segment includes customer services, energy trading and thermal generation in Portugal, Spain and Brazil. This operating segment accounted for 13% of the Group’s EBITDA for the year ended December 31, 2019.

#### 1) Clients Solutions & Energy Management Iberia

For the year ended December 31, 2019, EDP supplied 30,358 GWh of electricity to approximately 5.3 million customers and 19,187 GWh of gas to approximately 1.6 million customers in Iberia. The following table sets forth EDP’s electricity and gas customer base in Iberia as of December 31, 2019 and December 31, 2018, as well as volumes sold during 2019 and 2018. The following table shows a breakdown of customers and electricity and gas supplied in Iberia for the years ended December 31, 2019 and December 31, 2018.

| **Liberalized Supply Iberia** | **31 December 2019** | | | | **31 December 2018** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Electricity** | | **Gas** | | **Electricity** | | **Gas** | |
| | **B2B** | **B2C** | **B2B** | **B2C** | **B2B** | **B2C** | **B2B** | **B2C** |
| **Customers ('000)** | **161** | **5,109** | **9** | **1,553** | **159** | **5,114** | **8** | **1,547** |
| Portugal | 138 | 3,966 | 3 | 655 | 139 | 3,979 | 3 | 656 |
| Spain | 23 | 1,144 | 6 | 897 | 20 | 1,134 | 5 | 891 |
| **Energy Supplied (GWh)** | **17,469** | **12,889** | **12,964** | **6,223** | **17,452** | **13,216** | **12,018** | **6,730** |
| Portugal | 7,690 | 10,305 | 1,974 | 1,819 | 7,590 | 10,529 | 1,785 | 1,820 |
| Spain | 9,779 | 2,583 | 10,990 | 4,404 | 9,862 | 2,687 | 10,233 | 4,910 |

The number of electricity customers in Iberia remained stable year-on-year, with EDP maintaining its focus on service quality. During the year ended December 31, 2019, the number of complaints per 1,000 contracts decreased by 23%, the penetration rate of new services increased by 5% to 18.9%, and the percentage of customers with dual offer (electricity and gas) increased slightly to 30.4% from 30.3% in 2018. The volume of electricity supplied in Iberia decreased by 1% to 30,358 GWh for the year ended December 31, 2019 compared to the previous year. The volume of gas supplied during the same period increased by 3% to 19,187 GWh for the year ended December 31, 2019, compared to the previous year, reflecting the adverse impact that mild temperatures had on residential consumption.

EDP believes that its energy services business will play an increasingly important role in retaining customers and in creating value for EDP and its customers. EDP is focused on designing and implementing value-added solutions for B2B and B2C customers, from energy efficiency and microgeneration, to electricity quality monitoring and maintenance of electrical equipment. It is also through this service activity that EDP implements its initiatives within the scope of the Consumer Efficiency Promotion Plan, an energy efficiency plan promoted by the regulator. In B2C energy services, the "EDP Funciona" service has grown significantly to 392.4 thousand contracts on December 31, 2019, to 339.3 thousand contracts on December 31, 2018.

a) **Portugal**

**Supply of Electricity and Natural Gas**

EDP currently holds the leading position in the Portuguese electricity supply domestic market, according to ERSE, and supplies electricity and natural gas to customers in the liberalized market through EDP Comercial.

**Supply in the liberalized market**

The electricity sold by EDP Comercial in 2019 amounted to 17,995 GWh, compared to 18,119 GWh in 2018. As at December 31, 2019, the number of customers was approximately 4,104 thousand, compared to 4,118 thousand customers at December 31, 2018. This decrease in customers is a function of price competition in the supply market.

Regarding gas supply, EDP's successful dual offer (electricity and gas) to residential and small B2C, continued steadily. EDP Comercial's B2C gas customers in the year ended December 31, 2019 stood at 655 thousand compared to 656 thousand in the year ended December 31, 2018.

**b) Spain**

**Supply of Electricity and Natural Gas**

In Spain, EDP supplies electricity and natural gas to customers in the liberalized market through EDP España and EDP Comercializadora, while last resort customers are supplied by EDP Comercializadora de Último Recurso S.A. ("**EDP CUR**").

**Supply in the liberalized market**

The electricity sold by EDP Comercializadora in 2019 amounted to 11,901 GWh, compared to 12,106 GWh in 2018. As at December 31, 2019 the number of customers was approximately 937 thousand, compared to 932 thousand customers at December 31, 2018.

Regarding gas supply, EDP Comercializadora gas customers in the year ended December 31, 2019 stood at 851 thousand compared to 844 thousand in the year ended December 31, 2018. The volume of gas supplied in 2019 amounted to 15,147 GWh, compared to 14,882 GWh in 2018.

**Supply in the regulated market**

In Spain, EDP supplies electricity and natural gas to customers of last resort through EDP CUR.

As of December 31, 2019, EDP CUR had 228,724 electricity customers. These customers consumed 461 GWh of electricity in 2019, an increase of 4% as compared to the previous year.

As of December 31, 2019, EDP CUR had 51,971 gas customers (an increase of 1% over the previous year) and supplied 247 GWh (a decrease of 5% over the previous year).

### 2) Thermal Generation and Energy Management Iberia

EDP's thermal generation assets in Iberia have an aggregate total maximum capacity of 7.1 GW as of March 31, 2020. CCGTs represent 59% of total maximum capacity, followed by coal plants (38%), nuclear plants (2%) and cogeneration plants (1%).

The following table sets forth EDP's thermal installed capacity as of December 31, 2019 and December 31, 2018, as well as electricity generation from its thermal infrastructure during 2019 and 2018 (installed capacity has not changed from December 31, 2019 to date). For more information about the sale of certain thermal generation plants in Spain, see sub-chapter 10.1.2 ("*History*").

| **Thermal Installed Capacity (MW)** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Year ended December 31, 2019** | | | | | **Year ended December 31, 2018** | | | | |
| | **CCGT** | **Coal** | **Nuclear** | **Biomass, Cogeneration and Waste** | **Total** | **CCGT** | **Coal** | **Nuclear** | **Cogeneration and Waste** | **Total** |
| **Installed Capacity** | **3,729** | **3,150** | **156** | **49** | **7,084** | **3,729** | **3,124** | **156** | **49** | **7,058** |
| Portugal | 2,031 | 1,180 | - | 24 | 3,236 | 2,031 | 1,180 | - | 24 | 3,236 |
| Spain | 1,698 | 1,250 | 156 | 25 | 3,128 | 1,698 | 1,224 | 156 | 25 | 3,102 |
| Brazil | - | 720 | - | - | 720 | - | 720 | - | - | 720 |
| **Equity Installed Capacity** | **-** | **-** | **-** | **10** | **10** | **-** | **-** | **-** | **10** | **10** |
| Portugal | - | - | - | - | - | - | - | - | - | - |
| Spain | - | - | - | 10 | 10 | - | - | - | 10 | 10 |

| **Electricity Generation** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Year ended December 31, 2019** | | | | | **Year ended December 31, 2018** | | | | |
| | **CCGT** | **Coal** | **Nuclear** | **Biomass, Cogeneration and Waste** | **Total** | **CCGT** | **Coal** | **Nuclear** | **Cogeneration and Waste** | **Total** |
| **Generation (GWh)** | **10,183** | **10,856** | **1,223** | **270** | **22,533** | **5,333** | **17,471** | **1,196** | **309** | **24,308** |
| Portugal | 5,837 | 4,020 | - | 163 | 10,021 | 4,091 | 8,067 | - | 182 | 12,341 |
| Spain | 4,346 | 3,129 | 1,223 | 107 | 8,805 | 1,242 | 5,948 | 1,196 | 126 | 8,512 |
| Brazil | - | 3,707 | - | - | 3,707 | - | 3,455 | - | - | 3,455 |
| **Load Factor** | | | | | | | | | | |
| Portugal | 37% | 44% | - | - | | 27% | 83% | - | - | |
| Spain | 29% | 29% | 90% | - | | 8% | 55% | 88% | - | |

Power generation is a liberalized activity in Iberia. EDP sells its thermal electricity output in MIBEL directly to energy consumers at spot market prices set on a daily basis.

Thermal generation in Iberia for the year ended December 31, 2019 decreased by 10% to 18,826 GWh, from 20,853 GWh in the previous period, mainly due to a significant reduction in coal output, which decreased by 49% year-on-year leading to a 32% decrease in the load factor of the EDP's coal plants to 34% in 2019, which was partly mitigated by higher CCGT output.

### a) Portugal

EDP's thermal generation infrastructure in Portugal consist of four power plants. The largest is a coal-fired plant located in Sines, with an installed capacity of 1,180 MW, which was contracted by PPA / CMEC until June 30, 2017 and is now in operation in the liberalized market. The other plants are CCGT installations located in Carregado (*CCGT do Ribatejo* with an installed capacity of 1,169 MW) and Figueira da Foz (*Lares I* and *Lares II* with an installed capacity of 863 MW). To reduce emissions from its existing thermal power plants, EDP installed the DeSOx and DeNOx equipment in Sines.

**b) Spain**

As of December 31, 2019, EDP España had a total installed thermal capacity of 3,128 MW. CCGT power installations accounted for 1,698MW, coal-fired plants for 1,250 MW, and cogeneration and biomass plants for 25 MW. EDP also holds a minority participation in Central Nuclear Trillo I, A.I.E., which owns the nuclear power plant in Trillo, corresponding to 156 MW of the plant's net capacity of 1,003 MW. In line with the objective of reducing emissions from its existing thermal power plants, approximately 72% of EDP's coal portfolio in Spain owned DeSOx / DeNOx equipment on December 31, 2019.

In 2020, EDP entered into an agreement with a subsidiary of Total, S.A. to dispose of (i) two combined cycle gas turbine power plants (Castejón I & III), with 843 MW of installed capacity located in Navarra, North of Spain; and (ii) the B2C energy supply business in Spain, which includes 1.2 million clients in the free market, and a 50% stake in the joint venture with CIDE for electricity supply in this segment (CHC Energia).

**3) Clients & Energy Management in Brazil**

EDP supplies electricity in the liberalized market in Brazil through EDP Comercializadora de Energia, which operates both inside and outside the concession areas of the two distributors of EDP Brasil that operate in the regulated market.

EDP Comercializadora de Energia supplied 14,100 GWh in the year ended December 31, 2019, compared to 18,102 GWh in the previous year. The 22% decrease in electricity supplied is due to a decline in captive market customers, which have switched to other suppliers in the liberalized market, due primarily to price competition.

EDP Grid and APS are EDP Brasil's business units leading the transition to the low carbon economy. The business operates based on the assumption that it is possible to reduce energy consumption by installing more efficient equipment and developing energy generation and cogeneration projects with less polluting alternative sources, prioritizing the reuse of waste. EDP Grid is also responsible for the 'Group's solar energy operations in Brazil.

**4) Thermal Generation and Energy Management in Brazil**

EDP's thermal generation infrastructure in Brazil is concentrated in the Pecém 720 MW coal power plant located in the Ceará state. The plant has a PPA for remuneration according to availability of the plant thermal technical availability increased from 80% in 2018 to 95% in 2019, largely as a result of the Group's efforts to improve operation and maintenance standards above the regulatory target of 83.75%.

**5) EDP's Other Activities**

EDP also has financial interests in other energy and non-energy related assets, namely a 10.6% indirect interest in Companhia de Electricidade de Macau – CEM, S.A. which is a utility company that acts as the exclusive concessionaire for transmission, distribution and supply of electricity in the Macau Special Administrative Region since 1985.

EDP also owns 50% in a co-controlled joint venture with China Three Gorges Corporation since 2015, Hydro Global Investment, Ltda. ("**Hydro Global**") which is headquartered in Hong Kong. Hydro Global invests in hydro power projects in selected emerging markets.

### 10.2. Employees

As of December 31, 2019, the Group had 11,700 employees worldwide, including 7,612 employees in the Iberian Peninsula. The total number of employees at EDP has decreased slightly in recent years mainly as a result of early retirements in the Iberian Peninsula, primarily reflecting the streamlining of the organization, mostly in Portugal, and the sale of the gas distribution businesses in Spain and Portugal. This effect was partially offset by organic growth in the renewable sector, particularly in the United States.

Approximately 37% of EDP's employees in Portugal as of December 31, 2019, were members of a union. EDP's non-management employees in Portugal are represented by 19 unions, four of which represent the majority of EDP's employees. Most of the unions are members of one of the two principal confederations in Portugal: CGTP-Intersindical and UGT. EDP's non-management employees in Spain are represented by five unions, and its non-management employees in Brazil are represented by seven unions. The unions assume responsibility for annually negotiating salary levels, negotiating the collective bargaining agreements and ensuring that the collective bargaining agreements are correctly applied.

Since 2015, there has been no significant strike or work stoppage that has had a material impact on the Group's financial condition or business.

### 10.3. Material Contracts

Other than the financing agreements described in "*Management's discussion and analysis of financial condition and results of operations (MD&A)*" and the Underwriting Agreement described in sub-chapter 5.3 ("*Assistance, Placement and Underwriting"),* EDP is not party to any material contract not within the scope of EDP's normal course of business.

### 10.4. Legal and Arbitration Proceedings

At any given time, EDP and its subsidiaries may be party to litigation or subject to non-litigated claims arising out of the normal operations of its global business. These legal, arbitration or other actions involve customers, suppliers, employees, administrative, central, municipal, tax, environmental or other authorities. As of the date of this Prospectus, aside from the legal processes and litigations mentioned on Note 36 of 2019 Annual Audited Consolidated Financial Statements, there are no material legal or arbitral proceedings involving EDP other than those mentioned below.

*Tax litigation*
As referred to in the Unaudited Condensed Interim Consolidated Financial Statements, on October 27, 2009 and January 5, 2010, EDP received two tax settlements regarding 2005 and 2006 taxable income for EDP tax group, which included an adjustment of EUR 591 million regarding its subsidiary, EDP Internacional SGPS, S.A., related to the tax treatment considered by the Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely EDP Espírito Santo and Enersul. As at March 31, 2020, the amount of this tax contingency amounts to EUR

292 million (as of December 31, 2019 it amounted to EUR 290 million). Considering the analysis made, the technical advice received and a favorable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, EDP considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes as established in article 75 no. 2 of the Corporate Income Tax Code based on the wording of the law in force at that date (current article 81).

Given the above, and considering that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional settlements. Thus, following the implied rejection of the hierarchical appeal, EDP presented a judicial claim, on June 6, 2012. In November 2018, EDP was notified with a decision in favor. The Treasury filed an appeal on that decision.

*AdC litigation*
Regarding other material litigation, on September 18, 2019 EDP Produção was notified by AdC of a negative decision in a case of alleged abuse of a dominant position, imposing a fine of EUR 48 million on EDP Produção. This decision concerns the behavior of EDP Produção in the balancing services market between 2009 and 2013. According to AdC, EDP Produção would have restricted the participation of its power plants subject to the CMEC regime in the provision of secondary reserve, not only to avoid refunding to the national electricity system the revenues obtained in such market, but also to increase the market price received by EDP Produção's power plants that are not under the CMEC regime which have provided such service. AdC has estimated that the alleged practice of EDP Produção has generated damages to the national electricity system and to consumers of around 140 million Euros.

EDP refutes AdC's assertions and has not paid or provisioned the amount corresponding to the fine; on October 30, 2019 it has also filed an appeal regarding the latter's decision with the Portuguese Court for Competition, Regulation and Supervision.

*EDP to be named as a defendant regarding the alleged improper hiring of the father of the former energy secretary of state, Mr. Artur Trindade*
On July 13, 2020, EDP was notified that, in the context of the Investigation, the Public Prosecution Services has requested that EDP be named as a defendant – under articles 374 (active corruption) and 374-A (qualification) of the Portuguese Penal Code – in connection with the alleged improper hiring of the father of the former Energy Secretary of State, Mr. Artur Trindade (also named Artur Trindade) as an external consultant to EDP's Institutional Relations and Stakeholders Department, between 2012 and 2016.

According to the notification, the Public Prosecution Services proposes to convene a hearing of EDP's legal representative to take place between July 20 to 24, 2020 or on August 6 or 7, 2020, at which EDP expects that it will be formally named as a defendant in relation to this investigation.

### 10.5. Environmental, Social and Governance

Sustainable development has been one of the main drivers of EDP's strategy. The Group has contributed to the achievement of nine of the 17 Sustainable Development Goals from the United Nations' 2030 agenda through several initiatives, investments and a corporate sustainability fund. EDP also aligns itself with the best practices in human rights, labor, environment and anti-corruption.

EDP was the first Portuguese company to issue a green debt instrument. As of March 31, 2019, the Group has issued over EUR 3 billion in green bonds, which are listed on renowned ESG indexes. Since 2008, the Dow Jones Sustainability Index recognizes EDP as one of the most sustainable companies in the world and has ranked EDP for the last three consecutive years as the top performer of the index's Stakeholder Engagement criteria.

EDP has set clear environmental targets for 2030 centered around decarbonization. It seeks to implement a shift in its electricity generation mix to have 90% come from renewable sources and eliminate coal-fired generation from its portfolio. With these measures, the Group expects to reduce its emissions by 90% from 2005 levels. See sub-chapter 10.1.5 ("*Strategy of EDP – Sustainability within EDP"*).

The Group has adopted a corporate management and organization model based on a set of principles (code of ethics, policies) and management and control tools (risk management, procedures, controls) aimed at monitoring relevant sustainability issues, in compliance with the applicable laws and regulations in the various countries in which the Group operates, as well as with the main international standards and guidelines. In particular, the Corporate Governance and Sustainability Committee of the General Supervisory Board is responsible for (i) assessing the implication of major legislative initiatives in the field of sustainability, (ii) monitoring the Group's environmental performance indicators and benchmarks, (iii) developing EDP's operational environment and sustainability plans, (iv) provide advice on EDP's goals and targets, and (v) monitor the progress of approved action plans and the activities of EDP's sustainability management structures.

### 10.6. Research and Development

As part of its 2019-2022 strategy, EDP is implementing a digital transformation plan focused on improving the efficiency of the organization and introducing new technologies in the various stages of the value chain with a preliminary focus on transitioning to smart grids in Iberia. To this end, in 2018 EDP created a global digital unit to coordinate and advance the Group's digitalization efforts. As of the year ended December 31, 2019, the automation of activities increased by 55% to 845 compared to the previous year. The Group also invested EUR 16 million in research and development during the year ended December 31, 2019, a 115% increase compared to 2018. As part of the Group's effort to modernize the grid in Iberia, the number of smart meters deployed by EDP in Portugal and Spain increased by 48% during this period, to reach approximately 2.6 million smart meters throughout its distribution network in Iberia.

### 10.7. Property

As at December 31, 2019, EDP had thermal and renewable energy generating plants across several countries and an electricity distribution network in Portugal, Spain and Brazil. For a description of EDP's property, see note 16 of EDP's Annual 2019 Audited Consolidated Financial Statements included in the Annex of this Prospectus. Management believes that EDP's significant properties are in good condition and that they are adequate to meet its needs.

EDP is of the opinion that its corporate offices are sufficient to conduct its current business for the foreseeable future. There are no major encumbrances at the properties where its offices are located. Further, there are no environmental issues concerning such properties.

### 10.8. Information Technology

All of EDP systems are subject to security and quality control standards that are in line with industry practices. As of the date of this Prospectus, EDP has not encountered any contingency.

# CHAPTER 11. Regulatory framework of the Issuer's activity

## 11.1. European Energy Policy

### 11.1.1 Clean energy for all Europeans

The European Union ("**EU**") has issued a comprehensive update to its energy policy framework to facilitate the transition from fossil fuels towards cleaner energy and to deliver on the EU's Paris Agreement commitments ("**COP21**") for reducing greenhouse gas ("**GHG**") emissions.

On 30 November 2016, the EC presented a package proposal, known as the Clean Energy for All Europeans ("**CEP**"), which marks a significant step towards the implementation of the energy union strategy, adopted under the Paris Agreement in 2015, and to keep the EU competitive during the clean energy transition. CEP consists of eight legislative acts comprising five main areas: (i) Energy Efficiency; (ii) Renewables; (iii) Market Design; (iv) Security of Supply and (v) Governance, with three key goals: (i) putting energy efficiency first, (ii) achieving leadership in renewable energies and (iii) providing a fair deal for consumers.

After two years of debate, the EC, the European Council and the European Parliament reached a political agreement on the CEP. These eight legislative acts were already published in the Official Journal ("**OJ**") of the EU (after publication in the OJ, Regulations apply directly to all EU Member States while Directives have to be transposed into national law):

- On June 19, 2018, Directive 2018/844 of the European Parliament and of the Council of 30 May 2018, amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency;
- On December 21, 2018, Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action;
- On December 21, 2018, Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (recast);
- On December 21, 2018, Directive (EU) 2018/2002 of the European Parliament and of the Council of 11 December 2018 amending Directive 2012/27/EU on energy efficiency;
- On June 14, 2019, Regulation (EU) 2019/941 of the European Parliament and of the Council of 5 June 2019 on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC;
- On June 14, 2019, Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators;
- On June 14, 2019, Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity; and
- On June 14, 2019, Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU.

The changes in the EU energy policy framework intend to bring considerable benefits from a consumer perspective, from an environmental perspective and from an economic perspective. It also underlines EU leadership in tackling global warming and aims to provide an important contribution to the EU's long-term strategy of achieving carbon neutrality by 2050.

### 1) Renewable Energy

The promotion of electricity from renewable energy sources ("**RES**") is a priority in the EU for purposes of security and diversification of energy supply, environmental protection and social and economic development. On the Climate Action policy area one of the main goals is to make the EU a global leader in renewables, in compliance with the Paris Agreement. CEP establishes the following targets for RES: (i) binding RES target of 32% by 2030 at EU level, with a review clause by 2023 for a possible upward revision (ii) no country-specific targets, but through governance legislation there will be three intermediate points (18% of the 2030 target must be met by 2022, 43% by 2025 and 65% by 2027) to be achieved at national and EU level (iii) the annual increase of energy from renewable sources in heating & cooling will be 1.3% indicatively, or 1.1% if waste heat is not taken into account.

Those Member States which fall below their reference points for renewable energy will have to cover the gap by implementing measures at national level within one year following assessment. They can opt for: (i) presenting additional measures to accelerate renewable installed capacity, (ii) increase percentage RES in heating and cooling or in transports, (iii) use financing platform, (iv) make a voluntary financial payment to the EU renewable energy financing mechanism and (iv) use the cooperation mechanisms set out in Directive (EU) 2018/2001.

CEP also establishes several provisions to enable the large-scale investment in RES, namely regarding financial support mechanisms:

- Member States will be allowed to have technology-specific auctions and will have to provide at least five years visibility on public support, including the timing, volumes and budget for auctions;
- An "investment protection clause" has been introduced that prevents retroactive policy changes affecting existing renewable projects; and
- Direct price support schemes shall be granted in the form of market premium, which could be, inter alia, sliding or fixed.

### 2) Energy Efficiency

Energy efficiency is one of the priorities of the EU, and one of the corner stones of the Energy Union strategy. The Energy Efficiency Directive, Directive 2012/27/EU of the European Parliament and the Council of 25 October 2012 ("**EED**"), sets rules and obligations in order to meet the 2020 energy efficiency target of a 20% increase. To reach the EU energy efficiency target, each EU Member State defined its own indicative national energy efficiency targets, which can be based on primary or final energy consumption, primary or final energy savings or energy intensity.

The 2030 climate and energy framework sets a target of 27% improvement in energy efficiency for 2030.

Directive (EU) 2018/2002 of the European Parliament and of the Council amending Directive 2012/27/EU on energy efficiency now includes a more ambitious energy efficiency target for the EU for 2030 of at least 32.5% with an upwards revision clause by 2023.

Member States must achieve a cumulative end-use savings requirement for the entire obligation period 2021-30, equivalent to new annual savings of at least 0.8% of final energy consumption and may make use of an energy efficiency obligation scheme (where obligated parties such as the distribution system operator ("**DSO**") and retail energy sales companies shall achieve their cumulative end-use energy savings requirement among final customers) or alternative policy measures or both.

The primary energy factor value for electricity was established at 2:1 and will be reviewed by December 25, 2022 every four years thereafter.

### 3) Market Design

The CEP sets a framework for the evolution of the electricity market design:

#### (i) Day-ahead and intraday markets

Electricity markets should deliver market-based prices, with no price caps or floors and equal treatment should be given to generators, storage and demand response. Day-ahead and intraday markets will have harmonized gate closure times and consistent characteristics (products, volumes, market times and principles).

#### (ii) Balancing markets, curtailment and redispatch

Balancing capacity must be procured by the TSO, separately for upward and downward capacity, and may be facilitated on a regional level.

Balancing energy/imbalances should pursue the following key principles: (i) imbalance pricing not determined in contract for balancing capacity, must reflect the "real-time value" of energy (15-minute imbalance settlement period by 2021); (ii) balancing energy to be settled at marginal price; and (iii) bids as close to real time as possible, and at least after gate closure for intraday cross-zonal market.

Curtailment and re-dispatching should respect the following principles: (i) non-discriminatory and market-based, being open to all technologies (including storage); (ii) balancing energy bids for re-dispatching not to set the balancing energy price; (iii) if non-market-based, then compensation shall be paid up to the highest of the additional operating costs or the total lost day-ahead market revenue; and (iv) system operators have increased reporting obligations to the Agency for the Cooperation of European Regulators ("**ACER**"), notably on the volumes of and reasons for redispatch and the corrective measures foreseen.

#### (iii) Capacity remuneration mechanisms

One of the key aims for the European Union is to be leader in electricity generation using renewable sources. This is an important goal to achieve: secure, clean and affordable energy supply to European consumers. But it does add some challenges, as those energy sources have an intermittent nature which reflects into a growing concern for security of supply.

To prevent possible electricity shortages, some Member States have designed different types of capacity remuneration mechanisms ("**CRM**") to assure backup capacity by remunerating electricity generators and other capacity providers, such as demand response operators, for being available in case of need.

The new EU legislation does not exclude the need for CRM, as CRM addresses the need for sufficient investment, but it discourages the usage of CRM as a substitute for market reforms that may be required to address regulatory and market failures causing capacity shortages. These mechanisms must be designed to suit specific problems and should rely on competitive processes to avoid failing the achievement of the goal or over compensation.

When a Member State decides to take complementary measures in the form of capacity mechanisms likely to involve state aid, such Member State must notify the EC for approval under state aid rules. Some capacity mechanisms were already approved by the EC under EU state aid rules.
The introduction of a CRM is presented in CEP as a last resort decision. Regarding their design, mechanisms must be temporary (no longer than 10 years), subject to non-discriminatory and competitive processes and technology neutral (including storage and demand side management). Participation is not allowed to new generation capacity emitting more than 550 g $CO_2$/kWh and, as of July 1, 2025, to generation capacity emitting more than 550g $CO_2$/kWh and more than 350 kg $CO_2$/kW/year on average. Existing capacity mechanisms had to adapt to these requirements by December 31, 2019, but existing contracts have not been amended.

**4) Role of Network Operators**

The CEP clarifies the roles of TSO and DSO, setting limits to ownership of storage and e-mobility infrastructure:

**(i) TSO**

TSO must create "regional coordination centers" by July 1, 2022, under plans approved by NRA, to coordinate: (i) capacity calculation and procurement of balancing capacity; (ii) supporting security and restoration and adequacy forecasting; (iii) interconnector entry capacity for cross-border CRMs; (iv) risk preparedness and liability to TSO established in plans; and (v) costs approved by NRAs recovered in TSO tariffs.

TSO must also guarantee a minimum availability of 70% of capacity for cross-border trade taking into account network contingencies and reliability margin (the total capacity used for reliability margins, loop flows and internal flows in the capacity calculation process must not exceed 30% on each critical network element) and shall procure ancillary services in a market-based way (with criteria of transparency, non-discrimination and openness), defining the specifications for the non-frequency ancillary services procured and, where appropriate, standardized market products for such services.

**(ii) DSO**

Member States shall incentivize DSO to procure flexibility services, including congestion management, in coordination with TSO and according to transparent, non-discriminatory and market-based procedures. Where a DSO is responsible for the procurement of products/services necessary for the efficient, reliable and secure operation of the distribution system, it shall procure its non-frequency ancillary services in a market-based way (with criteria of transparency, non-discrimination and openness).

The distribution network development plans will be published at least every two years and in consultation with all relevant system users and must include medium and long-term flexibility service's needs.

DSOs must create an "EU-DSO", focused on digitalization and data, network codes, integration of RES for electricity and demand side response, among others.

### (iii) Storage

TSO and DSO are not allowed to own, develop, manage and operate energy storage facilities as a principle where the ownership/development/management/operation of energy storage facilities shall be a market activity.

A public consultation shall be organized by regulatory authorities at least every 5 years to assess the interest of market parties in existing storage facilities.

### (iv) Electric mobility charging infrastructure

DSO are not allowed to own, develop, manage or operate recharging points for electric vehicles, with the exception private recharging points owned solely for their own use. A public consultation shall be organized by regulatory authorities at least every 5 years to assess the interest of market parties in developing, operating or managing recharging points for electric vehicles.

## 5) Supply

The revised Electricity Directive (Directive (EU) 2019/944) promotes a consumer-centered electricity market with consumer protection provisions:

### (i) Smart metering & dynamic prices

Member States shall ensure the implementation of smart meters ("**SM**"), which may be subject to a cost-benefit assessment ("**CBA**") of costs and benefits and prepare a timetable with a target of up to 10 years for the deployment of SM. If the roll-out of SM is assessed positively, they should cover at least 80% of customers within seven years from the date of the positive assessment or by 2024 for those with systematic deployment prior this Directive enters into force.

In case of SM deployment, Member States shall adopt and publish the minimum requirements of SM, according to what is established in the Electricity Directive, ensure interoperability and ensure that final customers contribute to the roll-out costs in a transparent and non-discriminatory manner. Otherwise, Member States shall perform new CBA at least every four years (or more frequently if there are significant changes in the underlying assumptions) and ensure customers are entitled to a SM (bearing the costs), within a reasonable time and no later than four months after they request it.

Member States shall enable electricity suppliers to offer a dynamic electricity price contract and ensure that final customers with a smart meter can request a dynamic electricity price contract from every supplier with more than 200,000 final customers. Member States shall also publish an annual report (for at least 10 years), on the main developments of dynamic price contracts including market offers, impact on consumers' bills and level of price volatility.

**(ii) Price intervention**

Member States may apply public interventions in the price setting for the supply of electricity, which should pursue a general economic interest, be limited in time and proportionate and not result in additional discriminatory costs for market participants.

Until January 1, 2022 and January 1, 2025, Member States shall submit a report to the EC on the necessity and proportionality of the intervention and an assessment of the progress towards achieving effective competition between suppliers and the transition to market-based prices. By the end of 2025, the Commission shall review and submit a report on this and issue a legislative proposal, if appropriate, to the European Parliament and to the Council, which may include an end date for regulated prices.

**6) Consumer Participation**

The CEP defines several frameworks for customers to actively participate in electricity markets (directly or through aggregators). Amongst jointly acting groups of customers and energy communities there are four very similar concepts between the Electricity and the Renewables Directives (Directive (EU) 2019/944 and Directive (EU) 2018/2001, respectively):

- Jointly acting customers (jointly acting final customers and jointly acting renewables self-consumers); and
- Energy communities (citizens energy community ("**CEC**") and renewable energy community ("**REC**").

Both jointly acting groups of customers and energy communities are allowed to generate energy, consume the self-generated energy, store and sell (subject to inherent responsibilities as a balance responsible party).

Both jointly acting final costumers and renewable self-consumers and active customers may operate directly or through aggregators, though these activities should not constitute their primary commercial or professional activity. Renewables self-consumers shall be entitled to sell excess production and receive remuneration from grid injections (reflecting market value and which may take into account its long-term value to the grid, environment and society).

The energy communities (REC and CEC) are legal entities and may be established between natural persons, local authorities. The main purpose must be to provide environmental, social and economic benefits, rather than financial profit and engage in activities such as electricity generation, distribution, supply, consumption, or other energy services, within a level-playing field.

Member States shall allow and foster participation of demand response through aggregation and allow final customers (including through aggregation) to participate in all electricity markets at a level playing field with generators. They shall also ensure that TSO and DSO procuring ancillary services treat demand response aggregators in a non-discriminatory manner alongside generators.

### 11.1.2 Long Term Strategy for 2050 - Clean Planet 4 all

On 28 November 2018, the European Commission adopted a strategic long-term vision for a prosperous, modern, competitive and climate neutral economy by 2050.

The Commission's strategic vision is an invitation to all stakeholders, to participate in a debate that should allow the EU to adopt and submit an ambitious long-term strategy by early 2020 to the United Nations Framework Convention on Climate Change ("**UNFPCC**") as requested under the Paris Agreement.

#### 11.1.3 European Green Deal

On December 11, 2019, the EC presented the European Green Deal, an ambitious package of measures that is meant to enable European citizens and businesses to benefit from a sustainable green transition. Measures were accompanied with an initial roadmap of key policies range from cutting emissions, to investing in cutting-edge research and innovation, to preserving Europe's natural environment.

The European Green Deal's design is based on ten transformative policies (as well as 50 initiatives):

- Increasing the EU's climate ambition for 2030 and 2050;
- Supplying clean, affordable and secure energy;
- Mobilizing industry for a clean and circular economy;
- Building and renovating in an energy and resource efficient way;
- Accelerating the shift to sustainable and smart mobility;
- From 'Farm to Fork': designing a fair, healthy and environmentally-friendly food system;
- Preserving and restoring ecosystems and biodiversity;
- A zero-pollution ambition for a toxic-free environment;
- The EU as a global leader; and
- Working together – a European Climate Pact.

For 2020 and 2021, relevant actions/specific initiatives were announced:

For 2020:
- Just Transition Mechanism;
- Sustainable Investment Plan;
- NPEC assessment;
- EU climate Law on 2050 climate neutrality;
- Strategy for smart sector integration and decarbonization;
- Revision of EU's climate target for 2030 for GHG reduction of at least 50% and towards 55%;
- TEN-E regulation review;
- Strategy on offshore wind; and
- Strategy on sustainable and smart mobility.

For 2021:
- Legislation pack: Directives on emissions trading system ("**ETS**"), Renewables, Energy Efficiency (EED), Alternative Fuel Infrastructure; and
- Fiscal: Energy Taxation Directive review and proposal of carbon border adjustment.

The "European Green Deal Investment Plan", also referred to as "Sustainable Europe Investment Plan", is the investment pillar of the Green Deal. To achieve the goals set by the European Green Deal, at least €1 trillion will be mobilized towards sustainable investments over the next decade.

### 11.1.4 Next Generation EU – Green Recovery Plan

In late May 2020, the European Commission has proposed a new recovery instrument to support Member States in repairing their economies from the damage provoked by the Covid-19 crisis. This instrument, designated "Next Generation EU", will raise money by temporarily lifting the maximum amount that the EU can request from Member States to cover its financial obligations to 2.0% of EU Gross National Income. This will allow the Commission to use its strong credit rating to borrow EUR 750 billion on the financial markets. This additional funding will be repaid over a long period of time through future EU budgets – between 2028 and 2058.

The Next Generation EU is a broad financing instrument, covering a large spectrum of economic activities. For the energy sector in particular, the Next Generation EU does not provide any concrete policies, but is anchored in the Green Deal, reinforcing its proposals, such as:

- The Next Generation EU maintains the allocation of 25% of the budget to be devoted to climate;
- The Solvency Support Instrument must include targets of decarbonization;
- Decarbonization targets must be contemplated when designing public support to the transport sector;
- The Recovery and Resilience Facility of €560 million could be partially used to support investments in buildings renovation;
- The program InvestEU was upgraded and will include investments in technologies that support the energy transition (ex: renewables, storage, clean hydrogen, etc.).

To implement the Next Generation EU a political agreement will be required at both the level of European Council and the European Parliament.

### 11.1.5 Managing and Reducing Emissions

The EU emissions trading system ("**EU ETS**"), the first large GHG emissions trading scheme in the world, was launched in 2005 as a component of the EU's climate policy. The EU ETS is currently in phase 3 and works on a cap and trade principle, with a single EU wide-cap on emissions (rather than the previous national caps system). Under the EU ETS system, emission allowances for the period from 2013 to 2020 are mainly allocated by auction (the default method), in accordance with Directive 2009/29/EC of the European Parliament and of the Council, of 23 April, which amended Directive 2003/87/EC of the European Parliament and of the Council, of 13 October ([12]). The EU ETS currently represents over three-quarters of international carbon trading.

([12]) Afterwards amended by Decision (EU) no. 2013/1359 of the European Parliament and of the Council, of 17 December, by Regulation (EU) no. 421/2014 of the European Parliament and of the Council, of 16 April, by Decision (EU) no. 2015/1814 of the European Parliament and of the Council, of 6 October, by Regulation (EU) no. 2017/2392 of the European Parliament and of the Council, of 13 December and by Directive (EU) no. 2018/410 of the European Parliament and of the Council, of 14 March.

The global amount of emission allowances available at the European Union level was determined by Commission Decision no. 2010/634/EU, of 22 October, subsequently amended by Commission Decision no. 2013/448/EU, of 5 September, amended by Commission Decision no. 2017/126/EU, of 24 January and the methodology for allocation was set by Commission Decision no. 2011/278/EU, of 27 April, later amended by Commission Decisions no. 2011/745/EU, of 11 November (repealed by Commission Decision no. 2014/746/EU, of 27 October 2014), no. 2012/498/EU, of 17 August, and no. 2014/9/EU, of 18 December.

The revised EU ETS Directive (Directive (EU) 2018/410 of the European Parliament and of the Council, of 14 March) entered into force in April 2018 and sets out Phase 4 (2021-2030) of the EU ETS ("**Phase 4**"). Phase 4 has a strong focus on reinforcing the Market Stability Reserve, the mechanism established by the European Union to reduce the surplus of emission allowances in the carbon market and to improve the EU ETS's resilience to future shocks. Between 2019 and 2023, the allowances put in the reserve will double to 24% of the allowances in circulation. The regular rate of 12% will then be restored as of 2024.

This is the first step in delivering on the EU's target to reduce GHG emissions by at least 43% (under the revised system) as part of its contribution to the Paris Agreement.

In November 2018, the European Commission adopted a strategic long-term vision for a climate-neutral Europe by 2050, which does not set targets, but rather invited national parliaments to submit their draft National Climate and Energy Plans by the end of 2018, while the European Union should be able to adopt and submit an ambitious strategy by early 2020 to the UNFPCC as requested under the Paris Agreement (Communication (2018) 773: *A Clean Planet for all*).

Apart from $CO_2$, the major waste products of electricity generation using fossil fuels are sulphur dioxide ("**SO2**"), nitrogen oxide ("**NOx**") and particulate matter, such as dust and ash.

Directive 2010/75/EU of the European Parliament and the Council, of 24 November 2010 ("**IE Directive**") is the main EU instrument regulating pollutant emissions from industrial installations and was entered into force on January 6, 2011 to be transposed by Member States by January 7, 2013. The IE Directive aims to reduce harmful industrial emissions, in particular, through better application of Best Available Techniques ("**BAT**"). Chapter III of the IE Directive on large combustion plants includes certain flexibility instruments (Transitional National Plan, limited lifetime derogation, etc.), namely regarding emission limit values for selected pollutants.

The IE Directive consolidates seven existing Directives and replaces them with a single clear and coherent legislative instrument. The directives that were consolidated include the then-existing Integrated Pollution Prevention and Control ("**IPPC**") Directive, the Large Combustion Plant ("**LCP**") Directive, the Waste Incineration Directive, the Solvents Emissions Directive and three Directives on Titanium Dioxide.

With the revised EU ETS Directive (Directive (EU) 2018/410), some dispositions must be coordinated with Directive 2010/75/EU regarding the integration of a few changes – for instance, Member States shall take the necessary measures to ensure that, where installations carry out activities that are included in Annex I to Directive 2010/75/EU of the European Parliament and of the Council, the conditions and procedure for the issue of a GHG emissions permit are coordinated with those for the issue of a permit provided for in that Directive.

Directive (EU) 2015/2193 of the European Parliament and the Council, of 25 November 2015 ("**MCP Directive**"), was triggered by the EC Clean Air Policy Package, adopted in December 2013, and regulates emissions of SO2, NOx and dust in the air from the combustion of fuels in plants with a rated thermal input equal to or greater than 1 MW and less than 50 MW. The MCP Directive entered into force on December 18, 2015 and had to be transposed by Member States by December 19, 2017. The emission limit values set in the MCP Directive will have to be applied from December 20, 2018 for new plants and by 2025 or 2030 for existing plants, depending on their size.

Regulation (EU) no. 517/2014 of the European Parliament and of the Council, of 16 April, on fluorinated greenhouse gases, aims to achieve the reduction of fluorinated-gases emissions by two-thirds by 2030. This regulation was followed by the allocation of quotas to companies selling hydrofluorocarbons ("**HFCs**") in the EU, with a gradual phase-down until one-fifth of 2014 sales in 2030.

#### 11.1.6 Other EU initiatives

1) **New Gas Directive (The 2020 Gas Package)**

The creation of an integrated gas market is a cornerstone of the EU's project to create an Energy Union. The internal gas market is considered to function well when gas can flow freely between Member States to where it is needed most and at a fair price. A functioning gas market is a prerequisite for enhancing security of gas supply in the EU.

While EU law in general applies in the territorial waters and the exclusive economic zone of EU Member States, Directive 2009/73/EC of the European Parliament and of the Council, of 13 July 2009, concerning common rules for the internal market in natural gas ("**Directive 2009/73/EC**") does not explicitly set out a legal framework for gas pipelines to and from third countries, which was now included in the proposed amendment to this Directive.

The amendment proposal to Directive 2009/73/EC seeks to address the remaining obstacles to the completion of the internal market in natural gas resulting from the non-application of Union market rules to gas pipelines to and from third countries and to ensure that the rules applicable to gas transmission pipelines connecting two or more Member States, are also applicable to pipelines to and from third countries within the Union This will make the EU's legal framework more consistent, enhance transparency and ensure legal certainty for both investors in gas infrastructure and users of the network.

This amendment to the gas directive was proposed by the European Commission in November 2017; on February 12, 2019, an agreement was reached between the European Commission, Council and Parliament for the new Gas Directive, and on May 3, 2019 the Directive (EU) 2019/692 amending Directive 2009/73/EC, concerning common rules for the internal market in natural gas was published in the OJ.

2) **European Commission Mobility Package**

The European Commission's Mobility Package is a collection of 3 initiatives concerning the governance of commercial road transport in the European Union. It represents the biggest change to EU road transport rules, covering many aspects of the industry's activities.

The Mobility Packages were released in three waves: the first wave in May 2017 (*Europe on the Move*), the second in November 2017 (*Clean mobility*) and the third in May 2018 (*Clean, safe and autonomous mobility*).

On February 12, 2019, the European Parliament and the Council reached a provisional agreement on the European Commission's proposal to reform the Clean Vehicles Directive, which is part of the Clean Mobility Package, aiming to help accelerate the transition to low- and zero emission vehicles. Following this provisional agreement, Directive 2019/1161, of 20 June, was published in the OJ on July 12, 2019 and needs to be transposed into national law by August 2, 2021.

### 3) European Climate Law

On March 3, 2020, the European Commission presented a proposal to write into law EU's political commitment to be climate neutral by 2050, stated as aiming to protect the planet and people. At the same time, the European Commission is launching a public consultation on the future European Climate Pact (for a 15-week period). The 2030 Climate Target Plan, which shall be under public consultation until June 23, 2020, proposes a cut in greenhouse gas emissions of at least 50% to 55% for 2030 (when compared to 1990 levels), increasing the current target of -40%, and amending the European Climate Law.

With the European Climate Law, the European Commission proposes a legally binding target of net zero greenhouse gas emissions by 2050. The EU Institutions and the Member States are collectively bound to take the necessary measures at EU and national level to meet the target. The Climate Law includes measures to keep track of progress and adjust actions accordingly, based on existing systems such as the governance process for Member States' National Energy and Climate Plans, regular reports by the European Environment Agency, and the latest scientific evidence on climate change and its impacts. Progress will be reviewed every five years, in line with the global stocktake exercise under the Paris Agreement.

### 4) New Industrial Strategy for a globally competitive, green and digital Europe

On March 10, 2020, the European Commission presents a new Strategy to help Europe's industry lead the twin transitions towards climate neutrality and digital leadership. The Strategy aims to drive Europe's competitiveness and its strategic autonomy at a time of moving geopolitical plates and increasing global competition.

The Industrial Policy package published includes the following initiatives:

- **A new Industrial Strategy:**
  To uphold Europe's industrial leadership, a new Industrial Strategy will help deliver on three key priorities: maintaining European industry's global competitiveness and a level playing field, at home and globally, making Europe climate-neutral by 2050 and shaping Europe's digital future. The Strategy sets out the key drivers of Europe's industrial transformation and proposes a comprehensive set of future actions, including a Clean Hydrogen Alliance to accelerate the decarbonization of industry and maintain industrial leadership, followed by alliances on low-carbon industries and on industrial clouds and platforms and raw materials.

- **A new small and medium-sized enterprises (SMEs) Strategy:**

The Strategy aims to help SMEs to lead the twin transitions, which also means securing access to the right skills.

– **A single market that delivers for our businesses and consumers:**
  Europeans continue to experience barriers that prevent them from fully exploiting the potential of the single market. The European Commission adopt an Action Plan for Better Implementation and Enforcement of single market rules, which aims at addressing obstacles that arise from violations of EU law.

## 11.2. Iberian Peninsula

### 11.2.1 MIBEL overview

Since July 1, 2007, the electricity wholesale market in the Iberian Peninsula has been operated as a single, integrated electricity market for Portugal and Spain within the wider context of the European single electricity market, which is provided for in European Union directives. This integrated market for Portugal and Spain is known as "*Mercado Ibérico de Electricidade"* (MIBEL). The creation of MIBEL required both countries to acknowledge a single market in which all agents have equal rights and obligations and in which all agents must comply with principles of transparency, free competition, objectivity and liquidity.

MIBEL operates with an electricity spot market, which includes daily and intraday markets that are managed by Spanish market operator – Operador del Mercado Ibérico de Energía, Polo Español, S.A. ("**OMIE**") – and an electricity forward market that is managed by the Portuguese market operator – Operador do Mercado Ibérico de Energia – Pólo Português, S.A. ("**OMIP**").

Because the electricity spot market is a single and integrated market, prices are the same for Portugal and Spain, except for a residual number of hours during which there are congestions in the interconnection capacity and therefore a market split occurs.

## 11.3. Portugal

### 11.3.1 Electricity Sector: Regulatory framework

#### 1) Overview

Since 2000, the regulation of the electricity industry in Portugal has been subject to significant changes, such as the unbundling of the transmission network and the liberalization of power generation and supply.

The main features of the current organization of the Portuguese electricity system were first set out in EU Directive 2003/54/EC of the European Parliament and of the Council, of 26 June, concerning common rules for the internal market in electricity ("**Electricity Directive**"), which was transposed into Portuguese national law by Decree-Law no. 29/2006, of 15 February, as amended by Decree-Law no. 172/2006, of 23 August, further modified by Decree-Law no. 76/2019, of 3 June, developed this legal framework and established rules for the activities in the electricity value chain ("**Electricity Framework**").

Following implementation of the Electricity Framework, the former organization of the Portuguese electricity system was replaced by a single market system, and the generation and supply of electricity are now fully open to competition, subject to obtaining the requisite licenses and approvals or simple registration in the case of the liberalized supply. However, the transmission and distribution components of the value chain continue to be regulated activities provided through the award of public concessions.

To further the integration of the European electricity markets, a new legislative package was adopted in 2009 by the European Parliament and European Council, comprising (i) Directive 2009/72/EC of the European Parliament and of the Council, of 13 July, concerning common rules for the internal electricity market and replacing Directive 2003/54/EC ("**Directive 2009/72/EC**"); (ii) Regulation (EC) no. 713/2009 of the European Parliament and of the Council, of 13 July, establishing an Agency for the Cooperation of Energy Regulators; and (iii) Regulation (EC) no. 714/2009 of the European Parliament and of the Council, of 13 July, on conditions for access to the network for cross-border exchanges in electricity. Regulation (EC) no. 713/2009 was last amended by Regulation (EC) no. 347/2013, of 17 April, which also amended Regulation (EC) no. 714/2009 has in the meantime been repealed by Regulation (EU) no. 2019/942 of the European Parliament and of the Council establishing a European Union Agency for the Cooperation of Energy Regulators.

Directive 2009/72/EC was partially transposed into Portuguese national law by Decree-Law no. 78/2011, of 20 June, which amended Decree-Law no. 29/2006, and introduced changes to the Electricity Framework. The main impact is related to a regime of stricter separation between the entities acting in the generation and supply of energy and the transmission and distribution system operators, by attributing new powers to the national energy regulator and reinforcing the protection rights of consumers. In 2012, the sector's framework laws were once more amended in order to complete the implementation of Directive 2009/72/EC. Decree-Laws no. 215-A/2012 and 215-B/2012, of 8 October, were published, introducing new modifications to Decree-Law no. 29/2006 and to Decree-Law no. 172/2006, respectively.

Hence, under the amended Electricity Framework, the Portuguese electricity system is divided into six major activities: generation, storage, transmission, distribution, supply, and the logistic operations for switching between suppliers. Subject to certain exceptions, each of these functions must be operated independently, from a legal, organizational and/or decision-making standpoint.

Decree-Law no. 138/2014, of 15 September, introduced a legal framework to safeguard strategic assets essential to ensure national defense and security and to guarantee the supply of services fundamental to the public interest related to the energy, transport and communications sectors. Under the new legal framework, a change in EDP's control structure involving direct or indirect control by a person or persons from a country that is not a member of the European Union or the European Economic Area may be denied by the Portuguese government under certain circumstances if there are real and serious reasons to believe that national defense and security or the safety of energy supply are at risk.

### 2) The National Strategy for the Energy Sector

The current organization of the Portuguese energy sector is mostly the result of a significant restructuring initiated pursuant to the National Strategy for the Energy Sector first established by Resolution of the Council of Ministers no. 169/2005, of 24 October, later replaced by Resolution of the Council of Ministers no. 29/2010, of 19 March.

Resolution of the Council of Ministers no. 20/2013, of 10 April, replaced the Resolution of the Council of Ministers no. 29/2010, of 19 March, and set two main policy plans for the energy sector, the National Plan of Action for Energy Efficiency 2013-2016 (“**PNAEE 2016**”) and the National Plan of Action for Renewable Energies 2013-2020 (“**PNAER 2020**”). These plans of action establish the means to comply with the international commitments assumed by Portugal in matters of energy efficiency and the use of renewable resources, without losing sight of the need to ensure adequate levels of energy prices, which do not harm the competitiveness of the Portuguese companies or the minimum living standards of the general population. PNAEE 2016 and PNAER 2020 focus primarily on the reduction of the country’s energy dependence, the increase in the generation of electricity from RES and the promotion of energy efficiency and sustainable development, namely by: (i) ensuring the continuance of measures that guarantee the development of an energy model with sustainable energy costs; (ii) ensuring a substantial improvement in the country’s energy efficiency; and (iii) reinforcing the diversification of primary energy sources, while re-evaluating the investments made in renewable technologies and presenting a new remuneration model for more efficient and prominent technologies.

The CEP, that includes a Regulation on the Governance of the Energy Union (Regulation (EU) 2018/1999), calls for each Member State to prepare a National Energy and Climate Plan (“**PNEC 2030**”) for the period 2021-2030, covering all the five dimensions of the Energy Union and taking into account the long-term perspective.

These PNEC are to be comparable throughout the EU should include a description of the national objectives, targets and contributions for each of the dimensions, the policies and measures foreseen to meet them, and an assessment of the estimated impacts.

The Portuguese government delivered to the EC a preliminary PNEC in December 2018, which will replace PNAEE 2016 and PNAER 2020. On January 28, 2019, the Portuguese government presented PNEC 2030, that include ambitious targets, such as setting energy consumption from renewable resources at 47% by 2030, which implies duplicating installed capacity, and a reduction of GHG emissions from 45% to 55%, compared to 2005. On 18 June 2019, the EC published a Communication assessing the 28 draft PNECs as a whole, together with specific recommendations and a detailed “Staff Working Document” for each country, in order to help Member States, finalize their plans by the end of 2019, and to implement them effectively in the years to come. On December 19, 2019, the Council of Ministers approved the final version of PNEC 2030. PNEC 2030 set a 47% target of energy from renewable sources and a reduction of 35% in consumption of primary energy, focusing on the decarbonization of the energy sector, taking into view carbon neutrality in 2050. On December 4, 2018, the Portuguese government presented its Roadmap to Carbon Neutrality (RCN 2050). One of the aims of RCN 2050 is decarbonization and includes ambitious targets such as setting electricity generation from renewable sources at 80% in 2030 and 100% in 2050. Recently, Resolution of the Council of Ministers no. 107/2019, of 1 July, approved RCN 2050, that establishes all the decarbonization vectors and action lines for a carbon neutral society in 2050. The PNEC 2030 was globally approved on December 19, 2019, and finally on May 21, 2020, as announced by the Council of Ministers on the same date. PNEC 2030 was published on the Official Gazette on July 10, 2020.

**(i) Renewable Energy**

Decree-Law no. 39/2013, of 18 March, as amended by Decree-Law no. 68-A/2015, of 30 April, set the national targets for the use of RES in gross final energy consumption and energy consumption in transport by 2020 (31% and 10%, respectively), besides establishing a mechanism for issuing guarantees of origin for the electricity obtained from RES.

The above mentioned PNEC 2030 has set the targets for the use of RES in gross final energy consumption and energy consumption in transport by 2030: 47 % and 20 %, respectively.

**(ii) Emissions**

Decree-Law no. 38/2013, of 15 March, as amended by Decree-Law no. 42-A/2016, of 12 August, transposed the Directive 2009/29/EC and established a new approach for licensing emission allowances with a transitional regime for the allocation of free allowances. This foresees the annual decrease of the percentage of free allocation to a 30 % free allocation in 2020 and aims for its full elimination in 2027.

Ministerial Order no. 3-A/2014, enacted on January 7 and amended by Rectification no. 15/2014, of 6 March, established governance ground rules regarding the allocation of revenues provided by the auctioning of GHG emissions allowances, including the annual plan for the use of those revenues in close link and cooperation with the Environmental Fund "*Fundo Ambiental*" (previously, the Portuguese Carbon Fund), created by Decree Law no. 42-A/2016, of 12 August, namely the amount used to offset the special regime generation overcost.

Decree-Law no. 10/2019, of January 18, amended Decree-Law no. 38/2013, of 15 March and partially transposed Directive (EU) 2018/410 of the European Parliament and of the Council, of 14 March, established new rules regarding the revenues allocation from auctions of GHG emissions allowances. This diploma determines that 60 % of the revenues provided by the auctions of GHG emissions allowances shall be transferred to the National Electricity System in order to offset the special regime generation overcost each year, up to a limit of 100% of that overcost (which also includes the renewable portion of generation through renewable cogeneration plants). With this new methodology, a 60% floor of the revenues generated by the auctions is established, with the possibility that this percentage is higher, depending on the expected revenues and the actual revenues of the auctions. These revenues are deducted to the Global Use of the System Tariff ("**UGS Tariff**") in order to relieve consumers and electricity bills. Decree-Law no. 127/2013, of 30 August, which implemented Directive 2010/75/EU into Portuguese national law, established an industrial emissions regime aiming for integrated prevention and control of pollution, as well as rules to prevent and reduce air, water and soil emissions and waste generation in order to achieve a high level of environmental protection.

Also, in relation to measures enacted to address climate change, Resolution of the Council of Ministers no. 56/2015, of 30 July (as amended by Rectification no. 41/2015, of 17 September), approved the Strategic Framework for Climate Policy, the Climate Change National Program and the National Strategy for Climate Change Adjustment. This Resolution, among other things, also determined that Portugal must reduce its greenhouse gas emissions from 18 % to 23% by 2020 and from 30 % to 40 % by 2030, both calculated on the basis of the 2005 levels. Recently, Resolution of the Council of Ministers no. 107/2019, of 1 July, that approves RCN 2050, established the reduction of GHG emissions to Portugal between 8 % and 90% by 2050 compared to 2005 and offsetting the remaining emissions through land use and forests, to be achieved through an emission reduction path between 45% and 55% by 2030, and between 65% and 75% by 2040, compared to 2005.

In what concerns the emissions of air pollutants other than $CO_2$, Decree-Law no. 39/2018, of 11 June, which transposes the MCP Directive into Portuguese national law, establishes rules to control the emissions of SO2, NOx and dust resulting from the combustion of fuels in medium combustion plants. It also introduces changes on the environmental licensing procedure and the issuing of environmental permits.

Decree-Law no. 84/2018, of 23 October, which transposes Directive (EU) 2016/2284, of the European Parliament and of the Council, of 14 December, on the reduction of national emissions of certain atmospheric pollutants into Portuguese national law, sets national commitments for the reduction of anthropogenic atmospheric emissions of SO2, NOx, non-methane volatile organic compounds, ammonia ($NH_3$) and fine particulate matter (PM2,5), for 2020 and 2030, and requires a national air pollution control program to be drawn up, adopted and implemented.

**(iii) Energy Efficiency**

Decree-Law no. 319/2009, of 3 November, while transposing Directive no. 2006/32/EC of the European Parliament and of the Council, of 5 April, established indicative objectives and the institutional, financial and legal framework necessary to eliminate the current market deficiencies and obstacles that prevent the efficient use of electricity. In addition, it created the conditions for the development and promotion of an energy services market and of other measures to improve energy efficiency. This legislation, applicable, among others, to electricity distributors, suppliers and certain types of consumers, also set out an indicative objective to achieve an energy economy of 9 % by 2016. Such energy economy was to be reached through the use of energy services and through the improvement of energy efficiency. In 2015, Decree-Law no. 319/2009, of 3 November, was revoked by Decree-Law no. 68-A/2015, of 30 April (which transposed into Portuguese law Directive 2012/27/UE, of the European Parliament and of the Council, of 25 October 2012), amended by Rectification no. 30-A/2015, of 26 June, save for certain provisions. The objective to achieve an energy economy of 9 % was rescheduled to be achieved by 2020.

### 11.3.2 The Electricity Value Chain

**1) Electricity Generation**

Electricity generation is subject to licensing and is carried out in a competitive environment. Electricity generation is divided into two regimes: an ordinary regime and a special regime. The special regime covers: (i) the generation of electricity subject to a specific legal framework (namely in what concerns licensing and tariffs), such as electricity generation through cogeneration (renewable or non-renewable) or endogenous resources (e.g. wind, solar, biomass, biogas), small scale generation and generation without network injection; and (ii) the generation of electricity using endogenous resources, either renewable or non-renewable, which is not subject to a specific legal framework and, thus, falls under the general framework applicable to the special regime generation (namely in what concerns licensing and tariffs). All the remaining generation units which fall outside the scope of these criteria are included in the ordinary regime generation.

**(i) Ordinary Regime**

**Overview**

Prior to July 1, 2007, electricity generated by EDP Produção's power plants and other power plants was sold under PPAs to REN (acting as a single buyer), allowing these power plants to achieve a return on assets of 8.5 % in real pre-tax terms. The price of electricity provided for in each PPA consisted of capacity and energy charges, together with other costs associated with the generation of electricity, such as self-generation and operation and maintenance costs. The capacity and energy charges were passed through to the final tariff paid by customers.

The Portuguese government set out the framework for the early termination of the PPAs in laws and decree-laws promulgated in 2004 and 2007, resulting in the approval of the CMEC mechanism. These laws provide for changing the single buyer status of REN and defining compensatory measures concerning stranded costs for the respective contracting parties through the passing on of charges to all electrical energy consumers as permanent components of the UGS Tariff. The market reference price for the calculation of the compensation payable to the generators was set at EUR 50/MWh. The conditions precedent for early termination of the PPAs set forth in the various laws and decree-laws, as well as in the PPA termination agreements entered into between EDP Produção and REN on January 27, 2005, were met in 2007, and the PPAs to which EDP Produção was a party were terminated on July 1, 2007 and replaced with the CMEC mechanism.

The amount of the initial global gross compensation due to EDP Produção as a result of the early termination of the PPAs was set at EUR 833.5 million, to be recovered over a 20-year period, starting from July 2007. The amount of compensation is capped at a maximum set for each generator and was subject to an annual adjustment during the first ten years of the CMEC, along with a final adjustment at the end of the first ten-year period. The purpose of these adjustments is to ensure parity between the revenues expected in a market regime based on the assumptions underlying the initial compensation value and the revenues effectively obtained in the market, thereby protecting generators from market risk during the first ten-year period.

The initial global gross compensation due to EDP Produção is reflected in the electricity tariffs paid by all consumers in Portugal as a separate component of the UGS Tariff, designated as "*Parcela Fixa*" (fixed charge), and recovered by EDP Produção or its assignees. Ministerial Order no. 85-A/2013, of 27 February, set at 4.72 % the interest rate applicable to the "*Parcela Fixa*" between January 1, 2013 and December 31, 2027.

The adjustments to the initial global gross compensation are also reflected in electricity tariffs, and if those adjustments are to EDP Produção's benefit, they shall be due from all consumers in Portugal as a separate component of the UGS Tariff, designated as "*Parcela de Acerto*" (variable charge). Dispatch no. 4694/2014, of 21 February, published on April 1, and Dispatch no. 10840/2016, of 26 August and published on September 5, set out the guidelines of the procedures to be followed in the calculation of the annual adjustment regarding the participation of the CMEC power plants in the ancillary services market.

The final adjustment is meant to be recovered over a ten-year period, starting in 2018, with reference to July 2017. In this regard, the 2017 State Budget Law (Law no. 42/2016, of 28 December) mandated ERSE to carry out a study to determine the amount of the final adjustment of the CMEC mechanism. ERSE submitted its study to the Portuguese government in September 2017, having presented an amount of EUR 154 million, which differs from the sum calculated by the EDP/REN Technical Working Group, which amounted to EUR 256 million. The EDP/REN Technical Working Group calculations result from the strict application of the relevant legal framework, particularly the Decree-Law no. 240/2004, while ERSE's computations are a mere theoretical simulation which jeopardizes the economic neutrality in which the early termination of the PPAs was based upon. EDP was notified on May 3, 2018 of the Portuguese's government's decision, dated April 25, 2018, homologating the amount of the final adjustment of the CMEC mechanism as proposed by ERSE in its study. EDP has on

September 3, 2018 filed a suit with the administrative courts of Lisbon (*Tribunal Administrativo do Círculo de Lisboa*) to challenge the amount of the final adjustment of the CMEC mechanism homologated by the Portuguese government.

On September 27, 2018, EDP informed the market that it was notified by the DGEG (as defined below) of the Secretary of State for Energy's decision, issued on August 29, 2018, regarding alleged overcompensation payments made to EDP in relation to the calculation of the real availability factor of power plants under the CMEC regime due to "innovative" factor having been applied when compared to what was foreseen in the PPA early termination agreements. The Secretary of State for Energy stated such alleged overcompensation payments amounted to EUR 285 million and that a further EUR 72.9 million overcompensation claim for power plants operating on the ancillary services market was under analysis. EDP considers the decision to be unfounded and intends to take the necessary measures to protect its rights and interests, including all legal means available.

On October 4, 2018, the Secretary of State for Energy issued a further dispatch, which was made known to EDP by ERSE on November 12, 2018, declaring the calculation of the annual adjustments to the initial global gross compensation for the early termination of the PPAs null and void concerning only the part where the abovementioned "innovative" factor had been weighed.

EDP considers the dispatches from the Secretary of State for Energy lack technical, economic and legal basis and, on October 8, 2018, submitted an administrative appeal. Concurrently, EDP filed a suit with the administrative courts on February 4, 2019, waiting for a court decision.

In addition, Resolution of the Portuguese Parliament no. 126/2018, of 11 May, created a Parliamentary Inquiry Commission ("**CPI**") to ascertain, within 120 days, whether there are excessive rents in the electricity generation sector, namely in the remuneration of both the ordinary regime (CMEC, PPAs, capacity payments) and the special regime generators, and, if so, establish any responsibility of political officeholders who had influence over the definition of the energy rents. The Resolution of the Portuguese Parliament no. 2/2019, of 8 January, has suspended CPI's works between December 21, 2018 and January 8, 2019 (suspending the abovementioned deadline), and has extended the inquiry for an additional period of 60 days from 17 January 2019. Additionally, the Resolution of the Portuguese Parliament no. 39-A/2019, of 18 March, extended the inquiry for an additional period of 30 days from 18 March 2019, in order to enable further hearings to take place and the drafting of the Final Report. A preliminary version of the Report has been submitted for the analysis of the CPI on April 6, 2019. On May 15, 2019, CPI held its last meeting to discuss and approve its final Report. At that meeting, the CPI globally approved the final Report with votes in favor by the Socialist Party (*Partido Socialista*), Left Block Party (*Bloco de Esquerda*), the Portuguese Communist Party (*Partido Comunista Português*) and Ecological Green Party (*Partido Ecologista "Os Verdes"*) and votes against by the Social Democratic Party (*Partido Social Democrata*) and CDS - Popular Party (*CDS – Partido Popular*). Most of the conclusions and recommendations stated in the preliminary version were kept in the Final Report. On July 3, 2019, the Final Report of CPI was discussed in a Parliament Plenary session. The discussion in the Parliament Plenary formally closes the work that CPI developed for over a year. Although the conclusions and recommendations included in the Final Report are not formally binding, in light of the approved Report the Parliament and/or the Portuguese government may approve legislation or other future measures in relation to the National Electricity System, the potential effects of which on EDP and/or its activities cannot be anticipated at this stage.

In the CPI, the current Secretary of State of Energy underlined that it was his opinion the overcompensation payments in relation to the ancillary services market is not an innovative feature issue but rather a competition issue that is being handled by the Competition Authority.
In September 2013, the EC opened a formal investigation into the extension of the hydro power concessions granted by the Portuguese government to EDP in accordance with Decree-Law no. 226-A/2007, of 31 May, as amended by laws no. 17/2014 of 10 April, no. 12/2018, of 2 March and Decree-Law no. 97/2018, of 27 November. During the formal investigation, the Commission verified that the compensation paid by EDP for the mentioned extension was in line with market conditions. On this basis, the Commission issued a press release on 15 May 2017 stating that it had concluded that the compensation paid by EDP for the extension of the concessions did not involve state aid. As a result, EDP has retained the rights to operate 26 hydro power plants under market conditions (with 4.094 MW of installed capacity), whose average term of operation is until 2047. This decision does not address compliance with other provisions of EU law, such as EU public procurement rules and antitrust rules based on articles 106/102 TFEU. According to the EC's press release of March 7, 2019, the EC considers that the legislation and the practice of Portuguese authorities is contrary to EU law, by allowing for some hydropower concessions to be renewed or extended without the of use tender procedures. For that reason, the EC sent a letter of formal notice to the Portuguese Republic – as well as seven other Member States– on the grounds of an alleged breach of European Union rules on public procurement and concessions, to ensure that public contracts in the hydroelectric power sector are awarded and renewed in conformity with EU law. The eight Member States were given two months to respond to the arguments raised by the Commission.

Dispatch no. 5443/2017, of 6 June, published on June 22, created a working group to determine the rights over the Hydrological Correction Account ("**CCH"**) following the termination of the account as of December 31, 2016, as provided for by Decree-Law no. 110/2010, of October 14. This working group was dissolved pursuant to Dispatch no. 11246/2017, of 13 December, published on December 22. Afterwards, the Secretary of State for Energy created a new working group with the same stated purpose by means of Dispatch no. 2224/2018, of 27 February, published on March 5. This working group presented the Final Report to the Portuguese government at the end of August of 2018, in which it concluded that the charges supported by EDP for this purpose should be unrecoverable.

On May 21, 2019, EDP presented a request to the State Prosecution, Ministry of Finance and Portuguese Treasury and Debt Management Agency (IGCP, E.P.E.), requesting compensation of EUR 546 million, under the terms of paragraph (e) of article 3(2) of Decree-Law no. 453/88, of 13 December (as in force prior to the enactment of Law no. 75-A/2014, of 30 September). This amount corresponds to the impact of error or inaccuracy that could be committed in the evaluations that preceded the various reprivatization stages of EDP, regarding the responsibility arising from the hydrological correction.

Those responsibilities were not effectively considered for the evaluation process of the company (as a liability deductible for the determination of its asset value).
For this reason, and with respect to the conclusion presented in this report, EDP understands that in accordance with paragraph (e) of article 3(2) of Decree-Law no. 453/88, of 13 December, the Portuguese State should assume as an expense the amount of impact of error or inaccuracy in the mentioned evaluations.

In parallel with the process concerning the rights over the CCH, Dispatch no. 2258/2017, of 6 February, published on March 15, created a different working group to study the hydrological impacts in terms of the stability of the wholesale electricity prices. This working group was expected to deliver a Report, to the Portuguese government, by the end of March 2017, with a focus on the review and implementation of the hydrological mechanism, taking into account principles of harmonization within the Iberian Peninsula, chiefly considering the need to implement mechanisms to limit the remuneration of hydroelectric energy. However, no information has ever been made public regarding the presentation of any report concerning this matter.

**Capacity remuneration mechanism**

Ministerial Order no. 41/2017, of 27 January, replaced the former capacity remuneration mechanism, based on a targeted capacity payment scheme, with a market mechanism that remunerates the availability services through a competitive auction, as of January 1, 2017. The power plants that benefit from the CMEC mechanism have been excluded from taking part in the auction. The auction for 2017 was carried out on March 30 and the total bid size (1,766 MW) was awarded to three entities, including the last resort supplier, at a settlement price of EUR4,775 per MW. In compliance with the 2018 State Budget Law (Law no. 114/2017, of 29 December), Ministerial Order no. 93/2018, of 3 April, postponed the auction for 2018 and beyond, awaiting a decision by the EC, that raised concerns about the compatibility of this mechanism with the guidelines on state aid for environmental protection and energy.

Alongside, hydro power plants that are not under a PPA or under the CMEC mechanism, with the exception of power reinforcements without pumping, may benefit from an investment incentive under Ministerial Order no. 251/2012, of 20 August, provided that its generation licenses were granted between the dates of entry into force of Decree-Law no. 264/2007, of 24 July, and of Ministerial Order no. 251/2012, of 20 August, or that such power plants are included in the Portuguese National Program of Dams with a Significant Hydroelectric Potential and the relevant generation license was obtained before December 31, 2013. If granted, the investment incentive shall take effect for a period of ten years, starting from the month following the request for eligibility, in an amount calculated based on the current criteria for national supply coverage set out in Ministerial Order no. 251/2012 and related regulations. The annual reference values of the investment incentive correspond to the amounts set out in the Annex to Ministerial Order no. 251/2012, of 20 August.

**Competition Balance Mechanism (Clawback)**

Decree-Law no. 74/2013, of 4 June, as amended by Decree-Law no. 104/2019, of 9 August, provides for the establishment of a mechanism designed to restore the competitive equilibrium in the wholesale electricity market in Portugal, with an impact on the allocation of costs of general economic interest ("**CIEG**") between participants in the electricity system. Its purpose is to capture the alleged windfall profits reaped by the Portuguese generators caused by higher pool prices following the introduction of taxes on Spanish generators.

This mechanism shall apply to: i) ordinary regime generators, except to the ones operating power plants that are still trading electricity under a PPA that has been executed according to Decree-Law no. 183/95, of 27 July; ii) generators operating hydroelectric power plants with an installed capacity equal or higher than 10 MVA; and iii) generators that do not benefit from a guaranteed remuneration scheme, except the ones under the obligation to pay compensations to the National Electric System in the context of a competitive procedure launched under the terms of article 5-B of Decree-Law no. 172/2006, of 23 August, as well as generators operating power plants with an installed power lower than 5 MW.

Pursuant to the enactment of Decree-Law no. 104/2019, of 9 August, a payment per account is now possible, applied to the electric energy producers which are covered by the competition balance mechanism. The payment per account's value may be established yearly by an order of the member of the government responsible for the energy area.

The same government member shall decide the amounts to be invoiced to the electric energy producers due to the competition balance mechanism, based on the results of a study carried out annually by ERSE, which should take into consideration the effects of capacity remuneration mechanisms and other policies related to security of supply that are in place in other Member States.

Additionally, in terms of tariff repercussions, the prices of tariff terms (unit clawback) to be applied to the electricity injected into the grid (defined annually) may be differentiated by technology/regime of electricity generation.

Decree-Law no. 74/2013, of 4 June, was further complemented with the publication of the Ministerial Order no. 288/2013, of 20 September, amended by Ministerial Order no. 225/2015, of 30 July, which established procedures to study the impact on pool prices of off-market measures and events registered within the European Union and the redistributive effects impacting electricity tariffs. It also established the partitioning of CIEG to be paid by generators in the ordinary regime and other generators that are not included in the guaranteed remuneration regime, and the deduction of these amounts of CIEG to be recovered by the UGS Tariff.

Pursuant to the enactment of Decree-Law no. 104/2019, of 9 August, Ministerial Order no. 288/2013, of 20 September was revoked by Ministerial Order no. 282/2019, of 30 August, which established the procedure for the elaboration of ERSE's study, as well as the mechanism to determine the amount of the payment per account and the compensation due by generators that had unexpected benefits as a result of off-market events.

Dispatch no. 8521/2019, published on 26 September, defined the unit value for 2019 payment on account: EUR2.71/MWh for coal power plants and EUR4.18/MWh for the remaining technologies under Decree-Law no. 104/2019, of 9 August.

Royal Decree-Law no. 15/2018, of October 5, suspended the generation tax (7.0 %) on Spanish electricity generators for a period of six months, from the beginning of October 2018 to the end of March 2019, which corresponded to the suspension of all off-market measures and events verified within the European Union in the context of Decree-Law no. 74/2013.

Following the suspension of such taxes, Law no. 71/2018, of 31 December, which approved the State Budget for 2019, establishes that the Portuguese government shall "*by the end of the first quarter of 2019, review the regulatory mechanism to ensure the fair competition in the wholesale electricity market in Portugal, established under Decree-Law 74/2013 of 4 June, adapting it to the new rules of the Iberian Electricity Market, with the aim of creating coordinated regulatory mechanisms that strengthen competition and protection of consumers*". Following this, the Secretary of State issued Dispatch no. 895/2019, published on January 23, acknowledging the suspension, for a 6-month period from October 1, 2018, of measures with tax impacts over power plants in Spain and thus determining that the unit value of the parameter that reflects the impact of off-market measures and events registered within the European

Union, and which is included in the mathematical formula used to calculate the amount to be paid by generators under the terms of Decree-Law no. 74/2013, is zero.

However, based on the amendments introduced by Decree-Law no. 104/2019, of 9 August and on the provisions of Dispatch no. 8521/2019, of 6 September and published on 26 September, there are three applicable values for 2019 (which are also considered in ERSE's 2020 tariff proposal): i) January 1 –March 31: EUR0/MWh (the mechanism was suspended); ii) 1 April – 26 September: EUR4.75/MWh (as Decree Law no. 104/2019 set the application of unit value defined in 2017); and iii) 27 September – 31 December: EUR4.18/MWh (EUR2.71/MWh for coal power plants), according to Dispatch no. 8521/2019.

The payment on account may be subject to a possible adjustment, following the study to be conducted by ERSE (in 2020) regarding impacts from off-market events.

Dispatch no. 12424-A/2019, published on December 27, 2019, identifies off-market events to be considered in the study prepared by ERSE in 2020 (with reference to 2019). Therefore, the following off-market events are considered: i) Taxation on oil and energy products used in the generation of electricity ("**ISP**"); ii) Extraordinary Contribution to the Energy Sector (CESE); and iii) Electricity Social Tariff.

In 2017, the publication of Dispatch no. 9955/2017, of 31 October, forbade the consideration of the Social Tariff and CESE as national off-market events in evaluating the net competitive advantage of Portuguese generators (as set by Decree-Law no. 74/2013), thus supposedly artificially increasing the amount of net windfall profits to be returned by EDP Produção. Furthermore, Dispatch no. 9371/2017, of 10 October, determined the retroactive refund of the amounts related to the allegedly illegal passing of the Social Tariff and CESE costs to consumers in 2016 and 2017. EDP Produção decided to take legal action against the latter Dispatches.

### (ii) Special Regime

#### Overview

The Portuguese legal provisions applicable to the generation of electricity based on renewable resources are primarily governed by Decree-Law no. 172/2006, of 23 August, amended with the entry into force of Decree-Law no. 215-B/2012, of 8 October, and further modified by Law no. 7-A/2016, of 30 March, Decree-Law no. 38/2017, of 31 March, Decree-Law no. 152-B/2017, of 11 December, Law no. 114/2017, of 29 December and Decree-Law no. 76/2019, of 3 June. Special regime generation is also governed by Decree-Law no. 29/2006, of 15 February, which sets out the principles for the organization and functioning of the Portuguese Electricity System.

Since the enactment of Decree-Law no. 215-B/2012, special regime generation is no longer distinguished from the ordinary regime generation solely because it benefits from specific remuneration schemes under pro-investment policies. Indeed, as laid down in article 33-G of Decree-Law no. 172/2006, as amended by said Decree-Law, the special regime generators are remunerated either through market schemes (general regime) or through guaranteed remuneration schemes.

Decree-Law no. 76/2019, which entered into force on June 4, 2019, has rearranged the systematic organization of Decree-Law no. 172/2006: even though there is still a distinction between special regime generation and ordinary regime generation, the corresponding licensing procedures are no longer separated.

Pursuant to article 55 of Decree-Law no. 172/2006, the supplier of last resort has the obligation of acquiring the special regime generated power that benefits from specific remuneration schemes, which are largely based on a feed-in tariff business model, paying special regime generators a feed-in tariff that depends on their generation technology and the contractual conditions under which their licensing request was submitted.

Conversely, generators that do not benefit from a feed-in tariff must sell the generated energy in the organized electricity markets (along with the provision of balancing services) or through bilateral agreements. To facilitate energy trading by these generators, Decree-Law no. 215-B/2012 foresaw the creation of a Market Facilitator/Aggregator, to be selected under a public tender procedure, to receive and trade the energy of the special regime generators operating under market rules. However, the Market Facilitator/Aggregator is still to be appointed. As such, until the appointment of the Market Facilitator, EDP SU, in its capacity as supplier of last resort, must purchase the electricity generated by special regime generation power plants with an injection power no higher than 1 MW operating under the general regime, if such plants so request, at a price calculated through a mathematical expression set out by Decree-Law no. 76/2019.

article 239 of Law 71/2018, of 31 December, which approves the State Budget for 2019, foresees the approval by the Portuguese government of a special regime of electricity suppliers, who shall act as market aggregators, at a national or local level, which shall be bound to acquire the electricity generated under the special regime under market conditions (i.e. without a feed-in tariff). This activity shall be subject to a license attributed following a public tender.

Furthermore, the referred Decree-Law 215-B/2012 announced the development of a Guarantee of Origin ("**GO**") scheme, to allow an additional payment to the electricity sold by special regime generators, which was later regulated by Decree-Law no. 39/2013, of 18 March, which amended Decree-Law no. 141/2010, of 31 December.

Given the absence of any developments regarding this subject, the Portuguese government committed to take the necessary measures to assure the creation of the manual of procedures by the issuing entity and its approval by DGEG in the 2019 State Budget Law. On October 8, 2019, Dispatch no. 8965/2019 was published. This Dispatch sets the need to both implement a mechanism able to register and issue GOs, and a mechanism to trade those GOs in a secondary market. This Dispatch further establishes that REN should coordinate the platform's interoperability with secondary market operators and should ensure the exchange of information with other operators (namely with any potential operator responsible for GO trades in secondary market). On October 8, 2019, after a public consultation, the procedures manual was approved by REN, in its capacity as Issuing Body for Guarantees of Origin ("**EEGO**"). On February 27, 2020, REN received approval by the competent authorities - *Direção-Geral de Energia e Geologia* ("**DGEG**") and *Entidade Nacional para o Setor Energético* ("**ENSE**") - regarding the documents required to start the GO scheme, namely the EEGO's Procedures Manual. The tariffs applicable to the services provided by the EEGO were published trough the Ministerial Order no. 53/2020, of 28 February.

On May 13, 2020, DGEG released an announcement on the registration of renewable energy generators with the electronic platform (available at https://eego.ren.pt) for the issuance of

GOs. According to such announcement, the following generation units must be registered with EEGO's platform until June 30, 2020:

a) renewable energy power plants;
b) power plants for heating and cooling; and
c) efficient and highly efficient cogeneration power plants.

When applicable, the payment of the feed-in tariff to the abovementioned power plants may be suspended until all GOs have been delivered to DGEG (in the case of renewable energy power plants benefitting from such feed-in tariff) or the supplier of last resort (in respect of other power plants receiving a guaranteed remuneration or component thereof).

**Licenses**

The licensing regime applicable to power plants included in the special regime generation is governed by Decree-Law no. 172/2006, of 23 August, Ministerial Order no. 237/2013, of 24 July, and Ministerial Order no. 243/2013, of 2 August, amended by Rectification no. 38-A/2013, of 1 October, and Ministerial Order no. 133/2015, of 15 May.

Ministerial Order no. 237/2013, of 24 July, establishes the regime for the prior communication procedure regarding the installation of power plants under the special regime, which do not require a generation license and sell energy under general market rules, and Ministerial Order no. 243/2013, of 2 August, establishes the licensing regime for power plants under the special regime that benefit from a guaranteed remuneration scheme. Pursuant to the enactment of Decree-Law no. 76/2019, of 3 June, power plants licensed after its date of entry into force are either subject to the attainment of generation and operation licenses or to a previous registration and to the attainment of an operation certificate, in case of renewable energy projects based on one single generation technology with a maximum installed capacity of 1 MW with the purpose of selling all electricity generated to the grid. Licensing procedures initiated prior to the entry into force of Decree-Law no. 76/2019 without prior grid capacity reservation are suspended until the corresponding generation license is obtained.

The attainment of a generation license depends on the prior reservation of grid capacity, by means of: (i) a permit issued by the relevant system operator; (ii) an agreement entered into by and between the applicant and the relevant system operator, whereby the former undertakes to pay the costs with the grid's construction or reinforcement; or (iii) a permit issued by the relevant system operator under the terms established by the corresponding competitive procedure.

Reservation of grid capacity depends on the provision of a bond by the applicant to guarantee that it obtains the relevant generation license. The amount varies according to the procedure and the reservation title that has been obtained.

After obtaining the grid capacity reservation permit or agreement, the applicant shall initiate the procedure to obtain the corresponding generation license. Neither the grid capacity reservation permit nor the corresponding generation license may be transferred before the relevant operation license has been obtained.

Without prejudice to the guaranteed remuneration foreseen in specific regimes, special regime generation may benefit from a guaranteed remuneration regime, which shall be granted: (i) in the context of a competitive procedure to new power plants; or (ii) to power plants with an installed power up to 1 MW; or (iii) in case of overpowering or to generation units that are installed within a pre-existing power plant and use a different primary energy source.

**Tariffs**

Decree-Law no. 189/88, of 27 May, and the amendments thereto, including Decree-Law no. 313/95, of 24 November, Decree-Law no. 168/99, of 18 May, Decree-Law no. 312/2001, of 10 December, Decree-Law no. 339-C/2001, of 29 December, Decree-Law no. 33-A/2005, of 16 February, Decree-Law no. 225/2007, of 31 May, and Decree-Law no. 35/2013, of 28 February, set out a specific formula for calculating the tariffs to be paid to generators for the electricity generated by power plants using renewable energy (excluding large hydro power plants) that initiated their licensing procedure prior to the entering into force of Decree-Law no. 215-B/2012, of 8 October.

As a consequence of the entry into force of Decree-Law no. 215-B/2012, of 8 October, the licensing of any new renewable energy project (with the exception of large hydro power plants) must be obtained under general market rules or under a tender procedure that grants the right to benefit from a guaranteed remuneration scheme. There is currently no guaranteed remuneration regime applicable to new renewable energy projects licensed under Decree-Law no. 172/2006, of 23 August[13]. However, pursuant to the enactment of Decree-Law no. 76/2019, of 3 June, which amended Decree-Law no. 172/2006, new rules have been approved with regard to the licensing of special regime generation projects under which the Portuguese government approved the launch of tenders to grant grid capacity to projects wishing to benefit from a guaranteed remuneration, as well as to merchant projects.

Pursuant to Ministerial Order no. 69/2017, of 16 February, the last resort supplier is under the obligation to deduct the amounts received by generators that benefited from guaranteed remuneration along with other public incentives destined to promote and develop renewable energy. In order to do so, the former Secretary of State for Energy was supposed to approve a dispatch, on a proposal from the DGEG, identifying the amounts due by each power plant and its respective unit value, which has not yet occurred. For the time being there are no new developments to report, it being unclear what to expect in the foreseeable future.

**Wind farms optional regime**

Wind farms licensed before the entry into force of Decree-Law no. 33-A/2005, of 16 February, are remunerated in accordance with the formula defined in Schedule II of Decree-Law no. 189/88, of 27 May, as amended by Decree-Law no. 339-C/2001, of 29 December.

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([13]) Projects licensed under Ministerial Order no. 202/2015, of 13 July, which establishes the remuneration scheme applicable to offshore windfarms at the experimental or pre-commercial stage, may benefit from a feed-in tariff determined under the terms of such regime, as well as Order no. 12573/2015, of 6 November, and Order no. 11001/2015, of 2 October.
Additionally, biomass projects which were granted either grid connection points in the context of the 2006 public tender procedures or generation licenses prior to the entry into force of Decree-Law no. 5/2011, of 10 January, may benefit from an incentive corresponding to a higher coefficient which is relevant to determine the applicable feed-in tariff under the terms of Decree-Law no. 189/88, of 27 May. These legal regimes apply exclusively to projects which have already been granted rights to initiate construction of the corresponding power plants and that should enter into operation by the end of 2019. In fact, new capacity may only benefit from support measures if licensed under (i) the special and extraordinary legal regime approved by Decree-Law no. 64/2017, of 12 June, as amended by Decree-Law no. 120/2019, of 22 August, which establishes the terms under which municipalities, intermunicipal communities or municipal associations may install and operate new biomass power plants, (ii) the cogeneration legal regime, approved by Decree-Law no. 23/2010, of 25 March, as amended, and (iii) the small scale generation regime, approved by Decree-Law no. 153/2014, of 20 October, as amended.

With the publication of Decree-Law no. 35/2013, of 28 February, a new remuneration regime came into force for wind farms licensed before the entry into force of Decree-Law no. 215-B/2012, of 8 October (i.e. November 7, 2012). Consequently:

- wind farms that were already in operation as of 17 February 2005, sell their electricity at a set tariff, that decreases with the cumulative number of operating hours, for a period of 15 years starting from the entry into force of Decree-Law no. 33-A/2005;
- wind farms, for which the licensing procedures fall under the transitory regime approved by article 4 of Decree-Law no. 33-A/2005, sell their electricity at a set price, dependent on their generation profile, for a period of 15 years starting from the date the operation license was granted;
- wind farms for which the licensing procedures began after 17 February 2005 and which do not fall under the transitory regime approved by Decree-Law no. 33-A/2005 sell up to 33 GWh per MW of installed capacity at a price based on a formula set out in Decree-Law no. 33-A/2005, for a maximum period of 15 years starting from the date the operation license is granted. After this 15-year period has elapsed or, if earlier, when the 33 GWh per MW of installed capacity limit is reached, the electricity produced is sold at the prevailing market price, in addition of the price received for the sale of Green Certificates, if applicable.

Furthermore, the publication of Decree-Law no. 35/2013, of 28 February, establishes an alternative remuneration regime, which allows generators to reduce their exposure to market risk, once the period of the initial remuneration regime has expired, by paying an annual compensation to the National Electricity System.

EDP Renováveis chose to pay EUR5,800 per MW of installed capacity between 2013 and 2020, to benefit from the alternative remuneration regime, which consists of selling all electricity generated at a set price, corresponding to the average market price of the previous twelve months, subject to a floor of EUR74/MWh and a cap of EUR98/MWh, for a period of seven years upon the conclusion of the initial 15-year term.

On April 7, 2015, Ministerial Order no. 102/2015 was published, which established the procedures for the placement of additional energy and for the repowering of wind farms (i.e., increasing the number of wind turbines in existing wind farms) on the terms established by Decree-Law 94/2014, of 24 June. The main measures introduced by this legislation were: (i) the energy produced by repowering wind farms is remunerated at a fixed rate of EUR60/MW; (ii) the energy corresponding to the difference between installed capacity and the injected energy in the network is remunerated at 60EUR/MW; and (iii) the repowering of wind farms is recognized as an independent generator, Ministerial Order no. 102/2015 has been amended by Ministerial Order no. 246/2018, of 3 September, which establishes that DGEG must always consult with ERSE prior to authorizing a repowering of wind farms to consider the impact on the public interest and on consumer interests. In addition, Dispatch no. 7087/2017, of 1 August, established that, in the context of a repowering authorization procedure, DGEG must consult with ERSE on the impacts of the repowering's feed-in tariff on the National Electricity System. This consultation was later included on Ministerial Order no. 102/2015, of 7 April through the enactment of Ministerial Order no. 246/2018, of 3 September, later amended by Ministerial Order no. 43/2019, of 31 January.

Nevertheless, Ministerial Order no. 43/2019, of 31 January, has further determined that ERSE's consultation shall be dismissed if the applicant explicitly accepts that the feed-in tariff applicable to the energy generated in connection with the wind farm repowering is

EUR45/MWh (instead of EUR60/MWH, as established by Decree-Law no. 94/2014, of 24 June), which, in accordance with ERSE’s study, is likely to avoid the adverse impacts of such feed-in tariff to the public and the consumer’s interests. In this case, this tariff is awarded for a period of 15 years, after which the energy remuneration is carried out in accordance with the general regime and cannot be included in the additional period and respective remuneration regime foreseen in the Decree-Law no. 35/2013.

**Small Hydro Plants**

Decree-Law no. 35/2013, of 28 February, has shortened the duration of the remuneration regime applicable to PCH benefiting from the remuneration conditions established by Decree-Law 33-A/2005, of 16 February, from the expiration date on their water use license (of 35 years on average) to, if earlier, 25 years since the date they were attributed their operation license, after which date the electricity produced by these plants will be sold at market prices.

**Self-consumption and small-scale generation**

Decree-Law no. 153/2014, of 20 October, further regulated by Ministerial Orders nos. 14/2015 and 15/2015, of 23 January, and Ministerial Order no. 60-E/2015, of 2 March, defines the legal regimes concerning generation for self-consumption and small-scale generation activities.

Ministerial Order no. 15/2015, of 23 January, set the reference tariff to be applied in 2015 to the electricity produced by small scale generation to EUR95/MWh and determined the percentages to be applied to the reference tariff, according to the energy source used by those generators: 100 % for PVs, 90 % for biomass and biogas, 70 % for wind farm and 60 % for small hydro. By enacting Ministerial Order no. 115/2019, of 15 April, the Secretary of State for Energy decided to extend these tariffs to 2019, as in the previous years.

Decree-Law no. 76/2019, of 3 June, repealed the provisions of Decree-Law no. 153/2014, of 20 October. Decree-Law no. 76/2019, of 3 June, repealed the provisions of Decree-Law no. 153/2014, of 20 October, in what concerns renewable small-scale generation units where the grid connection capacity is equal to or less than 250 kV and which output is to be entirely delivered to the grid.

As such, the licensing of new renewable energy projects based on one single generation technology with a maximum installed capacity of 1 MW with the purpose of selling all electricity generated to the grid shall now be governed by the latter and are subject to a previous registration and to the attainment of an operation certificate. The remuneration scheme is identical to the one established on Decree-Law no. 153/2014, i.e., it is based on a competitive bidding where applicants offer discounts to the reference tariff established by the Portuguese government. Applicants may also choose to sell electricity under a market regime.

Dispatch no. 41/2019, of 9 October, approved by the DGEG, as amended by Dispatches no. 43/2019, of 23 October, and no. 6/DG/2020, of 17 February, establishes rules for the registration of small-scale generation units.

On 25 October 2019, Decree-Law no. 162/2019 was published, establishing the new legal framework for self-consumption through renewable energy generation units (“**UPAC**”), by individual or collective consumers and by renewable energy communities (“**CER**”). This Decree-Law has revoked Decree-Law no. 153/2014, of 20 October (even though it shall continue to apply to non-renewable energy UPAC that have been licensed under the terms of

Decree-Law no. 153/2014 and to PPAs that have been entered into by consumers operative renewable UPAC and the last resort supplier, EDP SU) and partially transposed Directive (EU) 2018/2001. Decree-Law no. 162/2019 implements two phases:

- on January 1, 2020, for individual self-consumption and collective self-consumption or CER projects, with smart metering systems and that have been installed at the same voltage level; and
- on January 1, 2021, for other self-consumption projects.

DGEG Dispatch no. 46/2019, of 30 December, defined the rules for the operation of the online platform regarding individual self-consumption, collective self-consumption and CER.

Furthermore, on 20 December 2019, ERSE launched a public consultation process for the regulation of the self-consumption regime for projects with smart metering systems and which have been installed at the same voltage level. This public consultation shall be open for contributions until February 4, 2020.

Additional regulation is therefore expected to be approved until December 31, 2020.

**Cogeneration**

Decree-Law no. 23/2010, of 25 March, as amended by Law no. 19/2010, of 23 August, Decree-Law no. 68-A/2015, of 30 April (the latter amended by the Rectification no. 30-A/2015, of 26 June) and by Law no. 71/2018 of 31 December, establishes the legal framework applicable to the generation of electricity through cogeneration.

As significant amendments were made to the cogeneration legal regime, the terms of the applicable remuneration schemes depend on the time the licensing procedure was carried out. For cogeneration power plants operating at the time of its entry into force, Decree-Law no. 23/2010, as amended by Law no. 19/2010, of 23 August, established a transitory regime, allowing for generators with an operation license to choose between the previous remuneration scheme (for a maximum period of 15 years from the beginning of the operation license or, if earlier, 10 years after the entry into force of Decree-Law no. 23/2010) and the remuneration scheme approved by said decree-law.

The terms for the calculation of the reference tariff and the efficiency, renewable and market participation premiums, as well as the provisions regarding the transition into the remuneration scheme approved by Decree-Law no. 23/2010, of 25 March, were enacted by Ministerial Order no. 140/2012, of 14 May, as amended by Rectification no. 35/2012, of 11 July, and Ministerial Order no. 325-A/2012, of 16 October.

The amendments introduced by Decree-Law no. 68-A/2015, of 30 April, set out a more expeditious regime for obtaining a license for generation of electricity through cogeneration, a new way of calculating the reference tariff payable to cogenerators, as well as new rules on the transitory remuneration scheme.

The remuneration mechanism is currently based on two methods subject to the choice of the cogeneration generator: a general regime where the compensation is either defined by market value or, if the injection capacity is less than or equal to 20 MW and the energy is self-consumed, a feed-in tariff based on market value and paid by the last resort supplier; and a special regime that is only available for generators with an injection capacity lower than or equal to 20 MW, defined by a temporary reference tariff plus an efficiency premium and a renewable premium, if applicable. The values of the reference tariffs are defined quarterly by DGEG.

**Solar**

The country's potential for solar energy is substantial and far from fully realized. However, Portugal has recently witnessed a significant increase in capacity-licensing requests for utility-scale solar energy projects running under general market rules, which has resulted in a shortage of grid capacity. This shortage resulted in the establishment of new rules to obtain a generation license when the requested capacity exceeds the grid capacity (Ministerial Order no. 62/2018, of 2 March). These rules were revoked by Decree-Law no. 76/2019, of 3 June, which, conversely, approved new rules for dealing with the mentioned scarcity and granting licenses for electricity generation projects. The approval of Decree-Law no 76/2019, paves the way for PV Auction implementation announced by the Portuguese Energy Secretary of State.

On June 6, 2019, Dispatch no. 5532-B/2019 established the auction for 1.400MW of PV and approved the legal pieces with further details on this Simultaneous Ascending Auction. The auction will be managed by OMIP and potential candidates had until July 7 to show their interest and submit all the requested documents, to a prior assessment of qualification to further participation in the bidding process. The platform will compare all the bids (either for a fixed tariff of merchant) on NPV basis, with differentiation of discount rates between the two remuneration types. This auction applies to 24 injection nodes on the grid, and the conditions are valid for a period of 15 years. The maximum price allowed is EUR45/MWh and this figure is expected to come down with competition. The final results of the solar auction were announced by DGEG on 7 August 2019 and EDP was not directly awarded any of the 24 tendered allotments. In one of the allotments (no. 12), a solar project at Ribatejo, EDP (through EDP Renováveis) was the only bidder and, according to the rules regarding the minimum number of auction participants, this allotment was consequently not awarded at the price EDP bid. The DGEG, has however accepted EDP Renováveis' revised proposal for interconnection capacity to develop the project for allotment no.12, with an installed capacity of 142 MW with a tariff of EUR20,89/MWh (which is the weighted average price resulting from the auction). With this new contract, EDP has approximately 750 MW of contracted solar capacity to be built until 2022, across Portugal, the United States and Brazil.

The tender for the 2020 solar auction (including the possibility of storage options) in Portugal was launched on May 29, 2020 for the attribution of 700MW of injection capacity distributed among various lots. The qualification phase shall take place between June 8, 2020 and July 31, 2020, following which the auction will take place on the date determined by OMIP.

**2) Electricity Transmission**

Electricity transmission is carried out through the national transmission network, under an exclusive concession granted by the Portuguese government for a 50-year period. The concession for electricity transmission was awarded to REN until 2057, under article 69 of Decree-Law no. 29/2006, of 15 February, following the concession already granted to REN under article 64 of Decree-Law no. 182/95, of 27 July, as amended and republished by Decree-Law no. 56/97, of 14 March.

The activities of the transmission system operator (or the concessionaire for the electricity transmission network) must be independent, both legally and organizationally, from other activities in the electricity sector. On 9 September 2014, ERSE issued a decision certifying that REN complies with the relevant legal requirements to be considered a full ownership unbundling transmission system operator, subject to the conditions set out therein.

### 3) Electricity Distribution

Electricity distribution is carried out through the national distribution network, consisting of a medium and high voltage network, and through the low voltage distribution networks.

Currently, the national medium and high voltage distribution network is operated under an exclusive concession granted by the Portuguese State for a 35-year period. This concession was awarded to EDP's subsidiary, EDP Distribuição, pursuant to article 70 of Decree-Law no. 29/2006, of 15 February, after converting the license held by EDP Distribuição under the former regime into a concession agreement, signed on February 25, 2009. The terms of the concession are set forth in Decree-Law no. 172/2006, of 23 August.

The low voltage distribution networks are operated under concession agreements granted by the municipalities. Most of the low voltage distribution networks are handled by EDP Distribuição, alongside some local concessionaires with less than 100,000 clients.

Although the existing municipal concession agreements were maintained pursuant to Decree-Law no. 172/2006, of 23 August, the new concessions must be awarded after a competitive procedure to be implemented by the relevant municipalities. To this end, Law no. 31/2017, of 31 May, established the principles and general rules of the upcoming public tenders. Accordingly, regardless of the end date of the prevailing concession agreements, the public tender procedures were due to take place simultaneously in 2019, covering all the municipalities that choose not to carry out the distribution activity directly. Pursuant to Law no. 31/2017, the concession agreements which terminated prior to 2019 (which is the case for the agreements with the municipalities of Lisbon, set to have ended in 2017, and São João da Madeira, set to have ended in 2016, both of which continue to be operated by EDP Distribuição up to this date) must be extended by the relevant municipalities that choose not to carry out the activity directly until the new concessions enter into force. In order to ensure the launch of the public tender procedures in early 2019, the Council of Ministers issued Resolution no. 5/2018, of 11 January, approving the program of preparatory studies and actions to be carried out by ERSE in coordination with DGEG and the National Association of Portuguese Municipalities ("**ANMP**"), which is currently underway. It is worth noting that 259 of a total of 278 municipalities will expire until 2022. The remainder will expire until 2026. The concessions of Lisbon and São João da Madeira, as well as any other concessions expiring, shall be renewed annually until the formal competitive procedure is formally established.

Pursuant to such Resolution, ERSE has proposed on 22 January 2019 that the municipalities shall be grouped in three areas (north, center and south) and that the public tender procedures shall be launched jointly by the municipalities located in such geographical areas.

By law, the entities carrying out the low voltage distribution which supply more than 100,000 customers and which are vertically integrated must be independent from other activities unrelated to the distribution activity, from a legal, organizational and decision-making standpoint. In turn, the operators of low voltage distribution networks who supply less than 100,000 customers are only obliged to have separate accounts and are not subject to a full ownership or legal unbundling obligation.

Under the Electricity Framework, the distribution system operator must prepare a network development and investment plan to be submitted to DGEG and subject to a public consultation and an opinion from ERSE, before discussion by the Portuguese Parliament and approval by the member of the Portuguese government responsible for energy issues.

The prices that EDP Distribuição charges for access to the distribution networks are subject to extensive regulation by ERSE. The access tariffs set by ERSE are paid by all consumers, whether in the regulated or the liberalized market. The allowed revenues of EDP Distribuição for the 2018-2020 regulatory period are set as follows: (i) concerning the low voltage network, a price cap mechanism, with an efficiency factor of 2.0 % is applied to the total expenditure; (ii) regarding the high and medium voltage network, the Capital Expenditures is remunerated through the application of a rate of return to the net regulated asset base and the OPEX are subject to a price-cap mechanism, with an efficiency factor of 2.0 % The regulated asset base is remunerated by a 5.75 % reference rate of return, indexed to the evolution of the yield of 10-year Portuguese Treasury bonds between October of year "t-1" and September of year "t". This mechanism sets a floor and a cap of 4.75 % and 9.75 %, respectively.

**4) Electricity Supply**

Electricity supply is open to competition, subject only to a registration regime. Suppliers may freely buy and sell electricity. For this purpose, they have the right to access the national transmission and distribution networks upon payment of access tariffs set by ERSE. EDP operates as a supplier in the liberalized market, through its subsidiary EDP Comercial – Comercialização de Energia, S.A..

Electricity suppliers must comply with certain public service obligations to ensure the quality and continuity of supply, as well as consumer protection with respect to prices, access tariffs and access to information in simple and understandable terms.

In addition to the information requirements established on ERSE's regulation, Law no. 5/2019, of 11 January, further determines that the invoices issued by electricity suppliers must contain all elements necessary to a complete and accessible understanding of the total and disaggregated amounts, in particular the estimated and actual consumption, energy tariffs, grid access tariffs, supply tariffs, social tariffs (when applicable), primary energy, payment deadlines and methods and consequences of failure to pay the charged amounts. Suppliers shall also provide annual information to all customers, until June 30 of each year, regarding, in particular, the tariffs and prices to be applied that year, $CO_2$ emissions and political, sustainability and energy efficiency measures proposed by ERSE and the DGEG.

Failure to comply with the obligations set out on Law no. 5/2019, of 11 January, may be considered an administrative offence by the National Entity for the Energy Sector ("*Entidade Nacional para o Setor Energético, E. P. E.*"), which will be supervising compliance with this legal regime on a transitional basis, until the creation of a new supervisory entity for the energy sector.

Decree-Law no. 60/2019, of 13 May, established a reduced VAT rate (6%) regarding the fixed component of the third-party access from electricity supply (for natural gas, please see natural gas supply), maintaining the remaining invoice at the normal VAT rate (23%).

This is applicable to the electricity supply (contracted capacity =< 3,45 kVA) and entered into force on July 1, 2019.

As required by the Electricity Directive, the Electricity Framework establishes a last resort supplier, licensed by DGEG, subject to universal service obligations and regulation by ERSE. Besides supplying electricity to customers who have not yet switched to the liberalized market, the last resort supplier is responsible for the purchase of the special regime generation that benefits from a guaranteed remuneration scheme (feed-in tariff). This energy is sold by the last resort supplier in organized markets or at energy auctions promoted and organized by ERSE. The last resort supplier is entitled to recoup the overcosts with the acquisition of the special regime generation relative to the revenues obtained from its sale in the market.

Pursuant to amendments introduced by Decree-Law no. 264/2007, of 24 July, the last resort supplier is also further required to buy energy through market mechanisms, namely auctions, with conditions defined by the Portuguese government. The purchases are recognized for the purpose of regulated costs whenever they reach maturity. The last resort supplier must manage the different forms of contracts in order to acquire energy at the lowest cost. All unneeded surplus electricity acquired by the last resort supplier is resold on the organized market.

Since January 1, 2007, the role of last resort supplier has been carried out by: (i) an independent entity, from an organizational and legal standpoint, EDP SU, which was created by EDP's subsidiary, EDP Distribuição; and (ii) some local low voltage distribution concessionaires with less than 100,000 clients.

The prices that EDP SU charges for the electricity supplied to the customers remaining in the regulated market are uniform throughout mainland Portugal and subject to extensive regulation.

Revenues for last resort suppliers comprise different components according to the regulated activity: (i) the costs with the purchase and sale of energy and the access to the networks are fully recouped and recognized in the regulated cost base; and (ii) regarding the commercialization activity, OPEX is subject to a price-cap mechanism, with an efficiency factor of 1.5 % concerning the current regulatory period.

**Logistics for Switching Suppliers**

The ability to switch to the liberalized market was opened to all electricity consumers as of September 2006. Since then, electricity consumers are free to choose their electricity supplier and are exempt from any payment when switching suppliers. Switching suppliers should not take more than three weeks, and there is no limitation on the number of switches any customer can make.

Decree-Law no. 172/2006, of 23 August, introduced a new legal entity, the logistic operator for switching suppliers ("**OLMC**"), regulated by ERSE, responsible for overseeing the logistical operations that facilitate consumer switching. While waiting for the creation of a switching operator, ERSE determined that, in the meantime, EDP Distribuição, the operator of the medium and high voltage distribution network, should take on that role.

In 2017, Decree-Law no. 38/2017, of 31 March, established the legal regime applicable to the OLMC for electricity and natural gas, attributing this function to *Agência para a Energia* ("**ADENE**"), the national agency for energy.

**Phasing out of end-user regulated tariffs**

The phasing out of end-user regulated tariffs began in 2011, pursuant to Decree-Law no. 104/2010, of 29 September, which approved the termination of the end-user regulated tariff for clients other than normal low voltage (comprising the very high, high, medium and special low voltage levels) as of January 1, 2011 and their replacement by a transitory end-user regulated tariff, set by ERSE. In turn, Resolution of the Council of Ministers no. 34/2011, of 1 August, approved the timetable for the termination of the end-user regulated tariff and the introduction of a transitory end-user regulated tariff for normal low voltage electricity consumers as follows: (i) July 1, 2012 for consumers with contracted power equal or greater than 10.35 kVA; and (ii) January 1, 2013 for consumers with contracted power lower than 10.35 kVA.

By law, the last resort supplier must continue to supply electricity consumers that have yet to migrate to the liberalized market. To encourage customers to switch to the liberalized market, Decree-Law no. 75/2012, of 26 March, approved the application of an aggravating factor to the transitory end-user regulated tariffs set by ERSE.

The termination of the transitory end-user regulated tariffs was initially scheduled to occur on: (i) 31 December 2011 for all segments other than normal low voltage; (ii) 31 December 2014 for normal low voltage customers with contracted power equal or greater than 10.35 kVA; and (iii) 31 December of 2015 for the remainder. However, these deadlines have been continuously postponed, except for the very high voltage level, which ended in 2013. Following the enactment of Ministerial Order no. 83/2020, of 1 April, the phasing out of the remaining transitory end-user regulated tariffs is now scheduled to be completed as follows:

- normal low voltage electricity supply: December 31, 2025;
- medium voltage electricity supply: December 31, 2021;
- special low voltage electricity supply: December 31, 2022.

In addition, Decree-Law no. 75/2012, of 26 March, as amended by Law no. 105/2017, of 30 August, determined that the normal low voltage consumers that have already switched to the liberalized market may choose pricing conditions comparable to the end-user regulated tariffs and, ultimately, return to the last resort supplier when the relevant supplier does not offer such pricing conditions, under the terms established in Ministerial Order no. 348/2017, of 14 November. Moreover, Law no. 105/2017 provides for the elimination of the aggravating factor established by Decree-Law no. 75/2012, of 26 March.

**Electricity Tariffs**

According to ERSE statutes, approved by Decree-Law no. 97/2002, of 12 April, as amended by Decree-Law no. 212/2012, of 25 September, by Decree-Law no. 84/2013, of 25 June, by Decree-Law no. 57-A/2018, of 13 July and by Decree-Law no. 76/2019 of 3 June, ERSE is responsible for the establishment and for the approval of tariffs and regulated prices applicable in Portugal, under the Tariff Code of the electricity sector. The tariffs and prices for electricity and other services in 2019 were approved by ERSE's document "*Tarifas e Preços para a Energia Elétrica e outros Serviços em 2019*", published in December 2018 and available at www.erse.pt, and by ERSE's Directive no. 5/2019, of 17 December 2018, published in the Portuguese official gazette on January 18, 2019.

The tariffs and prices for electric energy in 2020 were approved by ERSE's Directive no. 12/2019, of 16 December, published in the Portuguese official gazette as Directive no. 3/2020 on February 17, and is available at www.erse.pt. This document assumes a 0.4 % average decrease for normal low voltage electricity tariffs.

**Costs deferral**

The regulatory period from 2006 to 2008 brought little change in the method of tariff calculation. However, in 2006 and 2007, a "tariff deficit" was generated, which meant that the end-user tariffs charged by the last resort supplier (EDP Distribuição in 2006 and EDP SU in 2007) were not covering all the costs of the system, generating a loss for the last resort supplier and for the transmission system operator, REN. This deficit resulted from two different decree-laws: (i) Decree-Law no. 187/95, of 27 July, amended by Decree-Law no. 157/96, of 31 August, and Decree-Law no. 44/97, of 20 February, which prevented the low voltage tariffs from rising above the expected rate of inflation in 2006; and (ii) Decree-Law no. 237-B/2006, of 18 December, which limited the rise in tariffs for residential customers (normal low voltage) in 2007 to a maximum of 6 %. These deficits were fully recovered in ten years, beginning in 2008, through annual rises in the access tariffs.

When ERSE set the tariffs for 2009, another, and significantly larger, tariff deficit was generated, mainly due to the increase in electricity prices in the wholesale market. Given the need to regulate the creation of these deficits and to clarify how they could be recovered, Decree-Law no. 165/2008, of 21 August, defined the rules applicable to: (i) tariff adjustments resulting from the electric energy acquired by the last resort supplier in exceptional cost situations; and (ii) the tariff repercussion of certain costs related to energy, sustainability and general economic interest policy measures. Namely, this decree-law stated that every tariff deficit generated thereon, on such conditions, should be recovered over a maximum period of 15 years. In the case of the tariff deficit of 2009, an instalment worth 1/15 of the total deficit plus the corresponding interest has been added to the tariffs each year, beginning in 2010.

In 2012, to prevent an increase in electricity tariffs, the Portuguese government deferred the CMEC annual adjustments of 2010, according to Decree-Law no. 109/2011, of 18 November. Another deferral was enacted pursuant to Decree-Law no. 256/2012, of 29 November, applying to the CMEC and PPA annual adjustments of 2011, earning interests at an annual rate of 5 % and 4 %, respectively, as set by Ministerial Order no. 145/2013, of 9 April.

Decree-Law no. 32/2014, of 28 February, deferred the CMEC annual adjustment of 2012 in the electricity tariffs for 2014, to be recovered in equal parts in the allowed revenues of the distribution network operator for 2017 and 2018. The Decree-Law also determined the payment of a compensation for this deferral, according to a remuneration rate computed pursuant to Ministerial Order no. 500/2014, of 26 June, applied to the parameters being established by Dispatch no. 9480/2014, of 22 July, resulting in an annual interest rate of 5%.

In 2011, a change in Decree-Law no. 29/2006, of 15 February, was established by Decree-Law no. 78/2011, of 20 June, and further amended by Decree-Law no. 75/2012, of 26 March, by Decree-Law no. 112/2012, of 23 May, by Decree-Law no. 215 A/2012, of 8 October, by Decree-Law no. 178/2015, of 27 August, and Law no. 42/2016, of 28 December, in order to allow for the deferral of overcosts with the acquisition of electricity under the special regime generation over a period of five years, mandatory for the 2012 overcosts and optional for the overcosts up until 2020. Accordingly, since 2012, ERSE has been deferring for a 5-year period the recovery of the special regime generation overcosts expected for each year. Ministerial Order no. 279/2011, of 17 October, further regulated by Ministerial Order no. 146/2013, of 11 April and Ministerial Order no. 262-A/2016, of 10 October, set the methodology to calculate the rate of return applicable to the deferral of the recovery of the overcosts with the acquisition of special regime generation. The final value of the rate of return depends on parameters defined annually in supplementary legislation. The parameters for 2020 were set by Dispatch no. 11585-A/2019, of 6 December, and considered by ERSE in the tariffs for 2020.

**Social tariffs**

The electricity social tariff was established by Decree-Law no. 138-A/2010, of 28 December, as amended by Decree-Law no. 172/2014, of 14 November, and Law no. 7-A/2016, of 30 March, corresponding to a 20.0 % discount applied to the low voltage access tariff, borne by the electricity generators in the ordinary regime.

Decree-Law no. 102/2011, of 30 September, as amended by Decree-Law no. 172/2014, of 14 November, regulated by Ministerial Orders no. 275-A/2011 and no. 275-B/2011, of 30 September, introduced an additional support mechanism, by establishing the extraordinary social support to the energy consumer ("**ASECE**"), corresponding to a 13.8 % discount applied to the electricity bill before taxes, born by the Portuguese taxpayers.

The 2016 State Budget Law (Law no. 7-A/2016, of 30 March) introduced important changes in the support mechanisms addressing energy poverty, creating a unique and automatic model to assign social tariffs to economically vulnerable customers. Concurrently, it revoked Decree-Law no. 102/2011, of 30 September, determining the incorporation of ASECE into the social tariff discount, thereby increasing the amount financed by the ordinary regime generation.

The rate of discount of the social tariff is established annually by Dispatch of the member of the Portuguese government responsible for energy affairs. Accordingly, for 2020, Dispatch no. 8900/2019, published on 7 October, keeps the discount unchanged at a rate equivalent to 33.8 % of the electricity bill before taxes.

**Collateral management in the Electricity Power System**

On November 29, 2019, ERSE launched a public consultation regarding the Regulation proposal for the electricity power system's collateral management. The new guarantee structure now includes two components: an individual one and a solidary guarantee, which may cover both own responsibilities and the responsibilities of the agents in the system, respectively. This new regime attributes to OMIP S.A. the responsibility to perform the integrated management of collateral between agents. On February 14, 2020, was published in the Portuguese official gazette ERSE's Directive no. 2-A/2020, that approves the electricity power system's collateral management regime.

**Electric Mobility**

On November 4, 2019, Regulation no. 854/2019 (Electric Mobility Regulation) was published and revoked the previous regulation (in force since December 2015). This regulation defines how the charging stations network should be managed and delineates the roles of the key players involved in the operation of the mobility network.

Under the current legal model there is a regulated entity, Mobi.E, to which every charging station integrated in the public network must be connected. In the majority of the European countries, there are several roaming hubs that ensure the interoperability between different charging stations' operators, allowing users to charge their electric vehicle in every charging station, either in or outside their country. The Portuguese regulation ensures that any electrical vehicle user ("**EVU**") is allowed to use any charging station (at national level), though it does not consider ad hoc charging and it imposes a regulated roaming entity.

The network tariff structure applied to electric mobility is fully variable (EUR/kWh), though it reflects some costs related with contracted capacity (kW). In addition, for those private charging stations which decide not to integrate the electric mobility network under a contract with Mobi.E, there may still be the necessity to contract additional capacity.

On December 27, 2019, a public tender was launched through Procedure Notice no. 14283/2019 for the concession of the operation of electric mobility charging stations.

ERSE Directive no. 8/2020, of 28 April, was published on May 28, 2020 in the Portuguese Official Gazette, approving the general terms of the agreement to be entered into to adhere to the electric mobility network.

**Extraordinary Contribution to the Energy Sector**

The 2014 State Budget Law (Law no. 83-C/2013, of 31 December, as amended by Law no. 33/2015, of 27 April) introduced an extraordinary contribution applicable to the energy sector (CESE), with the stated purpose of funding mechanisms that promote the energy sector systemic sustainability, through the establishment of a fund – the Systemic Sustainability Fund for the Energy Sector – intended to finance social and environmental policies (two-thirds of CESE revenue) and to contribute to the reduction of the tariff debt of the National Electricity System (one-third of CESE revenue). CESE corresponds to a tax on the net assets of the energy operators that develop the following activities: (i) generation, transport or distribution of electricity; (ii) transport, distribution, storage or wholesale supply of natural gas; and (iii) refining, treatment, storage, transport, distribution and wholesale supply of crude oil and oil products.

Pursuant to Law no. 71/2018, of 31 December, which approved the State Budget for 2019, CESE shall now also be levied on generators operating renewable energy power plants that have been licensed under the guaranteed remuneration scheme, i.e., selling electricity to the last resort supplier against payment of a legally or contractually determined feed-in tariff. These generators were, to this date, exempted from paying CESE. CESE initially emerged as an extraordinary measure, with a temporary nature. Nevertheless, and unlike originally proposed, CESE has been continuously extended under each year's State budget law, while its revenue has not been serving the legal stated purpose. Although having paid this levy since its introduction in 2014, EDP has disputed its payment with the competent authorities, for disagreeing with the legal and constitutional basis of CESE, and initially suspended payment in 2017.

However, Law no. 71/2018, of 31 December reinforced CESE temporary nature, associating it with the evolution of the tariff debt of the National Electricity System, and Decree-Law 109-A/2018, of 7 December, established an allocation of a greater part of this levy revenue (two-thirds) to the reduction of such debt.

In this context, and despite considering that it should continue to dispute the legality and constitutionality of this tax, EDP proceeded with CESE payments related to 2017, 2018 and 2019.

REN Armazenagem S.A. ("**REN Armazenagem**") was also contesting CESE and, on January 10, 2019, REN – Redes Energéticas Nacionais, SGPS, S.A. announced that it was notified of the decision of the Constitutional Court that analyzed the appeal filed by REN Armazenagem towards the declaration of illegality of the collection of CESE in 2014 and that:

- the Constitutional Court ruled against the unconstitutionality of the applicable rules of the legal framework of CESE approved by Law 83-C/2013 of 31 December; and
- the Constitutional Court limited the scope of the appeal to the CESE in force in 2014 and did not analyze the constitutionality of the rules that govern CESE for the following years, i.e. from 2015 to 2019.

It is not possible at this stage to make an assessment of the impact (if any) of this decision for EDP.

Law no. 2/2020, of 31 March, which approved the State Budget for 2020, determines that the CESE regime shall apply in 2020 with a few amendments, such as the new wording approved for article 4 of the mentioned regime.

As such, the activity of electricity generation through power plants that use renewable resources and have an installed power lower than 20 MW are exempted from CESE. Such exemption will not apply to taxpayers that operate renewable energy power plants benefiting from guaranteed remuneration with a total of 60 MW.

The remaining exemptions (and corresponding exceptions), as approved by the State Budget Law for 2019, will still apply in 2020.

Furthermore, pursuant to article 377 of Law no. 2/2020, the Government is authorized to amend the CESE regime to *(i)* reduce CESE rates, having as limit the percentage corresponding to the reduction of the tariff debt as proposed by ERSE for 2020; *(ii)* reduce CESE rates applicable to the petroleum sector, considering the need to finance social and environmental policies within the energy sector and the existence of other measures that may substitute these revenues; *(iii)* review the rules regarding the taxable events in the supply sector of the Natural Gas National System, to allow the update of the economic value equivalent to the long term take-or-pay gas contracts, considering the information on their actual value; and *(iv)* establish a CESE exemption for power plants that use urban waste operated by waste management entities.

**Taxation of energy products and electricity (ISP) and $CO_2$ additional tax**

The 2018 State Budget Law (Law no. 114/2017, of 29 December), removed certain exemptions in the scope of the tax regime of energy products, in particular, i) bituminous coal used to produce electricity and/or used in cogeneration facilities ii) bituminous coal, fuel oil and natural gas used to produce electricity and/or used in cogeneration facilities subject to ETS. The elimination of this exemption shall apply to Sines power plant. This tax, both for ISP and $CO_2$ added tax, will increase its rate progressively until 2022 (10 % for 2018; 25 % for 2019; 50 % for 2020; 75 % for 2021; 100 % for 2022). Half of the tax revenues shall be allocated to the National Electricity System or to reduce the tariff deficit and the remaining 50 % shall be allocated to the Environmental Fund.

The 2019 State Budget Law (Law no. 71/2018, of 31 December), kept the percentage of the tax over energy products for coal power-plants unchanged (25 % for 2019), both for ISP and $CO_2$ added tax. Regarding the $CO_2$ added tax, this 25 % are applied to the difference between a $CO_2$ reference price of EUR 20/ton $CO_2$ and the average price from CELE auctions, considering a cap of EUR 5/ton of $CO_2$ (for 2019 this difference is set at EUR 5/ton). 50 % of this revenue shall be allocated to National Electricity System or to a reduction of the tariff deficit, 40 % shall be assigned to the Environmental Fund and the remaining 10 % shall be allocated to the Fund for Innovation, Technology and Circular Economy.

On February 14, 2020, Ministerial Order no. 42/2020 was published, which established, for 2020, that $CO_2$ added tax foreseen in article 92-A (2) in the Excise Duty Code is EUR 23.619 ton/ $CO_2$.

The State Budget Law Proposal for 2020 sets the following percentages for the tax over oil and energy products used in the generation of electricity in 2020: for coal power-plants – 50 %, both for ISP and $CO_2$ added tax; for natural gas used in electricity generation – 10 %, both for ISP and $CO_2$; for fuel oil used in electricity generation – 25 % both for ISP and $CO_2$.

It is proposed that the corresponding tax revenue is allocated to the National Electricity System or to the reduction of the tariff deficit and to the Environmental Fund.

This proposal is still subject to the Parliament's discussion and, therefore, subject to amendments/changes and introduction of new measures.

### 11.3.3 Natural Gas Sector: Regulatory Framework

#### a) Overview

The general basis, principles and model of organization of the Portuguese Natural Gas System ("**SNGN**"), were established through Decree-Law no. 30/2006, of 15 February, and Decree-Law no. 140/2006, of 26 July, both amended by Decree-Law no. 66/2010, of 11 June, and the former amended by Decree-Law no. 77/2011, of 20 June.

Thereafter, Decree-Laws no. 230/2012 and 231/2012, of 26 October, were published, completing the transposition of the Directive 2009/73/EC, and introducing new modifications to Decree-Law no. 30/2006, of 15 February, and to Decree-Law no. 140/2006, of 26 July. These acts introduced important modifications: (i) the requirements related to the independence, legal separation and ownership unbundling of the transmission network operator were reinforced, with the aim of assuring the independence and eliminating the network access discrimination risk; (ii) the legal separation requirements were equally clarified for all the remaining operators in the gas sector (LNG terminal, underground natural gas storage and distribution network operators); and (iii) the statutes of the suppliers were clarified, with particular reference to the last resort suppliers playing in the SNGN.

The SNGN is currently divided into six major activities: reception, storage and regasification of LNG, underground storage of natural gas, transmission, distribution, supply and logistic operations for switching between suppliers.

Activities related to the reception, storage and regasification of LNG, underground storage of natural gas, and transmission of natural gas are regulated and provided through the award of public service concessions. Natural gas distribution is regulated and carried out through the award of public service concessions or licenses. The supply of natural gas is open to competition and only requires compliance with a licensing or registration procedure.

On April 1, 2019, ERSE published an update to natural gas regulations (the Tariff, Commercial Relations and Access to the Networks, Infrastructure and Interconnections Regulations) that had been under public consultation since January, aiming to prepare the next regulatory period. One of the outcomes of the public consultation was the extension of the regulatory periods to four years.

b) **MIBGAS**

During the last decade, the Portuguese and Spanish governments made their best efforts to establish a stable framework that would enable gas system operators in both countries to develop their activity in the Iberian Peninsula, the Iberian Natural Gas Market ("**MIBGAS**").

The construction of this framework started with the creation of the market operator MIBGAS, S.A., which started the negotiation of natural gas products on 16 December 2015. MIBGAS, S.A. started trading Portuguese products in 2017.

MIBGAS liquidity is below the liquidity levels of the main European gas hubs. Therefore, measures were taken to increase market liquidity, including the regular appointment of voluntary market creators and compulsory market creators.

**c) Natural Gas supply**

EDP operates in the supply of natural gas market, which is open to competition, subject only to prior registration with DGEG. EDP's licensed supplier of natural gas for the liberalized market is EDP Comercial.

Decree-Law no. 60/2019, of 13 May, also established a reduced VAT rate (6 %) regarding the fixed component of the third-party access from the natural gas supply, maintaining the remaining invoice at the normal VAT rate (23 %). This is applicable to the natural gas supply (low pressure <= 10 000 m3/year) and will entry in force on 1 July 2019.

Suppliers may openly buy and sell natural gas. For this purpose, they have the right to access the natural gas transmission and distribution networks upon payment of an access tariff set by ERSE. The Natural Gas Framework enumerates certain public service obligations for suppliers to ensure the quality and continuity of supply, as well as consumer protection with respect to prices, access tariffs and access to information in simple and understandable terms.

The Natural Gas Legal Framework also establishes the existence of a gross last resort supplier and of retail last resort suppliers, licensed by DGEG and subject to regulation by ERSE. As last resort suppliers are required to be legally separated from all other activities (unless they supply less than 100,000 clients), EDP's last resort supplier activity is undertaken by its subsidiary, EDP Gás SU, in the concession area of REN Portgás Distribuição, S.A., which covers the districts of Oporto, Braga and Viana do Castelo, in the Northern coastal region of Portugal.

The allowed revenues of the last resort suppliers are defined by ERSE on an annual basis according to the parameters set at the beginning of each regulatory period. On June 30, 2016, ERSE released the parameters for the new regulatory period 2016-2019. The allowed revenues of EDP Gás SU were set as follows: (i) the retailing activity is remunerated through the application of a rate of return to the working capital, in addition of a retail margin of EUR4/client/year; (ii) and the OPEX is subject to a price-cap mechanism, with an efficiency factor of 2.0%. The working capital is remunerated by a 6.20 % reference rate of return indexed to the evolution of the yield of the 10-year Portuguese Treasury bonds between April of year "t-1" and March of year "t". This mechanism sets a floor and a cap of 5.70 % and 9.30 %, respectively.

ERSE Directive no. 12/2019, of 31 May, published in the Portuguese official gazette on 1 July, approved the regulated tariffs to be applicable between July 2019 and June 2020.

**Logistic operations for switching suppliers**

Switching to the liberalized market is open to all natural gas consumers as of January 2010. Since then, natural gas consumers are free to choose their supplier and are exempt from any payment when switching suppliers. Decree-Law no. 140/2006, of 26 July, introduced a new entity, the OLMC, regulated by ERSE, responsible for overseeing the logistical operations that facilitate consumer switching in both the electricity and the natural gas sectors. Decree-Law no. 38/2017, of 31 March, established the legal regime applicable to the OLMC for electricity and natural gas, attributing this function to ADENE.

**Phasing out of end-user regulated tariffs**

The phasing out of end-user regulated tariffs began in 2010, pursuant to Decree-Law no. 66/2010, of 11 June, which approved the termination of the end-user regulated tariff for large clients (with an annual gas consumption greater than 10,000 m3) as of July 1, 2010, and their replacement by a transitory end-user regulated tariff, set by ERSE. In its turn, Decree-Law no. 74/2012, of 26 March, approved the timetable for the termination of the end-user regulated tariff and the introduction of a transitory end-user regulated tariff for clients with annual gas consumption lower than 10,000 m3 as follows: (i) July 1, 2012 for clients with an annual gas consumption greater than 500 m3; and (ii) January 1, 2013, for the remainder. By law, the last resort suppliers must continue to supply the natural gas consumers that have yet to migrate to the liberalized market.

To encourage costumer switching to the liberalized market, Ministerial Order no. 108-A/2015, of 14 April, amended by Ministerial Order no. 359/2015, of 14 October, approved the application of an aggravating factor to the transitory end-user regulated tariffs set by ERSE. Dispatch no. 11412/2015, of 30 September, updated the parameters used to compute the aggravating factors according to the mechanism established in Ministerial Order no. 108-A/2015, of 14 April.

The termination of the transitory end-user regulated tariffs was initially scheduled to occur on (i) 31 March 2011 for large clients; (ii) 31 December 2014 for clients with an annual gas consumption between 10,000 m3 and 500 m3; (iii) 31 December 2015 for the remainder. However, these deadlines have been continuously postponed and, following the enactment of Ministerial Order no. 83/2020, of 1 April, the phasing out of the transitory end-user regulated tariffs is now scheduled to be completed as follows:

- low pressure natural gas supply to clients with an annual consumption higher than 10,000 m3: December 31, 2022; and
- natural gas supply to clients with an annual consumption below 10,000 m3: December 31, 2025.

From those dates onwards, last resort suppliers will only be allowed to supply economically vulnerable consumers, as defined by Decree-Law no. 231/2012, of 26 October. However, economically vulnerable consumers were granted the right to choose whether to continue to be supplied by the last resort supplier or by a regular supplier, maintaining in any case the right to benefit from the legally established tariff discounts.

**Social Tariffs**

The natural gas social tariff was established by Decree-Law no. 101/2011, of 30 September, corresponding to a discount applied to the low-pressure access tariff borne by natural gas customers.

In addition, Decree-Law no. 102/2011, of 30 September, regulated by Ministerial Orders no. 275-A/2011 and no. 275-B/2011, of 30 September, introduced the ASECE, corresponding to a 13.8 % discount applied to the natural gas bill before taxes, borne by the Portuguese taxpayers.

The 2016 State Budget Law (Law no. 7-A/2016, of 30 March) introduced important changes in the support mechanisms addressing energy poverty, creating a unique and automatic model to assign social tariffs to economically vulnerable customers. At the same time, it determined the incorporation of ASECE into the social tariff discount (revoking Decree-Law no. 102/2011, of 30 September).

The rate of discount of the social tariff is established annually by Dispatch of the member of the Portuguese government responsible for energy issues. Accordingly, for the period between July 2018 and June 2019, Dispatch no. 3121/2018, of 20 March, keeps the discount unchanged at a rate equivalent to 31.2 % of the natural gas bill before taxes.

The 2018 State Budget Law (Law no. 114/2017, of 29 December) provides for changes to the way the costs with the social tariff are funded, by determining that these costs should be borne by the natural gas transportation companies and suppliers, as a *pro rata* of the amount of gas supplied in the previous year.

As per the Portuguese government's request, the Attorney General's office issued an opinion on the State Budget Law's provision that establishes social tariff's funding in which it argues that all companies responsible for the transportation of natural gas shall borne the costs with the social tariff and that these shall include the TSO, as well as the DSO.

Following the homologation of such opinion by the Secretary of State for Energy, and even though the interpretation contained therein only binds the public services that requested said opinion, ERSE amended the Tariff Code as to reflect the interpretation of the Attorney General's office opinion.

In fact, these changes became effective as of July 1, 2018, after ERSE introduced the necessary amendments to the Natural Gas Tariff Code and to the Natural Gas Commercial Relations Code, with the adoption of Regulations no. 385/2018, of 1 June, published in the Portuguese official gazette on 21 June, and no. 387/2018, of 1 June, published in the Portuguese official gazette on 22 June, respectively.

### 11.3.4 Covid-19 - Extraordinary measures in the energy sector

Amidst the outbreak of the new coronavirus, a state of emergency was declared in Portugal, by Presidential Decree no. 14-A/2020, of 18 March, as authorized by the Parliament's Resolution no. 15-A/2020, of 18 March.

In addition to a number of measures that have been implemented to prevent further spread of the Covid-19, the Portuguese Government approved Decree no. 2-A/2020, of 20 March, which regulates the state of emergency.

Pursuant to article 26 of said Decree, which establishes that the member of the Government responsible for environmental affairs shall establish adequate measures to guarantee the urban water cycle, electricity and gas, as well as oil derivatives and natural gas and solid waste treatment and collection, the Minister for the Environment and Climate Action has approved Order no. 3547-A/2020, of 22 March, aiming at implementing the state of emergency with respect to essential public services, in particular to energy supply, including electricity and natural gas, and liquid fuels and liquified petroleum gas ("**LPG**").

To guarantee the continuity of energy supply, including electricity and natural gas, as well as the supply of liquid fuels, such as gasoline and diesel, and of LPG, such as propane and butane, the following measures must be complied with, notwithstanding the directives, recommendations and regulations of the national regulatory authorities and DGEG:

- In order to maintain the operation of the Strategic Network of Gas Stations and the management of the Portuguese State's emergency stockpiles, a number of facilities and companies must continue to operate, in particular the Sines and Matosinhos refineries, storage facilities, gas stations (including the ones that supply vessels and that fill and distribute LPG bottles), companies that distribute and transport liquid and gaseous fuels and the international airports of Lisbon, Oporto and Faro;
- The continuity of natural gas distribution shall be guaranteed by the relevant entities, who must maintain the operation of the national distribution system and the logistics of liquified natural gas supply, and must also deal with the system's malfunctions, technical assistance to clients, urgent connections and reconnections and service orders that have been scheduled with clients;
- The continuity of electricity and natural gas transmission and natural gas storage must be guaranteed by the relevant entities, who must, in particular, maintain the operation of the electricity and natural gas transmission dispatch and operation center in Sacavém and Vermoim and of the natural gas storage infrastructure in Bucelas, respond to incidents and malfunctions situations in the electricity and the natural gas transmission systems' infrastructure;
- In order to guarantee the continuity of electricity distribution, the distribution system operators (including low voltage distribution systems) must implement all necessary measures to manage, operate and maintain the grids, lines, transformation substations and ancillary infrastructures, as well as maintain operation of electricity dispatch, repair malfunctions in street lightning, maintain clients' technical assistance and urgent connections and reconnections and service orders that have been scheduled with clients.

Pursuant to Law no. 7/2020, of 10 April, during the declaration of the state of emergency and the following month, the supply of electricity and natural gas cannot be suspended or interrupted. Law no. 18/2020, of 29 May, has extended this prohibition until September 30, 2020 for any consumers either (i) undergoing unemployment, (ii) having had a reduction of at least 20% in income, or (iii) affected by COVID-19.

Additionally, DGEG approved Orders no. 27/2020, of 20 March, and no. 33/2020, of 31 April, determining the following:

- The suspension of the procedural deadlines established by the legislation applicable to the electricity sector as of March 16, 2020;
- This suspension shall cease with the reopening of DGEG's facilities on June 1, 2020 or on a date established by decree-law, whichever occurs first;
- The deadlines ending during the suspension period shall be extended for an additional period corresponding to the number of business days between the beginning of the suspension and the deadline established for such action or formality, starting on the first business day following the DGEG's reopening;
- The submission of the following requests (submitted after March 21) is suspended until the end of May:
  - i. capacity reservation titles;
  - ii. agreements to obtain grid capacity;
  - iii. registration of small-scale and self-consumption power plants, except small-scale units for concept demonstration or experimental projects to be installed in the maritime area or on inland waters, as well as registration requests or communications regarding self-consumption power plants that will not inject energy into the grid;
  - iv. generation licenses;
  - v. establishment licenses for grid infrastructures such as lines and substations, with the exception of public or private service infrastructures that may be deemed urgent by the DGEG;

Finally, ERSE approved Regulations no. 255-A/2020, of 18 March, effective as of March 13, 2020, and no. Regulation no. 356-A/2020, of 8 April, that establish extraordinary measures due to the COVID-19 outbreak that shall be in place until June 30, 2020, including the following:

- the supply of electricity to normal low voltage clients and of natural gas to low pressure clients with an annual consumption equal or lower than 10,000 m3 (n) can only be interrupted, for reasons attributable to the clients, after an additional period of 30 days after the period established by the Commercial Relations Regulation;
- defaulting clients may request to pay by installments (between 6 and 12 monthly installments with a minimum payment of 5 euros);
- system operators must prioritize all actions destined to guarantee energy supply to priority facilities, such as hospitals and other health facilities, as well as public security and civil protection facilities;
- except for urgent situations with priority clients, distribution system operators, suppliers of last resort and suppliers must avoid all direct contact with the clients at their homes;
- except for urgent situations with priority clients, the regulatory deadlines applicable to distribution system operators, suppliers of last resort and suppliers in connection with client care are extended for an additional period corresponding to half of the applicable deadline; however this shall not apply to other legal and regulatory deadlines, in particular the ones related to information and report obligations.

#### 11.3.5 Market Regulators

Responsibility for regulation of the Portuguese energy sector is shared between DGEG, ERSE and the Portuguese Competition Authority, according to their respective functions and responsibilities.

### a) DGEG

DGEG has primary responsibility for the conception, promotion and evaluation of policies concerning energy and geological resources and has the stated aim of assisting the sustainable development and the security of energy supply in Portugal. Namely, DGEG is responsible for: assisting in defining, enacting, evaluating and implementing energy policies; promoting and preparing the legal and regulatory framework underlying the development of the generation, transmission, distribution and consumption of electricity; supporting the Ministry of the Economy at an international and European level; supervising compliance with the legal and regulatory framework that underpins the Portuguese energy sector (particularly in connection with the electricity transmission network and the electricity distribution network); approving the issuance, modification and revocation of electricity generation licenses; conducting the public tender procedure for the attribution of network interconnection points in the renewable energy sector; and issuing opinions concerning the energy sector.

DGEG is also responsible for proposing the Distribution Network Regulation and the Transmission Network Regulation of the Portuguese Electricity System. These regulations identify the assets of both networks and set out the conditions for their operation, notably regarding the control, management and maintenance of the network, technical conditions applicable to the installations connected to the network, support systems and reading and measurement systems. Both the Distribution Network Regulation and the Transmission Network Regulation were approved by Ministerial Order no. 596/2010, of 30 July.

### b) ERSE

ERSE was appointed as the independent regulator of electricity services in February 1997. On 2002, ERSE's authority with respect to the electricity sector was extended to the autonomous regions of Madeira and Azores and later, on 2006, to the natural gas sector. Recently, Decree-Law no. 57-A/2018, of 13 July, expanded the scope of ERSE's regulatory overview to the sectors of LPG, oil-based fuels and biofuels.

In 2012, Decree-Law no. 212/2012, of 25 September, revised ERSE's statutes with an emphasis on the reinforcement of the regulator's powers, namely those applicable to sanctions. Accordingly, Law no. 9/2013, of 28 January, established the sanctioning regime applicable to the electricity and natural gas sectors and formally granted ERSE powers to initiate legal proceedings and apply sanctions to the entities operating in these sectors.

According to ERSE statutes, ERSE is responsible for the establishment and for the approval of tariffs and regulated prices for electricity and natural gas. No later than 15 December of each year, ERSE publishes a document defining the allowed revenues of the regulated activities and the electricity tariffs for the following year. The procedure is identical for gas, but with nearly a 6-month lag, taking place no later than June 1 of each year. Every three years, ERSE publishes a document containing the parameters for each new regulatory period. The tariffs and prices for electricity and other services in 2020 were approved by ERSE Directive no. 12/2019, of 16 December 2019. The tariffs and prices for natural gas in the gas year 2019-2020 were approved by ERSE Directive no. 12/2019, of 31 May, published in the Portuguese official gazette on July 1.

The approval of the main regulations applicable to the Portuguese electricity and natural gas systems is also assigned to ERSE as set forth below:

– The Electricity Tariff Code (Regulation no. 619/2017, of 23 November, published in the Portuguese official gazette on 18 December, as amended by Regulation no. 76/2019, of 13 December and published in the Portuguese official gazette on 18 January, and further amended by Regulation no. 496/2020, of 12 May, published in the Portuguese official gazette on 26 May) and the Natural Gas Tariff Code (Regulation no. 361/2019, of 1 April, published in the Portuguese official gazette on 23 April) established the methodology for determining the allowed revenues of the regulated companies and setting the regulated tariffs, including the criteria to settle the tariff structure.
– The Electricity Commercial Relations Code (Regulation no. 561/2014, of 10 December, published in the Portuguese official gazette on 22 December, amended by Regulation no. 632/2017, of 23 November, published in the Portuguese official gazette on 21 December) and the Natural Gas Commercial Relations Code (Regulation no. 416/2016, of 14 April, published in the Portuguese official gazette on 29 April, amended by Regulation no. 224/2018, of 2 April, published in the Portuguese official gazette on 16 April, Regulation no. 387/2018, of 1 June, published in the Portuguese official gazette on June 22, and Regulation no. 365/2019, of 1 April, published in the Portuguese official gazette on 24 April) set the provisions governing the commercial and contractual relationship between the agents operating in the electricity and natural gas sectors, including the commercial conditions under which the connection to the energy grid can be established and the rules to be observed in the process of switching suppliers. ERSE has proposed to unify the Commercial Relations Code for both the electricity and the gas sectors in one single Commercial Relations Code. This document is currently under public consultation and encompasses other changes to the provisions of each Commercial Relations Code.
– The Quality of Service Code (Regulation no. 629/2017, of 23 November, published in the Portuguese official gazette on 20 December) set the standards for the technical and commercial quality of service to be rendered in all services provided by the network operators and suppliers of the Portuguese electricity and natural gas systems.
– The Electricity Access to the Network and Interconnections Code (Regulation no. 560/2014, of 10 December, published in the Portuguese official gazette on 22 December, amended by Regulation no. 620/2017, of 23 November, published in the Portuguese official gazette on 18 December) and the Natural Gas Access to the Networks, Infrastructure and Interconnections Code (Regulation no. 435/2016, of 14 April, published in the Portuguese official gazette on 9 May, as amended by Regulation no. 362/2019, of 1 April, published in the Portuguese official gazette on 23 April) defined the technical and commercial conditions under which third parties may access the energy infrastructure, including the criteria for the network operators to refuse access.
– The Electricity Networks Operation Code (Regulation no. 557/2014, 10 December, published in the Portuguese official gazette on 19 December, amended by Regulation no. 621/2017, of 23 November, published in the Portuguese official gazette on 18 December) and the Natural Gas Infrastructure Operation Code (Regulation no. 417/2016, of 14 April, published in the Portuguese official gazette on 29 April) laid down the procedures for managing the electricity/natural gas flows in the electricity transmission network/natural gas transmission network, underground storage facilities and LNG terminals, while ensuring interoperability with the networks connected to these infrastructures.

**c) Portuguese Competition Authority**

From July 8, 2012, Portugal has in place a new competition act, approved by Law no. 19/2012, of 8 May, which follows closely the wording of the fundamental anti-trust provisions contained in the Treaty on the Functioning of the European Union and of the EU Merger Control Regulation.

Competition rules in Portugal are enforced by an independent agency, the Portuguese Competition Authority ("**AdC**"). To that end, AdC enjoys of a number of sanctioning, supervisory and regulatory powers which include investigative prerogatives to perform inquiries of legal representatives of companies or associations of companies, request documents or information and conduct searches at business and non-business premises, including private domiciles. It may also impose severe fines on companies and individuals that do not comply with competition rules. Penalties can amount to 10 % of a group's annual turnover or 10% of an individual's annual income.

## 11.4. Spain

### 11.4.1 Electricity Sector: Regulatory Framework

#### 1) Overview

The main characteristics of the Spanish electricity sector are the existence of the wholesale Spanish generation market since 1998 (also referred to as the "**Spanish Pool**"), and the fact that all consumers have been free to choose their supplier since January 1, 2003. Additionally, since 2006, bilateral contracts and the forward market (long-term energy acquisition contracts) have made up a larger part of the market.

All generators provide electricity at market prices to the Spanish Pool and under bilateral contracts to consumers and other suppliers at agreed prices. Suppliers, including last resort suppliers, and consumers can buy electricity in this pool. Foreign companies may also buy and sell in the Spanish pool and in the forward markets.

The market operator and agency responsible for the market's economic management and bidding process is OMIE (see "*Regulatory framework—Iberian Peninsula—MIBEL Overview*"), while REE - Red Eléctrica de España, S.A. is the operator and manager of the transmission grid and sole transmission agent. REE, as the transmission company, together with the regulated distributors, provide network access to all consumers. However, consumers must pay an access tariff or toll for the transmission and the distribution.

Comisión Nacional de los Mercados y la Competencia ("**CNMC**") is the national regulatory authority of the Spanish energy markets according to Law 3/2013.

Liberalized suppliers are free to set a price for their customers. The main direct activity costs of these entities are the wholesale market price and the regulated access tariffs to be paid to the distribution companies. Electricity generators and suppliers or consumers may also engage in bilateral contracts without participating in the wholesale market.

As from July 1, 2009, last resort suppliers, appointed by the Spanish government, supply electricity at a regulated tariff set by the Spanish government to the last resort consumers (low-voltage electricity consumers whose contracted power is less than or equal to 10 kW). Since then, distributors have not been permitted to supply electricity. In January 2014, the last resort tariff was replaced by the “Voluntary Price for the Small Consumer” (*precio voluntario para el pequeño consumidor*).

Royal Decree-Law no. 6/2010 created a new player responsible for developing the supply of energy to recharge electric vehicles. However, since the introduction of Royal Decree-Law 15/2018, customers meeting certain requirements are allowed to supply energy to recharge electric vehicles without licensing.

As part of the unbundling of the transmission system operator, Spanish distributors sold their remaining transmission assets to REE in 2011, completing the process required by Law no. 17/2007, which established REE as the sole transmission agent.

Through Royal Decree-Law no. 13/2012 and Royal Decree-Law 1/2019 Directive 2009/72/EC has been transposed to the Spanish regulation.

Royal Decree-Law no. 9/2013, of 13 July, included a set of regulatory modifications applicable to the Spanish electricity sector that affected the return ratio of energy assets between 2013 and 2019. These modifications were confirmed by the enactment of Law no. 24/2013 of the Electricity Sector, of 26 December, and were primarily aimed at eliminating the tariff deficit. The main modification directly implemented by Royal Decree-Law no. 9/2013 was that the return ratio pre-tax of regulated activities was indexed to the yield associated with Spanish ten-year sovereign bonds plus a spread. The spread mentioned above for distribution and transmission activities was established at 100 basis points for the second half of 2013 and has been set at 200 basis points between 2014 and 2019. The spread for renewable and combined heat and power (“**CHP**”) generation has been set at 300 basis points since the enactment of Royal Decree-Law no. 9/2013.

Following the enactment of Law no. 24/2013, the Spanish government implemented a set of additional Royal Decrees that included modifications to regulations governing all activities relating to the provision of energy, including renewables, electricity distribution and transmission, as further detailed in the following sections.

Royal Decree-Law no. 7/2016 established that discounts in tariffs to vulnerable customers (“**Social Voucher**”) would be supported by all supply companies. Royal Decree no. 897/2017 established requirements to become vulnerable customer and the applicable discounts.

Royal Decree-Law no. 15/2018 banished charges and access tariffs to self-customers and allows the shared self-consumption (which is, in effect, a pooling system for consumers). However, some points of this decree are still not in force until further regulatory development.

Royal Decree-Law no. 17/2019 set the return ratio for renewable and CHP plants at 7.09 % with effect from January 1, 2020. However, the power plant may maintain the previous return ratio (7.4 % for power plants built before July 2013 and 7.503 % for power stations built since July 2013) if the owner of the power plant gives up all lawsuits and arbitration processes against the remuneration scheme approved after Royal Decree no. 661/2007.

Royal Decree-Law no. 1/2019 gave CNMC the powers to set the return ratio for electricity transmission and distribution activities. Thereby, Circular 2/2019 of CNMC established that, with effect from January 1, 2020 onwards, the return ratio for these activities will be 5.58 % according to a weighted average cost of capital (“**WACC**”) methodology.

## 2) The National Strategy for the Energy Sector

Following the publication of Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, the Spanish government elaborated a draft a National Energy and Climate Plan in March 2019 as well as a draft Law for Climate Change and Ecological Transition where the Spanish objectives for 2030 were appointed. These documents were subject to a public hearing. According to the documents published on the web of the Ministry for the Ecological Transition energy consumption from renewable resources will have to be at least 35 % by 2030 (more than 70 % in the electricity sector), which implies at least 3.000 MW of new renewable capacity in the electricity sector every year. The final PNIEC should be approved during 2020.

## 3) Electricity Sector Act

The enactment of Law no. 54/1997 on the electricity sector gradually changed the Spanish electricity sector from a state-controlled system to a free-market system with elements of free competition and liberalization. The Law no. 54/1997 was intended to guarantee that the supply of electricity in Spain is provided at high quality and lowest possible cost. In order to achieve those targets, the Law no. 54/1997 provided for:

- the unbundling of regulated (transmission, distribution, technical management of the system and economic management of the wholesale market) and liberalized activities (generation, trading, international transactions and energy supply for recharging electric vehicles);
- a wholesale generation market, or electricity pool;
- freedom of entry to the electricity sector for new operators carrying out liberalized activities;
- the ability of all consumers to select their electricity supplier and their method of supply as of January 1, 2003;
- the right of all operators and consumers to access the transmission and distribution grid by paying access tariffs approved by the Spanish government; and
- the protection of the environment.

Law no. 17/2007 amended Law no. 54/1997, bringing it into conformity with Directive 2009/72/EC, with the intention of reconciling the liberalization of the electricity system with the twin national objectives of guaranteeing supply at the lowest possible price and minimizing environmental damage. Royal Decree-Law no. 13/2012 built upon the achievement of that target by introducing the Directive 2009/72/EC in the Spanish regulation.

In December 2013, a new electricity sector act (Law no. 24/2013) entered into force substituting Law no. 54/1997 ("**Electricity Sector Act**"). This law is based on the reforms announced by the Ministry of Industry in July 2013 and maintains the main principles of Law no. 54/1997, but reinforces the objectives of economic and financial sustainability in the electricity sector, thus preventing a new tariff deficit. This law has been amended several times to adapt to new situations in the sector (for instance, self-consumption or social voucher).

## 4) Recent regulatory developments

On June 23, 2020, the Spanish Government approved a Royal Decree-Law contemplating new regulatory measures concerning renewables, electricity distribution networks and connection points available as a result of the closure of large legacy power plants. This new legislation –

Economic Recovery Legislation – is supportive of the Viesgo Transaction, particularly in what concerns the access points to the electricity network freed up by the closure of legacy thermal plants and the support to electricity distribution:

- **Support to electricity networks**: according to the government, with the objective of alleviating the effects of the COVID-19 crisis and ensuring the liquidity of the electricity system in the short term, the use of the cumulated tariff surplus is enabled to cover the eventual imbalances and deviations between income and costs in 2019 and 2020. The procedure shall be specified by Ministerial Order. In addition, the Decree-Law exceptionally adjusts the percentages of GDP that govern the maximum investment dedicated to transport and distribution networks in the three-year period 2020-2022, to allow networks operators to maintain the investment plans originally foreseen before the COVID-19 crisis.

- **Access points to the electricity network freed up by the closure of legacy thermal plants**: Royal Decree-Law 17/2019 already stated that the government will regulate "procedures and establish requirements for the granting of all or part of said capacity". This new Royal Decree Law allows the Ministry to ask the system operator to determine the amount of capacity freed with the closure and exempts this capacity from the moratorium of new access requests.

- **New rules for keeping renewable permits**: the Decree-Law establishes a series of administrative milestones for keeping renewable permits obtained after December 27, 2013; the developers must certify compliance with each of these conditions, including obtaining the favorable environmental impact declaration and the administrative construction authorization in a specific period of time. Otherwise, the permissions will expire automatically and, if applicable, the economic guarantees required to apply for authorization will be executed. The last term ends five years after the first of permissions or the entry into force of the Royal Decree-Law. In addition, a moratorium on new access requests to new connection points is established: they cannot be requested until a new regulation on these permits has been approved, which must be approved by the Government and the regulator CNMC, within a period of three months from the publication of the Decree-Law. Self-consumption facilities are awarded an exemption to this moratorium;

- **A new auction system for renewables will be implemented**: the principle of the new auction system, which will be based on lowest price offered rather than lowest capex per MW offered, is to offer predictability and stability of income and financing to the investors of the new renewable plants; and, on the other hand, to directly transfer to consumers the savings associated with the incorporation of renewable energies into the electricity system

- **Storage and hybrid facilities will be regulated**: the Decree-Law also incorporates into the Spanish legal system new business models that offer opportunities for economic growth, employment and improvement of competitiveness, according to the government. This is the case of energy storage, which is regulated by this regulation, which will make it possible to manage and optimize the energy generated in the new renewable plants; and hybridization, which makes it possible to combine various technologies – photovoltaic and wind, for example – in the same installation. According to the government, with this, the utilization of the existing electrical networks is optimized and the environmental impacts are minimized, taking full advantage of the locations of the plants. With this Royal Decree-Law, overpowering in existing power stations is allowed if it does not use additional capacity of the grid.

– **New supply and demand aggregators**: additionally, the model of the independent aggregator is incorporated. This new business model is based on combining the demand of several electricity consumers or that of several generators for their participation in different segments of the market.

### 11.4.2 The Electricity Value Chain

#### 1) Electricity Generation

Generation facilities have several methods of contracting for the sale of electricity and determining a price for the electricity:

– **Wholesale energy market or pool**. This pool was created on January 1, 1998 and includes a variety of transactions that result from the participation of market agents (including generators, suppliers and direct consumers and, until June 30, 2009, distributors) in daily and intra-day market sessions.
– **Bilateral contracts**. Bilateral contracts are private contracts between market agents, where terms and conditions are freely negotiated and agreed. Information about these contracts must be given to the energy market in order to retain transparency within the electricity industry.
– **Auctions for purchase options or primary emissions of energy**. Principal market participants could be required by law to offer purchase options for a pre-established amount of their power. Some of the remaining market participants are entitled to purchase such options during a specified period. However, these options are currently not regulated in Spain.

These sales can be subject to Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency ("**REMIT**"). REMIT imposes certain obligations on market participants, mainly transparency and information obligations. It is compulsory for members of the EU.

Power plants also participate in ancillary services markets managed by the system operator, REE. Participation is mandatory for some of these services and for certain kind of power plants. Until December 2013, power plants that used renewable, waste and CHP energy sources were regulated under a "special regime", but the distinction between an ordinary and a special regime ceased to apply after the enactment of Law no. 24/2013.

Order no. ITC 2794/2007 established a new regime of fixed payments applicable to generators operating in the ordinary regime. This regime established an investment incentive, for a period of ten years, set at an initial amount of EUR20,000 per MW installed, later increased to EUR26,000 per MW installed by Order ITC/3127/2011 and lowered to EUR10,000 per MW installed by Royal Decree-Law no. 9/2013.

Referred Order ITC/3127/2011 has also regulated an incentive regarding the availability of certain facilities in the short-term. This incentive ended as of July 2018.

Royal Decree-Law no. 14/2010 imposed on generators the payment of a EUR0.5 per MWh fee for the use of the networks.

Law no. 15/2012 imposed a set of taxes on generators in order to cover the costs of the electricity system: (i) a 7 % generation tax on income from electricity output; (ii) a 22 % charge on the use of inland water for electricity generation (increased to 25.5 % by means of Royal Decree-Law 10/2017, of 9 June); (iii) a tax on the production of nuclear waste and a tax on storage of this waste; (iv) a tax on natural gas of EUR0.65/GJ applying to all natural gas consumers (derogated by means of Royal Decree-Law 15/2018 since October 2018); (v) a tax on coal of EUR0.65/GJ applicable to generators; and (vi) a tax on fuel oil of EUR 12.00/tonne and tax on gas oil of EUR 29.15/litre applicable to generators. Royal Decree-Law 15/2018 also temporarily suspended the application of the 7 % tax on income from electricity output during the fourth quarter of 2018 and first quarter of 2019.

Law no. 24/2013 also foresees the temporary closure of generation facilities, which would be subject to a prior administrative authorization scheme.

Royal Decree-Law 15/2018 of October 2018 modified Law 24/2013 creating a new framework for promoting self-consumption. Since then, access tariffs or charges for self-generated energy (the informally called “sun tax” that was created by Royal Decree no. 900/2015) were banished and self-customers only have to pay access tariffs if they use the distribution network. Royal Decree 244/2019 of April 2019 establishes the new administrative, technical and economic regime for self-consumption allowing shared self-consumption, the use of the distribution network for exchanging self-generated energy in the proximity of the self-customers and also a simplified remuneration mechanism where self-customers can opt for getting a discount in their energy invoices if they deliver their excess generation to their supplier (net billing).

In November 2019, CNMC passed Circular 3/2019 regulating the wholesale markets, balancing and non-frequency services of the electricity system, according to the new responsibilities given by Royal Decree-Law 1/2019 and several European regulations (Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management, Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation, Regulation (EU) 2017/1485 establishing a guideline on electricity transmission system operation, Regulation (EU) 2017/2195 establishing a guideline on electricity balancing and Regulation (EU) 2017/2196 establishing a network code on electricity emergency and restoration).

**2) Specific remuneration regime for renewables, CHP and waste generation**

Prior to July 2013, the electricity system was required to acquire the electricity offered by special regime generators at tariffs that were fixed by a royal decree or order and that varied depending on the type of generation. These tariffs were generally higher than the average Spanish electricity market prices. Application of the Spanish special regime was discretionary for companies that owned eligible facilities. Generally, eligible facilities were those with an installed capacity of 50 MW or less that used cogeneration, CHP, waste or any renewable energy source as their primary energy.

Royal Decree no. 661/2007 provided the previous regulation of the Spanish special regime. This decree was framed within the commitment of the Spanish government to encourage investments in renewable energy in Spain.

Under this decree, Spanish special regime power facilities could select between a fixed tariff or to participate in the market. If the generator sold electricity in the market, it received the market price plus a premium, subject to a cap and floor on final prices.

However, since January 2012, the special regime has suffered several adjustments as part of the measures taken by the Spanish government to ensure the financial sustainability of the electricity system:

- In January 2012, Royal Decree-Law no. 1/2012 suspended feed-in tariffs and premiums for new projects.
- In December 2012, Act no. 15/2012 introduced a tax on energy generation (7 % of incomes).
- In February 2013, Royal Decree-Law no. 2/2013 encompassed a set of regulatory modifications mainly the elimination of the premium, cap and floor schemes.
- In July 2013, Royal Decree-Law no. 9/2013 changed the remuneration scheme of the special regime and repealed Royal Decree no. 661/2007.
- The new scheme was confirmed by Law no. 24/2013, of December 2013, replacing the "special regime" with the "specific remuneration regime".

As a consequence of the enactment of Royal Decree-Law no. 9/2013, in July 2013, during the first regulatory period, which applies from July 2013 to December 2019, the return ratio pre-tax during the remaining useful life of the assets under the special regime must be equal to the yield associated with Spanish ten-year sovereign bonds plus a spread of 300 basis points. The new return ratio pre-tax has been set at 7.4 % during the regulatory life of the power plant (20 years in the case of existing wind generation, 25 years in the case of CHP generation and generation from waste, and 30 years in the case of photovoltaic generation).

As a result of the enactment of Law no. 24/2013, in December 2013, the special regime for renewables, CHP and waste generation was replaced by a specific remuneration regime which applies to the facilities that were regulated under the special regime prior to July 2013. As of July 2013, any new facilities that would have been eligible facilities under the special regime receive the same treatment as facilities that belong to the ordinary regime, the only difference being the regulated supplements that are received from the specific remuneration regime.

The specific remuneration additional to market revenues consists of: (i) a capacity supplement in EUR/MW to cover investments not recovered in the market; and (ii) an operation supplement in EUR/MWh when operating costs cannot be recovered in the market (applicable for CHP generation, generation from waste, and photovoltaic generation). This specific remuneration is calculated taking into account standard installations throughout the regulatory life of the power plant, and assuming an efficient and well-managed company. The granting of this specific remuneration scheme for new facilities will be determined on a competitive basis through auctions. The result of the auctions will determine the value of the supplement in EUR/MW applicable.

Royal Decree no. 413/2014, published in June 2014, established the detailed regulation applicable to the specific remuneration regime. Remuneration values for the first half of the six-year regulatory period for power plants under the special regime prior to July 2013 were set out in Ministerial Order no. 1045/2014. Order ETU/130/2017, published in February 2017, set the remuneration parameters of the second regulatory semi-period 2017-2019. Order TED 171/2020 published in February 2020 did it for period 2020-2022.

The amount of the capacity supplement for existing wind farms varies depending on the year the power plant went into operation and will be paid for 20 years after the power plant was commissioned. Interim revisions are conducted every three years to correct deviations from the expected pool price. Farms with a commissioning date earlier than 2004 were not given any capacity supplement. EDP Renováveis' installed capacity in Spain, according to their start-up date, was 9 % installed up to 2003, 39 % between 2004 and 2007 and 52 % from 2008 onwards.

On October 2015, the Spanish Government called the first auctions of 200 MW of biomass and 500 MW of wind farms with this new system through Royal Decree 947/2015.

On April 12, 2017, the Spanish Government authorized auctions of up to 3 GW of specific remuneration for renewable facilities in mainland Spain in accordance with Royal Decree 359/2017. In accordance with this Decree, an auction was held on May 17, 2017 which awarded 3 GW (almost all of which related to wind capacity). On May 25, 2017, the Spanish government announced that a new auction of 3 GW would take place, with substantially similar rules as the previous auction. This auction was held on 25 July 2017 and awarded a total of 5 GW of renewable capacity (4 GW of solar and 1 GW of wind capacity). No new auctions were made so far.

In December 2018, the Ministry for Ecological Transition published a draft Law for establishing the new return ratios for regulated activities in Spain for the new regulatory period 2020-2025. According to a previous report made by CNMC, the Ministry proposed a new ratio pre-tax of 7.09 % for renewable and CHP power plants with the possibility of keeping the ratio of 7.4 % if the owner of the power plant gives up all lawsuits and arbitration processes against the remuneration scheme approved after Royal Decree no. 661/2007. This law was approved urgently in November 2019 as Royal Decree-Law 17/2019.

In March 2019, the Ministry for Ecological Transition published a draft law for Climate Change and Ecological Transition for public hearing where they stated the Spanish government's intention of changing the auction system and the remuneration regime for new auctions of renewables in order to allow a fixed remuneration of the project during its lifetime. This draft law for Climate Change and Ecological Transition is still on its development stages and has not been yet submitted to approval by the Council of Ministers and the subsequent submissions to the Congress and the Senate for its approval, and thus, if finally approved, it is still uncertain when and the final terms under which it should be finally approved.

The authorization of renewable, CHP and waste plants with a capacity of up to 50 MW falls within the authority of regional governments due to their small size. However, as a result of Royal Decree-Law no. 6/2009, since 2009 all facilities have had to be entered in a register managed by the Ministry of Industry in order to benefit from the premiums and tariffs of the Spanish special regime (Royal Decree 661/2007), and since 2013 the specific remuneration scheme created by Royal Decree-Law no. 9/2013.

### 3) Electricity tariffs, supply and distribution

Since January 2003, all consumers have become qualified consumers. All of them may choose to acquire electricity under any form of free trading through contracts with suppliers, by going directly to the organized market or through bilateral contracts with producers. Royal Decree-Law 15/2018 also foresees other ways of acquiring electricity directly from producers but further regulatory development is required.

#### 4) Last Resort Supplier

With the adoption of the Last Resort Supply (*Suministro de Último Recurso*) on July 1, 2009 (Law no. 17/2007 that amended Law no. 54/1997 on the electricity sector in order to adapt it to the Electricity Directive), the regulated tariff system was replaced by a last resort tariff system. Last resort tariffs (now called "*precio voluntario para el pequeño consumidor"*) are set by a methodology approved by the Spanish government on an additive basis and can only be applied to low-voltage electricity consumers whose contracted power is less than or equal to 10 kW. According to Royal Decree no. 216/2014, the last resort tariff is calculated taking into account the sum of the following components: (i) costs of the electricity generation (which is indexed to the Spanish hourly pool price); (ii) access tariffs; and (iii) regulated costs of supply management.

Last resort consumers can choose between being supplied at last resort tariffs or being supplied in the liberalized market.

The regulated cost of supply management methodology was approved by Royal Decree 469/2016. Ministerial Order ETU/1948/2016 established the cost of supply during 2017 and 2018. Due to several Supreme Court decisions, and according to the referred Ministerial Order, the regulated cost of supply in the last resort market between 2014 and 2016 had to be re-invoiced to customers during 2017 and 2018. The cost of supply for 2019 onwards is still not regulated by the Ministry for Ecological Transition so the Ministerial Order TEC/1366/2018 established that the values for 2018 will remain until further instructions.

#### 5) Remuneration to distribution activities

Electricity transmission and distribution activities are regulated given that their particular characteristics impose severe limitations on the possibility of introducing competition.

##### (i) Regulatory framework 2008-2013

The regulatory framework established in 2008 changed the manner in which electricity businesses receive payments in order to promote efficiency and quality of service. The regulations take into account since then the investment and operational costs related to transmission activities. Fixed remuneration for distribution is based on investment and operational and maintenance costs.

Until July 2013, remuneration to distribution activities was determined by Royal Decree no. 222/2008 and later by Royal Decree-Law no. 13/2012, which had already established that capital costs would only be paid for net assets and postponed the beginning of the remuneration until the second year after new assets have been brought into operation. The settlement system among distributors is detailed in Royal Decree 2017/1997.

##### (ii) Regulatory framework 2013-2019

Between 2013 and 2019, the economic regime for distributors was contained in Royal Decree-Law no. 9/2013, Law no. 24/2013, Royal Decree no. 1048/2013 and Ministerial Order IET 2660/2015, and the settlement system among distributors is still contained in Royal Decree no. 2017/1997.

In July 2013, there was a change in the methodology used to remunerate distribution and transmission activities. The main change introduced was setting the return ratio of energy assets based on the yield associated with Spanish ten-year sovereign bonds plus a spread, set at 100 basis points for the second half of 2013 and 200 basis points from 2014 until at least the end of 2019. Royal Decree no. 1048/2013, approved in December 2013, established the general remuneration framework which was mainly based on RAB. This RAB is determined by taking into consideration audited physical units affected by efficiency factors. After approval of Royal Decree no. 1073/2015, Ministerial Order IET 2660/2015 and Ministerial Order no. IET 980/2016, the new remuneration model has come into effect producing a substantial improvement in EDP's remuneration through its subsidiary Hidrocantábrico Distribución. In the meantime, Royal Decree-Law no. 9/2013 established a transitory phase of the remuneration scheme between 2013 and 2015.

Ministerial Order no. IET 980/2016 approved remuneration for 2016 under the new regime. No new ministerial orders were published yet with the remuneration of the following years due to the subsequent facts. Transiently, until the Ministerial Orders are approved, the values of Ministerial Order IET 980/2016 have been used to determine the settlements of the last years.

– The Supreme Court's decision of October 25, 2017 ordered the Ministry to increase the RAB calculated in Ministerial Order no. 980/2016 to compensate all distributors for an incorrect valuation of assets transferred from customers. The impact of this decision is expected to occur during 2020.

– In April 2018, the Spanish government declared that the remuneration established in the Ministerial Order IET 980/2016 was prejudicial for customers. The Ministry of Energy considered that the parameter remaining useful life of the assets, whose formula it is contained in Annex VI of Ministerial Order IET 2660/2015, was wrongly estimated in favor of some distributors (including the Group's Hidrocantábrico Distribución) and harming the interest of electricity customers ("*lesividad*"). According to the Ministry, the gross value of assets which is in the denominator of the formula of remaining life, should have included all the assets instead of deducting the fully depreciated elements.

This declaration of "*lesividad*" allowed the Ministry of Energy to appeal this Order before the Supreme Court.

In May 2020, the Supreme Court sentenced that the Ministerial Order IET 980/2016 was unlawful so remaining useful life of every distributor with more than 100.000 supply points (among them the Group's Hidrocantabrico Distribucion) became inapplicable, as well as the other parameters deriving from it – i.e. the RAB and the remuneration. According to the sentence, the Ministerial Order should not have deducted all the fully depreciated elements in the gross value of assets in the formula of the remaining useful life, but it could have deducted the elements out of service. This consideration may smooth the impact of the recalculation of the RABs.

The Ministry can now update the remaining life through a new Ministerial Order, and thus the RAB and the remuneration since 2016, taking into account what the Supreme Court stated. The impact of this process may occur in 2020.

**(iii) Regulatory framework 2020-2025**

Royal Decree-Law no. 1/2019 defined that starting from the new regulatory period 2020-2025 CNMC is responsible for approving the methodology and values for remunerating distribution and transmission as well as the new return ratio. A CNMC report of October 2018 estimated that the new return ratio for the new regulatory period should be 5.58 % according to a WACC methodology. In July 2019, CNMC launched a draft circular (legislation to be approved by CNMC board) establishing the regulated return ratios for distribution and transmission of both electricity and gas system in their respective new regulatory periods. For electricity distribution they maintain the proposed value of 5.58%. The draft circular was under public consultation until August 9 and it was approved in November 2019 as Circular 2/2019. By means of a Law, the State can as well put an upper limit to the ratio fixed by CNMC if the Law is approved before starting the new regulatory period.

In July 2019, CNMC launched several draft regulations where it established the methodology of remunerating distribution and transmission of electricity in period 2020-2025. The new methodology for electricity distribution was finally approved by means of Circular 6/2019. The new methodology will maintain the recognized RAB and OPEX in 2020 (and may take into account the effect on RAB of the Sentence of the Supreme Court regarding the "*lesividad*" process), but it will introduce several adjustments in the way of calculating OPEX of the following years (for instance by means of an efficiency factor or eliminating the "delay" factor that recognized financial costs in the OPEX). According to the CNMC report accompanying the draft regulation, the average impact in sector's remuneration during the regulatory period would be up to -7%. However, EDP's subsidiary may be less impacted than its peers due to an improvement of quantities destined to incentives of quality and losses. The values of remuneration of 2020 for each company may be approved during 2020 after a public hearing.

**6) Access tariffs and regulated prices**

In accordance with the provisions of Law no. 24/2013, regulated energy costs are paid from access tariffs and prices applicable to consumers and from specific items from the National Budget (Law no. 15/2012). Regulated incomes must be sufficient to cover all regulated costs, including transmission and distribution costs, specific remuneration schemes costs, and other costs.

The electricity system costs have to be funded through access tariffs, charges and other regulated prices. Access tariffs and regulated prices are uniform throughout Spain, although regional extra costs, if approved, may be added to the tariffs.

Up to 2019 all the regulated prices were established by Ministerial Order of the Minister of Energy. However, from 2020 onwards the portion of access tariffs that is designated to cover transmission and distribution costs should be fixed by the national regulatory authority *Comisión Nacional de los Mercados y la Competencia* ("**CNMC**") in order to fulfil Directive 2009/72/EC transposed through Royal Decree Law 1/2019. In order to fulfill this task, CNMC has elaborated a methodology to determine the access tariffs approved in January 2020 by means of Circular 3/2020. The Ministry of Energy will establish the charges to cover for other costs of the system using a methodology that is expected to be established during year 2020.

Given that there is a delay in the approval of both methodologies and that they could not be used to establish the access tariffs and charges from Jan 2020 onwards, the Ministry approved Orden TEC/1258/2019 to keep the current access tariffs and charges until the new methodologies could be applied.

Regarding generators, between 2011 and 2020, all facilities were obliged to pay access tariffs for the energy they inject in the distribution and transmission grid (Royal Decree-Law no.

14/2010). However, the new Circular 3/2020 of CNMC waived this obligation for generators and batteries as of January 24, 2020.

On 1 July 2009, the regulated system of electricity tariffs was extinguished. Since then, distributors have ceased to supply electricity, and function only as network operators. Accordingly, from that date, all consumers have been in the liberalized market. However, Royal Decree no. 216/2014, provides that the low voltage final consumers who use 10 kW or less are eligible for the tariff of last resort, which applies a regulated price to that supply. This tariff will be applied by the designated suppliers of last resort (called "*comercializadores de referencia*"), among which is EDP's subsidiary BASER Comercializadora de Referencia, S.A. (formerly EDP Comercialización Último Recurso, S.A.).

**7) Supply authorizations**

Following the approval of Law 25/2009, prior to commencing the supply of electricity, suppliers are obliged to provide a statement to the Ministry of Energy or to the respective regional authority where they wish to engage in the supply, which includes a confirmation of: (i) the dates for beginning and ending their supply activity; (ii) proof of their capacity for the development of the supply; and (iii) the guarantees required. CNMC is entitled to publish on its web site an up-to-date list of electricity suppliers that have communicated the commencement of their supply.

Last resort suppliers may acquire electricity in the spot or forward markets to meet last resort demand. In Spain, following the enactment of Royal Decree-Law no. 17/2013, last resort suppliers are no longer permitted to hold energy auctions to purchase electricity.

Due to the disappearance of the Supplier Switching Office (*Oficina de Cambio de Suministrador* or "**OCSUM**"), the CNMC supervises the process for consumers changing their electricity supplier under principles of transparency, objectivity and independence. CNMC also maintains a price comparison tool for household suppliers.

**8) Energy efficiency obligations**

Law no. 18/2014 implemented Directive 2012/27/EU of Energy Efficiency, establishing mandatory contributions from suppliers of gas, electricity and petroleum products to a National Energy Efficiency Fund in order to support efficiency measures to comply with that Directive. Every year a Ministerial Order is published with the mandatory contributions to this fund, being obliged subjects the following suppliers belonging to the EDP Group: EDP Comercializadora, S.A., EDP Energía, S.A. and BASER Comercializadora de Referencia, S.A. (formerly EDP Comercializadora de Ultimo Recurso, S.A.) The ministerial order of 2020 is Order TED/287/2020.

**9) Tariff Deficit in electricity sector**

Regulatory developments in the electricity sector in Spain during 2012 and 2013 were aimed at eliminating the tariff deficit in order to ensure the sustainability of the system. These measures have contributed to the following positive developments: (i) the definitive settlements of 2014-2017 produced a surplus of more than EUR 1,600 million; (ii) in 2015, the Spanish government approved two reductions of the regulated prices of capacity paid by consumers through Royal Decree-Law no. 9/2015 and Ministerial Order no. 2735/2015 in August 2015 and December 2015, respectively, and (iii) in October 2018, the government approved the elimination of a green tax on natural gas power plants of EUR0.65/GJ since an increase of revenues coming from $CO_2$ allowances auctions had been produced.

However, according to a CNMC report of January 2020, the past debts of tariff deficit amounted to EUR 16.600 million as of December 31, 2019 (more than EUR 2,000 million less than in 2018), none of which is currently being financed by electric companies. Deficits prior to 2014 were securitized as described below.

Law no. 24/2013 provides that access tariffs, regulated prices and other regulated income must be sufficient to recover the full costs of the regulated activities without any deficit. Although some deficit was permitted until 2013 (as provided by Royal Decree-Law no. 6/2009 and Royal Decree-Law no. 14/2010), Law no. 24/2013 limits tariff deficits incurred as of 2014 to a 2 % yearly cap.

The deficit produced up to 2012 was fully transferred from the electricity companies to a Securitization Fund called Depreciation Fund of Electric Tariff Deficit ("**FADE**"), which is guaranteed by the Spanish State Budget. Financing costs of FADE are included in the regulated costs to be recovered through access tariffs.

In 2012 and 2013 the Spanish government took important steps in order to address the key aspects of the problem of the tariff deficit:

- Royal Decree-Law no. 1/2012 suspended temporarily all new renewable premiums.
- Royal Decree-Laws no. 13/2012 and 20/2012 reduced system costs in 2012 up to EUR1,000 million (in transmission and distribution activities, in capacity payments to generators, in coal subsidies, in system operation and payments to interruptible customers) while increasing system revenues in EUR 700 million from some budget surpluses. Some of these measures were only in force during 2012.
- Access tariffs were updated as from April 2012 to all customers resulting in a revenue increase for the system of EUR 1,600 million.
- Due to the inadequacy of previous measures for containing the tariff deficit, the Spanish government approved Law no. 15/2012 in December 2012, which imposed new taxes on generators and natural gas customers in order to cover the costs of the electricity system. Additionally, the Spanish government has allocated and will continue to allocate up to EUR 450 million per year of the revenues from the sale of emission allowances to the tariff (temporarily in 2018 this amount was up to EUR 750 million). The implementation of the above measures increased system revenues by EUR 3,300 million annually although some of those measures have been modified in 2018 by means of Royal Decree-Law 15/2018.
- Royal Decree-Law no. 2/2013 described above.
- Royal Decree-Law no. 9/2013 with an estimated yearly impact of EUR 4,500 million, borne by customers (EUR 900 million), National Budget (EUR 900 million) and companies (EUR 2,700 million).

The deficit produced in 2013 (EUR 3,200 million) was transiently financed by electricity companies until December 2014 when it was securitized through the mechanism approved by Royal Decree no. 1054/2014.

Several Supreme court's decisions ordered the Spanish government to give back the "Social Voucher" funded by companies between 2014 and 2016 (EUR 500 million). State Budget Laws of 2017 and 2018 authorized the cost of court decisions to be charged to the tariff surpluses obtained since 2014. However, this refund is under review as in April 2019 the Plenary of the Constitutional Court decided to estimate the appeal brought by the General State Administration against decisions of the Supreme Court because of procedural issues. The Supreme Court therefore has to restart the procedures against the Social Voucher for 2014-2016.

**10) Last Resort Tariff to vulnerable customers**

Royal Decree-Law no. 6/2009 has created the "Social Voucher" for some consumers benefiting from the tariff of last resort ("**TUR**"). The TUR complies with the social, consumer and economic conditions as determined by the Ministry of Energy. Currently, as provided by Royal Decree no. 216/2014, this tariff for vulnerable customers consists of a discount on the regulated tariff PVPC (*precio voluntario para el pequeño consumidor*).

Until 2016, discounts applied to vulnerable customers were funded by all vertically integrated companies according to the rules established in Law no. 24/2013 and Royal Decree no. 968/2014. However, in August 2016 several Supreme Court rulings abolished this funding mechanism. Royal Decree-law no. 7/2016, of December 2016, approved a new framework of protection for vulnerable customers and a new funding mechanism consisting of all supply companies financing the cost of the discounts proportionally to the number of their customers. From then on, EDP has contributed approximately 3,6 % of the national cost of the Social Voucher.
From July 1, 2009, individual consumers with a contracted capacity of less than 3 kW in their residence, consumers over 60 years old with minimum pensions, large families and families of which all the members are unemployed were entitled to the Social Voucher.

From October 2017, Royal Decree no. 897/2017 established the requirements to become vulnerable and thus eligible for the Social Voucher: customers in their residence being: (i) large families; (ii) families with all members with minimum pensions; or (iii) families with incomes less than certain thresholds established in Ministerial Order no. 943/2017. The discounts include a 25 % discount for vulnerable customers, a 40 % discount for severe vulnerable customers and a 100 % discount for customers at risk of social exclusion. In the latter case, local social services should contribute at least 50 % of the cost. The Social Voucher is awarded for a two-year period, after which it must be renewed by the customer in order to check again if the eligibility criteria are still fulfilled.

Customers benefitting from the "old" social voucher that do not apply for renewal or do not fit into the new criteria lost the discount from October 2018 onwards.

Additionally, since the implementation of Royal Decree-Law 15/2018, the funding mechanism of the Social Voucher will also cover the non-payments of certain types of customers benefiting from the Social Voucher in order to protect them from disconnection.

### 11.4.3 Authorizations and Administrative Procedures to Generators

All power plants require certain permits and licenses from public authorities at local, regional and national levels before starting construction and operation.

Administrative registration, permits and licenses are generally required for the construction, enlargement, modification and operation of power plants and ancillary installations. In addition, power plants using RES or CHP must be registered on the specific remuneration register managed by the Minister of Energy, Tourism, and Digital Agenda before the power plant is entitled to benefit from the specific remuneration regime. New power plants in mainland Spain will only be included in the specific remuneration register through a competitive process of capacity auctions.

Facilities must also obtain an authorization in order to connect to the relevant transmission and distribution networks. If interconnection authorization is not granted, administrative authorization cannot be granted.

However, interconnection authorization can only be denied due to lack of current or future network capacity.

Royal Decree no. 1699/2011, regulating the connection of small power plants to distribution networks, aims to streamline administrative procedures to speed up the connection of small power plants (renewable energy power plants below 100 kW and CHP installations below 1 MW) to the electricity grid.

Royal Decree no. 244/2018 and Royal Decree-Law 15/2018 specify the administrative procedures that apply to self-consumption facilities.

### 11.4.4 Natural Gas Sector: Regulatory Framework

#### 1) Overview

The general basis, principles and model of organization of the gas sector in Spain were established through the Hydrocarbons Law no. 34/1998, of 7 October 1998 ("**Hydrocarbons Act**"), Royal Decree no. 949/2001, of 3 August, and Royal Decree no. 1434/2002, of 27 December.

The approval of Law no. 12/2007, of 2 July, which modifies the Hydrocarbons Act, in order to adapt it to EU Directive 2003/55/EC of the European Parliament and of the Council, of 26 June, has continued the process of deregulation that was started in the sector in 1998, and Royal Decree-Law no. 13/2012 has completed this process by introducing Directive 2009/73/EC in the Spanish regulation. The regulated supply system ended on July 1, 2008 and was substituted by a last resort supply system. According to Law no. 12/2007, the scope of consumers that can be supplied under the last resort tariff systems has been reduced to only domestic and low consumption users. However, these clients will have the option to choose between being supplied under the last resort system (by last resort suppliers appointed by the Spanish government) or in the liberalized market (at the prices freely agreed with suppliers).

The gas system costs have to be funded through access tariffs, charges and other regulated prices. Up to 2019, all the regulated prices were established by Ministerial Order of the Minister of Energy. However, from 2020 onwards the portion of access tariffs that is designated to cover regasification, transmission and distribution costs will have to be fixed by the national regulatory authority, the CNMC, in order to fulfil Directive 2009/73/EC transposed through Royal Decree Law 1/2019. CNMC will have to elaborate first a methodology that it is expected to be approved during 2020. CNMC will also be responsible for determining the remuneration of regasification, transmission and distribution costs. In order to fulfil this task, CNMC has elaborated a methodology to determine the remuneration for gas transmission and gas distribution activities approved respectively by means of Circular 9/2019 and Circular 4/2020. The Ministry of Energy will establish the charges to cover for other costs of the system using a methodology that is still pending to be approved. The Ministerial Order TEC/1367/2018, of

20 December, establishes the access tariffs and the revenues related to access to gas sector installations by third parties and remuneration of regulated activities for the year 2019.

Following the same criteria established for the electricity sector, the Spanish government has amended the Hydrocarbons Act, through Royal Decree-Law no. 8/2014, of 4 July, included in Act no. 18/2014, in order to regulate the financial stability of the gas system. The amendments to the Hydrocarbons Act are focused on the economic and financial balance of the system, thus aiming to avoid new tariff deficits.

In 2015, the approval of Law no. 8/2015, of 21 May, modified the Hydrocarbons Act, with the main goal of creating an organized market of natural gas in the Spanish system that, once it becomes liquid, should give a price reference to the market and increase competition in the sector. The organized market MIBGAS has since then the role of market operator.

In October 2015, Royal Decree no. 984/2015 was approved which: (i) defined the general principles of the operation of the organized market of natural gas in the Spanish system (the operative details of which were established in December 2015 pursuant to resolutions); (ii) modifies the system of contracting access capacity to the gas sector installations by third parties; and (iii) develops the model of liberalization for periodic check-ups of users' installations, the responsibilities of each party and recognizes the administrative cost of the distribution system operator. Royal Decree-Law 1/2019 established that CNMC is also responsible for determining the rules of third parties access to gas system facilities. In June 2019, CNMC launched a draft circular (a piece of legislation approved by CNMC) regarding access to gas system facilities which will substitute part of the above-mentioned Royal Decree 984/2015. This piece of legislation was approved by means of Circular 8/2019 in December 2019.

With respect to the supplier of last resort, Royal Decree no. 485/2009 and Royal Decree no. 216/2014 allowed for the possibility of merging firms that have to supply both electricity and gas, under the supplier of last resort requirements, into a single company. As a result, by Decision no. 12/02/2009 of the General Director for Energy Policy and Mines, BASER Comercializadora de Referencia, S.A. holds the qualification of supplier of last resort in both sectors from January 1, 2010.

Spanish law distinguishes between: (i) regulated activities, which include transportation (regasification of LNG, underground storage and transportation of natural gas) and distribution; and (ii) non-regulated activities, which include supply.

Any company engaging in a regulated activity must engage in only one regulated activity. However, a group of companies may conduct unrelated activities whenever they are independent at least in terms of their legal form, organization and decision making with respect to other activities not relating to transmission, distribution and storage (Hydrocarbon Act and Law no. 12/2007). Royal Decree-Law no. 13/2012 incorporated new rules from Directive 2009/73/EC to achieve an effective separation between regulated activities and non-regulated activities carried out by Spanish companies. This Royal Decree-Law also establishes the ownership unbundling model for the gas transmission system operator in relation to the main network for the primary transmission of natural gas transmission pipeline/grid, red troncal. However, any vertically integrated company established prior to September 3, 2009 may opt between an ownership unbundling model or the independent system operator or regional transmission organization ("**ISOs**") model.

There have been several mergers and acquisitions in the Spanish gas market, resulting in changes to the market structure. During 2017 EDP completed the sale of all its gas network business in Spain. As a consequence, EDP remains in the gas sector only in liberalized activities (trading and supply) including last resort supply.

The Spanish gas market has developed significantly in recent years, with 7.9 million customers in 2018.

**2) Natural Gas Value Chain**

**(i) Natural Gas Transmission**

The construction, expansion, operation and closure of gas pipelines, storage facilities and regasification plants require prior administrative authorization. In addition, for the construction and operation of gas transmission, regasification and storage facilities, other licenses and permits are necessary, including an environmental impact assessment; licenses related to infrastructure construction and land rights; and licenses related to construction (for example, an activity license, opening license and works license).

Preliminary authorization is granted by either the Ministry of Energy, if the proposed facilities are basic transportation facilities, or, if they affect more than one autonomous community, by the regional authorities where such facilities will be located.

Once the preliminary authorization has been granted, either the Ministry of Energy or the applicable autonomous regional authority will authorize the engineering construction project. Such authorization enables the applicant to begin construction of the facility. Definitive authorizations are then granted upon completion of the facility.

**(ii) Natural Gas Distribution**

An administrative authorization is required for the conduct of distribution activities. Any legal entity with Spanish nationality or any member of the European Union may apply for an administrative authorization. Applicants must give evidence of their legal, financial and technical capacity for distribution.

Distribution companies are under a legal duty to provide access to their networks to suppliers and consumers. The main principles governing third-party access to the distribution networks are the same as those applicable to access to the transportation network.

Remuneration system of distribution companies is currently established in Law 18/2014. Royal Decree-Law no. 1/2019 defined that, starting from the new regulatory period 2020-2025, CNMC is now responsible for approving the methodology and values for remunerating distribution, transmission and regasification as well as the new return ratio. In July 2019, CNMC launched several draft circulars establishing the regulated return ratios for distribution and transmission of both electricity and gas system in their respective new regulatory periods, and the methodology for remunerating gas regulated activities in the new regulatory period 2021-2026. Circular 2/2019, approved by CNMC in November 2019, imposed a return ratio of 5.44% in gas distribution and transmission for period 2021-2026. In order to fulfil this task, CNMC has elaborated a methodology to determine the remuneration for gas distribution activities approved by means of Circular 4/2020, approved on March 31, 2020.

### (iii) Natural Gas Supply

EDP participates in the ordinary supply market through EDP Comercializadora S.A.U., and in the last resort market through its subsidiary BASER Comercializadora de Referencia, S.A. in selling natural gas to end consumers all over Spain.

Suppliers acquire natural gas from producers or other suppliers and sell it to other suppliers or to consumers in the liberalized market on terms and conditions freely agreed among the parties. In order to enable suppliers to conduct their business, transporters and distributors are under an obligation to grant access to their network in exchange for regulated tolls and fees. Royal Decree-Law no. 6/2009 has appointed the companies that can supply consumers under the last resort supply system.

Due to the disappearance of OCSUM, the CNMC supervises the process for consumers changing their gas supplier under principles of transparency, objectivity and independence.

Following the approval of Law no. 25/2009, prior to commencing supply activity gas suppliers are obliged to provide a statement to the Ministry of Energy or to the respective regional authority where they wish to engage in supply activity (who will transfer the information to the CNMC) which includes confirmation of: (a) the dates for commencing (and ending) their activity, (b) proof of their technical capacity for the development of the activity, and (c) the guarantees required. A prior administrative authorization is only required for the conduct of supply activities if a company or its parent company is from a country outside of the European Union that does not recognize equivalent rights. The CNMC is entitled to publish on its web site an up-to-date list of gas suppliers that have communicated the exercising of their activities. The implementation of supply of last resort in the natural gas sector was established by Royal Decree no. 104/2010, of 5 February, and Royal Decree-Law no. 13/2012 which has partially transposed Directive 2009/73/EC into Spanish regulation.

### 3) Tariff Deficit in natural gas sector

In the Spanish natural gas sector, the main regulatory developments in the period from 2012 to 2014 aimed to reduce the tariff deficit. In this context, the Spanish government approved Royal Decree Law no. 8/2014 in July 2014, which main measures are summarized as follows:

- Reduction of EUR 238 million per year in regulated activities remuneration (distribution and transportation);
- New remuneration models for regulated activities, during a new six-year regulatory period, which applies from July 2014 to December 2020. For distribution, the new model is still demand based, but the price updating component (IPH) disappears. In the case of transportation, there is a new variable component of remuneration linked to the system demand evolution;
- Financing of the 2014 tariff deficit by regulated companies in 15 years. New deficits occurring from 2015 onwards financed by regulated companies in five years; and
- New yearly cap to tariff deficits, which leads to automatic tariffs and tolls increase.

However, these measures have not been enough to contain the tariff deficit and almost every year since then a small new tariff deficit has been produced, which is financed by companies with regulated revenues from the tariff system, mainly distribution, regasification and transmission operators.

The accumulated deficit as of 31 December 2018 amounted to EUR 1,024 million as estimated by EDP from the data provided by CNMC. This amount does not include the approximately EUR 1,400 million debt for the unsuccessful underground storage project, named "Castor", as Spain's Constitutional Court has annulled the compensation due to Castor's owner (Judgement 152/2017, of 21 December 2017).

### 11.4.5 Covid-19 - Extraordinary measures in the energy sector

With the coronavirus outbreak, a state of emergency ("*estado de alarma*") was declared in Spain through Royal Decree 463/2020, entering into force 15 March. By means of this decree, all non-essential retail activities were suspended. Energy sector is considered an essential activity. During some weeks, also non-essential industrial activities were suspended as well.

This decree also determined the suspension of the administrative and procedural deadlines as of March 15, 2020. These suspensions ceased in June 1 and June 4 respectively with the Royal Decree 537/2020.

Several waves of measures have been implemented by the Government since the beginning of the state of emergency. The most important affecting natural gas and electricity sectors were passed by means of Royal Decree-Law 8/2020, of 18 March) and Royal Decree-law 11/2020, of 1 April.

The first package contained these major measures:

- the interruption of supply of electricity or gas to vulnerable customers during the emergency state is forbidden. Vulnerable customers are those ones eligible for Social Voucher as defined above;
- an extension of the deadline to renew the Social Voucher for those vulnerable customers which voucher was about to expire (until September 15);
- freezing of the last resort tariff for natural gas until September 30.

The second package contained the following measures:

- the interruption of supply of electricity or gas to all customers in their main residence during the emergency state is forbidden;
- a new type of social voucher for self-employed workers whose activity was reduced substantially with the covid-19 crisis, for 6 months;
- the possibility of self-employed workers and enterprises modifying their gas and electricity contracts (contracted power and other parameters) without cost or even suspend the contract during the emergency state. Once the emergency state is finished they will have three months to adjust their contracts to their new situation, without any cost as well. The cost of these modifications and suspensions will be assumed by the National Budget;
- defaulting self-employed and SMEs may request their suppliers to pay their bills by installments of 6 months – the suppliers can ask then the distributors to suspend payments of the corresponding access tariffs until the customer has completed his payment.

## 11.5. Brazil

### 11.5.1 Overview

The Brazilian Ministry of Mines and Energy ("**MME**") is the Brazilian government's office responsible for conducting the country's energy policies. Main duties include formulating and implementing policies for the energy sector, according to the guidelines defined by the Brazilian National Energy Policy Council ("**CNPE**"). The MME is responsible for establishing national energy sector planning, monitoring the security of supply of the Brazilian electricity sector and defining preventive actions to guarantee supply restoration in case of structural imbalances between supply and demand of energy.

According to Law no. 10848/2004 ("**New Electricity Act**"), the Brazilian government, acting primarily through MME, undertook certain duties that were previously the direct responsibility of the ANEEL, including granting concessions and issuing directives governing the bidding process for concessions relating to public services.

ANEEL has the authority to regulate and enforce the production, transmission, distribution and sale of electricity, ensuring the service quality provided by the universal service and tariff establishment to the network users, while preserving the economic and financial viability of agents and industry. The 2004 Electricity Act introduced significant changes to the regulation aimed at providing new incentives to maintain the country's generation capacity adequate to supply the electricity market. Furthermore, through competitive electricity public auctions, energy supply and demand are expected to produce lower tariffs.

The main feature of the New Electricity Act is the creation of two markets for electricity trading (regulated contracting market for the sale and purchase of electricity towards the distribution companies, which is operated through electricity purchase auctions; and the unregulated market or free contracting market for the sale and purchase of electricity for generators, free consumers and electricity trading companies).

Several significant changes in regulation regarding the electricity sector occurred during 2012, such as the Provisional Measure 579/2012, later converted to Law no. 12783, in which the Brazilian government presented measures to reduce electric energy bills. The expected average reduction for Brazil amounts to 20.2 % of total electric energy bills due to government actions aimed at concession renewals (13 %) and sector charges (7 %).

Regarding concession renewals, generation utilities with contracts that expired between 2015 and 2017 were able to renew their concessions and shall guarantee that they make available physical energy to the quotas system for the distributors in proportion to the market size of each distributor.

On January 23, 2013, Provisional Measure 605 was published, which has the objective of increasing the scope of application of the resources of the Energy Development Fund – *Conta de Desenvolvimento Energético* ("**CDE**"). As a result, the CDE began using resources to help offset the discounts applied to the tariffs and the involuntary exposure of distributors resulting from the decision of some generation companies not to extend their generation concessions. This measure amended Law no. 10438/2002, which established the application of the CDE resources.

On March 6, 2013, the CNPE issued the Resolution CNPE 3/2013, which set a new methodology for sharing additional costs incurred using thermoelectric power plants out of the order of merit, which would normally give preference to hydro power plants. According to this new resolution, thermal power plants may operate out of the typical order of merit ahead of the hydroelectric plants to maintain the safety of the system in light of the hydrological crisis in Brazil.

Hydro power plants in Brazil have adopted the Energy Reallocation Mechanism ("**MRE**"), a hydrological risk sharing mechanism. The Generating Scaling Factor is a measurement of the amount of energy generated compared against the amount of energy guaranteed under the MRE. If a hydro plant generates less energy than the amount guaranteed, it will have a deficit. This can occur due to unfavorable hydrological conditions, such as extended or severe drought. When a deficit occurs, hydro generators must buy energy in the spot market, generally at higher prices, to accomplish their contractual commitments.

Since DSOs had cash flow difficulties due to Involuntary Exposure and high energy costs as a result of insufficient raining season in 2014, the Federal government issued Decree no. 8221/2014. This decree created an account in the Regulated Contracting Environment ("**ACR-Account**") to cover the additional costs of electricity distributors due to involuntary exposure in the context of high price levels in the spot market and high usage of thermoelectric plants. The Commercialisation Chamber ("**CCEE**") manages the account, and is responsible for contracting loans, as well as for ensuring the transfer of costs incurred in the operations of the CDE.

The Tariff Flag System started operating through Decree 8401/2015. This system signals to regulated consumers the real costs of electricity generation, and consists of three flags: green, yellow and red. The green flag indicates that the cost of energy production is low and therefore no extra charges are applied to the energy tariff. The yellow and red flags represent differing levels of increase in energy production cost, and that an additional charge has been added to the tariff. Consumers classified as low income residential subclass will receive a discount on the additional amount applied by the yellow and red flags.

ANEEL approves transfers to the distribution companies on a monthly basis. Any costs not covered by the Tariff Flag revenue will be considered in the next tariff process.

In the Provisional Measure no. 688, issued in August 2015 and converted into Law no. 13203 on 8 December 2015, ANEEL introduced optional insurance for hydro generators to cover the risk of a deficit. The cost of the insurance varies depending on the hedge level. The hedge option, under conditions provided by Law no. 13203, was conditioned on the inability to receive the amount of energy not covered in the MRE via legal proceedings. EDP Brasil has an insurance policy for 7 of 15 of its hydro plants, covering 51 % of the company's guaranteed energy.

The Provisional Measure no. 735, issued on June 23, 2016 and converted into Law no. 13360 on November 18, 2016, aims to restructure the Brazilian Energy Sector Funds' management whose current values are approximately R$20 billion, made up of: (i) the CDE, (ii) Global Reversion Reserve ("**RGR**") and (iii) Fuel Consumption Account.

It is an important step forward in the governance of the Brazilian Energy Sector. The management of the resources migrated from Eletrobras, a state-owned company with assets in the electricity sector, to a board composed of representatives of the CCEE, with recent history of control and audit of their accounts, subject to the regulation of the ANEEL.

Law no. 13360 also determines that by 2030 the CDE's apportionment between DSOs will be proportional to their markets. The transition period between the current allocation, which overloads the South, Southeast and West Central regions, and the proportional allocation to markets will be 2017-2030. The participation of high voltage installations will be lower than low voltage.

The measure creates favorable conditions for the transfer of shareholding control of concessions and simplifies the bidding process and the terms of payment to the Union.

It also authorizes the transfer of debts with Itaipu from Federal Reserve to end-consumer tariffs and revokes the possibility of extension of the concessions whose start-up of the plants was delayed, even if there is recognition of exclusive responsibility.

Finally, it also permits distribution companies to sell their energy surplus to the free market so that they can enhance their energy overcontract condition.

According to Decree no. 9022, of 31 March 2017, MME detailed sources to support the CDE account (as well as RGR utilization) and the situations in which they can be used, implemented and managed, as stated in previous legislation (Laws no. 7891/2013, 10438/2002, 12111/2009 and 12783/2013).

The Dispatch 2379, of 17 October 2018, authorized EDP Comercialização Varejista Ltda. to act as an Electricity Energy Trading Agent within the scope of the Electricity Energy Trading Chamber ("**CCEE**").

Through Normative Resolution 831, of 30 October 2018, ANEEL changed the parameters for the calculation of the price ceiling for new auctions.

More recently, on November 14, 2018, the Brazilian government passed Provisional Measure 855, enabling privatization of Eletrobras Discos after Senate rejection of a bill proposed by the Brazilian government to establish legal framework for the transaction. Up to R$ 3 billion could be paid by consumers in 60 months to cover uncovered debts due to economics and energetic efficiency low performance.

On the same day, Provisional Measure 856 was issued, which delegated the responsibility for contracting last resort and temporary providers of the public service power distribution to ANEEL.

Through Normative Resolution 839, of 26 December 2018, ANEEL incorporated a new load levels representation for the planning/programming of the electricity operation.

On 28 December 2018, the Brazilian government issued Decree no 9642, which gradually removes subsidies that incorporated electricity tariffs at a rate of 20 % per year (for 5 years period). The subsidies subject to reduction are those relating to the discount for the "rural", "irrigation/aquaculture" and "water/sewage/sanitation" classes. The Decree also ends up with the cumulativeness of discounts for the beneficiaries of the "rural" and "irrigation/aquaculture" classes.

ANEEL reviewed and detailed criteria for entry into service of the Transmission Functions ("**FT**"), which are the functional units that must be handled jointly for their regulatory treatment through Normative Resolution 841, of 28 December 2018. This Normative Resolution shall enter into force as from July 1, 2019 and shall revoke REN 454/2011. The new REN creates the revenue release term, which, in the case of facilities capable of operating with third party impediments pending, receives 100 % of the allowed annual revenue. In addition, the new REN maintains the receipt of 90 % of the RAP portion for the partial release terms, and, if the impediments pending enter into force for more than 12 months, the transmitter will receive 80 % of the RAP portion.

On 29 December 2018, Ministerial Order no. 514 was published, which decreases the load limits for consumers contracting electricity of the liberalized market. From July 1, 2019, consumers with a load of 2,500 kW or more, regardless of the connection voltage level, will be able to acquire power in the liberalized market. From January 1, 2020, the possibility extends to 2,000 kW.

On January 29, 2019, the Ministerial Council for Disaster Response Supervision published Resolution No. 1, dated January 28, 2019, which establishes that federal supervisory agencies have to require the immediate updating of Dam Safety Power-Plans, in accordance with Law no. 12334, of 2010. Therefore, ANEEL implemented a special campaign to inspect dams in power-plants, which includes documental evaluation and on-site inspection in all hydroelectric plants in operation.

On February 12, 2019, Ministerial Order 124 creates a Working Group with the scope of coordinating the development of studies to subsidize the process of revision of Itaipu Treaty Annex C.

Homologatory Resolution No. 2514, dated February 19, 2019, updates ANEEL reference bank to be used in the authorization processes, bidding for concession granting and revision of the annual allowed revenues of electricity power transmission concessionaires.

On March 1, 2019, MME published Ministerial Order No. 151, which established the dates of the new energy auctions in: (i) 2019: A-4 in June and A-6 in September; (ii) 2020: A-4 in April and A-6 in September; and (iii) 2021: A-4 in April and A-6 in September. Ministerial Order No. 152 established the schedule for existing A-1 and A-2 energy auctions in December 2019, 2020 and 2021.

Homologatory Resolution No. 2521, of 20 March 2019, changes the amount of CDE fees to be paid by the distributors, referring to the Regulated Contracting Environment Account ("**ACR Account**"). The ACR Account was created to cover the loan passed on to the distributors in 2014. At that time, the fee collection was established including an additional fund formation. Based on ANEEL's forecasts for the ACR account that still has to be collected, the previously formed fund will have sufficient funds to repay the loan in September 2019.

Decree Law 9744, published by MME on April 3, 2019, establishes the cumulative subsidies for consumers in the rural and irrigation/low voltage aquaculture classes from the date of its publication.

On April 3, 2019, Ministerial Order no. 186 was also published, establishing the guidelines for the auction of purchase of electricity from new generation, named "A-4", of 2019.

On April 4, 2019, a working group was created by Ministerial Order No. 187 to develop proposals for the Electricity Sector Modernization, dealing, with an integrated point of view, of the following topics: (i) market environment and mechanisms to make feasible the expansion of the Electricity System; (ii) pricing mechanisms; (iii) rationalization of charges and subsidies;

(iv) Energy Reallocation Mechanism - MRE; (v) allocation of costs and risks; (vi) insertion of new technologies; and (vii) sustainability of distribution services.

ANEEL approved improvements in the settlement price of differences, through Normative Resolution 843, of 2 April 2019, establishing the general guidelines for the process of price formation and disclosure of data to the market, reinforcing anticipation and transparency, as well as consolidating various agency regulations.

On July 19, 2019, ANEEL approved Resolution 851/19 which established rules for thermoelectric plants dispatching to provide complementary grid frequency control.

On August 1 and September 4, 2019, Ordinances MME 304 and 337, respectively, established auctions from existing generation projects A-1 and A-2 and from new generation projects A-6.

Order ANEEL 2506 of 10 September 2019 approved research and development projects for electrical mobility. The three EDP projects were approved.

On August 7, 2019, MME Public Consultation 76 proposed mandatory representation by retailers in the free market for consumers with a load of less than or equal to 1,000 kW. On October 21, 2019, MME withdraw this idea.

On August 26, 2019, MME Public Consultation 77 proposed a reduction of market reserve for renewable energy sources. On 12 December, Ordinance 465 enabled consumers with a load more than or equal to 1500 kW to free market on January 1, 2021, reducing to 1000 kW on January 1, 2022 and to 500 kW on January 1, 2023.

### 11.5.2 Distribution tariffs

Power distribution companies in Brazil operate with regulated tariffs, and their operating results are therefore subject to regulation. Their concession contracts contain provisions for periodic and annual tariff adjustments and the possibility of extraordinary tariff revisions (i.e. revisions that can be taken by the regulator if some unexpected exogenous factor occurs that affects the financial or economic equilibrium of the concession).

**1) Periodic tariff revisions**

Every three, four or five years, depending on the concession contract, ANEEL establishes a new set of tariffs, reviewing all concessionaire costs and expected revenue. To calculate periodic tariff revisions, ANEEL determines the annual revenue required for a power distribution company to cover what a concession contract refers to as the sum of “Portion A” and “Portion B” costs. Portion A costs consist of a distribution company’s costs of power supply, transmission costs as well as tariff charges. Portion B costs consist of the distribution company’s operating costs, taxes, depreciation and return on investment, accepted by the regulator.

The required revenue of EDP’s electricity distribution companies is calculated on an annual basis and regards a revenue flow compatible with the regulatory economic costs calculated according to specific rules established by ANEEL, over a past 12-month period called a test year. The regulatory regime in Brazil provides for price caps, and if the estimated required revenue for the year under analysis is different from the actual revenue of the concessionaire for that year, the risk is allocated to the concessionaire. Recent modifications in the tariff methodology have reduced this risk, called market risk, and for almost all of Portion A costs the market risk has been allocated to the customers: if the revenue is higher than expected, the tariff for the next year is reduced, and vice versa.

Periodic tariff revisions are conducted every three years for EDP Espírito Santo and every four years for EDP São Paulo.

On April 28, 2015, through Resolution no. 660, ANEEL approved changes in the methodology applicable to the processes of Periodic Tariff Review for distributors as of May 6, 2015. The changes related to the following: (i) general procedures; (ii) operating costs; (iii) X-Factor (productivity gains); (iv) non-technical losses; (v) unrecoverable revenues; and (vi) other income. The most significant changes are as follows:

- the tariff cycle concept was extinguished. The methodologies and parameters prevailing at the time of the tariff review will be used. The parameters and the methodologies will be updated every two to four years and every four to eight years respectively in each case counted from 2015;
- the WACC increased from 7.5 % to 8.09 % (after tax). The points taken into account in the update were: (i) standardization of the series; (ii) use of average credit risk of companies in the debt capital; and (iii) recalculation of the cost of capital every three years, with a methodology review every six years;
- remuneration for the risk associated with investment operations funded by third-party funds (subsidies);
- the definition of efficient operating costs was changed to comprise the “consumer energy index” and “non-Technical losses”;
- in determining the level of non-technical losses, the variable “low-income” was included and the database updated based on three statistical models;
- the level of unrecoverable revenues (percentage) shall be calculated based on past 60 months of non-compliance by the concessionaire;
- the percentage share of other revenue has been changed to 30 % in the services of: (i) efficiency of energy consumption; (ii) qualified cogeneration facility; and (iii) data communication services. The percentage share of other services was set at 60 %; and
- the calculation of X-Factor now includes consideration of commercial quality.

On March 6, 2018, ANEEL has decided to maintain the WACC at 8.09 % (after tax) until December 2019. From 2020 onward it will be applicated a new methodology. The preliminary proposal of the regulator in the public consultation of October 2019 reduces WACC from 8.09 to 7.17%. Worth noting in this regard that EDP Espírito Santo and EDP São Paulo will maintain the 8.09% (after tax) WACC until their new regulatory period starts in August 2022 and October 2023, respectively.

Normative Resolution 833, of 19 December 2018, detailed the procedure for calculation and settlement of the Surplus Selling Mechanism, object of Normative Resolution 824/2018.

Normative Resolution 835, of 19 December 2018, improved and adjusted the criteria for tariff review of the distributors belonging to the same economic group that opted for the concessions grouping.

Following the Regulatory Agenda 2020, several methodological changes are expected. Public Query 011/2019 discussed improvements for benchmark methodology for operational costs.

Public Query 018/2019 proposed simplification of non-technical losses model. Public Query 023/2019 discussed some changes for the productivity X-Factor Pd (the "Pd" component in X-Factor measures productivity gains of the electricity distribution companies), such as the time period of databases. Public Query 025/2019 proposed reducing discounts to Distribution Generation prosumers. Public Query 026/2019 discussed a new methodology for calculating WACC components. Public Query 038/2019 proposed to exclude equivalent interruption frequency per consumer unit ("**FEC**") from the X-Factor Q (the "Q" component in X-Factor is to encourage continuous improvement of quality of service indicators), and to amplify penalty or benefit signals. Tariff flags and two-part tariffs will also be discussed in 2020.

**2) Tariff adjustments**

Because the revenues of electricity distribution companies are affected by inflation, they are afforded an annual tariff adjustment to address the impact of inflation in the period between periodic revisions. For the purposes of the annual adjustment, a tariff adjustment rate (referred to as the Tariff Adjustment Index) is applied, through which Portion A costs are adjusted to account for variations in costs and Portion B costs are adjusted to account for variations in the General Price Index Market ("**IGP-M**") inflation index. For Portion B, the tariff adjustment rate also takes into account a measure of the distributor's operating productivity power quality, called the X-Factor. The main objective of the X-Factor is to ensure an efficient balance between revenues and costs, established at the time of revision, by taking into account standard values established by the regulator. The X-Factor has three components: (i) expected productivity gains; (ii) quality of service; and (iii) cost efficiency.

On October 20, 2015, ANEEL approved the fourth periodic tariff review result for EDP São Paulo for the four-year regulatory period beginning in October 23, 2015. The RAB was set at R$1.67 billion (from the previous R$1.55 billion). Technical regulatory losses were fixed at 4.59 % while commercial losses were set through a descending trajectory that starts at 9.83 % in 2016 and ends at 8.45 % in 2019.

On October 18, 2017, ANEEL approved the 2017 annual tariff readjustment for EDP São Paulo which will apply from October 23, 2017 to October 22, 2018. The average effect was 24.37%. Portion B was readjusted by -2.68 %, considering an IGP-M of -1.45 % and an X-Factor of 1.23 %, in result of 1.14 % of productivity gains, 0.33 % of incentives to quality of service and -0.24 % of trajectory to adequacy of operational costs.

On August 2, 2016, ANEEL approved the seventh periodic tariff review result for EDP Espírito Santo for the three-year regulatory period beginning in August 7, 2016. The RAB was set at R$2.02 billion (from the previous R$1.59 billion). Technical regulatory losses were fixed at 7.14 %, while commercial losses were set at 11.45 % in 2016 until the next tariff revision. These indexes are constant during the term of the tariff cycle, with no trajectory of reduction.

On July 31, 2017, ANEEL approved the 2017 annual tariff readjustment for EDP Espírito Santo which will apply from August 7, 2017 to August 6, 2018. The average effect was 9.34%. Portion B was readjusted by -2.52 %, considering an IGP-M of -1.33 % and an X-Factor of 1.2 % resulting from 1.15 % of productivity gains, 0.05 % of incentives to quality of service and 0.00 % of trajectory to adequacy of operational costs. The effect of the new tariffs for use of the transmission system, approved by ANEEL's regulatory resolution No. 2259/2017, which will be incorporated in the transportation costs to be collected in the next 12 months, explained the increase of 6.68 percentage points of the total of 9.34 % of the average effect to be passed on to consumers.

On August 7, 2018, ANEEL approved the 2018 annual tariff readjustment for EDP Espírito Santo which will apply from August 7, 2018 to August 6, 2019. The average effect was 15.87%. Portion B was readjusted by 7.19 %, considering an IGP-M of 8.24 % and an X-Factor of 1.05 % resulting from 1.15 % of productivity gains, -0.10 % of incentives to quality of service and 0.00 % of trajectory to adequacy of operational costs.

On October 16, 2018, ANEEL approved the 2018 annual tariff readjustment for EDP São Paulo which will apply from October 23, 2018 to October 22, 2019. The average effect was 16.12%. Portion B was readjusted by 9.48 %, considering an IGP-M of 10.04 % and an X-Factor of 0.56 %, in result of 1.14 % of productivity gains, -0.34 % of incentives to quality of service and -0.24 % of trajectory to adequacy of operational costs.

On August 6, 2019, ANEEL approved the 2019 tariff revision for EDP Espírito Santo which will apply from August 7, 2019 to August 6, 2020. The average tariff effect perceived by the consumer was -4.84%. Portion B was revised by 13.6 %, considering an X-Factor of 0.84 % resulting from 1.12 % of productivity gains, -0.28 % of incentives to quality of service and -1.05 % of trajectory to adequacy of operational costs. Technical regulatory losses were fixed at 7.06 %, while commercial losses were set at 10.74 % over low tension market in 2019, reducing to 9.58 % until 2021.

On October 23, 2019, ANEEL approved the 2019 tariff revision for EDP Sao Paulo which will apply from October 24, 2019 to October 23, 2020. The average tariff effect perceived by the consumer was -5.33%. Portion B was revised by 2.7 %, considering an X-Factor of 0.88 % resulting from 0.96 % of productivity gains, and -0.08 % of incentives to quality of service. Technical regulatory losses were fixed at 4.06 %, while commercial losses were set at 8,43 % over low tension market in 2019, reduced to 8.42 % until 2022.

**3) Transmission's Revenue**

On May 14, 2019, ANEEL approved the new Reference Prices to be practiced in transmission substation and lines.

Transmission readjustment tariff occurred on June 25, 2019 (Homologatory Resolution 2562), affecting EDP Transmission revenue by establishing the value of the Tariffs for the Use of the Transmission System for electricity, components of the National Interconnected System for the 2019-2020 cycle.

On July 31, 2019 ANEEL, approved the acquisition of Litoral Sul Transmission Company by EDP and hence a new transmission line has been constructed.

On September 3, 2019, ANEEL approved the RAP value regarding the third autotransformer implementation at SE Siderópolis 2 of EDP Aliança. The approval allows the equipment fabrication and installation to occur simultaneously with the rest of the transmission assets.

#### 11.5.3 Covid-19 - Extraordinary measures in the energy sector

COVID-19 has caused direct and indirect impacts in the Brazilian electricity sector since March, suspending activities and forcing agents to reorganize their activities to honor the contractual commitments and guarantee companies' cash flow.

Aiming to mitigate COVID 19’s impact, on March 19, 2020, the federal government published Federal Decree No. 10,282/2020, classifying electricity generation, transmission, and distribution as essential public services activities, indispensable to society’s needs.

On March 19, 2020, Ordinance No. 133/2020-MME established the Sectorial Crisis Committee at the Ministry of Mines and Energy, with the presentation of an action plan to maintain the obligations of essential services.

On March 24, 2020, Normative Resolution No. 878/2020-ANEEL suspended electricity cuts due to default by residential consumers for 90 days. However, emergency assistance must be maintained during the period.

On March 25, 2020, Federal Decree No. 10,292/2020 classified the public services and activities essential to the community. In relation to the energy sector, the supply, operation, and maintenance of electricity segments were included.

On March 31, 2020, Ordinance No. 134/2020-MME postponed transmission and power generation auctions, associated with long-term expansion of the grid.

On April 8, 2020, Normative Resolution No. 881/2020-ANEEL and Ordinance No. 986/2020-ANEEL anticipated BRL 2 billion of Financial Surplus to DISCOs and Free Consumers, as a crisis measure, from sectoral funds associated with the payment of energy security charges. EDP’s distributors have received approximately BRL 56 million.

On April 15, 2020, Provisional Measure No. 950 granted a 100% discount on the Social Electricity Tariff, from April 1 to June 30, 2020, to consumers in the Low-Income Residential Subclass, whose energy consumption electricity is less than or equal to 220 kWh/month.

On April 20, 2020, Order No. 1.406/2020-ANEEL recommended that DISCO and high voltage consumers negotiate bilaterally possible flexibilities in their contracts due to the reduction in electricity consumption.

In respect of the electricity transmission sector, on April 22, 2020, Dispatch No. 1,106/2020-ANEEL defined the use of the transmission tariff surplus for the 2019/2020 tariff cycle, thus anticipating the tariff discount to users.

On April 28, 2020, Federal Decree No. 10,329/2020 included engineering works and equipment supply related to the electric power generation, transmission, and distribution segments within the list of essential services.

On May 15, 2020, Order No. 1,437/2020-ANEEL approved an extraordinary revision of Brazil’s demand forecast for 2020, due to the decrease in electricity consumption relative to the crisis. Due to the drop in demand and the price of electricity, the DISCOs are the most affected by the crisis. On May 18, 2020, Federal Decree No. 10,350/2020 created the “COVID Account” to deal with the pandemic effects for the electricity sector.

On May 26, 2020, through Public Hearing No. 35/2020-ANEEL, the regulator received subsidies for the operationalization of the “COVID Account”, regarding the financial aspects. A ceiling value of BRL 16,1 billion was estimated. Credit up to BRL 600 million is expected to EDP DISCOs, with a return expected from 2021. The Public Hearing closed on June 1, 2020.

On May 26, 2020, Authorizing Resolution 8,926/2020-ANEEL exempted the penalty for commercial operation delay for four months in relation to the regulatory framework, defined in the Electric Energy Transmission Concession Contract or in the authorizing act. Public Hearing No. 37/2020- ANEEL, open to contributions until July 1, 2020, will discuss management mechanisms for regulated contracts, allowing the postponement of fixed revenue payments between distributors and generators, through auctions. In addition, new contract management products for 2021 will be discussed, with the possibility of releasing energy for free negotiation.

It should be noted that there were no specific regulatory or governmental measures for the free energy market, since it is an unregulated market, with bilateral negotiations between agents and little interference by ANEEL.

## 11.6. United States

### 11.6.1 Overview

Federal, state and local energy statutes regulate the development, ownership, business organization and operation of electric generating facilities in the United States. In addition, the federal government regulates wholesale sales of electricity and certain environmental matters, and the state and local governments regulate the construction of electric generating facilities, retail electricity sales and environmental and permitting matters.

### 11.6.2 Federal regulations related to the electricity industry

The federal government regulates wholesale power sales and the transmission of electricity in interstate commerce through the Federal Energy Regulatory Commission ("**FERC**"), which draws its jurisdiction from the Federal Power Act, as amended ("**FPA**"), and from other federal legislation such as the U.S: Public Utility Regulatory Policies Act of 1978, as amended ("**PURPA 1978**"), and the U.S. Public Utility Holding Company Act of 2005 ("**PUHCA 2005**").

#### 1) Electricity generation

All of EDP Group's project companies in the United States operate as exempt wholesale generators ("**EWGs**") under PUHCA 2005 or as owners of qualifying facilities ("**QFs**") under PURPA 1978 or are dually certified. In addition, most of the project companies are regulated by FERC under Parts II and III of the FPA and have market-based rate authorization from FERC. Such market-based rate authorization allows the project companies to make wholesale power sales at negotiated rates to any purchaser that is not an affiliated public utility with a franchised electric service territory.

EWGs are owners or operators of electric generation (including producers of renewable energy, such as wind and solar projects) that are engaged exclusively in the business of owning and/or operating generating facilities and selling electric energy at wholesale. An EWG cannot make retail sales of electric energy or engage in other business activities that are not incidental to the generation and sale of electric energy at wholesale. An EWG may own or operate only those limited interconnection facilities necessary to connect wholesale generation to the grid.

Under the FPA, FERC has exclusive rate-making jurisdiction over "public utilities" that engage in wholesale sales of electric energy or the transmission of electric energy in interstate commerce. With certain limited exceptions, the owner of a renewable energy facility that has been certified as an EWG in accordance with FERC's regulations is subject to regulation under the FPA and to FERC's rate-making jurisdiction. FERC typically grants EWGs the authority to charge market-based rates as long as the EWG can demonstrate that it does not have, or has adequately mitigated, market power and it cannot otherwise erect barriers to market entry. Currently, none of EDP Group's project companies or their affiliates has been found by FERC to have the potential to exercise market power in any U.S. markets. In the event that FERC's analysis of market power changes or if certain other conditions of market-based rate authority are not met, FERC has the authority to impose mitigation measures or withhold or rescind market-based rate authority and require sales to be made based on cost-of-service rates which could result in a reduction in rates.

FERC generally grants EWGs with market-based rate authority waivers from many of the accounting and record-keeping requirements that are otherwise imposed on traditional public utilities under the FPA. However, EWGs with market-based rate authority are subject to ongoing review of their rates under FPA sections 205 and 206, advance review of certain direct and indirect dispositions of FERC-jurisdictional facilities under FPA section 203, regulation of securities issuances and assumptions of liability under FPA section 204 (subject to certain blanket preauthorization), and supervision of interlocking directorates under FPA section 305. FERC has authority to assess substantial civil penalties (i.e. up to approximately $1.3 million USD per day per violation) for failure to comply with the conditions of market-based rate authority and the requirements of the FPA.

Certain small power production facilities may qualify as QFs under PURPA 1978. A wind-powered generating facility (or the aggregation of all such facilities owned or operated by the same person or its affiliates and located within one mile of each other) with a net generating capacity of 80 MW or less may be certified by FERC or self-certified with FERC as a QF. Certain QFs, including renewable energy facilities with a net generating capacity of 30 MW or less, are exempt from certain provisions of the FPA. Additionally, renewable energy QFs with a net generating capacity of 20 MW or less are exempt from FERC's rate-making authority under the FPA. QFs that are not located in competitive wholesale markets have the right to require an electric utility to purchase the power generated by such QFs at the utility's avoided cost rate. QFs also have the right to require an electric utility to interconnect it to the utility's transmission system, and to sell firm power service, back-up power, and supplementary power to the QF at reasonable and non-discriminatory rates. However, states have generally been permitted broad authority to determine avoided cost rates, set additional limitations on the nameplate capacity of QFs eligible for standard offer contracts and modify the tenor of certain contracts for QF sales. Therefore, the precise terms of sale for generation from QF projects vary from state to state. Finally, a renewable energy QF with a net capacity of 30 MW or less is exempt from regulation under PUHCA 2005 and the state laws and regulations respecting the rates of electric utilities and the financial and organizational regulation of electric utilities.

On September 19, 2019, FERC published a notice of proposed rulemaking ("**NOPR**") to revise its PURPA 1978 regulations. The NOPR proposes to grant state regulatory authorities more flexibility in setting the avoided cost rates utilities must pay to QFs and establishing criteria that QFs must meet prior to obtaining a contract or other legally enforceable obligation for the sale of power to utilities. In addition, the NOPR proposes revisions to the utilities' obligation to purchase power from small power production QFs under 20 MW, the process for challenging a QF self-certification, and the rules used to aggregate and treat as a single facility (for purposes of the 80 MW size limit and other thresholds) small power production QFs that use the same fuel source, are owned or operated by the same person or its affiliates, and are located within a certain distance of each other. The public comment period on the NOPR closed on 3 December 2019.

FERC also implements the requirements of PUHCA 2005, which imposes certain obligations on "holding companies" that own or control 10 % or more of the direct or indirect voting interests in companies that own or operate facilities used for the generation of electricity for sale, including renewable energy facilities. As a general matter, PUHCA 2005 imposes certain record-keeping, reporting and accounting obligations on such holding companies and certain of their affiliates. However, holding companies that own only EWGs, QFs or foreign utility companies are exempt from the federal access to books and records provisions of PUHCA 2005.

Wholesale electricity transactions in the United States are either bilateral in nature, which allows two parties to freely contract for the sale and purchase of energy or take place within centralized clearing markets for capacity and spot energy which facilitates the efficient distribution of energy. Regional power markets have formed within the transmission systems operated by independent system operators ("**ISOs**"), such as the Midcontinent, California, New York, PJM Interconnection, Southwest, and New England ISOs.

EDP's project companies typically sell power and the associated renewable energy credits ("**RE Credits**") from EDP's electric generation facilities under long-term bilateral PPAs. However, additional energy or ancillary services may be sold on a short-term basis to the market, generally at short-term clearing prices or, in the case of Reactive Supply and Voltage Control Service, at cost-based rates accepted by FERC or at rates set by the relevant ISO. In addition, EDP's project companies may sell RE Credits under long-term or short-term bilateral agreements. All of ED's electric generating facilities are typically interconnected to the grid through long-term interconnection agreements, under which transmission-owning utilities (in combination with any ISO in which the utility is a member) agree to construct and maintain system-operated interconnection facilities and provide interconnection service to the facilities. As such, successful and timely completion of EDP's projects and electric sales from EDP's projects are dependent on the performance of EDP's counterparties under the interconnection agreements.

### 2) NERC reliability standards

FERC has jurisdiction over all users, owners, and operators of the bulk power system for purposes of approving and enforcing compliance with certain reliability standards. Reliability standards are requirements to provide for the reliable operation of the bulk power system. Pursuant to its authority under the FPA, FERC certified the North American Electric Reliability Corporation ("**NERC**") as the entity responsible for developing reliability standards, submitting them to FERC for approval, and overseeing and enforcing compliance with reliability standards, subject to FERC review. FERC authorized NERC to delegate certain functions to six regional reliability entities. All users, owners and operators of the bulk power system that meet certain materiality thresholds are required to register with the NERC and comply with FERC-approved reliability standards. Violations of mandatory reliability standards may result in the imposition of civil penalties of up to approximately $1.3 million USD per day per violation. All of EDP's projects in the United States that meet the relevant materiality thresholds are required to comply with applicable FERC-approved reliability standards for Generation Owners and/or Generator Operators. NERC may also require generators that own certain interconnection facilities to register as Transmission Owners and/or

Transmission Operators. Such a change may impose additional reliability standards on EDP's projects.

### 11.6.3 State Regulations Related to the Electricity Industry

State regulatory agencies have jurisdiction over the rates and terms of electricity service to retail customers. As noted above, an EWG is not permitted to make retail sales. States may or may not permit QFs to engage in retail sales.

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

### 11.6.4 Renewable Energy Policies

The marked growth in the U.S. renewable energy industry has been driven primarily by federal and state government policies designed to promote the growth of renewable energy, including wind and solar power. The primary U.S. federal renewable energy incentive programs have been the PTC, ITC and the MACRS, which allows the accelerated depreciation of certain major equipment components over a five-year period. The principal way in which many states have encouraged renewable generation development is through the implementation of renewable portfolio standards (RPS), under which a utility must demonstrate that a certain percentage of its energy supplied to consumers within the applicable state comes from renewable sources. Under many RPS, a utility may demonstrate its compliance through its ownership of RE Credits. RE Credits are generally tradable and considered separate commodities from the underlying power that is generated by the resource. A majority of states, the District of Columbia and three U.S. territories have implemented mandatory RPS requirements, and a number of other states and one U.S. territory have implemented voluntary, rather than mandatory, renewable energy goals. Additionally, some states and localities encourage the development of renewable resources through reduced property taxes, state tax exemptions and abatements, and state grants.

#### 1) Federal Tax Incentives

In the United States, the federal government has supported renewable energy primarily through income tax incentives. Historically, the main tax incentives have been the federal PTC, ITC and the five-year depreciation for eligible assets under MACRS under the Internal Revenue Code of 1986. The PTC is a per kilowatt-hour tax credit for electricity that is generated by qualified energy resources including wind and sold by the taxpayer to an unrelated person during the taxable year. In 2009, the American Recovery and Reinvestment Act allowed renewable energy projects to elect, in lieu of the PTC, an ITC equal to 30 % of the capital invested in the project. The PTC and ITC for wind projects are available for new projects that begin construction before January 1, 2020. The value of the PTC and ITC was reduced by 20 % for projects that began construction in 2017 and was reduced by 40 % for projects that began construction in 2018 and is reduced by 60 % for projects that begin construction in 2019. As of the date of this Prospectus, there can be no assurance that the wind PTC and ITC will be extended so as to be available for projects beginning construction after 2019.

Historically, the main federal tax incentives for solar projects have been an ITC equal to 30 % of the capital invested in the project and the five-year depreciation for eligible assets under MACRS. The 30 % ITC for solar projects is currently scheduled to be reduced to 26 % for projects that begin construction in 2020, to 22 % for projects that begin construction in 2021, and to 10 % for projects that begin construction after December 31, 2021. With respect to asset depreciation under MACRS, in February 2008, the Economic Stimulus Act of 2008 provided for a temporary 50 % bonus depreciation with 5-year MACRS utilized to recover the remaining basis for eligible property, including wind and solar property, placed in service before September 28, 2017. In December 2017, the U.S. Tax Cuts and Jobs Act ("**TCJA**") expanded bonus depreciation to 100 % for eligible property, including wind and solar property, acquired after September 27, 2017 and placed in service before January 1, 2023. The value of bonus depreciation is scheduled to be reduced for property placed in service in 2023 to 80 %, in 2024 to 60 %, in 2025 to 40 %, and in 2026 to 20 %, after which the bonus depreciation expires. As of the date of this Prospectus, there can be no assurance that the bonus depreciation will be extended beyond its current expiration. The TCJA also added a requirement that limits the amount of business interest expense that is deductible to the sum of business interest income plus 30 % of the business operating results plus provisions and amortizations and impairments for taxable years beginning before January 1, 2022 and operating results for taxable years beginning on or after that date.

EDP's ability to take advantage of the benefits of the PTC, ITC and depreciation incentives is based in part on the investment structures that EDP entered into with institutional investors in the United States (the Partnership Structures). Even assuming that the PTC, ITC and depreciation incentives continue to be available in the future, there can be no assurance that (i) EDP will have sufficient taxable income in the United States to utilize the benefits generated by these tax incentives or (ii) EDP will otherwise be able to realize the benefits of these incentives. In particular, there can be no assurance that EDP will be able to realize the benefits of these incentives through Partnership Structures entered into with investors who offer acceptable terms and pricing (or that there will be a sufficient number of such suitable investors).

**2) State Renewable Portfolio Standards**

In addition to U.S. federal tax incentives, at the state level, RPS provide support for EDP's business by specifying that a certain percentage of a utility's energy supplied to consumers within the state must come from renewable sources (typically between 15 % and 25 % by 2020 or 2025, although recently some states raised to 50 % or more the target for procurement from renewable or carbon-free sources) and, in certain cases, make provision for various penalties for non-compliance. According to the Database of State Incentives for Renewables and Efficiency as of June 2019, 29 U.S. states, the District of Columbia and three U.S. territories have mandatory RPS requirements, while an additional eight states and one US territory have adopted non-mandatory renewable energy goals. Within states, municipalities that have authority over electric utilities may also choose to adopt renewable energy incentives. For states with mandatory targets, most state RPS administrators require utilities to secure RE Credits to demonstrate compliance with the RPS requirement. Although additional states may consider the enactment of an RPS, there can be no assurance that they will decide to do so, or that the existing RPS will not be discontinued or adversely modified.

### 11.6.5 Permitting and Environmental Compliance

Construction and operation of wind and solar generation facilities and the generation and transport of renewable energy are subject to environmental regulation by U.S. federal, state and local authorities. Typically, environmental laws and regulations require a lengthy and complex process for obtaining licenses, permits and approvals prior to construction, operation or modification of a project or generating facility. Prior to development, permitting authorities may require that wind project developers consider and address, among other things, impact on birds, bats and other biological resources, noise impact, paleontological and cultural impact, wetland and water quality impact, compatibility with existing land uses and impact on visual resources. In addition, projects which propose to impact federal land or require some federal license or permit, or federal funding, generally require the review of the potential environmental effects of the action pursuant to the U.S. National Environmental Policy Act ("**NEPA**"), which requires that the public be afforded an opportunity to review and comment on the proposed project. Other federal environmental reviews that would be triggered by a discretionary federal agency action to license, permit or fund a project include a review of the project's effects on listed species and designated critical habitat under section 7 of the U.S. Endangered Species Act ("**ESA**") to ensure that the permitted project includes sufficient avoidance, minimization and mitigation measures to avoid jeopardizing the continued existence of a species and/or adversely modifying designated critical habitat. In August 2019, the U.S. Fish and Wildlife Service ("**USFWS**") and the U.S. National Marine Fisheries Service ("**NMFS**") finalized three separate rules to revise their regulations implementing the ESA, including: modifying the procedures for listing and delisting species and designating critical habitat under section 4 of the ESA; revising regulations governing the ESA section 7 consultation process; and requiring USFWS to adopt species-specific section 4(d) rules to apply the ESA "take" prohibition to newly listed threatened species.

Depending on the species, USFWS and NMFS are charged with enforcement of federal environmental laws protecting endangered and threatened species, marine mammals, migratory birds, and bald and golden eagles as well as the habitat supporting such species. The ESA, U.S. Marine Mammal Protection Act ("**MMPA**"), the U.S. Migratory Bird Treaty Act ("**MBTA**") and the U.S. Bald and Golden Eagle Protection Act ("**BGEPA**") each prohibit the "take" of species protected by the particular statute. Generally, prohibited "take" of species includes activities that kill, injure, or capture a protected species and, for the ESA and MMPA, extend to certain activities that modify habitat or disrupt normal behavioral patterns.

The USFWS has issued voluntary guidelines for land-based wind energy projects, which outline the USFWS regulatory requirements under the ESA, MBTA and BGEPA and provide project developers with guidance as to how to assess potential impacts and avoid or minimize significant adverse impacts of a project on species and habitats. While a project developer who adheres to the USFWS guidelines is not relieved of legal culpability should a violation of any of these statutes arise, the USFWS may consider a developer's documented efforts to engage with the agency and follow the guidelines in the scoping of any enforcement action or penalty.

Additionally, the USFWS also manages a permitting regime for take under BGEPA through which developers adopt conservation measures to avoid and/or minimize the "take" of eagles to the maximum extent possible. Under the permitting regime, the USFWS may issue a permit for a set duration, between five and thirty years, depending on the nature of the activities, impact on eagles, and mitigation measure taken by the recipient. Special requirements for avoidance, minimization, or mitigation measures are required for permits with a duration of greater than five years. At present, there is no similar permitting or incidental take authorization program for the MBTA; however, on December 22, 2017, the U.S. Department of the Interior ("**DOI**") formally issued a legal opinion concluding that "*consistent with the text, history, and* *purpose of the MBTA, the statute's prohibitions on pursuing, hunting, taking, capturing, killing, or attempting to do the same apply only to affirmative actions that have as their purpose the taking or killing of migratory birds, their nests, or their eggs*". On April 11, 2018, the USFWS issued policy guidance consistent with the DOI opinion. The USFWS also recently announced that it is no longer considering a proposal to develop an incidental take permitting program under the MBTA or preparing a corresponding programmatic Environmental Impact Statement. Under the MMPA, USFWS or NMFS can authorize the incidental harassment or incidental take of small numbers of marine mammals if there will be a negligible impact on the species. These authorizations are for a set duration, one to five years depending on the severity and duration of the impact, and include mitigation, monitoring, and reporting measures.

The Bureau of Ocean Energy Management ("**BOEM**"), a federal agency within the DOI, oversees the production, transportation, or transmission of energy from renewable energy projects, including offshore wind projects, which are developed on the U.S. Outer Continental Shelf ("**OCS**"). BOEM has authorization to issue leases, easements and rights of way to allow for renewable energy development on the OCS. BOEM is required to coordinate with relevant federal agencies and affected state and local governments with respect to leases and grants issued and ensure that renewable energy development takes place in a safe and environmentally responsible manner. In addition, developers of offshore wind projects must comply with the Marine Mammal Protection Act, which prohibits the "take" of marine mammals.

Other federal reviews, permits, or authorizations may be required where a renewable energy project involves or impacts federal lands, federally regulated natural resources, or other areas of federal authority. For example, wind farms with structures which exceed 200 feet in height must meet the lighting and safety regulations of the Federal Aviation Administration. Likewise, wind and solar projects must comply with permitting and mitigation requirements relating to impacts on wetlands, water quality, and wastewater discharge under the Clean Water Act, for project activities in or in proximity to waters of the United States. It is possible that wind farms may in the future be subject to further federal restrictions intended to minimize interferences with military radar systems. Further, the designation of new species as well as new or revised critical habitat protected under the ESA can adversely affect new project development as well as impose new restrictions upon existing project operations where there is retained federal discretionary authority associated with the project permit, license or funding.

Various states have also implemented environmental laws and regulations that impact renewable energy projects. In addition to state permitting regimes for the protection of waterways and other natural resources. Certain state environmental laws require the preparation of an environmental assessment or impact report similar to the federal review required under NEPA, while some states require a meeting be held to solicit comments from affected local landowners and local authorities.

The United States is one of the most attractive markets globally for wind energy generation in terms of total installed wind capacity and continued growth. As of 2018, the U.S. wind industry accounted for 16 % of global wind energy capacity. According to the American Wind Energy Association ("**AWEA**"), the U.S. wind energy industry installed 7,588 MW in 2018, which brought the U.S. total installed wind power capacity to 96,488 MW. According to the U.S. Energy Information Administration, in 2018 wind energy provided approximately 6.6 % of the United States' electricity. According to AWEA's 2018 Annual Report, EDP Renováveis was the fourth largest owner of wind projects in the United States, based on installed capacity, at the end of 2018. EDP Renováveis' main competitors, based on installed wind capacity, include Berkshire Hathaway Energy, Avangrid Renewables, Enel Green Power, and NextEra Energy

Resources. EDP Renováveis and these four companies represent 37.9 % of total installed wind capacity in the U.S. according to AWEA’s 2018 Annual Report.

## CHAPTER 12. ISSUER'S MANAGEMENT AND SUPERVISORY BODIES

### 12.1. Composition of the management and supervisory bodies

#### 12.1.1 Executive Board of Directors

In accordance with the Articles of Association, the Executive Board of Directors is composed of a minimum of five and a maximum of nine members, elected by the General Meeting.

The current Executive Board of Directors was appointed at the General Meeting held on April 5, 2018 for the 2018-2020 term of office.

On July 6, 2020, António Luís Guerra Nunes Mexia and another member of the Executive Board of Directors, João Manuel Manso Neto, have been suspended of functions at EDP and all its subsidiaries in the context of the judicial procedure investigating the early termination of the PPAs and the methodology of the costs for the CMEC, as well as in respect of EDP's rights to use the DPH.

According to the market notification released on June 6, 2020, EDP considered that the proposed measures were not adequately grounded and that the facts that allegedly support them are not identifiable. The process involving António Luís Guerra Nunes Mexia and João Manuel Manso Neto continues in the inquiry phase and neither of them have been formally charged.

Also on July 6, 2020, the General and Supervisory Board and the Executive Board of Directors designated Mr. Miguel Stilwell de Andrade as Interim Chairman of the Executive Board of Directors while Mr. António Luís Guerra Nunes Mexia is suspended, in addition to his current role as the member of the Executive Board of Directors responsible for financial matters ("Chief Financial Officer").

As such, the current composition of the Executive Board of Directors is as follows:

**Interim Chairman:**
Miguel Stilwell de Andrade

**Members:**
António Fernando Melo Martins da Costa
João Manuel Veríssimo Marques da Cruz
Miguel Nuno Simões Nunes Ferreira Setas
Rui Manuel Rodrigues Lopes Teixeira
Maria Teresa Isabel Pereira
Vera de Morais Pinto Pereira Carneiro

**Suspended members:**
António Luís Guerra Nunes Mexia
João Manuel Manso Neto

For the purposes of the duties of the members of the Executive Board of Directors, their professional address is the Issuer's registered office at Avenida 24 de Julho, no. 12, 1249-300 Lisboa, Portugal.

In accordance with article 391(4) of the PCC, although appointed for a certain period of time, the directors shall remain in office until further appointment (without prejudice to a number of possible vicissitudes such as dismissal or resignation).

The curricular elements of the members of the Executive Board of Directors are as follows:

- **Miguel Stilwell de Andrade**

Executive Board of Directors Member appointed in February 2012 (reappointed in April 2015 and April 2018). Interim chairman of the Executive Board of Directors since July 6, 2020 (appointed by the General and Supervisory Board).

Skills and experience: Degree in Mechanic Engineering – Strathclyde University (1998); MBA - MIT Sloan (2003); Mergers and Acquisitions – UBS Investment Bank (UK) (1998-2000); Strategy and Corporate Development Area – EDP (2000-05); Strategy and Corporate Development Director – EDP (2005-09); Board of Directors Member – EDP Distribuição and Board Member of other companies within the EDP Group (2009-12).

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- ISEG MBA (Member of the Strategic Counsel);
- Board Member of the Chamber of Commerce Hispano Portuguese in Spain (2015);
- EDP Brasil (Board Member).

- **António Fernando Melo Martins da Costa**

Executive Board of Directors Member appointed in March 2006 (reappointed in April 2009, February 2012, April 2015 and April 2018).

Skills and experience: Degree in civil engineering – Porto University (1976); MBA - Porto Business School (1989); Executive Course - INSEAD, Fontainebleau – (1995); PADE - AESE (2000); Advanced Management Program - Wharton School (2003); Assistant Professor – Engineering Institute of Oporto (1976-89); Hydraulic Production – EDP (1981-89); General Director - Banco Millennium BCP and Executive Board Member of several insurance, pension and financial asset management companies – BCP Group (1989-2003); Executive Director - Eureko BV, Chairman - Eureko Polska and Executive Vice-Chairman –PZU (1999-2002); Director and Board of Directors Vice-Chairman – EDP Brasil (2003-07); Vice-Chairman – Portuguese Chamber of Commerce in Brazil (2003-07); Chairman – Brazilian Electricity Distributors Association (2003-07); Chairman and CEO - EDP Renováveis EUA (2007-09); Member of the Board of Directors - EDP Renováveis (2008-11); Vice-Chairman - Chamber of Commerce of USA in Portugal; Vice-Chairman – Proforum; Vice-Chairman – APGEI.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- Founding Member of the Portuguese Institute for Corporate Governance;
- Member of the Superior and General Board of Porto Business School.

➢ **João Manuel Veríssimo Marques da Cruz**

Executive Board of Directors Member appointed in February 2012 (reappointed in April 2015 and April 2018).

Skills and experience: Degree in Management – Technical University of Lisbon (1984); MBA - Technical University of Lisbon (1989); Post-graduation in Marketing and Airlines Marketing - International Air Travel Association / Bath University (1992); Several positions including General Director - TAP Air Portugal (1984-99); Director - TAPGER (1997-99); Director – EMEF and other companies - Grupo CP (2000-02); Executive Committee Chairman – Air Luxor (2002-05); President – External Trade Institute of Portugal (2005-07).

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- Companhia de Electricidade de Macau - CEM, S.A. (Vice-Chairman);
- KNJ Global Limitada (Macau) (Director);
- Portuguese-Chinese Chamber of Commerce and Industry (Chairman);
- Portuguese Representative of the Supervisory Board of the European Union Chamber of Commerce in China (2019);
- SCNET – Sino-Portuguese Centre for Energy Technologies (Shanghai) co., Ltd. (Chairman);
- CNET – Centre for New Energy Technologies, S.A. (Chairman);
- Hydro Global Investment Limited (Chairman);
- EDP Brasil (Board Member).

➢ **Miguel Nuno Simões Nunes Ferreira Setas**

Executive Board of Directors Member appointed in April 2015 (reappointed in April 2018).

Skills and experience: Degree in Physics Engineering – Higher Technical Institute (1993); Masters in Electronic and Computing Engineering – Higher Technical Institute (1995); MBA – Nova University of Lisbon (1996); Consultant – McKinsey & Company (1995-98); Corporate Director - GDP - Gás de Portugal (1998-2000); Board Member - Setgás (1999-2001); Executive Board Member – Lisboagás (2000-01); Strategic Marketing Director – Galp Energia (2001-04); Board Member – Comboios de Portugal (2004-06); Chief of Staff of the Chairman of the Executive Board of Directors Chairman – EDP (2006-07); Board Member – EDP Comercial (2007-08); Board Member - EDP Inovação (2007-08/2012-14); Vice-Chairman – EDP Brasil (2008-13).

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- EDP Brasil (CEO).

➢ **Rui Manuel Rodrigues Lopes Teixeira**

Executive Board of Directors Member appointed in April 2015 (reappointed in April 2018).

Skills and experience: Degree in Naval Engineering - Higher Technical Institute (1995); MBA – Nova University of Lisbon (2001); Advanced Management Program - Harvard Business School (2013); Assistant Director of the Naval Commercial Department - Gellweiler (1996-97); Project manager – Det Norske Veritas (1997-2001); Consultant - McKinsey & Company (2001-04); Corporate Control and Planning Director – EDP (2004-07).

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

– EDP Renováveis (Board Member, appointed as interim CEO since July 6, 2020 by the board of directors of EDPR).

➢ **Maria Teresa Isabel Pereira**

Executive Board of Directors Member appointed in April 2018.

Skills and experience: Law Degree – Law School, Lisbon University (1993); Lecturer in Law of Obligations – Law School, Lisbon University (1993-97); Post-graduation in Information Society Law – Lisbon Law School (2000-01); Lawyer registered at the Portuguese Bar Association (1997); Jurist - Proet Projectos (EDP Group) (1994-98); Legal Director - ONI SGPS (1998-2005); Legal Director and General Secretariat, Company Secretary – EDP (2006-18).

➢ **Vera de Morais Pinto Pereira Carneiro**

Executive Board of Directors Member appointed in April 2018.

Skills and experience: Economics Degree – Nova University of Lisbon (1996); Post-graduation in Economics – Nova University of Lisbon (1998); MBA – INSEAD, Fontainebleau (2000); Associate – Mercer (1996-99); Founder – Innovagency Consulting (2001-03); Television Service Director – TV Cabo – PT Multimédia (2003-07); Television Service Director – MEO (2007-14); Executive Vice-Chairman and General Director (Portugal and Spain) – Fox Networks Group (2014-18).

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

– Fox Networks Group - Senior Vice-Chairman and General Director for Portugal and Spain (2014-20 18);
– EDP Renováveis (Board Member).

### 12.1.2 Suspended members of the Executive Board of Directors

➢ **António Luís Guerra Nunes Mexia**

Executive Board of Directors Chairman appointed in March 2006 (reappointed in April 2009, February 2012, April 2015 and April 2018). Suspended from functions in EDP and its subsidiaries since July 6, 2020.

Skills and experience: Degree in Economy – Geneva University (1980); Assistant of the Economy Department; Professor at Nova University of Lisbon and Portuguese Catholic University (1982-95); Portuguese Institute for foreign Trade Vice-Chairman of the Board of Directors (1988-90); Board of Directors Member – Banco Espírito Santo de Investimentos (1990-98); Board of Directors Chairman - Gás de Portugal and Transgás (1998-2000); Board of Directors Vice-Chairman - Galp Energia (2000-01); Executive Chairman - Galp Energia (2001-04); Minister of Public Works, Transport and Communications - Portuguese Government (2004-05).

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- President - Eurelectric (2015-17);
- Chairman of EDP Renováveis ;
- Chairman of EDP Brasil;
- Chairman - Business Council for Sustainable Development (BCSD), in Portugal (2017);
- Chairman - Se4all, within the United Nations Organization (2017);
- Board of Directors member of Millennium BCP Bank (2012-2018).

➢ **João Manuel Manso Neto**

Executive Board of Directors Member appointed in March 2006 (reappointed in April 2009, February 2012, April 2015 and April 2018). Suspended from functions in EDP and its subsidiaries since July 6, 2020.

Skills and experience: Degree in Economy – Higher Institute of Economics (1981); Postgraduate in European Economy - Portuguese Catholic University (1982); Course - American Bankers Association (1982); Advanced Management Program for Overseas Bankers - Wharton School (1985); Financial and Commercial Retail South Central Director – Banco Português do Atlântico (1981-95); Financial Directorate, Large Institutional Businesses and Treasury General Director, Board Member - BCP – Investment Bank and Vice Chairman of BIG Bank Gdansk (1995-2002); Board Member - Grupo Banco Português de Negócios (2002-03); General Director and Board Member - EDP Produção (2003-05).

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. (Director);
- Operador del Mercado Ibérico de Energía, Polo Español, S.A. (OMEL) (Counsellor);
- EDP Renováveis ;
- Board Member – MIBGÁS (2016-18).

### 12.1.3 General and Supervisory Board

The general and supervisory board is composed of a number of effective members not lower than nine, but always higher than the number of directors, and the majority of the appointed members must be independent. The Chairman of the General Shareholders' Meeting Board is inherently a member of the General and Supervisory Board.

Currently, the General and Supervisory Board, appointed at the General Meeting held on 5 April 2018 for the 2018-2020 term of office and in office since that date, is composed of the following 21 (twenty-one) members:

**Chairman:**
Luís Filipe Marques Amado (independent)

**Members:**
Dingming Zhang (representing China Three Gorges Corporation)
Shengliang Wu (representing China Three Gorges International Corporation)
Ignacio Herrero Ruiz (representing China Three Gorges (Europe) S.A.)
Li Li (representing China Three Gorges Brasil Energia Ltda.)
Eduardo de Almeida Catroga (representing China Three Gorges (Portugal), Sociedade Unipessoal, Lda.)
Felipe Fernández Fernández (representing DRAURSA, S.A.)
Fernando María Masaveu Herrero
Mohammed Issa Khalfan Al-Huraimel Al-Shamsi (representing Senfora BV)
Nuno Manuel da Silva Amado (representing Banco Comercial Português, S.A.)
Karim Djebbour (representing Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures "Sonatrach")
Maria Celeste Ferreira Lopes Cardona (independent)
Ilídio da Costa Leite de Pinho (independent)
Jorge Avelino Braga de Macedo (independent)
Vasco Joaquim Rocha Vieira (independent)
Augusto Carlos Serra Ventura Mateus (independent)
João Carlos Carvalho das Neves (independent)
María del Carmen Ana Fernández Rozado (independent)
Laurie Lee Fitch (independent)
Clementina Maria Dâmaso de Jesus Silva Barroso (independent)
Luís Maria Viana Palha da Silva (independent)

Luís Maria Viana Palha da Silva was appointed (by virtue of his office as chairman of the General Meeting) at the annual General Meeting held on 24 April 2019, member of the General and Supervisory Board for the remainder of the 2018-2020 term, following the resignation of António Manuel de Carvalho Ferreira Vitorino on July 27, 2018.

For the purposes of the duties of the members of the General and Supervisory Board, their professional address is the Issuer's registered office at Avenida 24 de Julho, no. 12, 1249-300 Lisboa, Portugal.

The curricular elements of the members of the General and Supervisory Board are as follows:

- **Luís Filipe Marques Amado**

General and Supervisory Board Chairman since April 2018.

Skills and experience: Degree in Economics – Lisbon University (1976); Auditor – Court of Auditors | Auditor – National Defence Institute (1989-90); Deputy – National Assembly of Portugal (el. 1991/95/99/2005/09); Deputy Secretary of State – Internal Administration Minister (1995-97); Secretary of State – Foreign Affairs and Cooperation Minister (1997-2002); National Defense Minister (2005-06); State and Foreign Affairs Minister (2006-11);

Non Executive Board Member - Sociedade de Desenvolvimento da Madeira (2013-19); Chairman of the Board of Directors - Banco Internacional do Funchal, S.A. (2012-16); Chairman of the General Meeting Board – Banco Cabo-Verdiano de Negócios, S.A. (2013-14); Chairman of the Board of Directors - Banco Cabo-Verdiano de Negócios, S.A. (2015-17); Non-executive member of the Board of Directors - Francisco Manuel dos Santos Foundation (2013-17).

Other current positions in EDP Group:

- Corporate Governance and Sustainability Committee Chairman;
- Financial Matters Committee/Audit Committee Chairman;
- EDP Renewables North America (EDPR NA) Business Affairs Monitoring Committee Chairman;

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- Santos Foundation (Non-executive member of the Board of Directors) (2013-17);
- Oriente Foundation (Curator);
- Francisco Manuel dos Santos Foundation (Curator);
- SONAE (Member of Global Advisory Board);
- Tabaqueira, S.A. (Chairman of the General Meeting Board);
- ISCSP (Invited Professor);
- Paris School of International Affairs (Invited Professor).

➢ **Dingming Zhang (representing China Three Gorges Corporation)**

General and Supervisory Board Vice-Chairman, in representation of China Three Gorges Corporation, since December 2018.

Skills and experience: Bachelor’s degree in Power System and Automation – Huazhong University of Science and Technology (1984); Master’s degree in Management - Huazhong University of Science and Technology (2001); Deputy Director of Power Production Department - China Three Gorges Corporation (2002); Executive Vice President - China Yangtze Power Company (2002-11); Director - Guangzhou Development Industry.

Other current positions in EDP Group:
NA

At December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- Beijing Yangtze Power Capital (President).

➢ **Shengliang Wu (representing China Three Gorges International Corporation)**

General and Supervisory Board Member, in representation of China Three Gorges International Corporation since December 2018.

Skills and experience: Bachelor's degree in Engineering – Wuhuan University (1992); Master's degree in Technical Economics and Management – Chongqing University (2000); Secretary of Corporate Affairs Department – Gezhouba Hydropower Plant (1998-2000); Deputy Director of the Board – China Yangtze Power Company (2002-03); Director of Capital Operating Department - China Yangtze Power Company (2004-06); Executive Vice-President - Beijing Yangtze Power Capital (2006-11); Deputy Director of Strategic Planning Department – China Three Gorges Corporation (2011-15).

Other current positions in EDP Group:

– Remuneration Committee Chairman;
– Strategy and Performance Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

– China Three Gorges International Corporation (Executive Vice-President);
– China Three Gorges (Europe), S.A. (Chairman).

➢ **Ignacio Herrero Ruiz (representing China Three Gorges (Europe) S.A.)**

General and Supervisory Board Member, in representation of China Three Gorges (Europe), S.A., since December 2018.

Skills and experience: Degree in Economics - Carlos III University (Madrid) (1997); Mergers and Acquisitions Department - Citigroup (1997-98); Mergers and Acquisitions Department - Deutsche Bank Investment (1998-2003); Mergers and Acquisitions Department - Credit Suisse (2003-16).

Other current positions in EDP Group:

– Corporate Governance and Sustainability Committee Member;
– Strategy and Performance Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

China Three Gorges Corporation (Europe), S.A. (Executive Vice-Chairman).

➢ **Li Li (representing China Three Gorges Brasil Energia Ltda.)**

General and Supervisory Board Member, in representation of China Three Gorges Brasil Energia Ltda. since December 2019.

Skills and experience: Bachelor's degree in International Business with a major in Hydropower Engineering; First-class Constructor in China; Assistant Engineer at Planning Department – CWE (1984-85); Assistant Engineer/Engineer – CWE Tunisian Branch (1985-89); Engineer at Hydropower Department – CWE (1989-93); Engineer – CWE Romanian Branch (1994-95); Senior Engineer at Hydropower Department – CWE (1995-99); Project Manager (the Odaw

Drainage Channel) – CWE (1999-00); Deputy General Manager - CWE (2000-01); Project Manager (the Water Mains)– CWE (2001-03); Deputy/General Manager at International Business Department – CWE (2003-11); Vice-Chairman – CWE (2011-15); Chairman – CWE (2015-17); Executive Director – CWE (2017-19).

Other current positions in EDP Group:

– Corporate Governance and Sustainability Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which she performed management or supervisory functions or in which she was a shareholder were:

China Three Gorges Brazil (Deputy Chief Economist)

- **Eduardo de Almeida Catroga (representing China Three Gorges (Portugal), Sociedade Unipessoal, Lda.)**

General and Supervisory Board Member, in representation of China Three Gorges (Portugal), Sociedade Unipessoal, Lda., since April 2018.

Skills and experience: Degree in Finance – Instituto Superior de Economia e Gestão (1966); Program for Management Development Course - Harvard Business School (1979); Honorary Doctor – Lisbon University | Minister of Finance – Portuguese Government (1993-95); Invited Full Professor - MBA of Instituto Superior de Economia e Gestão; Director with executive and non-executive functions in particular as Chief Executive Officer and Chairman on several national and international companies in several fields namely chemical, agrochemical, major consumer products, energy and investment banking.

Other current positions in EDP Group:

– Strategy and Performance Committee Chairman;

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

– Finantipar, holding which controls Finantia Bank (Chairman (non-executive) of the Board of Directors);
– Portugal Venture Capital Initiative managed by the European Investment Fund (Investment Committee Member);
– SAPEC Group - Non-executive Chairman of the Board of Directors;
– Nutrinveste - Member of the Board.

- **Felipe Fernández Fernández (representing DRAURSA, S.A.)**

General and Supervisory Board Member, in representation of DRAURSA, S.A., since April 2018.

Skills and experience: Degree in Administrative and Economic Sciences – Bilbao University (1975); Professor of Business and Economic Faculty – Oviedo University (1984-90); Director of Economics and Regional Planning - Principality of Asturias (1984-90); Counsellor of Organization of the Territory and Housing – Principality of Asturias (1990-91); Counsellor of countryside and fishing - Principality of Asturias (1991-93); Manager on several companies in numerous fields.

Other current positions in EDP Group:

- Corporate Governance and Sustainability Committee Member;
- EDP Renewables North America (EDPR NA) Business Affairs Monitoring Committee Member;

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- Liberbank (Board of Director Member);
- Lico Leasing (Chairman of Board of Directors);
- Lico Leasing (Executive Commission Member);
- Tudela Veguín (Board of Director Member);
- Masaveu Inmobiliaria;
- Cimento Verde do Brasil;
- Molecular Oncology Medicine Institute of Asturias (Board of Director Member).

➢ **Fernando María Masaveu Herrero**

General and Supervisory Board Member since February 2012 (re-elected in April 2015 and April 2018).

Skills and experience: Law Degree – Navarra University (1992); Manager on several companies of Masaveu Group in numerous fields such as energy, finance, transport, environment and real state, among others.

Other current positions in EDP Group:

- Remuneration Committee Member;
- Strategy and Performance Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- Masaveu Corporation (Chairman);
- Cementos Anónima Tudela Veguín (Chairman);
- Masaveu International (Chairman);
- Bankinter (Board Member);
- Bankinter (Executive Committee Member);
- EGEO, SGPS (Board Member);
- Olmea Internacional (Board Member);
- Maria Cristina Masaveu Peterson Foundation (Chairman);
- San Ignacio de Loyola Foundation (Chairman);

- Asturias Princess Foundation (Protrector);
- Asturias Princess Foundation (Executive Committee Member);
- Oppidum Capital (Chairman of the Board of Directors).

- **Mohammed Issa Khalfan Al-Huraimel Al-Shamsi (representing Senfora BV)**

General and Supervisory Board Member, in representation of Senfora BV since October 2017 (re-elected in April 2018).

Skills and experience: Bachelor’s degree in Business Administration – American University of Sharjah (2001); MBA - HEC School of Management (2005); Consultant - McKinsey & Company (2005-07); Director of Strategy & Policy - UAE Prime Minister’s Office (2009-11); Board Member - Tabreed District Cooling (2014); Board Member - Jiangsu Suyadi (2012-14); Board Member – Shariket Kahraba Hadjret-En-Nous (2014-16); Board Member - SMN Power Company (2013-16).

Other current positions in EDP Group:

- Strategy and Performance Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- Mubadala Investments Company (Director of Utilities Investments).

- **Nuno Manuel da Silva Amado (representing Banco Comercial Português, S.A.)**

General and Supervisory Board Member since May 2013 (re-appointed in April 2015 and April 2018).

Skills and experience: Degree in Companies Organization and Management – Advances Institute of Labor and Business Sciences (1980); Advanced Program in Management – INSEAD (2004); Audit and Consulting Department - KPMG Peat Marwick (1980-85); Citibank (1985-90); Banco Fonsecas & Burnay (1990-92); Board of Director Member - Deutsche Bank Portugal (1993-97); Executive Committee Member - Banco de Comércio e Indústria (1997-2004); Vice- Chairman of the Executive Committee - Crédito Predial Português (2000-04); Vice-Chairman of the Board of Directors and Chairman of the Executive Committee - Banco Santander Totta, SGPS (2006-12); Chairman of the Executive Committee - Banco Comercial Português (2012-18).

Other current positions in EDP Group:

- Strategy and Performance Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- Banco Comercial Português (Chairman).

- **Karim Djebbour (representing Soc. Nac.pour la Recherche, la Prod., le Transp, la Transf et la Com. des Hydroc. "Sonatrach")**

General and Supervisory Board Member, in representation of Sonatrach since April 2018.

Skills and experience: Degree in Agronomic Engineering - (1983); Degree in Assessment Economic and Financial Project - C.E.F.E.B Paris (1989); Several positions - Banque de l'Agriculture et du Développement Rural (1984-91); Subdirector - Ministry of Economy (1991-93); General Manager Assistant in Project Financing, Finance Director - SONATRACH's branch, General Manager (1993-99); CEO - Brown and Root Condor (2007) General Manager - SONATRACH Investissements et Participations SIP (2008); Chief of Staff of the CEO – Sonatrach (2014-15).

Other current positions in EDP Group:

– Strategy and Performance Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

– Sonatrach Group (Official in the General Directorate).

- **Maria Celeste Ferreira Lopes Cardona**

Independent General and Supervisory Board Member since February 2012 (re-elected in April 2015 and April 2018).

Skills and experience: Law Degree – Lisbon University (1981); Master degree in Law – Lisbon University (1994); Doctorate in Law - Lisbon University (2015); Assistant Professor – Lisbon University (1982); Tax Studies Center Member (1983); Portuguese Representative – Organization for Economic Cooperation and Development (1985); Justice Minister – Portuguese Government (2002-04); Non Executive Member of the Board of Directors - Caixa Geral de Depósitos, S.A. (2004-08).

Other current positions in EDP Group:

– Corporate Governance and Sustainability Committee Member;
– Financial Matters Committee/Audit Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which she performed management or supervisory functions or in which she was a shareholder were:

– SIBS (Supervisory Board Member).

- **Ilídio da Costa Leite de Pinho**

Independent General and Supervisory Board Member since February 2012 (re-elected in April 2015 and April 2018).

Skills and experience: Electronic and Machinery Engineering degree – Porto Industrial Institute (1964); Non Executive member, in representation of the National Industry, of the Board of Directors – ICEP (1986-91); President – Municipal Council of Vale de Cambra (1973-83); President – General Meeting of Vale de Cambra (1993-97); Founder of COLEP Group; Founder of Nacional Gás and its associates; CEO of several companies and associations; Member of the Board of Trustees of Aveiro University; Honoris Causa Doctorate by Aveiro University.

Other current positions in EDP Group:

– Remuneration Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

– Grupo Ilídio Pinho (CEO);
– Ilídio Pinho Foundation (Chairman).

➢ **Jorge Avelino Braga de Macedo**

Independent General and Supervisory Board Member since February 2012 (re-elected in April 2015 and April 2018).

Skills and experience: Law Degree – Lisbon University (1971); International Relations Master degree – Yale University (1973); Doctorate in Economics – Yale University (1979); Trainee – International Monetary Fund (1978-79); Professor – Princeton University (1980-86); Minister of Finances – Portuguese Government (1991-93); Chairman of the European Affairs Parliamentary Committee (1994-95); President – Tropical Research Institute (2004-15); Consultant – European Bank for Reconstruction and Development (1996-99); Consultant – United Nations (1982-84); Consultant – World Bank (1984-88).

Other current positions in EDP Group:

– Corporate Governance and Sustainability Committee Member;
– Strategy and Performance Committee Member;
– EDP Renewables North America (EDPR NA) Business Affairs Monitoring Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

– Globalization and Governance Center – Economy Faculty – Universidade Nova de Lisboa (Director);
– Board of Governors of the International Centre for International Governance Innovation in Waterloo (Distinguished Fellow);
– Sociedade de Desenvolvimento da Madeira (Chairman of the General Meeting Board).

➢ **Vasco Joaquim Rocha Vieira**

Independent General and Supervisory Board Member since February 2012 (re-elected in April 2015 and April 2018).

Skills and experience: Degree in Civil Engineering – Military Academia (1956-64); Course of General Staff at the Army (1969-70); Complementary Course of General Staff at the Army (1970-72); Course of Command and Direction for Official General (1982-83); Course of National Defence (1984); Brigadier (1984); General (1987); Deputy Secretary of Communications and Public Works – Macao Government (1974-75); Chief of Army Staff (1976-78); National Military Representative at NATO Supreme Headquarters Allied Powers in Europe (1978-82); Minister of the Republic for the Azores (1986-91); Governor of Macao (1991-99).

Other current positions in EDP Group:

- Remuneration Committee Member;
- Strategy and Performance Committee Member.
- EDP Renewables North America (EDPR NA) Business Affairs Monitoring Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- Council Member of the Order of Engineers;
- Member of the Representatives General Meeting of the Order of Engineers;
- Member of Engineering Academy;
- ISCSP School Board Member.

- **Augusto Carlos Serra Ventura Mateus**

Independent General and Supervisory Board Member since May 2013 (reelected in April 2015 and April 2018).

Skills and experience: Economics Degree – Higher Economics and Management Institute (1972); Invited Professor - Higher Economics and Management Institute (1972-14); Industry Secretary of State (1995-96); Minister of Economy (96-97).

Other current positions in EDP Group:

- Corporate Governance and Sustainability Committee Member;
- Strategy and Performance Committee Member.
- EDP Renewables North America (EDPR NA) Business Affairs Monitoring Committee Member.

- **João Carlos Carvalho das Neves**

Independent General and Supervisory Board Member since April 2015 (re-elected in April 2018).

Skills and experience: Degree in Companies Organization and Management - Economics and Management College Institute - Lisbon University (1981); MBA – Economics and

Management College Institute (1985); Finance and Control - IMD (1986); General Manager – CIFAG/IPE (1987-2002); Management Control - HEC Paris (1987); Executive course - International Finance - INSEAD (1987); Doctorate - Manchester Business School (1992); Senior Consultant – Coopers & Lybrand (1992-93); Judicial Manager: Torralta (1993-98); Casino Hotel de Tróia (1994-95); TVI (1998); ROC Partner – Neves, Azevedo Rodrigues e Batalha (1998-2009); Chairman Management Department – ISEG (2007-08); Director - BPN (2008); CEO and CFO - SLN (2008-09); Leadership - Kennedy Harvard Government School (2009); Leadership Development Program - Creative Leadership Center (2010); Coaching for Performance - London Business School (2010); Chairman – Central Administration of Health System (2011-14).

Other current positions in EDP Group:

- Remuneration Committee Member;
- Financial Matters Committee / Audit Committee Vice-Chairman;
- EDP Renewables North America (EDPR NA) Business Affairs Monitoring Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

- ISEG Lisbon University (School Board Member);
- Management Consultant in Management through the company Zenaction Business Consulting;
- Montepio - Valor SGFI (Independent non-executive member).

- **María del Carmen Ana Fernández Rozado**

Independent General and Supervisory Board Member since April 2015 (re-elected in April 2018).

Skills and experience: Degree in Economics and Business Administration and Political Sciences and Sociology - Complutense University of Madrid (1978); PhD in Public Finance - Complutense University of Madrid (1998); PADE Management Program MBA - IESE Business School (2004-05); State Tax Inspector (1984); Account Auditor (1988); Chief-Inspector in Spanish Ministry of Economy and Finance (1985-86); Deputy Head of the State Tax Inspection Office (1987- 96); Head of the State Tax Inspection Office (1996-99); President of the Task Force for Renewable Energies, Sustainability and Carbon Markets - ARIAE (1999-2011); Member of the Advisory Board - Ernst & Young (2012-13).

Other current positions in EDP Group:

- Financial Matters Committee / Audit Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which she performed management or supervisory functions or in which she was a shareholder were:

- ACS Group (Spain) (Independent Board member and Chairman of the Audit Committee);

- Beragua Capital (Member of the Advisory Board).

➢ **Laurie Lee Fitch**

General and Supervisory Board Member since April 2018.

Skills and experience: B.A. in Arabic - American University (1991); M.A. – Georgetown University's School of Foreign Service (1994); Assistant Vice-President - Bank of New York (1994-99); Associate - Schroders plc (1999-00); Associate - UBS Warburg (2000-02); Managing Director and Director of International Equity Research - TIAA-CREF (2002-06); Senior Analyst and Partner - Artisan Partners (2006-11); Managing Director and Co-Head, Global Industrial Group, Investment Division - Morgan Stanley (2012-16).

Other current positions in EDP Group:

- Strategy and Performance Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which she performed management or supervisory functions or in which she was a shareholder were:

- PJT Partners (Partner);
- Enquest PLC (Non-Executive Director and member of the Remuneration Committee);
- Tate Board of Trustees (Member of the Audit and Finance & Operations subcommittees);
- Chairs the Advisory Board of Georgetown University's Center for Contemporary Arab Studies;
- Trustee of The American University in Cairo.

➢ **Clementina Maria Dâmaso de Jesus Silva Barroso**

General and Supervisory Board Member since April 2018.

Skills and experience: Degree in Management – Advanced Institute of Labour and Business Sciences (ISCTE) (1976-81); Master in Business Management - Economy and Management Superior Institute (ISEG) (1984-85); Several positions – Banco Espírito Santo e Comercial Lisboa (1988-90); Board of Directors Member and General Director – INDEG ISCTE (1999-13); Doctorate in Advanced Company Management – ISCTE (2015).

Other current positions in EDP Group:

- Financial Matters Committee / Audit Committee Member;
- EDP Renewables North America (EDPR NA) Business Affairs Monitoring Committee Member.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which she performed management or supervisory functions or in which she was a shareholder were:

- Science4You, S.A. (Chairman of the Board of the General Meeting);
- CTT Bank, S.A. (Non-Executive Director and Audit Committee Member);
- Portuguese Corporate Governance Institute (Board Member).

- **Luís Maria Viana Palha da Silva**

General and Supervisory Board Member of EDP since April 2019.

Skills and experience: Degree in Economics - Higher Institute of Economics (1978); Degree in Management – Portuguese Catholic University (1981); CFO – Covina – Companhia Vidreira Nacional, S.A.R.L (1987-91); Member of the Board of Directors - IPE – Investimentos e Participações Empresariais, SGPS, S.A. (1991); Secretary of State for Trade (1991-95); CFO – CIMPOR – Cimentos de Portugal, SGPS, S.A. (1997-2001); CFO and CEO – Jerónimo Martins (2001-11), Advanced Management Program – University of Pennsylvania (2005); Vice-Chairman of the Board of Directors - Galp Energia, SGPS, S.A. (2012-15); Member of the Board of Directors - Oi, S.A. (2015-18); Chairman of the Board - AEM – Associação dos Emitentes Portuguese; Nonexecutive Member of the Board of Directors - NYSE Euronext; Member of the Audit Committee - NYSE Euronext; Chairman - APETRO – Associação Portuguesa de Empresas Petrolíferas.

Other current positions in EDP Group:

– Chairman of the Board of the General Shareholders' Meeting of EDP since April 2019.

As at December 31, 2019, and at any time during the last five years, the other undertakings in which he performed management or supervisory functions or in which he was a shareholder were:

– Pharol, SGPS, S.A. (Chairman of the Board of Directors and CEO) (since 2015);
– Bratel B.V. and Bratel S.à.r.l. (Director);
– Seguradoras Unidas, S.A. (Chairman of Statutory Audit Committee);
– Nutrinveste, SGPS, S.A. (Non-executive Board Member);
– JSC NC "KazMunayGas" (Non-executive Board Member);
– Member of the Board of Directors of Oi, S.A. (2015-2018);
– Vice Chairman of the Board of Directors da Galp Energia, SGPS, S.A.
– Member of the Board of Directors of Petróleos de Portugal – Petrogal, S.A.
– Member of the Board of Directors of Galp Exploração e Produção Petrolífera, S.A.
– Member of the Board of Directors of GDP – Gás de Portugal, SGPS, S.A. (redenominated Galp Gas & Power, SGPS, S.A. in February 12, 2015)
– Member of the Board of Directors of Galp Gás Natural Distribuição, S.A.
– Member of the Board of Directors of Galp Energia, S.A.
– Member of the Board of Directors of Galp Energia España, S.A.
– Member of the Board of Directors of Galp Energia E&P B.V.
– Member of the Board of Directors of Galp Exploração e Produção (Timor-Leste), S.A.
– Chairman of the Board of Directors of Galp Marketing International, S.A.
– Chairman of the Management Board of Petrogal Angola, Lda.
– Chairman of the Management Board of Petrogal Guiné-Bissau, Lda.
– Chairman of the Management Board of Petrogal Moçambique, Lda.
– Chairman of the Executive Board of Galp Moçambique, Lda.
– Chairman of the Board of Directors of Galp Gambia, Limited
– Chairman of the Board of Directors of Galp Swaziland, Limited
– Chairman of the Board of Directors of CLC – Companhia Logística de Combustíveis, S.A.;

– Director of Galp Sinopec Brazil Services B.V.
– Member of the Board of Directors of Petrogal Brasil, S.A.
– Member of the Board of Directors of Galp Energia Brasil, S.A.
– Member of the Board of Directors of Fima – Produtos Alimentares, S.A.
– Member of the Board of Directors of Victor Guedes Indústria e Comércio, S.A.
– Member of the Board of Directors of Indústrias Lever Portuguesa, S.A.
– Member of the Board of Directors of Olá – Produção de Gelados e Outros Produtos Alimentares, S.A.
– Manager of Unilever Jerónimo Martins, Lda.
– Manager of Gallo Worldwide, Lda.
– Member of the Technologic and Scientific Committee of ISPG – Instituto de Petróleo e Gás;
– Chairman of APETRO – Associação Portuguesa de Empresas Petrolíferas
– Chairman of the Board of AEM – Associação dos Emitentes Portugueses
– Non-Executive Member of the Board of Directors of NYSE Euronext and Member of Audit Committee of NYSE Euronext
– Chairman of the Audit Committee of the Companies Tranquilidade Vida, Logo e Açoreana, later merged in Seguradoras Unidas, S.A.
– Chairman of the Audit Committee of Fórum para a Competitividade
– Chairman of the Audit Committee of Fundação Francisco Manuel dos Santos
– Chairman of the Board of EPIS - Empresários pela Inclusão Social.

#### 12.1.4 Committees of the General and Supervisory Board

**a) Financial Matters Committee/Audit Committee**

The Financial Matters Committee/Audit Committee is made up of five independent members with the appropriate qualifications and experience, including at least one member with a degree in the area of the committee's duties and specific knowledge of auditing and accounting.

As at December 31, 2019, the Financial Committee/Audit Committee was composed as follows:

| **Financial Matters Committee/Audit Committee** | | **First Appointment Date** |
|---|---|---|
| Chairman | Luís Filipe Marques Amado | 06/04/2018 |
| Vice-Chairman | João Carlos Carvalho das Neves | 22/04/2015 |
| Member | Clementina Maria Dâmaso de Jesus da Silva Barroso | 06/04/2018 |
| Member | Maria Celeste Ferreira Lopes Cardona | 18/04/2012 |
| Member | María del Carmen Ana Fernández Rozado | 22/04/2015 |

In accordance with Articles of Association and the Internal Regulation of the Financial Matters Committee/Audit Committee and under applicable law, are assigned to this Committee, by delegation from the General and Supervisory Board, the following powers:

– Financial matters and financial practices relating to the Company;
– The internal procedures for auditing and the Internal Financial Reporting Control System (SCIRF);
– Matters relating to the internal risk management;

– The activity and the independence of the Statutory Auditor of the Company;
– Compliance Function.

**b) Remuneration Committee of The General and Supervisory Board**

The Remuneration Committee appointed by the General and Supervisory Board, pursuant to Article 27 of EDP's Articles of Association, defines the remuneration of the Executive Board of Directors as well as any supplements.

As at December 31, 2019, the General and Supervisory Board Remunerations Committee was composed as follows:

| **Remuneration Committee of the General and Supervisory Board** | | **First Appointment Date** |
|---|---|---|
| Chairman | Shengliang Wu | 13/12/2018 |
| Member | Fernando Maria Masaveu Herrero | 22/04/2015 |
| Member | Ilídio da Costa Leite de Pinho | 22/05/2012 |
| Member | João Carlos Carvalho das Neves | 22/04/2015 |
| Member | Vasco Joaquim Rocha Vieira | 22/04/2015 |

According to the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit a declaration on the remuneration policy followed for the members of the Executive Board of Directors and which it has approved by it.

The Remuneration Committee of the General and Supervisory Board is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, who are all independent from the managing body. This committee always has at least one representative at the General Meeting.

**c) Corporate Governance and Sustainability Committee**

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board, the majority of whom are independent, with the appropriate qualifications and experience for their duties.

As at June 30, 2020, the Corporate Governance and Sustainability Committee member composition was the following:

| **Corporate Governance and Sustainability Committee of the General and Supervisory Board** | | **First Appointment Date** |
|---|---|---|
| Chairman | Luís Filipe Marques Amado | 22/04/2015 |
| Member | Augusto Carlos Serra Ventura Mateus | 06/04/2018 |
| Member | Felipe Fernández Fernández | 22/04/2015 |
| Member | Ignacio Herrero Ruiz | 13/12/2018 |
| Member | Jorge Avelino Braga de Macedo | 22/04/2015 |
| Member | Maria Celeste Ferreira Lopes Cardona | 18/04/2012 |
| Member | Li Li | 23/01/2020 |

The Corporate Governance and Sustainability Committee is a specialized committee of the General and Supervisory Board. Its purpose is to permanently monitor and supervise all matters related with the following:

– Corporate governance;
– Strategic sustainability;

– Internal codes of ethics and conduct;
– Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and shareholders of EDP;
– Internal proceedings and relationship between the Company and Subsidiary or Group companies and their employees, clients, providers and remaining stakeholders.

**d) Strategy and Performance Committee**

As at December 31, 2019, the Strategy and Performance Committee was composed by the following members:

| **Strategy and Performance Committee of the General and Supervisory Board** | | **First Appointment Date** |
|---|---|---|
| Chairman | Eduardo de Almeida Catroga | 18/06/2015 |
| Member | Augusto Carlos Serra Ventura Mateus | 18/06/2015 |
| Member | Fernando Masaveu Herrero | 18/06/2015 |
| Member | Ignacio Herrero Ruiz | 13/12/2018 |
| Member | Jorge Avelino Braga de Macedo | 18/06/2015 |
| Member | Karim Djebbour | 18/06/2015 |
| Member | Laurie Lee Fitch | 06/04/2018 |
| Member | Mohammed Issa Khalfan Alhuraimel Alshamsi | 02/11/2017 |
| Member | Nuno Manuel da Silva Amado | 18/06/2015 |
| Member | Shengliang Wu | 06/04/2018 |
| Member | Vasco Rocha Vieira | 06/04/2018 |

The Strategy and Performance Committee supervises the following matters:

– The short-, medium- and long-term scenarios and strategies;
– The strategic implementation, business planning and the respective budgets;
– The investments and divestments;
– Debt and funding;
– Strategic alliances;
– Market and competitiveness evolution;
– Regulation;
– Analysis of the performance of the Group and the Business Units;
– The benchmarking of the Company group performance compared with the companies at the top of the sector;
– The assessment of the competitiveness of the EDP business portfolio.

**e) EDP Renewables North America Business Affairs Monitoring Committee**

The EDP Renewables North America Business Affairs Monitoring Committee is elected by the General and Supervisory Board and composed by a majority of independent members, never less than five, with the qualifications and experience to adequately perform their duties. As at June 30, 2020, the EDP Renewables North America Business Affairs Monitoring Committee was composed by the following members:

| **EDP Renewables North America, LLC (EDPR NA) Business Affairs Monitoring Committee of the General and Supervisory Board** | | **First Appointment Date** |
|---|---|---|
| Chairman | Luís Filipe Marques Amado | 16/03/2020 |
| Member | Augusto Carlos Serra Ventura Mateus | 16/03/2020 |

| | | |
|---|---|---|
| Member | Clementina Maria Dâmaso de Jesus da Silva Barroso | 16/03/2020 |
| Member | Felipe Fernández Fernández | 16/03/2020 |
| Member | João Carvalho das Neves | 16/03/2020 |
| Member | Jorge Avelino Braga de Macedo | 16/03/2020 |
| Member | Vasco Joaquim Rocha Vieira | 16/03/2020 |

EDP Renewables North America Business Affairs Monitoring Committee was incorporated on 16 March 2020 and is responsible for monitoring and assessing the activity of EDP Renewables North America, LLC, namely regarding:

- The strategic/business plans, assessing the different developing scenarios in which they rest and their implementation.
- The annual budget.
- The investment, divestment, merger, acquisition and restructuring projects of significant value businesses.
- Financing transactions.
- Alliances /strategic partnerships entered into by the Company and the specific actions deriving therefrom.
- Requests for prior opinion or waiver of prior opinion presented by the Executive Board of Directors.
- The compliance of the assumed commitments regarding public safety.

#### 12.1.5 Remuneration Committee of the General Meeting

The remuneration of the corporate bodies, with the exception of the members of the Executive Board of Directors, is defined by the Remuneration Committee elected by the General Meeting (Article 11(2)(d) of EDP's Articles of Association).

Pursuant to this Article, the majority of the members of the Remuneration Committee of the General Meeting must be independent.

On the General Meeting dated April 5, 2018, the members of the Remuneration Committee of the General Meeting were reelected for the 2018-2020 term of office, having the following composition:

| **Remuneration Committee of The General Meeting** | |
|---|---|
| Chairman | Luís Miguel Nogueira Freire Cortes Martins |
| Member | José Gonçalo Maury |
| Member | Jaime Amaral Anahory |

### 12.2. Statements regarding conflicts of interest of members of the management and supervisory bodies

According to the information provided to the Issuer, the members of the management and supervisory bodies of EDP do not have any conflicts, or any potential conflicts, between their duties to EDP's Group and their private interests or other duties.

### 12.3. Other statements regarding the members of the management and supervisory bodies

In relation to the persons identified as members of the Issuer's management and supervisory bodies and to the best of the Issuer's knowledge, the following statements are made:

- The names of all the companies and undertakings where those persons have been a member of the management or supervisory bodies or shareholder at any time in the previous five years, are indicated above;
- There are no convictions in respect of any of the above persons related to fraudulent offences for at least the previous five years;
- There are no bankruptcies, receiverships, liquidations or companies put into administration in respect of those persons described above who acted in one or more of those capacities for at least the previous five years; and
- There are no official public incrimination and/or sanctions involving such persons by statutory or regulatory authorities (including designated professional bodies) and nor have such persons been disqualified by a court from acting as a member of the management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

### 12.4. Head of Investor Relations and Market Relations Representative

EDP's Investor Relations Department is coordinated by Miguel Viana and the representative for market relations is Miguel Stilwell de Andrade, member of the Executive Board of Directors and current interim chairman of the Executive Board of Directors since July 6, 2020, and their contact details are as follows:

Miguel Viana
Address: Avenida 24 de Julho, no. 12, 1249-300 Lisboa-Portugal
Telephone: +351 210012834
Fax: +351 210012899
E-mail: ir@edp.pt

Miguel Stilwell de Andrade
Address: Avenida 24 de Julho, no. 12, 1249-300 Lisboa-Portugal
Telephone: +351 210013049
Fax: +351 210 013 000
E-mail: miguel.stilwellandrade@edp.com

## CHAPTER 13. ISSUER'S MAJOR SHAREHOLDERS

### 13.1. Shareholder structure and exercise of voting rights by holders of qualified holdings

On the date of this Prospectus, in accordance with article 4(1) and (2) of EDP's Articles of Association, the share capital of EDP amounts to EUR 3,656,537,715.00, fully subscribed and paid up, and is represented by 3,656,537,715 nominative book-entry shares with a nominal value of EUR 1.00 (one euro) each.

As of the date of this Prospectus, the entities that are, vis-à-vis the Issuer, in any of the situations provided for in article 20(1) of the PSC are the following:

| **CHINA THREE GORGES CORPORATION** | **No. of shares at this date** | **% share capital with voting rights** |
|---|---|---|
| China Three Gorges (Europe), S.A. | 784,957,024 | 21.47% |
| **Total held** | **784,957,024** | **21.47%** |
| China Three Gorges (Europe), S.A. is fully owned by China Three Gorges (Hong Kong) Co. Ltd., which is fully owned by China Three Gorges International Corporation. China Three Gorges Corporation holds 100% equity of China Three Gorges International Corporation and is in turn fully owned by People Republic of China. | | |

| **OPPIDUM CAPITAL, S.L.** | **No. of shares at this date** | **% share capital with voting rights** |
|---|---|---|
| Oppidum Capital, S.L. | 263,046,616 | 7.19% |
| **Total held** | **263,046,616** | **7.19%** |
| According to paragraph 1(b) of article 20 of the PSC, the voting rights inherent to the share capital held by Oppidum Capital, SL and Flicka Forestal, SL are imputable to Fernando Masaveu Herrero. Oppidum Capital, SL is 55.9% owned by Masaveu Internacional, S.L. and 44.1% owned by Liberbank, S.A. In turn, Masaveu Internacional, SL is 100% held by Corporación Masaveu, SA. Corporación Masaveu, SA is 41.38% held by Fundación María Cristina Masaveu Peterson, 10.73% by Flicka Forestal, SL and 0.03% by Fernando Masaveu Herrero. Fernando Masaveu Herrero controls Fundación María Cristina Masaveu Peterson, Flicka Forestal, SL and Peña Maria, S.L. Additionally, Fernando Masaveu Herrero's spouse holds 17,020 shares of EDP's share capital, which correspond to 0.000465% of the voting rights. Also, three dependents of Fernando Masaveu Herrero, namely Pedro Masaveu Compostizo, Jaime Masaveu Compostizo and Elias Masaveu Compostizo hold each 500 shares of EDP's share capital. In this sense, in total, 7.19% of the voting rights of EDP, corresponding to 263,065,136 shares of EDP's share capital, should be imputable to Fernando Masaveu Herrero. | | |

| **BLACKROCK, INC.** | **No. of shares at this date** | **% share capital with voting rights** |
|---|---|---|
| BlackRock, Inc. | - | - |
| BlackRock Holdco 2, Inc. | - | - |
| BlackRock Financial Management, Inc. | - | - |
| BlackRock International Holdings, Inc. | - | - |
| BR Jersey International Holdings L.P. | - | - |
| BlackRock (Singapore) Holdco Pte. Ltd. | - | - |
| BlackRock HK Holdco Limited | - | - |
| BlackRock Lux Finco S.a.r.l. | - | - |
| BlackRock Japan Holdings GK | - | - |
| BlackRock Japan Co., Ltd. | - | - |
| | | |

| | | |
|---|---|---|
| BlackRock, Inc. | - | - |
| Trident Merger, LLC | - | - |
| BlackRock Investment Management, LLC | - | - |
| | | |
| BlackRock, Inc. | - | - |
| BlackRock Holdco 2, Inc. | - | - |
| BlackRock Financial Management, Inc. | - | - |
| BlackRock International Holdings, Inc. | - | - |
| BR Jersey International Holdings L.P. | - | - |
| BlackRock Holdco 3, LLC | - | - |
| BlackRock Cayman 1 LP | - | - |
| BlackRock Cayman West Bay Finco Limited | - | - |
| BlackRock Cayman West Bay IV Limited | - | - |
| BlackRock Group Limited | | |
| BlackRock Finance Europe Limited | | |
| BlackRock Investment Management (UK) Limited | | |
| | | |
| BlackRock, Inc. | | |
| BlackRock Holdco 2, Inc. | | |
| BlackRock Financial Management, Inc. | | |
| BlackRock International Holdings, Inc. | | |
| BR Jersey International Holdings L.P. | | |
| BlackRock Australia Holdco Pty. Ltd. | | |
| BlackRock Investment Management (Australia) Limited | | |
| | | |
| BlackRock, Inc. | | |
| BlackRock Holdco 2, Inc. | | |
| BlackRock Financial Management, Inc. | | |
| BlackRock International Holdings, Inc. | | |
| BR Jersey International Holdings L.P. | | |
| BlackRock Holdco 3, LLC | | |
| BlackRock Cayman 1 LP | | |
| BlackRock Cayman West Bay Finco Limited | | |
| BlackRock Cayman West Bay IV Limited | | |
| BlackRock Group Limited | | |
| BlackRock International Limited | | |
| | | |
| BlackRock, Inc. | | |
| BlackRock Holdco 2, Inc. | | |
| BlackRock Financial Management, Inc. | | |
| BlackRock Holdco 4, LLC | | |
| BlackRock Holdco 6, LLC | | |
| BlackRock Delaware Holdings Inc. | | |

| | | |
|---|---|---|
| BlackRock Institutional Trust Company, National Association | | |
| | | |
| BlackRock, Inc. | | |
| BlackRock Holdco 2, Inc. | | |
| BlackRock Financial Management, Inc. | | |
| BlackRock Holdco 4, LLC | | |
| BlackRock Holdco 6, LLC | | |
| BlackRock Delaware Holdings Inc. | | |
| BlackRock Fund Advisors | | |
| | | |
| BlackRock, Inc. | | |
| BlackRock Holdco 2, Inc. | | |
| BlackRock Financial Management, Inc. | | |
| | | |
| BlackRock, Inc. | | |
| BlackRock Holdco 2, Inc. | | |
| BlackRock Financial Management, Inc. | | |
| BlackRock International Holdings, Inc. | | |
| BR Jersey International Holdings L.P. | | |
| BlackRock (Singapore) Holdco Pte. Ltd. | | |
| BlackRock HK Holdco Limited | | |
| BlackRock Asset Management North Asia Limited | | |
| | | |
| BlackRock, Inc. | | |
| BlackRock Holdco 2, Inc. | | |
| BlackRock Financial Management, Inc. | | |
| BlackRock International Holdings, Inc. | | |
| BR Jersey International Holdings L.P. | | |
| BlackRock Holdco 3, LLC | | |
| BlackRock Cayman 1 LP | | |
| BlackRock Cayman West Bay Finco Limited | | |
| BlackRock Cayman West Bay IV Limited | | |
| BlackRock Group Limited | | |
| BlackRock Finance Europe Limited | | |
| BlackRock Investment Management (UK) Limited | | |
| BlackRock Asset Management Deutschland AG | | |
| | | |
| BlackRock, Inc. | | |
| BlackRock Holdco 2, Inc. | | |
| BlackRock Financial Management, Inc. | | |
| BlackRock International Holdings, Inc. | | |
| BR Jersey International Holdings L.P. | | |
| BlackRock Holdco 3, LLC | | |
| BlackRock Canada Holdings LP | | |

| | | |
|---|---|---|
| BlackRock Canada Holdings ULC | | |
| BlackRock Asset Management Canada Limited | | |
| | | |
| BlackRock, Inc. | | |
| BlackRock Holdco 2, Inc. | | |
| BlackRock Financial Management, Inc. | | |
| BlackRock Capital Holdings, Inc. | | |
| BlackRock Advisors, LLC | | |
| | | |
| BlackRock, Inc. | | |
| BlackRock Holdco 2, Inc. | | |
| BlackRock Financial Management, Inc. | | |
| BlackRock International Holdings, Inc. | | |
| BR Jersey International Holdings L.P. | | |
| BlackRock Holdco 3, LLC | | |
| BlackRock Cayman 1 LP | | |
| BlackRock Cayman West Bay Finco Limited | | |
| BlackRock Cayman West Bay IV Limited | | |
| BlackRock Group Limited | | |
| BlackRock Finance Europe Limited | | |
| BlackRock Advisors (UK) Limited | | |
| | | |
| BlackRock, Inc. | | |
| BlackRock Holdco 2, Inc. | | |
| BlackRock Financial Management, Inc. | | |
| BlackRock International Holdings, Inc. | | |
| BR Jersey International Holdings L.P. | | |
| BlackRock (Singapore) Holdco Pte. Ltd. | | |
| BlackRock (Singapore) Limited | | |
| | | |
| BlackRock, Inc. | | |
| BlackRock Holdco 2, Inc. | | |
| BlackRock Financial Management, Inc. | | |
| BlackRock International Holdings, Inc. | | |
| BR Jersey International Holdings L.P. | | |
| BlackRock Holdco 3, LLC | | |
| BlackRock Cayman 1 LP | | |
| BlackRock Cayman West Bay Finco Limited | | |
| BlackRock Cayman West Bay IV Limited | | |
| BlackRock Group Limited | | |
| BlackRock Finance Europe Limited | | |
| BlackRock (Netherlands) B.V. | | |
| **Total held** | **165,054,327** | **4.51%** |

| **ALLIANCE BERNSTEIN** | **No. of shares at this date** | **% share capital with voting rights** |
|---|---|---|

| | | |
|---|---|---|
| AllianceBernstein L.P. | 107,505,681 | 2.94% |
| **Total held** | **107,505,681** | **2.94%** |

| **SONATRACH** | **No. of shares at this date** | **% share capital with voting rights** |
|---|---|---|
| Sonatrach | 87,007,433 | 2.38% |
| **Total held** | **87,007,433** | **2.38%** |

| **QATAR INVESTMENT AUTHORITY** | **No. of shares at this date** | **% share capital with voting rights** |
|---|---|---|
| Qatar Holding LLC | 82,868,933 | 2.27% |
| **Total held** | **82,868,933** | **2.27%** |
| The company Qatar Holding LLC is wholly owned by Qatar Investment Authority. | | |

| **NORGES BANK** | **No. of shares at this date** | **% share capital with voting rights** |
|---|---|---|
| Norges Bank | 81,100,067 | 2.22% |
| **Total held** | **81,100,067** | **2.22%** |

| **GRUPO BCP + FUNDO DE PENSÕES DO GRUPO BCP** | **No. of shares at this date** | **% share capital with voting rights** |
|---|---|---|
| Fundação Millennium BCP | 350,000 | 0.01% |
| Fundo de Pensões do Grupo Millennium BCP | 74,290,255 | 2.03% |
| Banque Privee BCP Suisse SA | 975,038 | 0.03% |
| Banco Comercial Português SA | 625 | 0.00% |
| **Total held** | **75,615,918** | **2.07%** |
| Millennium BCP Pension Fund exercises independently its own voting rights. | | |

| **THE CAPITAL GROUP COMPANIES, INC. (“CGC”)** | **No. of shares at this date** | **% share capital with voting rights** |
|---|---|---|
| Capital Income Builder | 73,922,433 | 2.02% |
| Other | 884,172 | 0.02% |
| **Total held** | **74,806,605** | **2.05%** |
| CIB is a mutual fund registered in the United States under the Investment Company Act of 1940. CIB is the legal owner of shares in EDP - Energias de Portugal, SA. CIB has granted proxy voting authority to Capital Research and Management Company, its investment adviser.<br>CGC is the parent company of Capital Research and Management Company (“CRMC”). CRMC is a U.S. based investment management company that manages the American Funds family of mutual funds.<br>CRMC manages equity assets for various investment companies through three divisions, Capital Research Global Investors, Capital International Investors and Capital World Investors. CRMC in turn is the parent company of Capital Group International, Inc. (“CGII”), which in turn is the parent company of five investment management companies (“CGII management companies”): Capital Guardian Trust Company, Capital International, Inc., Capital International Limited, Capital International Sàrl and Capital International K.K. The CGII management companies primarily serve as investment managers to institutional clients.<br>Neither CGC nor any of its affiliates own shares of the issuer for its own accounts. Rather, the shares reported are owned by funds and accounts under the discretionary investment management of one or more of the investment management companies de-scribed above | | |

On the date of this Prospectus, EDP holds 21,070,741 treasury shares, representing 0.58% of the Company’s share capital.

As at December 31, 2019, the members of the Executive Board of Directors and of the General and Supervisory Board of the Company held the following shares:

| Executive Board of Directors | No. of shares at 31/12/2019 |
|---|---|
| António Luís Guerra Nunes Mexia (suspended) | 91,000 |
| João Manuel Manso Neto (suspended) | 1,268 |
| António Fernando Melo Martins da Costa | 54,299 |
| João Manuel Veríssimo Marques da Cruz | - |
| Miguel Stilwell de Andrade | 140,000 |
| Miguel Nuno Simões Nunes Ferreira Setas | 7,382 |
| Rui Manuel Rodrigues Lopes Teixeira (*) | 31,733 |
| Maria Teresa Isabel Pereira | 71,281 |
| Vera de Morais Pinto Pereira Carneiro | - |

(*) The shares of EDP include 1,490 shares hold by his spouse, Lina Lago da Silva Dantas Martins.

| General and Supervisory Board | No. of shares at 31/12/2019 |
|---|---|
| Luís Filipe Marques Amado | 0 |
| China Three Gorges Corporation | 784,957,024 |
| Dingming Zhang (representing China Three Gorges Corporation) | 0 |
| China Three Gorges International Corp. | 784,957,024 |
| Shengliang Wu (representing China Three Gorges International Corp.) | 0 |
| China Three Gorges (Europe), S.A. | 784,957,024 |
| Ignacio Herrero Ruiz (representing China Three Gorges (Europe), S.A.) | 0 |
| China Three Gorges Brasil Energia Ltda. | 0 |
| Li (representing China Three Gorges Brasil Energia Ltda.) | 0 |
| China Three Gorges (Portugal), Sociedade Unipessoal, Lda. | 0 |
| Eduardo de Almeida Catroga (representing China Three Gorges (Portugal)) | 0 |
| DRAURSA, S.A. | 0 |
| Felipe Fernández (representing Draursa, S.A.) (*) | 1,350 |
| Fernando Maria Masaveu Herrero (**) | 263,065,136 |
| Senfora BV (***) | - |
| Mohammed Issa Khalfan Alhuraimel Alshamsi (representing Senfora BV) | 0 |
| Banco Comercial Português, S.A. | 75,615,918 |
| Nuno Manuel da Silva Amado (representing Banco Comercial Português, S.A.) | 0 |
| Sonatrach | 87,007,433 |
| Karim Djebbour (representing Sonatrach) | 0 |
| Maria Celeste Ferreira Lopes Cardona | 0 |
| Ilídio da Costa Leite de Pinho | 0 |

| GENERAL AND SUPERVISORY BOARD | No. of shares at 31/12/2019 |
|---|---|
| Jorge Avelino Braga de Macedo | 0 |
| Vasco Joaquim Rocha Vieira | 3,203 |
| Augusto Carlos Serra Ventura Mateus | 0 |
| João Carvalho das Neves | 7,429 |
| María del Carmen Fernández Rozado | 0 |
| Laurie Lee Fitch | 0 |
| Clementina Maria Dâmaso de Jesus Silva Barroso | 0 |
| Luís Maria Viana Palha da Silva | 5,050 |

(*) The shares of EDP are held by his spouse, Maria Teresa Fernández Veja, and were identified following a process of division of an inheritance.

(**) According to paragraph 1(b) of article 20 of the PSC, the voting rights inherent to the share capital held by Oppidum Capital, SL are imputable to Fernando Masaveu Herrero. Oppidum Capital, SL is 55.9% owned by Masaveu Internacional, S.L. and 44.1% owned by Liberbank, S.A. In turn, Masaveu Internacional, SL is 100% held by Corporación Masaveu, SA. Corporación Masaveu, SA is 41.38% held by Fundación María Cristina Masaveu Peterson, 10.73% by Flicka Forestal, SL and 0.03% by Fernando Masaveu Herrero. Fernando Masaveu Herrero controls Fundación María Cristina Masaveu Peterson, Flicka Forestal, SL and Peña Maria, S.L. Additionally, Fernando Masaveu Herrero's spouse holds 17,020 shares of EDP's share capital, which correspond to 0.000465% of the voting rights. Also, three dependents of Fernando Masaveu Herrero, namely Pedro Masaveu Compostizo, Jaime Masaveu Compostizo and Elias Masaveu Compostizo hold each 500 shares of EDP's share capital. In this sense, in total, 7.19% of the voting rights of EDP, corresponding to 263,065,136 shares of EDP's share capital, should be imputable to Fernando Masaveu Herrero.

(***) On February 26, 2020, Mubadala (parent company of Senfora BV) notified EDP that, in accordance with article 16(1) and (2)(b) of the Portuguese Securities Code, it no longer holds a qualifying shareholding in EDP. The reduction from the 2% threshold occurred on February 25, 2020.

All of the Issuer's shares confer the same rights, so that the voting rights of the main shareholders of the company identified above do not differ from the voting rights of the other shareholders.

In this regard, it should be noted that, in accordance with article 14(3) of EDP's Articles of Association, currently in force, votes cast by a shareholder, on its own account or on behalf of another shareholder, that exceed 25% of the votes corresponding to the Issuer's share capital, shall not be taken into account.

In order to ensure the independence of the Issuer from the reference shareholders and to ensure that any control by reference shareholders over EDP is not exercised in an abusive manner, the Issuer seeks to ensure full transparency in mutual relations, through strict compliance with the applicable legal and regulatory rules, in particular the rules on disclosure duties, shareholders' information rights (including those detailed in sub-chapter 19.4.1 ("*Description of the main rights attached to the New Shares*"), transactions with related parties and safeguarding potential conflicts of interest.

In particular, the Issuer is required to provide true, complete, timely, clear, objective and lawful information to the market and its shareholders, complying with the obligation to disclose annual, half-yearly and quarterly financial information, through the publication of management reports and accounting documents, in accordance with the applicable law.

Apart from those resulting from legal and regulatory obligations, there are no other specific measures implemented by the Issuer aimed at ensuring the independence of the Issuer from shareholders.

### 13.2. Controlling Shareholder

EDP is not directly or indirectly controlled by any shareholder or any other person or entity.

### 13.3. Agreements with an impact on the shareholder structure

*Shareholders agreements*

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

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

Under the terms of this shareholder agreement, which were announced publicly, Parpública and CGD made the following commitments: (i) to support the continued membership of Sonatrach (or of a person indicated by it) in EDP's General and Supervisory Board, provided that Sonatrach maintains a shareholding of at least 2% (two percent) of EDP‘s share capital and the strategic partnership remains in effect; and (ii) to refrain from promoting, supporting and/or voting in favor of any change in EDP‘s Articles of Association that prevents the continued membership of Sonatrach (or of a person indicated by it) in EDP‘s General and Supervisory Board.

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

The Articles of Association do not contain any provisions on the transfer of qualifying holdings, provisions that have the effect of postponing, deferring or preventing a change in shareholder control, in particular, but not limited to, provisions determining a maximum number of shares to be held by a shareholder.

*Framework agreement with CTG*

In 2012, pursuant to EDP's privatization process which resulted in the acquisition by CTG of a 21.35% stake in EDP, EDP and CTG entered into a framework agreement for a strategic partnership pursuant to which: (i) CTG invested EUR 2.0 billion in the acquisition of minority stakes in certain of EDP's projects and co-investment with EDP in certain wind power projects; (ii) CTG provided assistance in the arrangement of a credit facility of up to EUR 2 billion which was arranged, drawn down by EUR 1 billion and subsequently repaid; and (iii) EDP and CTG agreed to jointly develop potential new growth opportunities worldwide.

Currently, CTG has five representatives as members of the General and Supervisory Board of EDP. Please see further details on this on sub-chapter 12.1.3 ("*General and Supervisory Board*").

Further to this agreement, CTG, through subsidiaries, has made minority investments in certain EDPR wind portfolios in Portugal, Italy, Poland and Brazil, co-investments in Brazilian hydro assets and in EDPR's UK offshore assets, and the creation of a global joint venture aimed at developing hydro projects, primarily in Latin America.

This agreement is subject to certain customary termination conditions, including with respect to the maintenance of CTG's shareholding interest in EDP at certain levels. In the event of termination, the ownership structure of the assets and projects covered by the agreement could be restructured pursuant to the agreement.

For additional information on EDP's transactions with CTG pursuant to the framework agreement, see the notes on transactions executed with related parties of the Audited Consolidated Financial Statements, included in the Annex of this Prospectus.

## CHAPTER 14. ENTITIES RESPONSIBLE FOR THE INFORMATION

The form and content of the Prospectus complies with the terms set forth in the PSC, Regulation 2017/1129, Delegated Regulation 2019/980, as well as other applicable laws and regulations.

### 14.1. Identification of the entities responsible for the information in the Prospectus

The persons and entities listed below are, pursuant to article 149 of the PSC, responsible for the information contained in this Prospectus being complete, true, up to date, clear, objective and lawful, as set out below:

**a) The Issuer:**

EDP – Energias de Portugal, S.A., a limited liability company by shares (*sociedade anónima*) with its investment open to the public investment (*sociedade aberta*), with registered office at Avenida 24 de Julho, no. 12, 1249-300 Lisboa, Portugal, with a share capital of EUR 3,656,537,715.00 and registered with the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500.697.256.

**b) The members of the Issuer's Executive Board of Directors in office at the date of this Prospectus:**

**Interim Chairman:**
Miguel Stilwell de Andrade

**Members:**
António Fernando Melo Martins da Costa
João Manuel Veríssimo Marques da Cruz
Miguel Nuno Simões Nunes Ferreira Setas
Rui Manuel Rodrigues Lopes Teixeira
Maria Teresa Isabel Pereira
Vera de Morais Pinto Pereira Carneiro

**c) The members of the Issuer's Executive Board of Directors in office at the time of the approval of the annual accounts for the 2018 and 2019 financial year:**

**Chairman:**
António Luís Guerra Nunes Mexia

**Members:**
João Manuel Manso Neto
António Fernando Melo Martins da Costa
João Manuel Veríssimo Marques da Cruz
Miguel Stilwell de Andrade
Miguel Nuno Simões Nunes Ferreira Setas
Rui Manuel Rodrigues Lopes Teixeira
Maria Teresa Isabel Pereira
Vera de Morais Pinto Pereira Carneiro

**d) The members of the Issuer's Executive Board of Directors in office at the time of the approval of the annual accounts for the 2017 financial year:**

**Chairman:**
António Luís Guerra Nunes Mexia

**Members:**
Nuno Maria Pestana de Almeida Alves
João Manuel Manso Neto
António Fernando Melo Martins da Costa
João Manuel Veríssimo Marques da Cruz
Miguel Stilwell de Andrade
Miguel Nuno Simões Nunes Ferreiras Setas
Rui Manuel Rodrigues Lopes Teixeira

**e) The members of the Issuer's General and Supervisory Board in office at the date of this Prospectus and in office at the time of the approval of the annual accounts for the 2019 financial year:**

**Chairman:**
Luís Filipe Marques Amado

**Members:**
Dingming Zhang (representing China Three Gorges Corporation)
Shengliang Wu (representing China Three Gorges International Corp.)
Ignacio Herrero Ruiz (representing China Three Gorges (Europe) S.A.)
Li Li (representing China Three Gorges Brasil Energia Ltda.)
Eduardo de Almeida Catroga (representing China Three Gorges (Portugal), Sociedade Unipessoal, Lda.)
Felipe Fernández Fernández (representing DRAURSA, S.A.)
Fernando María Masaveu Herrero
Mohammed Issa Khalfan Al-Huraimel Al-Shamsi (representing Senfora BV)
Nuno Manuel da Silva Amado (representing Banco Comercial Português, S.A.)
Karim Djebbour (representing Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures "Sonatrach")
Maria Celeste Ferreira Lopes Cardona
Ilídio da Costa Leite de Pinho
Jorge Avelino Braga de Macedo
Vasco Joaquim Rocha Vieira
Augusto Carlos Serra Ventura Mateus
João Carlos Carvalho das Neves
María del Carmen Ana Fernández Rozado
Laurie Lee Fitch
Clementina Maria Dâmaso de Jesus Silva Barroso
Luís Maria Viana Palha da Silva

**f) The members of the Issuer's General and Supervisory Board in office at the time of the approval of the annual accounts for the 2018 financial year:**

**Chairman:**
Luís Filipe Marques Amado

**Members:**

Dingming Zhang (representing China Three Gorges Corporation)
Shengliang Wu (representing China Three Gorges International Corp.)
Ignacio Herrero Ruiz (representing China Three Gorges (Europe) S.A.)
Yinsheng Li (representing China Three Gorges Brasil Energia Ltda.)
Eduardo de Almeida Catroga (representing China Three Gorges (Portugal), Sociedade Unipessoal, Lda.)
Felipe Fernández Fernández (representing Draursa, S.A.)
Fernando María Masaveu Herrero
Mohammed Issa Khalfan Al-Huraimel Al-Shamsi (representing Senfora BV)
Nuno Manuel da Silva Amado (representing Banco Comercial Português, S.A.)
Karim Djebbour (representing Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures "Sonatrach")
Maria Celeste Ferreira Lopes Cardona
Ilídio da Costa Leite de Pinho
Jorge Avelino Braga de Macedo
Vasco Joaquim Rocha Vieira
Augusto Carlos Serra Ventura Mateus
João Carlos Carvalho das Neves
María del Carmen Ana Fernández Rozado
Laurie Lee Fitch
Clementina Maria Dâmaso de Jesus Silva Barroso

**g) The members of the Issuer's General and Supervisory Board in office at the time of the approval of the annual accounts for the 2017 financial year:**

**Chairman:**
Eduardo de Almeida Catroga (representing China Three Gorges Corporation)

**Members:**
Luís Filipe Marques Amado
Ya Yang (representing China Three Gorges Energy Corporation)
Guojun Lu (representing China International Water & Electric Corporation)
Dingming Zhang (representing CWEI (Europe), S.A.)
Shengliang Wu (representing CWEI (Portugal), Sociedade Unipessoal, Lda.)
Felipe Fernandez Fernandez (representing Draursa, S.A.)
Fernando Maria Masaveu Herrero
Nuno Manuel Da Silva Amado (representing Banco Comercial Português, S.A.)
Ferhat Ounoughi (representing Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures "Sonatrach")
Mohammed Issa Khalfan Alhuraimel Alshamsi (representing Senfora BV)
Antonio Sarmento Gomes Mota
Maria Celeste Ferreira Lopes Cardona
Ilídio Da Costa Leite De Pinho
Jorge Avelino Braga De Macedo
Vasco Joaquim Rocha Vieira
Augusto Carlos Serra Ventura Mateus
João Carlos Carvalho Das Neves
Alberto Joaquim Milheiro Barbosa
Maria Del Carmen Ana Fernandez Rozado
António Manuel De Carvalho Ferreira Vitorino

**h) The Issuer's Statutory Auditor in office at the date of this Prospectus and in office at the time of the approval of the annual accounts for the 2019, 2018 and 2017 financial years:**

The statutory audit firm PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda., with registered office at Rua Sousa Martins, no. 1, 3, 1069-316 Lisboa, Portugal, registered with the Portuguese Institute of Statutory Auditors under no. 183 and with the CMVM under no. 20161485, represented by João Paulo Rui Fernandes Ramos (statutory auditor registered with the Portuguese Institute of Statutory Auditors under no. 1333 and with the CMVM under no. 20160943), was responsible for the auditors' reports on the annual consolidated financial statements for the financial years ending on December 31, 2018 and December 31, 2019, as well as for the limited review report on the condensed financial statements reported as of and for the three-month period ended on March 31, 2020.

The statutory audit firm KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A., with registered offices at Edifício FPM41, Av. Fontes Pereira de Melo, 41-15º, 1069-006 Lisboa, with sole registration and tax payer number 502161078, registered with the Portuguese Institute of Statutory Auditors under number 189 and with CMVM under number 20161489, represented by Vitor Manuel Cunha Ribeirinho, was responsible for the auditors' reports on the annual consolidated financial statements for the year ended on 31 December 2017.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., appointed in the General Meeting held on April 5, 2018, is currently the Issuer's Statutory Auditor for the three-year period of 2018-2020.

**i) The financial intermediary responsible for providing assistance services in relation to the Rights Issue:**

Banco Comercial Português, S.A., a limited liability company by shares (*sociedade anónima*) with its investment open to the public investment (*sociedade aberta*), incorporated under the laws of the Portuguese Republic, with registered office at Praça D. João I, no. 28, Porto, Portugal, with a share capital of EUR 4,725,000,000.00, and registered with the Commercial Registry Office of Porto under the sole registration and taxpayer number 501.525.882, acting through its investment banking division, is the financial intermediary responsible for rendering assistance services to the Issuer in relation to the Rights Issue, under the terms and for the purposes of articles 113, 337 and 338 of the PSC, covering the services necessary for the preparation, launch and execution of the Rights Issue and advisory services in the process of admission to trading of the New Shares on Euronext Lisbon.

## 14.2. Relevant legal provisions regarding the responsibility for the information contained in the Prospectus

Under the terms of article 149(3) of the PSC, the liability of the persons referred to in sub-chapter 14.1 ("*Identification of the entities responsible for the information in the Prospectus*") is excluded when they prove that the addressee knew or should have known about the irregularity in the Prospectus contents on the date the declaration was issued or when the respective withdrawal of such declaration was still feasible.

Under the terms of article 149(4) of the PSC and article 11(2) of the Prospectus Regulation, the liability is further excluded whenever the damages result solely from the prospectus summary, or any translation thereof, unless the summary, when read together with other parts of the Prospectus, contains misleading, inaccurate or inconsistent references or does not provide key information necessary for investors to determine whether and when to invest in the relevant securities. Under the terms of article 149(2) of the PSC, any fault is judged according to the highest standards of professional diligence.

Under the terms set forth in paragraphs a) and b) of article 150 of the PSC, and regarding this Prospectus, the Issuer, in its capacity as issuer and offeror, shall be liable regardless of fault in the event of liability of the members of its management body, supervisory body and audit firms, of the financial intermediaries assisting the Offer or of other persons who have certified or otherwise assessed the financial statements on which this Prospectus is based.

In what concerns the Rights Issue, under the terms of article 153 of the PSC, the right to claim any compensation based upon the information contained in the Prospectus shall be exercised within a period of six months as from the date on which the deficiency of the information contained in the prospectus is known and expires, in any case, within two years of the prospectus expiry date.

## 14.3. Statement of the entities responsible for the information contained in the Prospectus

The persons and entities mentioned in sub-chapter 14.1 (“*Identification of the entities responsible for the information in the Prospectus*“) above, in their capacity as persons responsible for the information contained in this Prospectus, declare that, to the best of their knowledge, the information contained in the parts of this Prospectus for which they are responsible are in accordance with the facts and makes no omissions likely to affect its import.

## CHAPTER 15. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED AND ADMITTED TO TRADING

### 15.1. Amount, class (*categoria*) and form of representation of the New Shares

The securities subject of this Offer correspond to 309,143,297 ordinary, registered and book-entry shares, each with a nominal value of EUR 1 (one euro), and which, assuming a scenario of full subscription of the share capital increase, represent an increase in the share capital of EDP by up to € 309,143,297.00 of nominal amount (corresponding to a total amount of € 1,020,172,880.10, including share premium ("*ágio*") of € 2.30 per New Share), representative of approximately 8.45% of the share capital after the Offer.

The New Shares to be issued are ordinary, registered and book-entry and will be registered in the accounts of the corresponding legally qualified financial intermediaries; no shares certificates will be issued.

The referred registration of the New Shares in the accounts shall be made following the registration of the share capital increase before the competent commercial registry office, which is estimated to occur on August 12, 2020. However, the Issuer may not ensure that such registration before the competent commercial registry office will occur on the referred date.

The New Shares, when admitted to trading, shall have the same ISIN code (PTEDP0AM0009) as the shares representing EDP's share capital which are already admitted to trading on the date of this Prospectus. The New Shares will grant their holders the same rights as the other EDP's shares existing prior to the Offer. It is expected the New Shares to be admitted to trading on August 17, 2020. However, the Issuer may not ensure that admission to trading of the New Shares will occur on the abovementioned date.

As with the other shares representative of the Issuer's share capital, the New Shares to be issued will be integrated in the CVM centralized system, which is managed by Interbolsa.

### 15.2. Legislation under which the securities were created

All the shares representing EDP's share capital, including the New Shares that are the subject of the Offer, were and will, as applicable, be created under Portuguese law, namely the rules contained in the PCC and the PSC, which govern the creation of securities representing the share capital of limited liability companies by shares incorporated under Portuguese law, their form of representation and integration in a centralized system, including that required for the purposes of trading on a regulated market, complying with the mandatory legal provisions contained in the PSC and other applicable laws and regulations.

### 15.3. Currency of the securities issue

EDP shares that currently represent EDP's share capital are issued in Euros. The New Shares will also be issued in Euros.

### 15.4. Rights attached to the shares and procedure for the exercise of those rights

All EDP shares are ordinary shares and therefore form part of the same class (*categoria*). The New Shares will also be ordinary shares. Under the terms of the PCC and the Articles of Association, the holder of an EDP share, with the respective acquisition, assumes the capacity of shareholder of the Company, with all the inherent rights and obligations established in the PCC and the Articles of Association.

The holders of EDP shares have, in accordance with the Articles of Association and the law, in particular, the right to participate in the profits (after deducting the amounts necessary to form or reconstitute the legal reserve, and in the manner resolved by the General Meeting), the right to participate in the General Meeting and to exercise their voting rights therein, the right to share the assets in the event of winding up, the pre-emption right on the subscription of new shares in the event of share capital increases by cash contributions in which the respective right is not limited or suppressed, the right to receive new shares of the Company in share capital increases by incorporation of reserves, and the right to information. These rights are detailed in sub-chapter 19.4.1 ("*Description of the main rights attached to the New Shares*").

The holding or ownership of one or more Company's shares implies the submission of the shareholder to the Articles of Association, without prejudice to the right to contest the provisions considered to be non-compliant with mandatory legal rules applicable to the Company under the terms and within the time limits established by law.

With regard to the tax regime applicable to the ownership and transfer of EDP shares, see Chapter 17 ("*Taxation*").

**15.5. Resolutions, authorizations and approvals**

Under the statutory authorization contained in article 4(3) of the Articles of Association, granted by the General Meeting on the annual meeting of April 16, 2020, EDP's Executive Board of Directors resolved (such resolution having been the object of a favorable opinion by the General and Supervisory Board, taken on July 15, 2020) on July 15, 2020, on the share capital increase that will result from the issue and subscription of the New Shares and the corresponding issue of New Shares. This resolution was complemented by a set of acts performed by the Company's directors and attorneys, to whom the Executive Board of Directors has delegated powers to take all other decisions and to perform all other acts necessary or appropriate to the implementation of this Offer.

The Executive Board of Directors also resolved to submit the request for admission of the New Shares to trading.

**15.6. Transfer of shares and selling restrictions**

There are no restrictions on the transferability of EDP's shares set forth in the law or in EDP's Articles of Association.

The Offer is only addressed to persons to whom it may lawfully be made. The distribution of this Prospectus and the exercise of Subscription Rights or acquisition of New Shares in jurisdictions other than Portugal may be restricted by law. Persons into whose possession this Prospectus comes must inform themselves about and observe any such restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, persons located in Restricted Territories may not exercise the Subscription Rights, except in limited circumstances.

No action has been taken or will be taken in any country or jurisdiction by the Issuer or the Underwriters that would permit a public offer of the New Shares or the Subscription Rights, or possession or distribution of this Prospectus or any Offer material in relation thereto, in any country or jurisdiction where action for the purpose is required, notably the Restricted Territories. Persons into whose hands this Prospectus comes are required by the Issuer and the Global Coordinators of the Offer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Subscription Rights or New Shares or have in their possession or distribute this Prospectus or other Offer material, in all cases at their own expense.

### 15.6.1 United States

**Offer to subscribe New Shares through the exercise of Subscription Rights**

Subject to certain exceptions, this Prospectus is not an offer or invitation to sell or issue, or any solicitation of any offer to subscribe, purchase or acquire, New Shares or Subscription Rights to any shareholder with a registered address in, or who is resident of, the United States (a "U.S. Shareholder"). If you are a U.S. Shareholder, you may not exercise your Subscription Rights and/or acquire any New Shares offered hereby. Notwithstanding the foregoing, the Issuer reserves the right to offer and deliver the Subscription Rights and the New Shares to a limited number of shareholders in the United States reasonably believed to be QIBs, within the meaning of Rule 144A, or to other persons in Offers exempt from or in a transaction not subject to, the registration requirements under the Securities Act. If you are a QIB located in the United States, in order to exercise your Subscription Rights and/or acquire any New Shares upon exercise thereof under the Rights Issue, you must execute and timely return an investor letter substantially in the form of an investor letter to be provided by the Company upon request, which shall include the following representations:

a) you acknowledge that the New Shares and/or Subscription Rights have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state of the United States and that the New Shares and/or Subscription Rights may not be offered, sold, pledged or otherwise transferred, directly or indirectly, other than in accordance with paragraph (e) below;

b) you (i) are a QIB, (ii) are aware that the sale to you is being made in reliance on Rule 144A or in reliance on another exemption from , or in a transaction not subject to, the registration requirements of the Securities Act, and (iii) are acquiring the New Shares and/or Subscription Rights for your own account or for the account or benefit of one or more QIBs;

c) the New Shares and/or Subscription Rights are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, and no representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of any New Shares and/or Subscription Rights;

d) you acknowledge and recognize that the profit forecast contained in Chapter 9 ("*Profit forecast*") of this Prospectus reflects the forward-looking expectations of the Company, which are based on a number of assumptions and estimates about future events and actions, including management's assessment of opportunities and risks, that are beyond the Company's control; accordingly, you understand that this information should be treated with caution and that you should not place undue reliance on the profit forecast;

e) if, in the future, you decide to offer, resell, pledge or otherwise transfer such New Shares and/or Subscription Rights, such New Shares and/or Subscription Rights may be offered, sold, pledged or otherwise transferred only (i) to a person who is reasonably believed to be a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction in compliance with Regulation S, or (iii) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with all applicable securities laws of any state of the United States or any other jurisdiction;

f) you will not deposit or cause to be deposited such New Shares and/or Subscription Rights into any depositary receipt facility established or maintained by a depositary bank, including the Company's Level 1 ADR program with Deutsche Bank Trust Company Americas, other than a Rule 144A restricted depositary receipt facility, so long as such New Shares and/or Subscription Rights are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act; and

g) you acknowledge the Issuer shall not recognize any offer, sale, pledge or other transfer of the New Shares and/or the Subscription Rights made other than in compliance with the above-stated restrictions.

No representation has been, or will be, made by the Issuer or the Underwriters as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or any applicable securities laws of any state or other jurisdiction of the United States for the reoffer, pledge or transfer of the New Shares.

Any person in the United States who obtains a copy of this Prospectus and who is not a QIB will be unable to purchase or acquire New Shares or Subscription Rights and is required to disregard this Prospectus.

**Rump Placement**

Pursuant to the Rump Placement (and subject to it occurring), New Shares may be sold in the United States by the Underwriters only to persons reasonably believed to be QIBs in reliance on Rule 144A, directly or through United States broker-dealer affiliates or through broker-dealers registered under the Exchange Act to the extent permitted by Rule 15A-6 under the Exchange Act.

Each purchaser of New Shares sold within the United States under Rule 144A pursuant to the Rump Placement will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information it deems necessary to make an informed investment decision and that:

a) such purchaser acknowledges that the New Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state of the United States and that the New Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, other than in accordance with paragraph (d) below;

b) such purchaser (i) is a QIB, and (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring the New Shares for its own account or for the account or benefit of one or more QIBs;

c) the New Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, and no representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of any New Shares;

d) if, in the future, such purchaser decides to offer, resell, pledge or otherwise transfer such New Shares, such New Shares may be offered, sold, pledged or otherwise transferred only (i) to a person who is reasonably believed to be a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction in compliance with Regulation S, or (iii) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with all applicable securities laws of any state of the United States or any other jurisdiction;

e) you acknowledge and recognize that the profit forecast contained in Chapter 9 ("*Profit forecast*") of this Prospectus reflects the forward-looking expectations of the Company, which are based on a number of assumptions and estimates about future events and actions, including management's assessment of opportunities and risks, that are beyond the Company's control; accordingly, you understand that this information should be treated with caution and that you should not place undue reliance on the profit forecast;

f) such purchaser will not deposit or cause to be deposited such New Shares into any depositary receipt facility established or maintained by a depositary bank, including the Company's Level 1 ADR program with Deutsche Bank Trust Company Americas, other than a Rule 144A restricted depositary receipt facility, so long as such New Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act; and

g) the Issuer shall not recognize any offer, sale, pledge or other transfer of the New Shares made other than in compliance with the above-stated restrictions.

In addition, until the end of the 40th calendar day after completion of the Offer, an offer or sale of New Shares within the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

**Sales outside of the US**

All offers and sales of the Subscription Rights and New Shares in the Rights Issue and/or the Rump Placement outside the United States will be made in reliance on Regulation S.

Each person exercising the Subscription Rights or purchasing Subscription Rights or New Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(a) the Subscription Rights or New Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state of the United States;

(b) such purchaser is exercising its Subscription Rights or purchasing the Subscription Rights or New Shares in an "offshore transaction" (as defined in Regulation S);

(c) the purchaser is aware of the restrictions on the offer and sale of the Subscription Rights or New Shares pursuant to Regulation S described in this Prospectus; and

(d) the Issuer shall not recognize any offer, sale, pledge or other transfer of the Subscription Rights or New Shares made other than in compliance with the above-stated restrictions.

### 15.6.2 Australia

This Prospectus and the offer is only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act. This document is not a prospectus, product disclosure statement or any other form of formal "disclosure document" for the purposes of the Australian Corporations Act, and is not required to, and does not, contain all the information which would be required in a disclosure document under the Australian Corporations Act. If you are in Australia, this document is made available to you provided you are a person to whom an offer of securities can be made without a disclosure document such as a professional investor or sophisticated investor for the purposes of Chapter 6D of the Australian Corporations Act.

This document has not been and will not be lodged or registered with the Australian Securities and Investments Commission or ASX or any other regulatory body or agency in Australia.

The persons referred to in this document may not hold Australian financial services licenses and may not be licensed to provide financial product advice in relation to Subscription Rights or New Shares. No "cooling-off" regime will apply to an acquisition of Subscription Rights or New Shares.

This document does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to this document, you should assess whether the acquisition of Subscription Rights or New Shares is appropriate in light of your own financial circumstances or seek professional advice.

Any securities issued upon acceptance of the Offer may not be offered for sale or transferred to any person located in, or a resident of, Australia for a period of at least 12 months after the issue, except in circumstances where the person is a person to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act. Accordingly, each investor acknowledges these restrictions and, by applying for the securities under this document, gives an undertaking not to sell these securities (except in the circumstances referred to above) for 12 months after their issue.

### 15.6.3 European Economic Area and United Kingdom

In relation to each Member State of the EEA (other than Portugal) and the United Kingdom (each a "**Relevant State**") no offer will be made for the subscription of New Shares or sale of the Subscription Rights or New Shares, except an offer of such New Shares or Subscription Rights to the public in that Relevant State:

(a) to any legal entity which is a Qualified Investor;

(b) to fewer than 150 natural or legal persons (other than Qualified Investors) in such Relevant State subject to obtaining the prior consent of the Underwriters for any such offer; or

(c) in any other circumstances falling within article 1(2) of the Prospectus Regulation, provided that no such offer of New Shares shall require the Issuer or any Underwriters to publish a prospectus pursuant to article 1 of the Prospectus Regulation or supplement a prospectus pursuant to article 23 of the Prospectus Regulation.

In this sub-chapter, the expression "an offer of any shares to the public" in relation to any New Shares sold in any State means the communication in any form and by any means of sufficient information on the terms of the offer and any New Shares to be offered so as to enable an investor to decide to subscribe for any New Shares, as the same may be varied in that State by any measure implementing the Prospectus Regulation in that State.

Each person in a State of the EEA (other than Portugal) and the United Kingdom who receives any communication in respect of, or who exercises Subscription Rights or acquires any Subscription Rights or New Shares under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with each Underwriter and the Issuer that:

(a) it is a qualified investor within the meaning of the law in that State implementing article 1(4)(e) of the Prospective Regulation. If in the United Kingdom, it is a Qualified Investor who is also: (i) a person who has professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (ii) a high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) a person to whom such communication may otherwise lawfully be communicated (together, all such persons being Relevant Persons); and

(b) in the case of Subscription Rights or New Shares acquired by it as a financial intermediary, as that term is used in article 2(e) of the Prospectus Regulation, (i) the Subscription Rights or New Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any State other than Qualified Investors (or Relevant Persons, if in the United Kingdom), or in circumstances in which the prior consent of the Underwriters has been given to the offer or resale; or (ii) where New Shares have been acquired by it on behalf of persons in any Relevant State other than Qualified Investors (or Relevant Persons, if in the United Kingdom), the offer of those New Shares to it is not treated under the Prospectus Regulation as having been made to such persons.

## 15.7. Possible mandatory public tender offers

Since EDP is a company open to public investment (*sociedade aberta*), under the terms of article 13 of the PSC, it is subject to the rules applicable to voluntary and mandatory public tender offers, to squeeze-out and sell-out rights and loss of the company open to public investment (*sociedade aberta*) status, under the terms of the aforementioned PSC.

### Mandatory public tender offer

The rules applicable to mandatory public tender offers are established in the PSC, which transposes into national law the rules laid down in Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 (in its current wording) on public tender offers.

Under the terms of article 187 of the PSC, the duty to launch a mandatory public tender offer for all the shares representing the share capital of a company open to public investment (*sociedade aberta*) and other securities issued by that company that confer the right to subscribe or acquire the respective shares falls on any natural or legal person who goes beyond, directly or under the terms of article 20(1) of the PSC, one third or half of the voting rights corresponding to the share capital of that company. If the one third threshold is exceeded, the person who would be obliged to launch public tender offers may provide evidence to the CMVM that he/she/it does not have control of the relevant company, nor is he/she/it in a group relationship with it, and if such evidence is accepted by CMVM the launch of the public tender offer is not required.

Under the terms of article 20(1) of the PSC, the calculation of qualifying holdings shall consider not only the voting rights that are inherent to the shares held by the participant but also the following voting rights:

a) Held by a third party in its own name but on behalf of the participant;

b) Held by companies with which the participant maintains a control or group relationship, under the terms of article 21 of PSC;

c) Held by holders of voting rights with whom the participant has entered into a voting agreement, except when, by virtue of this same agreement, the parties thereto are required to follow the instructions of a third party;

d) Held by members of the participant's management and supervisory bodies, whenever the participant is a corporate entity;

e) That the participant may acquire pursuant to an agreement executed with the respective holders or pursuant to financial instruments:
   1) Granting the unconditional right or option to acquire by virtue of a binding agreement shares with voting rights that have already been issued by an entity with its shares listed on a regulated market; and
   2) With physical settlement, not covered by the previous point, but indexed to the shares mentioned in that point and with economic effects similar to that of holding the aforementioned shares or instruments;

f) Inherent to shares subject to security or managed by or deposited with the participant, whenever the relevant voting rights are attributed to the participant;

g) Held by holders of voting rights who have granted the participant discretionary powers to exercise them;

h) Held by persons who have entered into any agreement with the participant that aims either at acquiring control of the company or at preventing any changes to its control or otherwise constituting an instrument for concertedly exercising influence over the company wherein the participating interest is held, whereby, under the terms of article 20(4)(5) of the PSC, the agreements on the transfer of shares representing the share capital of the public company in which the company holds an interest are presumed to be an instrument of this concerted exercise of influence;

i) Pertaining to any shares underlying the financial instruments held by the participant, with financial settlement, indexed to the shares mentioned in subparagraph (e) and with economic effects similar to holding shares or the instruments identified in that subparagraph;

j) Attributable to any individual or entity described in any of the above subparagraphs by application, mutatis mutandis, of the criteria described in any of the other subparagraphs.

For the purposes of paragraph 1(e) and (i) of article 20 of the PSC, financial instruments also includes those featured on the list drawn up by ESMA, in accordance with article 13/1-B/2 of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 and, in particular, any agreements with physical or financial settlement with economic effects similar to the holding of shares or the instruments referred to in paragraph 1(e).

The number of voting rights attributable under paragraph 1(e) and (i), by virtue of the holding of financial instruments, is calculated as follows:

a) Based on the total number of underlying shares in the financial instrument, except for the instruments detailed in the following subparagraph;

b) In the case of instruments with exclusively delta adjustment financial settlements, by multiplying the total number of underlying shares by the instrument delta; in accordance with article 5 of the Commission Delegated Regulation (EU) 2015/761 of 17 December 2014, considering only long positions, which shall not be offset against any short positions relating to the same issuer of the respective shares; and

c) In the case of financial instruments indexed to a basket of shares or an index; in accordance with article 4 of Commission Delegated Regulation (EU) 2015/761 of 17 December 2014.

Under the terms of article 188(1) of the PSC, the consideration for a mandatory public tender offer may not be less than the highest of the following amounts:

a) The highest price paid by the offeror or by any entities in a situation described in article 20(1) for the acquisition of securities in the same class, in the six months immediately prior to the date of publication of the preliminary offer announcement;

b) The weighted average price of these securities on a regulated market during the same period.

Whenever the consideration may not be calculated by reference to the criteria described in the preceding paragraph or if CMVM understands that the consideration, in cash or securities, proposed by the offeror is neither duly justified nor equitable, insufficient or excessive, the minimum consideration will be calculated, at the offeror's expense, by an independent auditor appointed by CMVM.

In accordance with article 188(3) of the PSC, any consideration, in cash or securities, proposed by the offeror, shall be presumed inequitable in the following circumstances:

a) Whenever the highest price has been settled by means of an agreement between the purchaser and the seller through private negotiation;

b) Whenever the securities offered as consideration have a reduced liquidity by reference to the regulated market on which such securities are traded;

c) Whenever the consideration is determined according to the market price of the securities in question and this market price or the regulated market on which the securities are traded have been significantly affected by extraordinary events.

By way of consideration the offeror may offer securities, provided that (i) these securities are of the same type as those targeted by the mandatory takeover; and (ii) are admitted to trading on a regulated market or are of the same class of demonstrably liquid securities admitted to trading on a regulated market, and provided that neither the offeror nor any entity that is with the offeror in any situation described in article 20(1) acquired any shares of the target company in cash for the six-month period preceding the publication of the preliminary announcement, in which case an equivalent offer in cash shall be made.

**Squeeze-out and sell-out procedures**

According to article 194 of the PSC, any entity that, following the launch of a general public tender offer over the shares of a company open to public investment incorporated under Portuguese law, reaches or exceeds, directly or under the terms of article 20(1) of the PSC, 90% of the voting rights corresponding to the share capital up to the public offer results are disclosed and 90% of the voting rights targeted by the offer may, in the following three months, acquire the remaining shares for a fair consideration, in cash, calculated according to the terms of article 188 of the PSC (also known as a squeeze-out procedure).

The controlling shareholder which decides to initiate a squeeze-out procedure shall immediately disclose an announcement (and consigning the consideration on deposit with a credit institution to the order of the holders of the remaining shares) and submit it to the CMVM for registration.

The squeeze-out becomes effective upon the interested party disclosing the registration of the squeeze-out with the CMVM and shall entail, in immediate terms, the loss of company open to the public investment status of the relevant company and the exclusion from trading of the shares on any regulated market and their readmission to trading being prohibited for one year.

Each holder of remaining shares may, in accordance with article 196 of the PSC, within a three-month period following the disclosure of the public tender offer results as detailed in article 194(1), exercise its right to sell its shares. For such purpose, each interested holder shall address a notice to the controlling shareholder for the latter to make a proposal for the acquisition of the respective shares within eight days. If no proposal is received or if the proposal is not deemed satisfactory, any remaining shareholder may opt for a sell-out procedure by means of a statement submitted to the CMVM together with a document evidencing the deposit or the blockage of the shares for sale and indication of the consideration calculated in terms of article 194(1) and (2).

Once the requirements for the sell-out have been verified by the CMVM, the sale becomes effective as from the date that this authority notifies the controlling shareholder.

**Loss of company open to public investment status**

In accordance with article 27(1) of the PSC, a company open to public investment may lose such status whenever a) as a consequence of a public tender offer, a shareholder reaches more than 90% of the voting rights calculated according to the terms of article 20/1 of the PSC; b) the loss of such status is decided at a company's General Meeting by a majority representing not less than 90% of the company's share capital and in meetings of holders of special share classes and other securities that grant the right to share subscription or acquisition by a majority of such holders representing not less than 90% of the respective securities; c) one year has elapsed since the exclusion of shares from trading on regulated markets due to a lack of public dispersion.

The company, or an offeror in the case referred to in subparagraph a) of the previous paragraph, may request to CMVM the loss of the status of company open to public investment.

Under the terms of article 27(3) of the PSC, in case a resolution of the General Meeting to the loss of such status is approved (as provided in article 27(1)(b) of the PSC, mentioned above), the company shall appoint a shareholder who then undertakes to acquire, within the period of three months following the CMVM's approval, the securities owned at that time by shareholders that did not vote favorably on the General Meeting resolution and ensure the obligations duly described in the subparagraph above by means of a bank guarantee or a cash deposit with a credit institution. In these cases, the consideration for the acquisition is calculated according to the terms of article 188 of the PSC.

The loss of the company open to public investment status is effective as from the publication of a favorable decision by the CMVM. Such loss of status implies the immediate exclusion of any company's shares – or securities that grant subscription or acquisition rights – from trading on the regulated market, with their readmission being prohibited for a period of one year.

This sub-chapter is a summary of the most relevant aspects of the legal framework in question and does not exempt the investor from consulting the applicable legislation and/or obtaining legal advice about it.

### 15.8. Public offers launched by third parties during the last financial year and the current financial year

There were no public offers launched by third parties during the last financial year or the current financial.

In May 2018, China Three Gorges launched a public tender offer over EDP's share capital, which eventually was withdrawn in April 2019.

### 15.9. Countries where the New Shares will be admitted to trading and potential restrictions

The admission to trading on the Euronext Lisbon regulated market of the New Shares is being requested exclusively to Euronext.

# CHAPTER 16. Admission to trading and trading modalities

## 16.1. Admission to trading

The ordinary shares representing EDP's share capital are admitted to trading on the regulated market Euronext Lisbon.

A request was presented by the Issuer for the admission to trading on Euronext Lisbon of a maximum of 309,143,297 ordinary shares, book-entry and nominative, with a nominal value of EUR 1 (one euro) each, representing approximately 8.45% of EDP's share capital after the Offer, which corresponds to the New Shares.

The ISIN code for the shares representing EDP's share capital is PTEDP0AM0009 and they are traded on Euronext Lisbon under the symbol "EDP".

It is expected that the admission of the New Shares, should it be decided favorably by Euronext Lisbon, will occur on or around August 17, 2020, after the commercial registration of the share capital increase.

Notwithstanding the presentation by EDP of the request for admission of the New Shares to trading, this admission may eventually be frustrated. Thus, and in accordance with article 163 of the PSC, the addressees of the Rights Issue may cancel the subscription of New Shares whenever (i) the admission to trading has not been applied for at the time of assessing the Rights Issue's results; or (ii) admission is declined due to a fact attributable to the Issuer, the Global Coordinators of the Offer, or persons or entities that are in relation to the former in any of the situations set forth in article 20(1) of the PSC.

The cancellation of the subscription of New Shares shall be notified to the Issuer within 60 days following the decline of the admission to trading of the New Shares or following the disclosure of the Rights Issue's results, in this latter case only if the request for admission of the New Shares had not been submitted until disclosure of the Rights Issue's results. In such a scenario, the Issuer shall return any and all amounts received within 30 days from receiving the decision declining the admission to trading of the New Shares.

Payments with respect to the New Shares, particularly payment of dividends, will be ensured by the financial intermediary that may be appointed for this purpose, and commissions may be charged for this service, as well as for acting as custodian of the New Shares. Amounts payable by shareholders in respect of these services will, at each moment, correspond to the prices that financial intermediaries charge, the pricing lists being available on the CMVM's website (www.cmvm.pt).

## 16.2. Markets in which EDP shares have already been listed

EDP shares are not listed on any regulated market other than Euronext Lisbon.

## 16.3. Stabilization

No liquidity or market promotion contract has been executed, nor is it expected that there will be any price stabilization activity related to the Offer.

# CHAPTER 17. TAXATION

## 17.1. Taxation of income and gains on shares issued by a Portuguese resident entity

*The following chapter is a summary of the Portuguese tax regime, as in effect on the date of this Prospectus, in relation to income derived from shares issued by a company resident in Portugal, of capital gains on the transmission of those shares for consideration, and of the transmission of the same shares through gift or inheritance, as well as from the attribution and disposition of Subscription Rights. The framework described is subject to changes in such laws, including changes that could have a retroactive effect. This chapter does not represent an exhaustive analysis of the potential impact of the decision to purchase, hold or dispose of shares. No transitional rules that may apply have been taken into account in this analysis. Prospective investors are advised to consult their own tax advisers as to the Portuguese or other tax consequences of the subscription, ownership and disposal of New Shares, including the legal and tax consequences in foreign jurisdictions.*

*In particular, tax consequences may differ according to the double tax conventions entered into by Portugal to avoid double taxation ("**Conventions**"), or according to particular characteristics of the investors. This analysis does not address all of the potential tax consequences of the aforementioned transactions, or the regime applicable to all categories of investors, some of whom (such as, financial institutions, collective investment undertakings, pension funds cooperatives and look-through entities, etc.) may be subject to special rules.*

*Investors are warned that the tax legislation of each investor's Member State and of the Issuer's country of incorporation may have an impact on the income received from the investing in the New Shares or the sale of the Subscription Rights.*

### 17.1.1 Individuals resident in Portugal or with a permanent establishment in Portugal to which the income derived from shares is attributable

**Dividends derived from the ownership of shares**

Dividends paid to a Portuguese resident individual are subject to personal income tax ("**IRS**"). Withholding tax applies, currently at a rate of 28%, which is the final tax on that income. However, in case the individual taxpayer opts for including all sums in the tax return, as long as the income is obtained outside of the scope of business and professional activities, only 50% of the dividends are subject to Portuguese taxation, at progressive rates of up to 48%, which is increased by a surcharge of 2.5% on income higher than EUR 80,000 and 5% on income higher than EUR 250,000.

A final withholding tax of 35% applies if the dividends are paid or made available ("*colocados à disposição*") to accounts in the name of one or more account holders acting on behalf of undisclosed third parties, unless the beneficial owner of the dividends is disclosed, in which case the general rules will apply.

Dividends obtained by non-resident individuals with a permanent establishment in Portugal to which such income is attributable are subject to withholding tax at a 28% rate, on account of the final tax due (which is calculated at a rate of 25%).

**Capital gains and capital losses on the sale of shares**

Any change in the value of the assets owned by individual taxpayer resulting from any alteration in such assets may give rise to capital gains or losses. In the event of a sale of shares, the net annual positive difference between taxable capital gains and capital losses arising from the sale of shares (and other securities and financial assets) is taxed at an autonomous rate of 28%, which is the final tax on that income, unless an option of including all sums in the tax return is made, in which case tax applies at progressive rates of up to 48%, which is increased by a surcharge of 2.5% on income higher than EUR 80,000 and 5% on income higher than EUR 250,000.

The net annual positive difference between taxable capital gains and capital losses arising from the sale of shares (and other securities and financial assets) by non-resident individuals with a permanent establishment in Portugal to which those capital gains and losses are attributable, is taxed at specific rate of 25%.

In case of a negative balance between the taxable capital gains and capital losses arising from transactions performed in the same year, the negative balance may be carried forwarded to counterbalance income of the same nature in the five subsequent years, provided that the option of including all sums in the tax return is made.

When computing the difference between capital gains and capital losses, losses incurred from the sale of shares to an entity or individual that is subject to a more favorable tax regime, as defined in applicable laws, are not taken into account.

The purchase value, in case of shares with prices quoted in the stock exchange market is the cost proved by document or, in its absence, the value of the lowest price quoted in the two years preceding the date of sale, if a lower price is not declared. The purchase value of shares is accrued by the necessary and effectively incurred expenses inherent to the purchase and to the sale.

When computing capital gains and losses, the acquisition cost of shares held for at least twenty-four months prior to the date of the sale is adjusted in accordance with the currency devaluation coefficient for the year of acquisition as annually approved by a Ministerial order.

The attribution and exercise of Subscription Rights shall not be deemed taxable events under Portuguese law. However, income derived from the disposal of Subscription Rights attributed to shareholders in the course of a share capital increase shall be regarded for tax purposes as capital gains taxed at the rate of 28%, without prejudice to the option of including all sums in the tax return, when performed by individuals with residence in Portugal or at the rate of 25% when performed by non-resident individuals with permanent establishment in Portugal to which those gains are attributable.

**Acquisition of shares through gift or inheritance**

Stamp tax at 10% applies to the acquisition of shares through gift or inheritance. Spouses, civil partners, parents or grandparents and children or grandchildren are exempt from stamp tax.

### 17.1.2 Individuals not resident in Portugal without a permanent establishment in Portugal to which the income derived from shares is attributable

**Dividends derived from the ownership of shares**

Dividends are subject to IRS through a final withholding tax, currently at a rate of 28% when the income is made available ("*colocados à disposição*").

The above-mentioned rate may be reduced a priori under a Convention entered into by Portugal and the country of residence of the individual, provided that the material conditions for the application of the tax reduction and certain relevant formalities are met. Alternatively, in case the beneficiary of the income is only able to comply with the conditions and/or formalities foreseen for the application of the benefits entailed in the applicable Convention, the beneficiary, may request full or partial refund of the tax that has been withheld at source, within two years from the end of the year in which the taxable event occurred.

A final withholding tax at a rate of 35% applies when dividends are paid or made available ("*colocados à disposição*") to:

(i) accounts in the name of one or more account holders acting on behalf of undisclosed third parties, unless the beneficial owner of the income is disclosed, in which case the general rules will apply; or
(ii) individuals domiciled in a country included in the "tax havens" list approved by Ministerial Order no. 150/2004 of 13 February, as amended.

**Capital gains and capital losses on the sale of shares**

Capital gains arising from the sale of shares obtained by non-residents in Portugal are subject to IRS. The annual positive difference between capital gains and capital losses arising from the sale of shares (and other securities or financial assets) is taxed at a special rate of 28%.

An exemption applies, however, to capital gains on the sale of shares obtained by non-residents in Portugal, unless (i) the individual is domiciled in a country included in the "tax havens" list approved by Ministerial Order no. 150/2004 of 13 February, as amended; or (ii) the assets of the company the shares of which are traded are composed, in more than 50%, by immovable property located in Portugal.

The attribution and exercise of Subscription Rights shall not be deemed taxable events under Portuguese law. However, income derived from the disposal of Subscription Rights attributed to shareholders in the course of the share capital increase shall be regarded for tax purposes as capital gains, which may benefit from the abovementioned tax exemption regime in the abovementioned conditions, when realized by individuals without residence in Portugal or permanent establishment therein to which the income is attributable.

The power to tax these capital gains may also be waived by the application of a Convention for the avoidance of double taxation entered into by Portugal, which should be confirmed on a case-by-case basis.

**Acquisition of shares through gift or inheritance**

The acquisition of shares through gift or inheritance by non-resident individuals is not subject to stamp tax.

### 17.1.3 Legal entities resident in Portugal or permanent establishments located in Portugal of non-resident entities to which the income or gains derived from shares are attributable

**Dividends derived from the ownership of shares**

Dividends paid to legal persons resident for tax purposes in mainland Portugal and to non-resident legal persons with a permanent establishment located in mainland Portugal to which the income is attributable, are included in their taxable income and are subject to Portuguese corporate income tax ("**IRC**") at a 21% rate or at a 17% rate on the first EUR 25,000 in the case of small or medium-sized enterprises. They may also be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5% to be levied on the taxable profit (before deduction of any tax losses from previous years). A state surcharge ("*derrama estadual*") applies at 3% on taxable profits (before the deduction of any tax losses from previous years) in excess of EUR 1.5 million and up to EUR 7.5 million, 5% on taxable profits in excess of EUR 7.5 million and up to EUR 35 million and 9% on taxable profits in excess of EUR 35 million. Withholding tax at a rate of 25% applies, which is deemed a payment on account of the final tax due.

transparency regime; (ii) who directly (or directly and indirectly) holds at least 10% of the distributing company's share capital or voting rights; (iii) has held the shares continuously during the year prior to the date when the dividends were made available ("colocados à disposição") or holds the shares until that minimum holding period has elapsed; and (iv) is not intervenient in an artificial arrangement or a series of artificial arrangements that have been put into place for the main purpose, or one of the main purposes, of obtaining a tax advantage, the dividends will not be taken into account for purposes of determining the taxable profit. A minimum one year holding period prior to distribution is required for an exemption from withholding tax to apply.

Financial institutions, pension funds, venture capital funds, collective investment schemes, among other entities, are not subject to such a withholding tax, as long as the funds are set up and operate according to Portuguese legislation.

An autonomous tax at 23% rate applies to dividends distributed to entities that benefit from total or partial exemption from IRC (including, in the latter case, investment income) by entities subject to IRC, if the shares are not held by those entities for a minimum holding period of one year uninterruptedly, which may be completed after the dividends are made available. This tax rate is increased by 10 percentage points regarding entities that show a tax loss during the taxable period in which the dividends are made available.

A final withholding tax of 35% applies when dividends are paid or made available ("*colocados à disposição*") to accounts in the name of one or more account holders acting on behalf of undisclosed third parties, unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

**Capital gains and capital losses on the sale of shares**

In case a gain or a loss is derived from the sale of shares, the net annual positive difference between capital gains and capital losses is included in the taxable profit and is subject to IRC at a rate of 21% or at a rate of 17% on the first EUR 25,000 in the case of small or medium-sized enterprises and may be subject to a municipal surcharge ("*derrama municipal*") of up to

1.5% to be levied on the taxable profit (before the deduction of any tax losses from previous years). A state surcharge ("*derrama estadual*") also applies at 3% on taxable profits (before the deduction of any tax losses from previous years) in excess of EUR 1.5 million and up to EUR 7.5 million, 5% on taxable profits in excess of EUR 7.5 million and up to EUR 35 million and 9% on taxable profits in excess of EUR 35 million.

When computing capital gains and losses, the acquisition cost of shares held for at least two years prior to the date of the sale is adjusted in accordance with the currency devaluation coefficient for the year of acquisition as annually approved by a Ministerial order.

Under the participation exemption regime, if a legal person: (i) is not subject to the tax transparency regime; (ii) directly (or directly and indirectly) holds at least 10% of the company's share capital or voting rights; (iii) has held the shares continuously during the year prior to the date when the transfer of shares occurs and (iv) is not intervenient in an artificial arrangement or a series of artificial arrangements that have been put into place for the main purpose, or one of the main purposes, of obtaining a tax advantage, the capital gains or losses derived from the transfer of the shares will not be taken into account for purposes of determining the taxable profit.

Capital losses with respect to shares are not included in the taxable profit up to the amount of dividends and capital gains obtained from shares held in the same entity, whenever those dividends and capital gains were eligible for the participation exemption regime in the same tax year or in the previous four tax years.

The attribution and exercise of Subscription Rights shall not be deemed taxable events under Portuguese law. However, income derived from the disposal of Subscription Rights attributed to shareholders in the course of the share capital increase are subject to taxation within the general terms of IRC when performed by legal entities with residence in Portugal or permanent establishment therein to which the income is attributable.

**Acquisition of shares through gift or inheritance**

The net worth increase resulting from the acquisition of shares through gift or inheritance by legal persons is subject to IRC at a rate of 21% or at a rate of 17% on the first EUR 25,000 in the case of small or medium-sized enterprises and may be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5% to be levied on the taxable profit (before the deduction of any tax losses from previous years). A state surcharge ("*derrama estadual*") also applies at 3% (before the deduction of any tax losses from previous years) on taxable profits in excess of EUR 1.5 million and up to EUR 7.5 million, 5% on taxable profits in excess of EUR 7.5 million and up to EUR 35 million and 9% on taxable profits in excess of EUR 35 million.

### 17.1.4 Non-resident legal entities without a permanent establishment in Portugal to which the income derived from shares is attributable

**Dividends and other income derived from the ownership of shares**

Dividends are subject to IRC through withholding tax, currently at a rate of 25%, which is the final tax on that income.

The above-mentioned withholding tax rate may be a priori reduced under a Convention entered into by Portugal and the country of residence of the shareholder, provided that the material conditions for the application of the tax reduction and certain relevant formalities are met. Alternatively, in case the beneficiary of the income is only able to comply with the conditions and/or formalities foreseen for the application of the benefits entailed in the applicable Convention, the beneficiary, may request full or partial refund of the tax that has been withheld at source, within two years from the end of the year in which the taxable event occurred.

Dividends paid to a company resident in another member state of the EU or of the EEA (if, in this case, there is administrative cooperation in tax matters equivalent to that established in the EU) or in a country with which Portugal has entered into a Convention which is in force that entails an exchange of information clause, are exempt from taxation in Portugal. For the exemption to apply, the beneficiary company must (i) be subject to and not exempt from a tax listed in article 2 of Directive 2011/96/EU of the Council of 30 November 2011 (with the necessary adjustments, where applicable) or subject to a tax which is identical or similar to the IRC, provided (in the case of companies resident in countries with which Portugal has entered into a Convention which is in force that envisages the exchange of information) that the applicable tax rate is not lower than 60% of the normal IRC rate; (ii) directly (or directly and indirectly) holds at least 10% of the company's share capital or voting rights; and (iii) has held the Shares continuously during the year prior to the date when the dividends were made available (*colocados à disposição*). If the period of one year is completed after the date of the payment, the tax withheld may be refunded. For purposes of exemption from withholding tax or refund, some formalities are required.

A final withholding tax rate of 35% applies when dividends are paid or made available ("*colocados à disposição*"):

(i) to accounts in the name of one or more accountholders acting on behalf of undisclosed third parties, unless the beneficial owner of the income is disclosed, in which case the general rules will apply; and
(ii) to legal entities domiciled in a country included in the "tax havens" list approved by Ministerial Order no. 150/2004 of 13 February, as amended.

Dividends obtained by pension funds on shares held uninterruptedly for at least one year are exempt from corporate income tax. Said exemption will only apply if the funds are set up, operate in accordance with the law and are established in another Member State of the EU or of the European Economic Area, and in the latter case provided that State is bound to exchange information in the field of taxation equivalent to that established in the EU, which are not attributable to a permanent establishment situated in Portuguese territory, and provided that they exclusively guarantee the payment of old-age or invalidity retirement, widow(er), pre-retirement or early retirement pensions, and post-employment health benefits and, when supplementary and ancillary to these benefits, the award of death payments, provided they are managed by institutions for the provision of occupational retirement which are subject to Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003, and are the beneficial owner of the income.

**Capital gains and capital losses on the sale of shares**

The net annual positive difference between taxable capital gains and capital losses arising from the sale of shares (and other securities and financial assets) by legal entities non-resident and without a permanent establishment situated in Portugal, is subject to IRC at 25%.

Notwithstanding the above, an exemption to the capital gains tax applies, unless:

(i) the seller is more than 25% directly or indirectly held by Portuguese resident entities; this 25% threshold will not be applicable when the following cumulative requirements are met by the seller: (a) it is an entity resident in the European Union or in the European Economic Area State (if, in this case, there is administrative cooperation in tax matters equivalent to that established in the EU) or in any country with which Portugal has a double tax treaty in force that foresees the exchange of information; (b) such entity is subject and not exempt of corporate income tax, or a tax of similar nature with a rate not lower than 60% of the IRC; (c) it holds at least 10% of the share capital or voting rights regarding the entity subject to disposal for at least 1 year uninterruptedly; and (d) is not intervenient in an artificial arrangement or a series of artificial arrangements that have been put into place for the main purpose, or one of the main purposes, of obtaining a tax advantage;

(ii) the seller is resident in a country included in the "tax havens" list approved by Ministerial Order no. 150/2004 of 13 February, as amended; or

(iii) more than 50% of the company's assets whose share capital is being sold is made up of immovable property located in Portugal.

The attribution and exercise of Subscription Rights shall not be deemed taxable events under Portuguese law. However, income derived from the disposal of Subscription Rights attributed to shareholders in the course of the share capital increase qualifies for tax purposes as capital gains which may benefit from the abovementioned tax exemption regime, in the abovementioned conditions, when performed by legal entities without residence in Portugal or permanent establishment therein to which the income is attributable.

The power to tax these capital gains may also be waived by the application of a Convention for the avoidance of double taxation entered into by Portugal, which should be confirmed on a case-by-case basis.

**Acquisition of shares through gift or inheritance**

The acquisition of shares through gift or inheritance by non-resident legal persons and without permanent establishment located in Portugal to which the shares are attributable is taxed at a rate of 25%. Generally, under the Conventions entered into by Portugal, Portugal is usually not allowed to tax such income, but the applicable rules should be confirmed on a case-by-case basis.

### 17.2. Transaction costs in Portugal

Fees on transactions carried out on or outside regulated markets have been abolished. In turn, stamp duty, at the rate of 4.0%, is due on brokerage fees, bank fees and other payments for financial services.

### 17.3. Certain U.S. federal income taxation considerations

This section describes certain U.S. federal considerations that may be relevant to the acquisition, ownership, disposition, or exercise of Subscription Rights or to the acquisition, ownership or disposition of New Shares pursuant to the Offer. This section applies to U.S. Holders (as defined below) who receive Subscription Rights from the Issuer in this Offer and to U.S. Holders who either receive or acquire New Shares pursuant to an exercise of Subscription Rights or acquire New Shares in the Offer for cash, and who hold their Subscription Rights and New Shares as capital assets for U.S. federal income tax purposes (generally, property held for investment). This section does not purport to discuss all aspects of U.S. federal income taxation which may be relevant U.S. Holders based on their particular circumstances, or that may be relevant to their decision to acquire, exercise or dispose of Subscription Rights or acquire, own, or dispose of New Shares. This section does not apply to any U.S. Holder who is members of a special class of holders subject to special rules, including, without limitation:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a bank or financial institution;
- a tax-exempt organization;
- an insurance company;
- a regulated investment company;
- a real estate investment trust;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more (by vote or value) of stock in the Issuer;
- a person that holds Rights or New Shares as part of a straddle or a hedging or conversion transaction;
- a person that purchases or sells Rights or New Shares as part of a wash sale for tax purposes;
- individual retirement accounts, qualified retirement plans and other tax-deferred accounts;
- a person that has ceased to be a U.S. citizen or lawful permanent resident of the United States;
- a person that is resident, is ordinarily resident in or has a permanent establishment in a jurisdiction outside of the United States;
- a partnership or other entity or arrangement classified as a partnership for U.S. federal income tax purposes; or
- a U.S. Holder (as defined below) whose functional currency is not the U.S. dollar.

In addition, this section does not discuss any non-U.S., state or local tax considerations, alternative minimum tax, Medicare net investment tax, U.S. federal estate or gift tax, or any aspect of U.S. federal tax law other than income taxation.

This section is based on the U.S. Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed U.S. Treasury Regulations, published rulings and court decisions, all as currently in effect, as well as on the Convention Between the United States of America and the Portuguese Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, as amended ("**Treaty**"). These laws are subject to change, possibly on a retroactive basis.

For purposes of this discussion, a U.S. Holder is a beneficial owner of Subscription Rights or New Shares that is for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation that is created or organized in the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income tax regardless of its source, or a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

If an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds Subscription Rights or New Shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Such entities and arrangements should consult their own tax advisors regarding the tax consequences of their particular situations.

The Issuer expects, and this summary assumes, that the Issuer was not and will not be a passive foreign investment company for U.S. federal income tax purposes for its most recent taxable year, for the current taxable year or in the foreseeable future (for more details see below).

### 17.3.1 Taxation of Subscription Rights

**Receipt of Subscription Rights issued in the Offer**

Generally, a U.S. Holder should not be required to include any amount in income for U.S. federal income tax purposes as a result of receiving Subscription Rights in the Offer. If, on the date Subscription Rights are issued, the fair market value of the Rights allocable to a U.S. Holder is less than 15 % of the fair market value of the existing shares held by a U.S. Holder with respect to which such Rights are issued, the Rights will generally have a zero basis for U.S. federal income tax purposes. However, such U.S. Holder may affirmatively elect to allocate basis in proportion to the relative fair market value of such U.S. Holder's existing shares and the New Shares, determined on the date of issuance. This election must be made in the tax return of the U.S. Holder for the taxable year in which the Subscription Rights are issued, and is irrevocable once made.

If, on the date Subscription Rights are issued, the fair market value of the Rights attributable to a U.S. Holder is at least 15% of the fair market value of the existing shares with respect to which the Rights are issued, then the basis in such U.S. Holder's existing shares must be allocated between such existing shares and the Subscription Rights issued in proportion to their fair market values determined on the date the Subscription Rights are issued. The fair market value of the Subscription Rights on the date the Subscription Rights will be distributed is uncertain, and the Issuer has not obtained, and does not intend to obtain, an appraisal of the fair market value of the Subscription Rights on that date.

**Sale, Exchange or Other Taxable Disposition of Subscription Rights**

A U.S. Holder will recognize capital gain or loss on the sale, exchange or other disposition of Subscription Rights in an amount equal to the difference between such U.S. Holder's tax basis in the Rights and the U.S. dollar value of the amount realized (as determined for U.S. federal income tax purposes) from the sale, exchange or other disposition. For U.S. Holders who acquire their Subscription Rights with respect to existing shares in the Offer, the U.S. Holder's holding period in the Rights should include its holding period in the existing shares with respect to which the Rights were distributed. Capital gains of individuals and certain other non-corporate U.S. Holders derived from capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to significant limitations. Any gain or loss generally will be treated as arising from U.S. sources.

U.S. Holders should consult their own tax advisors regarding how to account for sale or other disposition proceeds that are paid in a currency other than the U.S. dollar.

**Exercise of Subscription Rights and Receipt of New Shares**

A U.S. Holder will not recognize taxable income upon the receipt of New Shares pursuant to the exercise of Subscription Rights. Such a U.S. Holder will have a tax basis in the New Shares equal to the sum of the Subscription Price for the New Shares and the U.S. Holder's tax basis, if any, in the Subscription Rights. A U.S. Holder's holding period in the New Shares received upon exercise of the Subscription Rights generally will begin on the date the Rights are exercised.

**Expiration of Subscription Rights**

If a U.S. Holder who receives Subscription Rights with respect to existing shares in the Offer allows the Subscription Rights to expire without selling or exercising the Subscription Rights (and such U.S. Holder does not receive any proceeds), such U.S. Holder should not recognize any loss upon the expiration of the Subscription Rights. In addition, such U.S. Holder's basis in its existing shares will not be affected by the Offer or such U.S. Holder's decision to allow its Subscription Rights to expire.

### 17.3.2 Taxation of New Shares

**Distributions on New Shares**

Distributions will be includible in a U.S. Holder's income as dividends to the extent paid out of the Issuer's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. The Issuer does not expect to calculate its earnings and profits in accordance with U.S. federal income tax principles, and, accordingly, U.S. Holders should expect that a distribution will generally be reported as a dividend even if that distribution (or a portion thereof) would otherwise be treated as a tax-free return of capital or as capital gain. Such dividends will not be eligible for the dividends received deduction allowed to U.S. corporations for dividends received from other U.S. corporations.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, dividends may be taxed at the lower capital gain rates applicable to "qualified dividend income", provided the Issuer is eligible for the benefits of the Treaty. The Issuer expects to be eligible for benefits under the Treaty as long as there is regular trading of the New Shares on Euronext Lisbon. U.S. Holders should consult their tax advisors regarding the availability of the lower capital gain rates applicable to qualified dividend income for dividends paid with respect to the New Shares.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Portuguese income taxes withheld. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Dividend income will generally constitute foreign source "passive category" income for foreign tax credit purposes. The rules relating to foreign tax credits are complex and a U.S. Holder should consult its own tax adviser regarding the availability and the application of the foreign tax credit to their particular situation.

U.S. Holders should consult their own tax advisors regarding how to account for dividends that are paid in a currency other than the U.S. dollar.

**Sale, Exchange or Other Taxable Disposition of New Shares**

A U.S. Holder will recognize U.S. source capital gain or loss upon the sale or other taxable disposition of New Shares in an amount equal to the difference between the U.S. dollar value of the amount realized upon the disposition and the U.S. Holder‘s adjusted tax basis in such New Shares. Any capital gain or loss will be long-term if the New Shares have been held for more than one year at the time of the sale or other taxable disposition. Certain non-corporate U.S. Holders, including individuals, are eligible for reduced rates of taxation on long-term capital gains. The deductibility of capital losses is subject to limitations.

U.S. Holders should consult their own tax advisors regarding how to account for sale or other disposition proceeds that are paid in a currency other than the U.S. dollar.

**Passive Foreign Investment Company**

In general, a non-U.S. corporation will be classified as a passive foreign investment company ("**PFIC**") for any taxable year if at least (i) 75% of its gross income is classified as "passive income" or (ii) 50% of the average quarterly value of its assets produce or are held for the production of passive income. For this purpose, passive income generally includes, among other items, dividends, interest, gains from certain commodities transactions, certain rents, royalties and gains from the disposition of passive assets. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the stock of another corporation is treated as if it held its proportionate share of the assets of such other corporation and directly received its proportionate share of the income of such other corporation.

Based on the nature of its business, the Issuer does not believe it was a PFIC for its most recent taxable year and does not expect to be a PFIC for the current taxable year or in the foreseeable future, although there can be no assurance in this regard because the Issuer‘s status as a PFIC depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. A non-U.S. corporation is classified as a PFIC in any year in which it meets either the income or asset test discussed above, which depends on the actual financial results for each year in question. Accordingly, it is possible that the Issuer may be a PFIC in the current or any future taxable year due to changes in its asset or income composition.

If the Issuer is a PFIC for any taxable year during which a U.S. Holder holds the New Shares, such U.S. Holder will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or a U.S. Holder‘s holding period for the New Shares will be treated as excess distributions. Under these special tax rules:

– the excess distribution or gain will be allocated ratably over a U.S. Holder‘s holding period for the New Shares;

– the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which the Issuer was a PFIC, will be treated as ordinary income; and

– the amount allocated to each other taxable year will be subject to tax at the highest tax rate in effect for that year and the interest charge applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution in which the Issuer was a PFIC cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale or other disposition of the New Shares cannot be treated as capital, even if a U.S. Holder holds the New Shares as capital assets. In addition, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from the Issuer if the Issuer is a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. A U.S. Holder will be required to report additional information with its U.S. federal income tax return if such U.S. Holder holds the New Shares in any year in which the Issuer is a PFIC. If a U.S. Holder held existing shares during any taxable year in which the Issuer may have been a PFIC, such U.S. Holder is urged to consult its own tax advisor concerning the U.S. federal income tax consequences of holding shares in a PFIC.

If the Issuer is a PFIC and if any of its subsidiaries or other entities in which it, directly or indirectly, owns equity are PFICs (collectively, "**Lower-tier PFICs**"), a U.S. Holder will be deemed to own its proportionate share of any Lower-tier PFICs and will be subject to U.S. federal income tax according to the PFIC rules described in the paragraph above on (i) certain distributions by a Lower-tier PFIC and (ii) a disposition of shares of a Lower-tier PFIC, in each case as if the U.S. Holder owned such shares directly, even though it has not received the proceeds of those distributions or dispositions directly. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of the Issuer‘s subsidiaries.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, a U.S. Holder may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is "regularly traded" on a "qualified exchange". In general, the shares will be treated as "regularly traded" for a given calendar year if more than a *de minimis* quantity of the shares is traded on a qualified exchange on at least 15 days during each calendar quarter of such calendar year. A non-U.S. securities exchange on which the shares are will be a "qualified exchange" if it is (i) regulated or supervised by a governmental authority of the country in which the market is located; (ii) has trading volume, listing, financial disclosure, surveillance, and other requirements designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open, fair and orderly, market, and to protect investors; and the laws of the country in which the exchange is located and the rules of the exchange ensure that such requirements are actually enforced; and (iii) the rules of the exchange effectively promote active trading of listed stocks. No assurance can be given that the New Shares will be regularly traded on a qualified exchange for purposes of the mark-to-market election.

If a U.S. Holder makes an effective mark-to-market election, such U.S. Holder will include in each year as ordinary income the excess of the fair market value of the New Shares at the end of the year over the adjusted tax basis in the New Shares. Such U.S. Holder will be entitled to deduct as an ordinary loss each year the excess of the adjusted tax basis in the New Shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's adjusted tax basis in the New Shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. Any distributions that the

Issuer makes would generally be subject to the rules discussed above, except that the lower rate applicable to qualified dividend income would not apply. If a U.S. Holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years (provided that, for any subsequent taxable year in which the Issuer is not a PFIC, a U.S. Holder will not include in income mark-to-market gain or loss) unless the New Shares are no longer regularly traded on a qualified exchange or the U.S. Internal Revenue Service consents to the revocation of the election. Because a mark-to-market election generally cannot be made for equity interests in Lower-tier PFICs, U.S. Holders generally will continue to be subject to the PFIC rules with respect to their indirect interest in any Lower-tier PFICs. As a result, distributions from, and dispositions of, Lower-tier PFICs, as well as certain other transactions, generally will be treated as distributions or dispositions subject to the rules above regarding excess distributions, even if a mark-to-market election is made. U.S. Holders are urged to consult their tax advisors about the availability and advisability of the mark-to-market election in their particular circumstances, as well as the impact of such election on interests in any Lower-tier PFICs.

Each U.S. Holder is urged to consult its own tax advisor concerning the U.S. federal income tax consequences of holding New Shares if the Issuer is a PFIC in any taxable year during its holding period.

### 17.3.3 Information Reporting and Backup Withholding

A U.S. Holder may be subject to information reporting on amounts received by such U.S. Holder from a distribution on, or disposition of New Shares, unless such U.S. Holder establishes that it is exempt from these rules. If a U.S. Holder does not establish that it is exempt from these rules, it may be subject to backup withholding on the amounts received unless it provides a taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. Backup withholding is not an additional tax and the amount of any backup withholding from a payment that is received will be allowed as a credit against a U.S. Holder‘s U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is timely furnished to the U.S. Internal Revenue Service.

In addition, U.S. Holders should consult their tax advisors about any reporting obligations that may apply as a result of the acquisition, holding or disposition of the New Shares. Failure to comply with applicable reporting obligations could result in the imposition of substantial penalties.

# CHAPTER 18. RELATED PARTY TRANSACTIONS

## 18.1. Mechanisms and procedures of control

### Company mechanisms for monitoring transactions with related parties

The General and Supervisory Board approved in 2009 objective, transparent rules on the identification, prevention and resolution of relevant corporative conflicts of interest called Framework on Handling of Conflicts of Interest.

Following a resolution made by the General and Supervisory Board, on May 17, 2010 the Executive Board of Directors approved the rules on identification, in-house reporting and procedure in the event of conflicts of interest applicable to all EDP Group employees who play a decisive role in transactions with related parties. These rules are also available on EDP's website.

As part of its improvement of governance practices, on July 29, 2010, the General and Supervisory Board approved EDP's Regulation on Conflict of Interest and Transactions between Related Parties, which was reviewed in 2015 and a new version was approved on October 29, 2015, available on EDP's website (www.edp.com). This set of rules on the prevention, identification and resolution of potential corporate conflicts of interest has a wider scope of application than that set out in CMVM Regulation 4/2013.

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its work to the General and Supervisory Board.

## 18.2. Transactions that underwent control mechanisms throughout 2019 financial year

Under EDP's Regulation on Conflict of Interest and Transactions between Related Parties, the Executive Board of Directors must inform the Corporate Governance and Sustainability Committee of the following related party transactions:

a) Transactions classified as relevant situations that were performed during the period in question and:

   – Have a financial value of over EUR 5 million, or the accumulated annual value of which exceeds this amount;
   – Need to be included in the management report, by virtue of their material relevance or for having been performed outside normal market conditions.

b) Shareholders owning a qualifying shareholding of at least 2% in EDP or one of its subsidiaries, calculated pursuant to Article 20 of the PSC, and who in the relevant financial year:

   – are EDP creditors holding at least 5% of its liabilities;
   – are customers representing at least 1% of total billing or have generated income of over EUR 5,000,000.00;
   – are suppliers representing at least 1% of the overall value of external supplies and services or from whom services to a value of at least EUR 5,000,000.00 have been acquired.

In contemplation of such reporting obligations, the Executive Board of Directors, during 2019, submitted to the General and Supervisory Board the information concerning the following relevant related party transactions. Such information concerned the transactions listed below:

- EDP Group, through EDP España, has provided electricity and gas services to the company Cementos Tutela Veguín in the approximate amount of EUR 20.1 million (Cementos Tutela Veguín is a subsidiary of Masaveu Group which holds 55.9% of Oppidum Capital, S.L.; Oppidum Capital, S.L. holds 7.19% of EDP's share capital with voting rights);
- EDP Group provided electricity and gas services to Liberbank and related companies amounting to approximately EUR 5.9 million. EDP Group has also provided payment management services to Liberbank in the approximate amount of EUR 76,543.85. EDP Group has entered into a rent agreement in the total amount of EUR 16,952.08 regarding a property owned by Liberbank, located in Oviedo, Spain, for eight months of 2019, period in which the registered offices of one of the EDP Group companies was in renovation works (Liberbank holds 44.1% of Oppidum Capital, S.L. which, in turn, holds 7.19% of EDP's share capital with voting rights);
- EDP Group acquired to Sonatrach natural gas under the long-term supply agreement, and for the Soto 4 Combined Cycle Power Station, entered into after the existing partnership between EDP and Sonatrach in October 2007, having been paid the amount of EUR 179.4 million; Sonatrach holds 2.38% of EDP's share capital with voting rights.

The General and Supervisory Board noted that, with basis on the cases analyzed and information provided by the Executive Board of Directors for 2019, there was no evidence that the potential conflict of interests in EDP operations were resolved contrarily to the Company's interests.

The Executive Board of Directors, during 2018, submitted to the General and Supervisory Board the information concerning the following relevant related party transactions. Such information concerned the transactions listed below:

- Following the Investment Cooperation Agreement between EDP Renováveis and China Three Gorges for the Moray wind offshore project, announced on October 19, 2015, was concluded, on December 2018, the sale of a 10% stake in equity shareholding and outstanding shareholder loans on Moray Offshore Windfarm (East) Limited to China Three Gorges (Europe) S.A. owned by China Three Gorges, for a total amount of £37.6 million; China Three Gorges holds 21.47% of EDP's share capital with voting rights;
- EDP Group, through EDP España, has rendered electricity and gas services and also energy efficiency products to the company Cementos Tutela Veguín and to other companies incorporated in the Masaveu Group in the approximate amount of EUR 20.4 million (Cementos Tutela Veguín is a subsidiary of Masaveu Group which holds 55.9% of Oppidum Capital, S.L., which, in turn, holds 7.19% of EDP's share capital with voting rights);
- EDP Group provided electricity and gas services to Liberbank and related companies amounting to approximately EUR 5.9 million (Liberbank holds 44.1% of Oppidum Capital, S.L.). EDP Group has rendered payment management services to Liberbank on the approximate amount of EUR 80,000.00 (Liberbank holds 44,1% of the company Oppidum Capital, S.L. which, in turn, holds 7.19% of EDP's share capital with voting rights).
- BCP has rendered financial consultancy services to EDP Group, between October 2017 and December 2018 - under the Sagres Proejct that was aiming to the equity divestment

on EDP Small Hydro and Pebble Hydro which together hold 21 small hydro facilities with an installed capacity of 103MW - on the amount of EUR 700,000.00 in consultancy fees and EUR 1,600.00 in expenses (amounts valued added tax excluded); BCP, through affiliated entities, holds 2.07% of EDP's share capital with voting rights and is furthermore the financial intermediary responsible to assist EDP in the Offer;

- Banco Comercial Português (BCP) has rendered financial intermediation services to EDP Group having namely, integrated a bank syndicate which performed as bond issuance Joint Bookrunners under the Euro Medium Term Notes Program that took place in October 2018, on the amount of EUR 600 million. BCP was one of the 9 lead managers of the transaction, having been paid the amount of EUR 266,666.67; BCP, through affiliated entities, holds 2.07% of EDP's share capital with voting rights and is furthermore the financial intermediary responsible to assist EDP in the Offer
- It was acquired to Sonatrach natural gas under the long-term supply agreement to EDP Group, and for the Soto 4 Combined Cycle Power Station, entered into after the existing partnership between EDP and Sonatrach in October 2007, having been paid the amount of EUR 191.91 million; Sonatrach holds 2.38% of EDP's share capital with voting rights.

The Executive Board of Directors, during 2017, submitted to the General and Supervisory Board the information concerning the following relevant related party transactions. Such information concerned the transactions listed below:

- Conclusion of the sale to ACE Portugal S.A.R.L. fully owned by ACE Investment Fund II LP, a subsidiary of China Three Gorges Hong Kong Ltd, which, in turn, is a fully subsidiary of CTG, of a 49% participation in the share capital and shareholder loans of a wind energy portfolio of 422 MW of EDP Renováveis, for a final consideration of EUR 248 million; China Three Gorges holds 21.47% of EDP's share capital with voting rights;

- Rendering by Banco Comercial Português (BCP) to EDP Group of financial intermediary services, having integrated the syndicate of banks which acted as Joint Bookrunners of the bonds issuance occurred in January 2017; BCP, through affiliated entities, holds 2.07% of EDP's share capital with voting rights and is furthermore the financial intermediary responsible to assist EDP in the Offer;
- Participation of BCP (from among twenty-two banks) on the EUR 3,300 million revolving credit facility; BCP, through affiliated entities, holds 2.07% of EDP's share capital with voting rights and is furthermore the financial intermediary responsible to assist EDP in the Offer;
- Sale to BCP, through an assignment without recourse transaction, of part of the extra cost deficit of Special Production Regime in 2017, in the amount of EUR 100 million; BCP, through affiliated entities, holds 2.07% of EDP's share capital with voting rights and is furthermore the financial intermediary responsible to assist EDP in the Offer;
- Acquisition to Sonatrach of natural gas under EDP Group long term supply agreements, for which the value of EUR 145.5 million was paid;
- Provision, by EDP Group, of electricity and gas supply services to Cementos Tutela Veguín and other companies integrated in Masaveu Group in the value of EUR 22.5 million (Cementos Tutela Veguín is a subsidiary of Masaveu Group which holds 55.9% of Oppidum Capital, S.L.; Oppidum Capital, S.L. holds 7.19% of EDP's share capital with voting rights);
- Provision, by EDP Group, of electricity and gas supply services to Liberbank and related companies in the value of EUR 5.9 million (Liberbank holds 44.1% of Oppidum Capital, S.L. which, in turn, holds 7.19% of EDP's share capital with voting rights).

## 18.3. Related party transactions subject to prior opinion from the General and Supervisory Board

At the same time, it is important to highlight article 17(2) of EDP Articles of Association, that defines a number of matters subject to prior opinion from the General and Supervisory Board. This corporate body has competences to set the parameters for measuring the economic or strategic value of the operations that must be submitted for its opinion, and these were approved by the referred Board on April 6, 2018.

In this scope, during FY 2019, 31 operations were submitted to favorable prior opinion from the General and Supervisory Board with an average value of EUR 459 million, having the transaction with the highest amount been of EUR 2,200 million. Regarding the waiver of prior opinion, were submitted to the General and Supervisory Board 15 operations, with the average value of EUR 270 million, having the transaction with the highest amount been of EUR 600 million.

In what concerns transactions which are subject to a favorable prior opinion from the General and Supervisory Board n 2019 (pursuant to the provision of article 17(2) of the Articles of Association), none of such transactions were to be entered into with a related party. Regarding transactions in which the General and Supervisory Board waived the need to provide an opinion, none were to be entered into with a related party.

Also in this regard, during FY 2018, 24 operations were submitted to favorable prior opinion from the General and Supervisory Board with an average value EUR 604 million, having the transaction with the highest amount been of EUR 3,600 million. Regarding the waiver of prior opinion, were submitted to the General and Supervisory Board 15 operations, with the average value of EUR 432 million, having the transaction with the highest amount been of EUR 2 065 million.

In what concerns operations subject to favorable prior opinion from the General and Supervisory Board, one of them had a financial consultant as a related party, BCP, inherent to the transaction in the amount of EUR 164 million, and the consultancy fee with the related party in the amount of EUR 700,000.00. Regarding operations in which there were waivers of prior opinion, none had inherent a transaction with a related party.

Also in this regard, during FY 2017, 17 operations were submitted to favorable prior opinion from the General and Supervisory Board with an average value of EUR 722 million and a maximum value of EUR 2,590 million. Regarding the waiver of prior opinion, 11 transactions were submitted to the General and Supervisory Board, with the average value of EUR 738 million and a maximum value of EUR 3,300 million.

In what concerns operations subject to favorable prior opinion from the General and Supervisory Board, one of them had inherent a transaction with a related party (in the value of EUR 248 million). Regarding operations in which there were waivers of prior opinion, only one had inherent a transaction with a related party, with no value associated.

**Procedures and criteria applicable to the supervisory body’s prior assessment of transactions between the company and holders of qualifying shareholdings or entities related to them in any way**

The current rules on the issue and waiving of a prior opinion from the General and Supervisory Board, as referred to previously, were approved on April 6, 2018, along with the procedures for communication and clarifications between it and the Executive Board of Directors.

Pursuant to EDP's Articles of Association, the General and Supervisory Board fixes the parameters for measuring the economic or strategic value of operations submitted to it for an opinion and sets up speedy mechanisms for issuing an opinion in urgent cases or when the nature of the subject so warrants and the situations in which this opinion can be waived (article 21(7)). The mechanism for waiving a prior opinion from the General and Supervisory Board may only be used in cases of exceptional urgency or if the nature of the subject so warrants, as set out in EDP's Articles of Association and the General and Supervisory Board Internal Regulation in effect in 2011 (current article 15(5)).

All matters in which a prior opinion is waived are later appraised at meetings of the General and Supervisory Board.

Furthermore, the General and Supervisory Board has set out strict rules on transactions between related parties in order to prevent conflicts of interest.

For legal transactions or situations between related parties that are likely to cause a conflict of interest between those involved that will have an impact on the interests of EDP, the Executive Board has to request the preliminary opinion of the General and Supervisory Board or its waiver, and also has to provide the following information:

a) Within this scope, it should be highlighted what is defined in the Regulation on Conflict of Interest and Transactions between Related Parties in what concerns the procedures and criteria applicable to the supervision for previous evaluation of business between the Company and qualified shareholders or any entities with whom the latter are related:

    - A brief description of the operations and obligations assumed by the parties;
    - A statement the procedures adopted for selecting the counterparty, particularly if the operation was based on a tender/consultation or limited tendering procedure;
    - In the case of a limited tendering procedure, the reasons for such decision and the measures adopted to mitigate any risks from potential conflicts of interests;
    - In the case of a tender/consultation, statement of the type of contact established with potential stakeholders and identify such;
    - In the event competitive offers existed, information on the terms of the different proposals and the reason for the choice made;
    - Identification of the parameters to measure the operation performed under "normal market conditions for similar transactions";
    - Measures taken to prevent or resolve potential conflicts of interests;
    - Evidence, if applicable, of the multiannual nature of the operation, in which case the starting date of the selected tender/contract should be reported together with the date on which the supplies and/or services provided shall be provided or carried out.

b) With respect to legal business or cases that exist between related parties that are likely to give rise to a conflict of interests between those involved, which could impact the interests of EDP, these should be subject to a preliminary opinion from the General and Supervisory Board:

- If the Corporate Governance and Sustainability Committee can meet before the General and Supervisory Board meeting, an opinion from this Committee should be requested, which should be presented to the General and Supervisory Board for decision making purposes.
- If it is not possible for the Corporate Governance and Sustainability Committee to meet, the assessment of the potential conflict of interests must be made directly by the General and Supervisory Board within its decision-making authority.

c) With respect to legal business or cases that exist between related parties that are likely to give rise to a conflict of interests between those involved, which could impact the interests of EDP, which are subject to a request for waiver of the preliminary opinion from the General and Supervisory Board, at least three Members of the Committee should be consulted, and the majority has to be independent.

d) When considering the request by the Executive Board, in the event of a request to waiver the preliminary report, the Corporate Governance and Sustainability Committee, the General and Supervisory Board or the Chairman of this Board, may recommend to the Executive Board that appropriate measures must be taken to address the potential conflict of interest.

### 18.4. Location of accounting documents providing information on transactions executed with related parties in 2019, 2018, 2017 and the first quarter of 2020, pursuant to IAS 24, or reproduction of the information

Information on transactions executed with related parties, pursuant to IAS 24:
- in the first quarter of 2020, is set out in Note 37 of the Unaudited Condensed Interim Consolidated Financial Statements;
- in 2019, is set out in Note 43 of the Annual 2019 Audited Consolidated Financial Statements;
- in 2018, is set out in Note 43 of the Annual 2018 Audited Consolidated Financial Statements;
- in 2017, is set out in Note 46 of the Annual 2017 Audited Consolidated Financial Statements.

# CHAPTER 19. ADDITIONAL INFORMATION

## 19.1. Legal and commercial name of the Issuer

The legal name of the Issuer is EDP - Energias de Portugal, S.A. and the most frequent trade name is EDP.

## 19.2. Registration, legal person number, registered office and legal form of the Issuer

EDP is a limited liability company by shares (*sociedade anónima*) open to public investment (*sociedade aberta*) incorporated under the laws of Portugal, with registered office at Avenida 24 de Julho no. 12, 1249-300 Lisboa, Portugal, with a share capital of EUR 3,656,537,715.00, registered with the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500.697.256, with telephone number +351210012500, e-mail address IR@edp.com and legal entity identifier ("**LEI**") 529900CLC3WDMGI9VH80.

The Internet website of the Issuer is www.edp.pt. Any information on the website does not form part of this Prospectus unless that information is incorporated by reference into the Prospectus.

EDP operates under the PCC and other applicable legislation, as well as under the provisions of its Articles of Association.

As a company open to public investment with securities admitted to trading, EDP is subject also to the provisions of the PSC and the regulations from CMVM and Euronext which are applicable to it.

EDP's activities are also regulated, depending on the place where it does business, by European Union directives and regulations, by the laws of European Union Member States and other jurisdictions which are applicable to it, in particular in what concerns the regulatory framework of the energy sector in each such jurisdiction. For more information, see Chapter 11 ("*Regulatory framework of the Issuer's activity*").

## 19.3. Constitution of the Issuer

EDP was incorporated on June 30, 1976 for an undetermined period of time and was formerly known as EDP – Electricidade de Portugal, S.A.

## 19.4. Issuer's Articles of Association

In the following points, in addition to reference to the most relevant applicable legal provisions, the main provisions relating to the rights attached to the shares contained in the updated Articles of Association of the Issuer (incorporated by reference to this Prospectus) are described.

### 19.4.1 Description of the main rights attached to the New Shares

The main rights of the holders of EDP shares are the right to information, the right to profit sharing, the right to vote at a General Meeting and the right to share the assets in the event of liquidation, all in accordance with the applicable law and the Issuer's Articles of Association.

Any change to the rights of shareholders that does not result from a legislative change requires a resolution of the Issuer's General Meeting and, as a rule, an amendment to the respective Articles of Association is required.

**Right to information**

Articles 288 to 293 of the PCC regulate the right of access to information of shareholders and other holders of the right to information in relation to the company's business and financial situation.

Under the terms of article 288 of the PCC, any shareholder who holds shares corresponding to at least 1% of the share capital may consult, at a justified reason, at the Issuer's registered office: *(a) the management reports and the accounting documents provided for by law for the last three fiscal years, including the opinions of the supervisory board, the audit committee, the supervisory board or the committee for financial matters, and such as the reports of the statutory auditor subject to publicity, in accordance with the law; (b) the notices, minutes and attendance lists of the meetings of the general and special shareholders' meetings and of the assemblies of debentures held in the last three years; (c) the total remuneration paid, for each of the last three years, to the shareholders of the governing bodies; (d) the aggregate amounts of the sums paid, for each of the last three years, to the ten or five employees of the company receiving the highest remuneration, depending on whether or not the number of staff exceeds 200; (e) the share registration document".* The accuracy of the elements referred to in paragraphs c) and d) of the previous paragraph must be certified by the statutory auditor, if the shareholder so requests.

Also in compliance with article 289 of the PCC and article 21-C of the PSC, EDP, as an issuer of shares admitted to trading on a regulated market, must, on the date of publication of the notice, also provide its shareholders, at the Company's registered office and on its website (where they must remain for at least one year), with the following information:

a) The notice convening the general meeting, which should also be published on the CMVM's website, as well as the proposed resolutions, and should include information on the procedures for participation, exercise of rights and representation at the General Meeting;

b) the total number of shares and voting rights as at the date of the notice's publication, including separate totals for each class of shares, whenever applicable;

c) the forms for voting by proxy and voting by correspondence, whenever not precluded by the articles of association;

d) the full names of the shareholders of the administrative and supervisory bodies, as well as the board of the general meeting;

e) the indication of other companies in which the members of the corporate bodies hold office, with the exception of professional services companies;

f) proposals for resolutions to be submitted to the meeting by the board, as well as the reports or justification that should accompany them;

g) when the appointment of shareholders of the corporate bodies is included in the agenda, the names of the persons to be proposed, their professional qualifications, the indication of the professional activities carried out in the last five years, in particular with regard to positions held in other companies or in the company itself, and the number of company shares held by them;

h) in the case of the annual general meeting, the management report, the accounts for the fiscal year, other accounting documents, including legal certification of accounts and the opinion of the supervisory board, the audit committee, the general and supervisory board or the committee for financial matters, as the case may be, as well as the annual report of the supervisory board, the audit committee or the general and supervisory board and the committee for matters financial institutions;

i) any other documents for submission to the general meeting.

In accordance with the PCC:

a) the shareholder may request at the General Meeting that true, complete and insightful information be provided to him/her that will enables him/her to form a reasoned opinion on the matters subject to deliberation. The information required must be provided by the company body authorized to do so and may only be refused if the rendering of such information could cause damage to the company or to other companies associated with it, or if such provision would involve a breach of secrecy imposed by law;

b) shareholders holding, individually or jointly, shares representing at least 10% of the share capital may request, in writing, information on company matters from the management body, and the provision of the requested information may only be refused in the cases provided for by law. If any shareholder is unduly refused the right to information, he may request the Courts to carry out an inquiry into the company.

The Issuer is also obliged to comply with the information duties set out in CMVM Regulation 5/2008, applicable to public companies and listed companies.

**Right to profit sharing**

Article 21(1)(a) of the PCC establishes the right of shareholders to share in the profits of the company.

According to the article 294 of the PCC:

*"1 Except as otherwise provided in a contractual clause or a decision taken by a majority of three-fourths of the votes corresponding to the share capital in a general meeting convened for this purpose, half of the profit for the year that, pursuant to this law, may be distributed.*

*2 The shareholder's credit to his share of the profits is due after 30 days of the allocation of profits, except for deferment by the shareholder and without prejudice to legal provisions prohibiting payment before certain formalities are observed and may deliberate, on the basis of an exceptional situation of the company, the extension of that period to 60 days if the shares are not admitted to trading on a regulated market.*

3 *If, by the articles of association, shareholders of the corresponding bodies are entitled to share in the profits, it can only be paid after paying the profits of the shareholders."*

In accordance with article 30 of the Issuer's Articles of Association:

*"1. The profits of the year, calculated in accordance with the law, shall be allocated as follows:*

*a) to cover losses of previous years;*

*b) to constitute or reinforce the legal reserve and other reserves prescribed by law;*

*c) to constitute or reinforce other reserves created by the general shareholders' meeting;*

*d) to be distributed as dividends to shareholders;*

*e) to pay bonuses to the directors and employees, by way of a share in the profits, according to criteria to be defined by the general shareholders' meeting;*

*f) to grant to the EDP Foundation an amount for patronage initiatives of recognized merit in accordance with the program to be submitted to the general and supervisory board within the context of EDP Group's policy of corporate citizenship and sustainable development, up to an amount corresponding to 0.1% of the consolidated turnover;*

*g) other purposes by resolution of the general shareholders' meeting.*

*2. Payments in advance of profits may be made to shareholders during the course of the year upon a proposal from the executive board of directors and a favorable opinion from the general and supervisory board, up to the maximum permitted by law."*

According to Portuguese law, at least 5% of the annual net profit must be allocated to a legal reserve, until such reserve is equal to 20% of the amount of share capital.

According to Portuguese law, the right to profits expires, and such profits, interest and any other income will be lost to the Portuguese State if, during a period of 5 years, the persons holding such rights do not exercise them or attempt to exercise them.

See also sub-chapter 19.5 ("*Dividend Policy*") below on dividend policy.

**Right to participate and vote at the General Meeting**

In accordance with the Issuer's Articles of Association:

"*Article 11*

*1. The general shareholders' meeting shall adopt resolutions concerning all the matters provided for in law and in these articles of association.*

*2. In particular, the general shareholders' meeting shall, according to the law and to these articles of association:*

*a)* *assess the report of the executive board of directors, discuss and vote on the balance sheet, the accounts and the opinion of the statutory auditor and those of the general and supervisory board, if applicable, and resolve on the allocation of the annual results;*

*b)* *elect and remove the members of the general shareholders' meeting board, of the executive board of directors and of the general and supervisory board, as well as the respective chairmen and vice-chairmen, should they exist, the statutory auditor, following a proposal of the general and supervisory board or, upon delegation by it, the members of the audit committee, and, furthermore, the members of the environment and sustainability board;*

*c)* *resolve on any amendments to the articles of association, including increases of the share capital;*

*d)* *appoint a remuneration committee charged with fixing the remuneration of the members of the corporate bodies, whose members should, in their majority, be independent;*

*e)* *assess the annual report on the activity of the general and supervisory board;*

*f)* *deal with any other matter for which it has been convened.*

*3. The resolutions of the general shareholders' meeting shall be passed by a majority of the votes cast, except when a provision of the law or of these articles of association requires a qualified majority.*

*4. The resolutions relating to the amendment of the articles of association and the merger, demerger transformation or winding up of the company, with the exception of the provisions of paragraph 5, must be approved by two-thirds of the votes cast and, whenever the general meeting takes place following a first convening announcement, as long as the number of shareholders present or represented at such meetings hold, at least, shares corresponding to one third of the share capital.*

*5. Resolutions for the amendment of the articles of association referring to article 10 and to paragraphs 3 to 5 of article 14, as well as amendments to this paragraph insofar as it refers to any of such provisions, must be approved by two-thirds of the votes cast, except if a lower limit is provided for in mandatory law, in which case the limit set forth here is deemed to be reduced accordingly.*

*6. Abstentions are not cast.*

*<u>Article 12</u>*

*The general shareholders' meeting board is composed of a chairman and a vice-chairman, elected by the general shareholders' meeting, and of the company's secretary.*

*<u>Article 13</u>*

*General shareholders' meetings must be convened with a minimum thirty days prior notice, with express reference to the matters in its agenda.*

*Article 14*

*1. Only shareholders with voting rights may attend to the general shareholders meetings, as well as any other persons whose presence in those meetings is deemed justified by the chairman of the general shareholders' meeting board.*

*2. Each share corresponds to 1 vote.*

*3. Votes cast by a shareholder, on its own account or on behalf of another shareholder, that exceed 25% of the votes corresponding to the share capital, shall not be taken into account.*

*4. For the purpose of this article, shall be treated as cast by the same shareholder the voting rights, whenever so considered under the terms of article 20, paragraph 1 of the Securities Code, or any provision that modifies or replaces it, that are chargeable to them.*

*5. In the event that the limitation on the cast of votes provided for in the foregoing paragraphs affects several shareholders, the mentioned limitation shall apply proportionately to the ordinary shares held by each one.*

*6. Shareholders may exercise their voting right by correspondence in relation to each item of the agenda, by letter, being required, in case the shareholder is a single person, an identical signature to the one on the identity card and accompanied of a readable copy of it, and in case the shareholder is a corporate body, the signature of their representative shall be recognized in that quality, noting that in any case the referred letter shall be addressed to the Chairman of the General Shareholders' Meeting and sent by registered mail with acknowledgement of receipt to the registered office of the company, in at least three days in advance of the date of the meeting, unless a longer period is set in the notice to convene meeting.*

*7. Voting rights may also be exercised by electronic means, pursuant to requirements that assure their authenticity, which shall be defined by the chairman of the general shareholders' meeting board and included in the notice of the respective general shareholders' meeting.*

*8. The chairman of the General Shareholders' Meeting board must verify the authenticity and validity of the postal votes, as well as assure their confidentiality until the moment of the voting, being those votes deemed as negative votes in relation to proposals of resolutions presented after the date on which such votes have been issued.*

*9. The holders of rights representing shares under ADR programs may give instructions to the respective depositary bank for the exercise of voting rights or grant a proxy to a representative designated by EDP for this purpose, subject to compliance with the applicable provisions of the law or of these articles of association; the deposit agreement must set forth the dates and means for the exercise of the voting instructions or lack of instructions.*

*10. Shareholders may only attend, discuss and vote at the general shareholders' meetings, in person or through a representative, if, in the registration date, corresponding to 0 hours (GMT) of the fifth day of negotiation prior to the date of the general shareholders meeting they own at least one share.*

*11. Shareholders that intend to participate or be represented at the shareholders meeting shall declare it in writing to the chairman of the general shareholders meeting and to the financial* *intermediary to which the book-entry registry of the shares has been entrusted, until the end of the sixth day of negotiation before the date of the meeting, and may use the email for that purpose.*

*12. Shareholders that have declared their intention to participate in the shareholders meeting, according to the previous number, and that have transferred the ownership of the shares between the fifth day of negotiation prior to the date of the meeting and the final of the same, shall communicate it immediately to the Chairman of the General Shareholders' Meeting and to the Portuguese Securities Market Commission.*

*13. The proof of the ownership of the shares shall be made through the delivery to the Chairman of the General Shareholder' Meeting, by financial intermediary to which the book-entry registry of the shares has been entrusted,, until the end of the fifth day of negotiation prior to the date of the meeting, of a statement enclosing information about the number of shares registered and the date of the respective registry, and the email may be used for that purpose.*

*14. The limitation on the cast of votes contained in paragraph 3 of this article applies to all resolutions, including to those for which the law or these articles of association require a qualified majority calculated over the company's capital.*

*15. Shareholders may be represented by persons with full legal capacity appointed for that purpose. The respective notification of such representation must be made to the chairman of. the general shareholders' meeting board by 17:00 hours of the second day before the date scheduled to occur on the general shareholders' meeting."*

### 19.4.2 Share capital and other securities

With regard to the share capital and issue of other securities, the Issuer's Articles of Association state that:

"*Article 4*

*1. The share capital amounts to 3 656 537 715 (three thousand six hundred and fifty-six million, five hundred and thirty-seven thousand, seven hundred and fifteen) euros and is fully paid up.*

*2. The share capital is represented by 3 656 537 715 shares, and each share has the nominal value of 1 euro.*

*3. The Executive Board of Directors is authorized to increase the share capital, one or more times, in an amount corresponding to a maximum of 10% of the current share capital, through the issuance of shares, to be subscribed by new contributions in cash, in accordance with the terms and conditions of the issuance defined by the executive board of directors, being the proposed resolution subject to prior approval by the general and supervisory board with a majority of two thirds.*

*Article 5*

*1. The shares are nominative and assume exclusively the dematerialized (book-entry) form.*

*2. The company may issue non-voting preference shares, redeemable or not in accordance with the law.*

*3. The company may acquire, hold and sell its own shares, as provided by law and up to the limits set forth in the law.*

*Article 6*

*1. The company may issue bonds or other securities in accordance with the law and, moreover, carry out any such operations involving its own bonds or other securities as permitted by law.*

*2. The executive board of directors can resolve to issue bonds or other securities and shall establish the amount thereof and all the other conditions of issue.*"

Furthermore, there are no convertible securities, exchangeable securities or securities with warrants issued by EDP nor any acquisition rights or obligations over authorized but unissued capital or undertakings to increase the capital exists.

### 19.4.3 Main statutory provisions concerning the management and supervisory Bodies

The main statutory provisions concerning the Issuer's management and supervisory bodies are set out below:

"*Article 9*

*1. Whenever a reference to independent members of a corporate body is made in these articles of association, independence shall be understood as the absence of direct or indirect relations with the company or its management board and the absence of circumstances that may affect the relevant members' impartial analysis or decision, notably the ownership by the relevant members of a qualified stake equal to or higher than 2% of the company's capital, or their re-election for more than two consecutive or interpolated terms of office.*

*2. The relevant corporate body shall evaluate, at each relevant moment, the independence of its members for compliance with the legal or regulatory rules then in force. In addition to such compliance, such evaluation shall be duly justified whenever company practice deviates from the criteria provided for in recommendations the company should take into account but that are not binding upon it.*

*Article 10*

*1. Without prejudice to the mandatory provisions of the law, and except for the provisions of paragraphs 3 and 4 of this article, the performance of functions in any corporate body is incompatible with:*

*a) the status of a legal person that is a competitor of EDP or a company in a control or group relation with EDP;*

*b) the status of a legal person or an individual related to a legal person that is a competitor of EDP;*

*c)* *the exercise of functions, of any nature or for any reason whatsoever, notably by appointment to a corporate office, by employment contract or by services provision agreement, at a legal person that is a competitor of EDP or at a legal person related to a legal person that is a competitor of EDP;*

*d)* *the nomination, even if only a de facto nomination, as a member of a corporate body if made by a legal person that is a competitor of EDP or by a legal person or individual related to a legal person that is a competitor of EDP.*

*2. For the purpose of these articles of association, the following are deemed as a person related to a legal person that is a competitor:*

*a)* *one whose voting rights are ascribed to a competing legal person under article 20 of the Securities Code or any provision that modifies or replaces it;*

*b)* *one that, either directly or indirectly, holds, in a competing legal person, or in a company in a control or group relation with it, as defined in article 21 of the Securities Code, or in a company dependent, either directly or indirectly, on such company, a stake equal to or higher than 10% of the voting rights corresponding to the share capital of the company.*

*3. To the extent permitted by law, the incompatibility set forth in the previous paragraphs does not apply to competing legal persons in which EDP holds a stake equal to or higher than 50% of the respective share capital or voting rights, nor to individuals that exercise functions of any nature or for any reason, or who have been nominated, even if only de facto, in those competing legal persons, when the appointment to corporate office of a competing legal person or the agreement with a competing legal person has been made based upon a nomination from EDP or a company controlled by it.*

*4. Without prejudice to the provisions of paragraphs 5 and 6, the incompatibilities set forth in the foregoing paragraphs may also not apply to the performance of functions as a member of the general and supervisory board, to the extent permitted by law, subject to authorization given by prior resolution, with the favor of two thirds of the votes cast at the elective general shareholders' meeting. The competition relation must be expressly referred to and precisely identified in the appointment proposal, and the authorization resolution may be subject to conditions, notably to a holding of no more than 10% of EDP's share capital.*

*5. Any member of the general and supervisory board elected in accordance with paragraph 4 of this article may neither be present nor participate in the meetings, nor in parts of the meetings, in which subjects involving competition risk or sensitivity are discussed, notably subjects with impact in the markets in which there is competition with EDP, nor may such member have access to the respective information and documentation. The general and supervisory board shall assure the implementation of this provision and such same board may decide the qualification of a subject as involving competition risk or sensitivity.*

*6. Apart from the provisions contained in these articles of association, the legal rules and regulations addressed to prevent an intervention in a conflict of interests situation will always apply within all corporate bodies and to all activity of the company.*

*7. For the purpose of these articles of association, a legal person that is a competitor is one that exercises, directly or indirectly, an activity which competes with the activity developed by*

*EDP, or by a company in which EDP holds a stake equal to or higher than 50% of the respective share capital or voting rights, in Portugal or abroad, provided that, in the last-mentioned case, it occurs in a market in which EDP or a controlled company exercises its activity through a permanent establishment.*

*8. For the purpose of these articles of association, it is considered that a legal person indirectly exercises an activity in competition with EDP when, directly or indirectly, it holds or it is held in, at least, ten % of the share capital or voting rights of a company that carries out any of the activities developed by EDP, or by a controlled company.*

*9. The provisions of paragraph 6 of this article shall apply also to the members of specific committees created by corporate bodies who are not members of any of the corporate bodies and who otherwise would be incompatible under the provisions of this article.*

*10. The shareholder that individually holds at least 20% of the share capital of EDP, and that, directly or through a legal person which is in a domain relationship with it, enters into and maintains a medium or long term strategic partnership of business cooperation in the activities of generation, distribution or supply of electricity or natural gas, approved in accordance with legal and corporate provisions, with prior favorable opinion of the General and Supervisory Board shall not be deemed to be a legal person that is a competitor of EDP."*

*"Article 16*

*1. The executive board of directors is composed of a number of members set by the general shareholders' meeting that elects them.*

*2. The number of members set in accordance with the foregoing paragraph shall be between a minimum of five and a maximum of nine.*

*3. The chairman of the executive board of directors is appointed by the general shareholders' meeting from amongst the elected directors and has a casting vote.*

*4. If the board is composed of an even number of members, in case of absence or temporary impairment of the chairman of the executive board of directors, it shall have a casting vote the vice-chairman of the executive board of directors, should he exist, or, the member of the executive board of directors to whom such right has been granted in the respective election act.*

*Article 17*

*1. The executive board of directors is responsible for:*

- *a) setting the objectives and management policies of the company and the group;*
- *b) preparing the annual operating and financial plans;*
- *c) managing the company's business affairs and performing all the acts and operations relating to the corporate purpose that do not fall within the duties attributed to other bodies of the company;*

*d)* *representing the company in or out of court, as plaintiff or defendant, in which capacity it may discontinue, reach a compromise or accept liability in any legal proceedings, and execute arbitration agreements;*

*e)* *acquiring, selling or by any manner transferring or creating encumbrances over rights or real estate assets;*

*f)* *incorporating companies and subscribing for, acquiring, creating encumbrances over and transferring stakes;*

*g)* *adopting resolutions regarding the issuance of bonds and other securities in accordance with the law and these articles of association, in compliance with the annual quantitative limits set by the general and supervisory board;*

*h)* *establishing the technical and administrative organization of the company and the standards for internal operation, notably concerning personnel and their remuneration;*

*i)* *granting powers of attorney, as deemed appropriate, including those of sub delegation;*

*j)* *appointing the company's secretary and respective substitute;*

*l)* *engaging the external auditor nominated by the general and supervisory board in accordance with article 22, paragraph 1 q) of these articles of association and removing him from such office upon indication from the general and supervisory board;*

*m)* *performing any other duties conferred on it by law or by the general shareholders' meeting;*

*n)* *establishing a specific regulation that sets out the rules for its internal operation.*

*2. The approval of the strategic plan of the company and the execution of the following operations by the company or by a company controlled by it are subject to previous receipt of a favorable opinion from the general and supervisory board:*

*a)* *purchases and transfers of assets, rights and stakes with a significant economic value;*

*b)* *execution of financial agreements with a significant value;*

*c)* *opening and closing of establishments or important parts of establishments and important expansions or reductions of activity;*

*d)* *other businesses or operations with a significant economic or strategic value;*

*e)* *setting up or terminating strategic partnerships or any other forms of enduring cooperation;*

*f)* *merger, demerger or transformation plans;*

g) *amendments to the articles of association, including moving the registered office and increasing the share capital, when the initiative is conferred on the executive board of directors.*

*Article 18*

*1. In particular, it is the responsibility of the chairman of the executive board of directors to:*

a) *represent the executive board of directors;*

b) *coordinate the activity of the board and to convene and preside over the respective meetings;*

c) *to oversee the proper execution of the board's resolutions.*

*2. The chairman of the executive board of directors has the right to attend the meetings of the general and supervisory board whenever he deems appropriate, except when resolutions in relation to the matters set forth in article 22, paragraph 1 o) of these articles of association are involved and, generally, in any situations involving conflict of interests.*

*Article 19*

*1. The company shall be bound before third parties:*

a) *by the signature of two directors;*

b) *by the signature of one of the directors, within the limits of the powers delegated by the board;*

c) *by the signature of those holding powers of attorney, with regard to the acts or categories of acts specified in the corresponding powers of attorney.*

*2. The executive board of directors can resolve that certain company documents be signed by means of mechanical processes or by rubber stamp.*

*Article 20*

*1. The executive board of directors will fix the frequency of its ordinary meetings; however, it is mandatory that it meet bi-monthly and that it meet in extraordinary session whenever so convened by its chairman, by two directors or at the request of the general and supervisory board.*

*2. The executive board of directors may not pass resolutions without the presence of the majority of its members.*

*3. Without prejudice to the provision of the foregoing paragraph and provided that at the beginning of each meeting the following means of communication is approved by a majority of two-thirds of the participants, directors may be present or intervene in meetings of the executive board of directors through telecommunication means that ensure real-time transmission and simultaneous receipt of voice, or voice and image.*

*4. No director is allowed to represent more than one other director at each meeting.*

*5. The members of the executive board of directors who cannot be present at a meeting may, in the case of a resolution that the chairman considers to be urgent, express their vote by way of letter addressed to him.*

*6. Absences, continuous or interpolated, of any director to more than half of ordinary executive board of directors meetings held during one civil year, without any justification accepted by this corporate body, will determinate a definitive absence by the referred director.*

*7. definitive absence, as established on previous number, shall be declared by the executive board of directors, which shall afterwards proceed with the replacement of that director according to the law and to these by-laws.*

*Article 21*

*1. The general and supervisory board is composed of a number of effective members not lower than nine, but always higher than the number of directors, including those referred in the following paragraphs, elected for a term of office of three years.*

*2. The chairman of the general shareholders' meeting board is inherently a member of the general and supervisory board.*

*3. Shareholders or groups of shareholders owning shares that represent a minimum of 10% and a maximum of 20% of the company's capital may subscribe to lists for the separate election of a member of the general and supervisory board, in which case the following rules shall apply:*

- *a) each list shall propose at least two eligible persons for each position to be filled, such position to be filled by the first person indicated in the list with more votes;*
- *b) the same shareholder cannot subscribe to more than one list;*
- *c) if in the separate election, there are lists presented by more than one shareholder or group of shareholders, the voting shall be made in relation to all of these lists;*
- *d) if there is a proposal for the election of a separate member under the terms of the foregoing subparagraphs, such election shall precede the other directors' election.*

*4. The majority of the elected members of the general and supervisory board must be independent and must also meet the remaining requirements, notably concerning academic training and competence, set forth in legal or regulatory provisions applicable, at each relevant moment, to EDP.*

*5. Lists of members for the general and supervisory board to be submitted to the general shareholders meeting may include, besides the proposal of effective members, a list of, at least, two independent substitute candidate, who are called, by the chairman of the general and supervisory board, to replace in case of definitive absence of effective members, pursuant to the order set forth in the referred list.*

*6. The occurrence of motives which determine the lack of independence of members of the general and supervisory board who have that quality determines the termination of the respective appointment.*

*7. At its own initiative or upon the request of the chairman of the executive board of directors, the general and supervisory board must set the parameters to measure the economic or strategic value of operations that should be submitted to its opinion under the terms of article 17, paragraph 2, as well as it must establish expeditious proceedings to issue such opinion in emergency cases or when the nature of the subject justifies it and, in addition, the events in which such opinion may be dismissed.*

*8. The chairman of the general and supervisory board represents the general and supervisory board, coordinates its activities, convenes and presides over the respective meetings and oversees the correct execution of its resolutions.*

*9. In his absence or impairment, the chairman of the general and supervisory board shall be replaced by the respective vice-chairman, should he exist, or, in his absence, by whomever is designated by the general shareholders' meeting or, subject to ratification at the immediately following general shareholders' meeting, by the general and supervisory board.*

*10. The chairman of the general and supervisory board or, in his absence or impairment, a member delegated by this body appointed for the purpose may, whenever he deems convenient and without voting right, attend the meetings of the executive board of directors and participate in the discussion of matters to be submitted to the general and supervisory board.*

*Article 22*

*1. In addition to that provided in law, the general and supervisory board of directors has, in particular, the responsibility to:*

- *a) oversee on a permanent basis the activity of the management of the company and controlled companies and to, in such respect, advise and assist the executive board of directors, notably in relation to strategy, achievement of goals and compliance with the applicable legal rules;*

- *b) deliver its opinion about the management report and annual accounts;*

- *c) oversee on a permanent basis the activity of the statutory auditor and of the external auditor and, concerning the first, to issue a pronouncement on its respective election or appointment, its removal and its independence conditions and other relations with the company;*

- *d) oversee on a permanent basis and evaluate the internal procedures relating to accounting and auditing matters, as well as the efficacy of the risk management system, the internal control system and the internal audit system, including the receipt and processing of related complaints and queries, whether or not originating from employees;*

- *e) propose the removal of any member of the executive board of directors to the general shareholders' meeting;*

*f) monitor the definition of criteria and necessary competences in the structures and internal bodies of the company or the group to be complied with and their consequences in the respective composition, as well as to prepare plans of succession;*

*g) provide for, in accordance with the law, the replacement of the members of the executive board of directors in the event of absence or temporary impairment;*

*h) issue, at its own initiative or when requested by the chairman of the executive board of directors, its opinion about the annual vote of confidence in directors referred to in article 455 of the Companies Code;*

*i) monitor and assess matters relating to corporate governance, sustainability, internal codes of ethics and their compliance, evaluate and resolve conflicts of interests systems, including in respect of the company's relations with shareholders, and to deliver opinions on these matters;*

*j) obtain financial or other resources which it reasonably believes are necessary for its activity and to request from the executive board of directors the adoption of measures or corrections that it considers appropriate, being allowed to use the means required for its own independent advisory, if necessary;*

*k) receive periodic information from the executive board of directors about significant commercial relations between the company or controlled companies and shareholders with a qualified stake and related persons;*

*l) appoint the remuneration committee and the audit committee;*

*m) represent the company in its relations with the directors;*

*n) supervise the activities of the executive board of directors;*

*o) monitor compliance with the law and the articles of association;*

*p) select and replace the company's external auditor, giving the executive board of directors instructions to engage and remove it;*

*q) monitor, when it deems appropriate and through the means considered appropriate, the correctness of the books, the account registers and supporting documents, as well as the status of any assets or values held by the company;*

*r) supervise the preparation and release of financial information;*

*s) convene the general shareholders' meeting when it deems appropriate;*

*t) approve its internal regulation, which shall including rules regarding the relations between the corporate bodies and organs.*

*2. The general and supervisory board shall deliver a favorable opinion in relation to the subjects referred to in article 17, paragraph 2 of these articles of association.*

*Article 23*

*1. The general and supervisory board may create specialized or monitoring committees, in addition to those envisaged in the law, notably in the area of corporate governance and sustainability.*

*2. The general and supervisory board shall delegate in an audit committee, consisting of at least three independent members with suitable qualifications and experience, the competences provided for in article 22, paragraph 1 b) to d), r) and s) of these articles of association, in addition to others set forth in law.*

*3. The chairman of the general and supervisory board shall preside over the audit committee in the event he is an independent member.*

*Article 24*

*1. The general and supervisory board shall meet in ordinary session at least once every quarter and in extraordinary session whenever convened by its chairman, at his own initiative or at the request of any of its members, the executive board of directors or the respective chairman.*

*2. member of the general and supervisory board may be represented in a meeting by another member, through a letter to the chairman, with the following limitations:*

*a) each proxy letter may not be used more than one time;*

*b) each member may not represent more than one member;*

*c) independent members may not represent or be represented by non-independent member.*

*3. Members may be present and intervene in the meetings of the general and supervisory board through means of communication that assure, in real-time, the transmission and reception of voice or voice and image, should the authenticity of the statements and the security of the communications be assured, and to the extent that its contents and the respective participants are registered.*

*4. Members who cannot be present or represented at a meeting of the general and supervisory board may, in case of a resolution deemed to be urgent by the respective chairman, issue their vote by postal or by electronic means to the chairman.*

*Article 25*

*The company shall have a statutory auditor with the powers and duties set forth in the law."*

**19.5. Dividend policy**

In the Strategic Update, EDP reiterated its dividend policy, comprising a dividend floor of EUR 0.19 per share on the dividend going forward. The dividend policy dictates that the dividend per share should continue to evolve in tandem with earnings per share within a payout-ratio range of 75% to 85% of the recurring Net Profit.

Notwithstanding past adjustments to the dividend policy announced to the market through EDP's business plan or strategic updates announcements, the dividend policy has been stable for a number of years.

| Year | Dividend (€/share) | Approval date | Payment date |
|---|---|---|---|
| 2010 | 0.170 | 14/04/2011 | 13/05/2011 |
| 2011 | 0.185 | 17/04/2012 | 16/05/2012 |
| 2012 | 0.185 | 06/05/2013 | 23/05/2013 |
| 2013 | 0.185 | 12/05/2014 | 29/05/2014 |
| 2014 | 0.185 | 21/04/2015 | 14/05/2015 |
| 2015 | 0.185 | 19/04/2016 | 18/05/2016 |
| 2016 | 0.190 | 19/04/2017 | 17/05/2017 |
| 2017 | 0.190 | 05/04/2018 | 02/05/2018 |
| 2018 | 0.190 | 24/04/2019 | 15/05/2019 |
| 2019 | 0.190 | 16/04/2020 | 14/05/2020 |

For the 2019 financial year, the Executive Board of Directors of EDP submitted to the approval of the General Shareholders' Meeting held on April 16, 2020, a proposal for the allocation of 2019 profits, including EUR 694.7 million to be distributed to shareholders in the form of dividends (EUR 0.19 per share). The proposal was approved by a majority of votes (99.14%) at the General Meeting and a gross dividend of EUR 0.19 per share was paid on May 14, 2020.

### 19.6. Relative seniority of the securities in the issuer's capital structure in the event of insolvency

In the case of liquidation of EDP, and once the rights of unsubordinated creditors are satisfied, the remainder of the assets (if existing) shall be directed, in the first place, to the repayment of the contributions effectively made by each shareholder (corresponding to the portion of share capital held by such shareholders). If following this transaction there is still a positive balance to be distributed, such balance shall be apportioned between shareholders in the proportion applicable to the distribution of profits amongst them.

# CHAPTER 20. INFORMATION INCORPORATED BY REFERENCE AND DOCUMENTATION AVAILABLE TO THE PUBLIC

## 20.1. Information incorporated by reference

The following documents published or issued on or prior to the date hereof shall be deemed to be incorporated in, and to form part of, this Prospectus:

a) the Articles of Association of EDP (available at https://www.edp.com/sites/default/files/by-laws_2018-04-05.pdf);

Other information contained on the website www.edp.com which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus.

## 20.2. Prospectus Consultation Locations

This Prospectus is available for consultation upon request and free of charge at the following locations:

- Registered office of EDP, at Avenida 24 de Julho, no. 12, 1249-300 Lisboa, Portugal;
- *Euronext*, at Avenida da Liberdade, no. 196 – 7, 1250-147 Lisboa, Portugal;
- In electronic format, at the microsite www.edp.com/en/shares-subscription of the website www.edp.com, where a separate copy of the summary of the Prospectus can also be consulted;
- In electronic format, on the official CMVM website at www.cmvm.pt.

## 20.3. Communications

All communications to the Company should be addressed to EDP - Energias de Portugal, S.A., for the attention of Miguel Stilwell de Andrade, EDP's Market Relations Representative, Avenida 24 de Julho, no. 12, 1249-300 Lisboa, Portugal, telephone: +351 210013049 and fax: +351 210 013 000 and e-mail: miguel.stilwellandrade@edp.com.

Any change in the recipient of communications to the Issuer will only take effect once disclosed at www.cmvm.pt and www.edp.com.

## CHAPTER 21. Regulatory disclosure of information in accordance with the provisions of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014

In this chapter, the Issuer presents a summary of the information disclosed pursuant to Regulation (EU) 596/2014 during the last 12 months:

| | |
|---|---|
| July 25, 2019 | Disclosure of EDP 1H19 Results |
| July 26, 2019 | Disclosure of EDP Results presentation 1H19 |
| July 29, 2019 | Information on EDP announcement of R$1.2 billion Asset Rotation Transaction for Wind Farm in Brazil |
| July 30, 2019 | Information on EDP conclusion of EUR 808 million Asset Rotation Deal for Wind Farms in Europe |
| August 6, 2019 | Information on ANEEL's approval of regulatory terms at EDP Espírito Santo for 2019-2022 |
| August 7, 2019 | Information on EDP securing a new PPA for Sonrisa Solar project with storage system in the US |
| August 30, 2019 | Information on EDP's 142 MW solar energy project in Portugal |
| September 11, 2019 | Information on EDP's issue of a EUR 600 million 7-year Green Bond |
| September 19, 2019 | Information on Competition Authority's decision on alleged abuse of dominance position |
| September 20, 2019 | Clarification on news about alleged benefits obtained by EDP |
| September 30, 2019 | Information on EDP's new PPA for 100 MW in Mexico |
| September 30, 2019 | Information on EDP successfully establishing new institutional partnership structure for 405 MW in the US |
| October 16, 2019 | Information on ERSE's announcement of proposal for electricity tariffs in 2020 |
| October 16, 2019 | Disclosure of Operating Data Preview 9M19 |
| October 22, 2019 | Information on ANEEL's approval of regulatory terms at EDP São Paulo for 2019-2023 |
| October 23, 2019 | Information on EDP entering the Colombian wind energy market with two 15-year PPA contracts awarded |
| October 24, 2019 | Information on EDP's build and transfer agreement of 302 MW wind farm project in the US |
| October 25, 2019 | Information on EDP securing a 200 MW PPA for a new solar project |
| October 29, 2019 | Information on EDP's growth in US solar segment |
| October 30, 2019 | Disclosure of 9M19 Results |
| October 30, 2019 | Information on EDP's joint venture proposal winning Massachusetts offshore wind contract |
| October 31, 2019 | Disclosure of results presentation 9M19 |
| November 5, 2019 | Information on accelerated bookbuild of 1.33% of EDP's share capital |
| November 5, 2019 | Information on completion of accelerated bookbuild |
| November 28, 2019 | Information on EDP securing a PPA for a new wind farm in Brazil |

| | |
|---|---|
| December 17, 2019 | Information on ERSE's announcement of electricity tariffs for 2020 |
| December 19, 2019 | Information on EDP's agreement to sell 6 hydro plants in Portugal for EUR 2.2 billion |
| December 19, 2019 | Information on lower competitiveness of coal plants leading to extraordinary cost of EUR 0.3 billion in 2019 |
| December 19, 2019 | Disclosure of "Reshaping the Iberian Generation Portfolio" presentation |
| December 19, 2019 | Information on EDP being awarded a long-term CFD for 307 MW of wind at Polish energy auction |
| December 26, 2019 | Disclosure of 2020 Financial Calendar |
| January 13, 2020 | Information on EDP securing a PPA for a new solar project in Brazil |
| January 13, 2020 | Information on cash tender offer for outstanding hybrid and new issue of green hybrid |
| January 13, 2020 | Information on EDP fixing price for subordinated green notes at EUR 750 Million |
| January 21, 2020 | Disclosure of results of the cash tender offer for outstanding hybrid |
| January 22, 2020 | Disclosure of Operating Data Preview 2019 |
| January 23, 2020 | Information on the creation by EDP and Engie of a 50:50 JV for offshore wind |
| January 23, 2020 | Information on EDP having reached an agreement with Engie to create a JV for offshore wind - amended version |
| January 29, 2020 | Information on EDP being awarded a long term CFD at the Italian wind auction |
| February 12, 2020 | Information about an EDP's sale agreement in Brazil |
| February 20, 2020 | Disclosure of 2019 Results |
| February 21, 2020 | Disclosure of results presentation 2019 |
| February 26, 2020 | Information on accelerated bookbuild 1.8% of EDP's share capital |
| February 26, 2020 | Information on completion of accelerated bookbuild |
| February 28, 2020 | Information on Fitch's rating of EDP at BBB- and revision of outlook to positive |
| March 9, 2020 | Information on EDP's sale of Portuguese tariff deficit for EUR 0.8 billion |
| April 7, 2020 | Information on EDP's issue of a EUR 750 million 7-year green bond |
| April 16, 2020 | Information on EDP's securing a PPA for a solar project in Mexico |
| April 16, 2020 | Disclosure of Operating Data Preview 1Q20 |
| April 16, 2020 | Disclosure of Annual General Shareholders Meeting presentation |
| April 16, 2020 | Information on EDP's Annual General Shareholders Meeting |
| May 6, 2020 | Information on EDP securing a 100 MW solar PPA in the United States |
| May 7, 2020 | Disclosure of 1Q20 Results |
| May 7, 2020 | Disclosure of 1Q20 Results presentation |
| May 18, 2020 | Information regarding sale of two CCGT plants and B2C supply business in Spain for EUR 515 million |
| June 6, 2020 | Clarification on measures proposed by the Public Prosecutor's Office |
| July 6, 2020 | Clarification on the suspension of the CEO and Executive Board Member |
| July 10, 2020 | Disclosure of EDP Operating Data Preview 1H20 |

| | |
|---|---|
| July 13, 2020 | Notification by Public Prosecutor's Office |
| July 14, 2020 | Sale of Portuguese Tariff Deficit for EUR 0.3 billion |
| July 14, 2020 | Anticipation of the shutdown process of coal power plants in Iberia |
| July 15, 2020 | 2020 Financial Calendar Update |
| July 15, 2020 | EDP enters into an agreement with Macquarie to acquire Viesgo and launches a rights issue |

**ISSUER**

**EDP – Energias de Portugal, S.A.**
Av. 24 Julho, 12
1249-300 Lisboa, Portugal

**JOINT GLOBAL COORDINATORS**

**Banco Comercial Português S.A.**
Praça D. João I, nº 28, 4000-380
Porto, Portugal

**J.P. Morgan Securities plc**
25 Bank St, London E14 5JP,
United Kingdom

**Morgan Stanley & CO. International plc**
25 Cabot Square, Canary Wharf, London E14 4QA,
United Kingdom

**JOINT BOOKRUNNERS**

**BNP Paribas**
16, boulevard des Italiens, 75009 Paris, France

**BofA Securities Europe SA**
51 rue La Boétie, 75008
Paris, France

**Goldman Sachs International**
Plumtree Court, 25 Shoe Lane, London EC4A 4AU, United Kingdom

**INDEPENDENT AUDITORS**

*To EDP (for the year ended 31 December 2017)*
**KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.**
Edifício FPM 41 Av. Fontes Pereira de Melo, nº41, 15 Floor 1069-006
Lisboa Portugal

*To EDP (from 1 January 2018)*
**PricewaterhouseCoopers & Associados Sociedade de Revisores Oficiais de Contas, Lda.**
Palácio Sottomayor Rua Sousa Martins, 1 - 3º 1069-316
Lisboa Portugal

**LEGAL ADVISERS**

*To EDP (as to U.S. and English law)*
**Clifford Chance LLP**
10 Upper Bank Street London E14 5JJ
United Kingdom

*To EDP (as to Portuguese law)*
**Morais Leitão, Galvão Teles, Soares da Silva & Associados, Sociedade de Advogados, S.P., R.L.**
Rua Castilho n.º 165 1070-050
Lisboa Portugal

*To Joint Global Coordinators (as to U.S. and English law)*
**Allen & Overy LLP**
One Bishops Square, London E1 6AD
United Kingdom

*To Joint Global Coordinators (as to Portuguese law)*
**Vieira de Almeida & Associados Sociedade de Advogados, S.P. R.L.**
Rua Dom Luís I, 28 1200-151
Lisboa Portugal

# ANNEX
# FINANCIAL STATEMENTS AND AUDITORS' REPORTS (CHAPTER F)

# Condensed Financial Statements
## 31 March 2020

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**EDP - Energias de Portugal**

**Condensed Consolidated Income Statements**
**for the three-month periods ended at 31 March 2020 and 2019**

| Thousand Euros | Notes | 2020 | 2019 * |
|---|---|---|---|
| Revenues from energy sales and services and other | 7 | 3,501,962 | 3,744,177 |
| Cost of energy sales and other | 7 | -2,027,137 | -2,383,306 |
| | | 1,474,825 | 1,360,871 |
| Other income | 8 | 95,938 | 101,819 |
| Supplies and services | 9 | -201,011 | -199,610 |
| Personnel costs and employee benefits | 10 | -165,031 | -159,287 |
| Other expenses | 11 | -209,625 | -168,293 |
| Impairment losses on trade receivables and debtors | | -14,224 | -14,035 |
| | | -493,953 | -439,406 |
| Joint ventures and associates | 18 | -1,297 | 5,334 |
| | | 979,575 | 926,799 |
| Provisions | 29 | -15,929 | -3,622 |
| Amortisation and impairment | | -366,657 | -373,633 |
| | | 596,989 | 549,544 |
| Financial income | 12 | 125,397 | 78,546 |
| Financial expenses | 12 | -331,214 | -264,205 |
| Profit before income tax and CESE | | 391,172 | 363,885 |
| Income tax expense | 13 | -92,426 | -98,735 |
| Extraordinary contribution to the energy sector (CESE) | | -62,759 | -67,046 |
| | | -155,185 | -165,781 |
| **Net profit for the period** | | **235,987** | **198,104** |
| **Attributable to:** | | | |
| **Equity holders of EDP** | | **145,851** | **100,460** |
| **Non-controlling Interests** | 26 | **90,136** | **97,644** |
| **Net profit for the period** | | **235,987** | **198,104** |
| Earnings per share (Basic and Diluted) - Euros | | 0.04 | 0.03 |

* Includes restatement due to changes in results in Joint Ventures and Associates as described in note 2a)

LISBON, 07 MAY 2020

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

**EDP - Energias de Portugal**

**Condensed Consolidated Statements of Comprehensive Income**
**for the three-month periods ended at 31 March 2020 and 2019**

| Thousand Euros | 2020 Equity holders of EDP | 2020 Non-controlling Interests | 2019 Equity holders of EDP | 2019 Non-controlling Interests |
|---|---|---|---|---|
| **Net profit for the period** | 145,851 | 90,136 | 100,460 | 97,644 |
| **Items that will never be reclassified to profit or loss (i)** | | | | |
| Actuarial gains/(losses) (iii) | -89,329 | - | -46 | -15 |
| Tax effect from the actuarial gains/(losses) | 28,139 | - | 11 | 4 |
| Fair value reserve with no recycling (financial assets) (ii) | -7,111 | - | 3,039 | - |
| Tax effect from the fair value reserve with no recycling (financial assets) (ii) | 1,749 | - | -789 | - |
| | -66,552 | - | 2,215 | -11 |
| **Items that may be reclassified to profit or loss (i)** | | | | |
| Currency translation reserve | -336,105 | -268,982 | 9,650 | 33,394 |
| Fair value reserve (cash flow hedge) (ii) | 87,855 | 2,041 | 166,259 | 1,759 |
| Tax effect from the fair value reserve (cash flow hedge) (ii) | -23,827 | -2,065 | -41,082 | -335 |
| Fair value reserve of assets measured at fair value throught other comprehensive income with recycling (ii) | - | - | 317 | - |
| Tax effect of Fair value reserve of assets measured at fair value throught other comprehensive income with recycling (ii) | - | - | -99 | - |
| Share of other comprehensive income of joint ventures and associates, net of taxes | -10,039 | -10,557 | -20,797 | -7,315 |
| | -282,116 | -279,563 | 114,248 | 27,503 |
| **Other comprehensive income for the period (net of income tax)** | -348,668 | -279,563 | 116,463 | 27,492 |
| **Total comprehensive income for the period** | -202,817 | -189,427 | 216,923 | 125,136 |

(i) See Condensed Consolidated Statement of Changes in Equity
(ii) See Note 25
(iii) See Note 28

LISBON, 07 MAY 2020

THE CERTIFIED ACCOUNTANT N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

**EDP - Energias de Portugal**

**Condensed Consolidated Statements of Financial Position**
**as at 31 March 2020 and 31 December 2019**

| Thousand Euros | Notes | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 14 | 19,513,335 | 19,676,222 |
| Right-of-use assets | 15 | 854,759 | 828,503 |
| Intangible assets | 16 | 4,063,870 | 4,223,823 |
| Goodwill | 17 | 2,135,777 | 2,119,862 |
| Investments in joint ventures and associates | 18 | 988,051 | 1,098,512 |
| Equity instruments at fair value | 19 | 164,152 | 170,806 |
| Investment property | | 29,328 | 29,944 |
| Deferred tax assets | 20 | 1,216,631 | 1,084,046 |
| Debtors and other assets from commercial activities | 21 | 3,246,020 | 3,424,220 |
| Other debtors and other assets | 22 | 1,061,712 | 932,578 |
| Non-Current tax assets | 23 | 290,323 | 389,037 |
| Collateral deposits associated to financial debt | 27 | 20,113 | 21,690 |
| Total Non-Current Assets | | 33,584,071 | 33,999,243 |
| Inventories | | 337,765 | 368,334 |
| Debtors and other assets from commercial activities | 21 | 2,697,226 | 2,858,160 |
| Other debtors and other assets | 22 | 849,293 | 881,779 |
| Current tax assets | 23 | 373,916 | 415,735 |
| Collateral deposits associated to financial debt | 27 | 32,768 | 39,786 |
| Cash and cash equivalents | 24 | 1,444,625 | 1,542,722 |
| Non-Current Assets held for sale | 34 | 2,311,575 | 2,255,887 |
| Total Current Assets | | 8,047,168 | 8,362,403 |
| **Total Assets** | | 41,631,239 | 42,361,646 |
| **Equity** | | | |
| Share capital | | 3,656,538 | 3,656,538 |
| Treasury stock | | -61,220 | -61,220 |
| Share premium | | 503,923 | 503,923 |
| Reserves and retained earnings | 25 | 4,412,802 | 4,247,195 |
| Consolidated net profit attributable to equity holders of EDP | | 145,851 | 511,751 |
| Total Equity attributable to equity holders of EDP | | 8,657,894 | 8,858,187 |
| Non-controlling Interests | 26 | 3,563,694 | 3,773,826 |
| **Total Equity** | | 12,221,588 | 12,632,013 |
| **Liabilities** | | | |
| Financial debt | 27 | 12,465,632 | 13,124,615 |
| Employee benefits | 28 | 1,151,729 | 1,128,155 |
| Provisions | 29 | 908,177 | 926,426 |
| Deferred tax liabilities | 20 | 494,670 | 503,746 |
| Institutional partnerships in USA | 30 | 2,450,763 | 2,289,784 |
| Trade payables and other liabilities from commercial activities | 31 | 1,556,627 | 1,644,307 |
| Other liabilities and other payables | 32 | 1,314,869 | 1,177,119 |
| Non-current tax liabilities | 33 | 113,738 | 138,212 |
| Total Non-Current Liabilities | | 20,456,205 | 20,932,364 |
| Financial debt | 27 | 2,831,499 | 3,446,854 |
| Employee benefits | 28 | 181,200 | 183,514 |
| Provisions | 29 | 123,344 | 126,091 |
| Trade payables and other liabilities from commercial activities | 31 | 4,276,518 | 3,859,623 |
| Other liabilities and other payables | 32 | 778,096 | 623,771 |
| Current tax liabilities | 33 | 687,619 | 478,594 |
| Non-Current Liabilities held for sale | 34 | 75,170 | 78,822 |
| Total Current Liabilities | | 8,953,446 | 8,797,269 |
| **Total Liabilities** | | 29,409,651 | 29,729,633 |
| **Total Equity and Liabilities** | | 41,631,239 | 42,361,646 |

LISBON, 07 MAY 2020

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

**Condensed Consolidated Statements of Changes in Equity**
**for the three-month periods ended at 31 March 2020 and 2019**

| Thousand Euros | Total Equity | Share capital | Share premium | Legal reserve (i) | Reserves and retained earnings | Fair value reserve (cash flow hedge) (i) | Fair value reserve (financial assets) (i) | Currency translation reserve (i) | Treasury stock | Equity attributable to equity holders of EDP | Non-controlling Interests (ii) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2018** | **12,900,327** | **3,656,538** | **503,923** | **739,024** | **4,817,541** | **-213,315** | **10,287** | **-483,410** | **-62,410** | **8,968,178** | **3,932,149** |
| Comprehensive income: | | | | | | | | | | | |
| Net profit for the period | 198,104 | - | - | - | 100,460 | - | - | - | - | 100,460 | 97,644 |
| Changes in the fair value reserve (cash flow hedge) net of taxes | 126,601 | - | - | - | - | 125,177 | - | - | - | 125,177 | 1,424 |
| Changes in the fair value reserve of assets measured at fair value through other comprehensive income, net of taxes | 2,468 | - | - | - | - | - | 2,468 | - | - | 2,468 | - |
| Share of other comprehensive income of joint ventures and associates net of taxes | -28,112 | - | - | - | -8,911 | -13,606 | - | 1,720 | - | -20,797 | -7,315 |
| Actuarial gains/(losses) net of taxes | -46 | - | - | - | -35 | - | - | - | - | -35 | -11 |
| Exchange differences arising on consolidation | 43,044 | - | - | - | - | - | - | 9,650 | - | 9,650 | 33,394 |
| Total comprehensive income for the period | 342,059 | - | - | - | 91,514 | 111,571 | 2,468 | 11,370 | - | 216,923 | 125,136 |
| Dividends attributable to non-controlling interests | -31,488 | - | - | - | - | - | - | - | - | - | -31,488 |
| Changes resulting from acquisitions/sales, equity increases/decreases and other | -20,375 | - | - | - | -22 | - | - | - | - | -22 | -20,353 |
| **Balance as at 31 March 2019** | **13,190,523** | **3,656,538** | **503,923** | **739,024** | **4,909,033** | **-101,744** | **12,755** | **-472,040** | **-62,410** | **9,185,079** | **4,005,444** |
| **Balance as at 31 December 2019** | **12,632,013** | **3,656,538** | **503,923** | **739,024** | **4,518,226** | **40,541** | **15,202** | **-554,047** | **-61,220** | **8,858,187** | **3,773,826** |
| Comprehensive income: | | | | | | | | | | | |
| Net profit for the period | 235,987 | - | - | - | 145,851 | - | - | - | - | 145,851 | 90,136 |
| Changes in the fair value reserve (cash flow hedge) net of taxes | 64,004 | - | - | - | - | 64,028 | - | - | - | 64,028 | -24 |
| Changes in the fair value reserve of assets measured at fair value through other comprehensive income, net of taxes | -5,362 | - | - | - | - | - | -5,362 | - | - | -5,362 | - |
| Share of other comprehensive income of joint ventures and associates net of taxes | -20,596 | - | - | - | -13,546 | -1,421 | - | 4,928 | - | -10,039 | -10,557 |
| Actuarial gains/(losses) net of taxes | -61,190 | - | - | - | -61,190 | - | - | - | - | -61,190 | - |
| Exchange differences arising on consolidation | -605,087 | - | - | - | - | - | - | -336,105 | - | -336,105 | -268,982 |
| Total comprehensive income for the period | -392,244 | - | - | - | 71,115 | 62,607 | -5,362 | -331,177 | - | -202,817 | -189,427 |
| Dividends attributable to non-controlling interests | -814 | - | - | - | - | - | - | - | - | - | -814 |
| Changes resulting from acquisitions/sales, equity increases/decreases and other | -17,367 | - | - | - | 2,524 | - | - | - | - | 2,524 | -19,891 |
| **Balance as at 31 March 2020** | **12,221,588** | **3,656,538** | **503,923** | **739,024** | **4,591,865** | **103,148** | **9,840** | **-885,224** | **-61,220** | **8,657,894** | **3,563,694** |

(i) See note 25
(ii) See note 26

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THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

**EDP - Energias de Portugal**

**Condensed Consolidated and Company Statements of Cash Flows**
**for the three-month periods ended at 31 March 2020 and 2019**

| Thousand Euros | Notes | Group 2020 | Group 2019 | Company 2020 | Company 2019 * |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| **Profit before income tax and CESE** | | 391,172 | 363,885 | -96,059 | 54,346 |
| Adjustments for: | | | | | |
| Amortisation and impairment | | 366,657 | 373,633 | 6,706 | 7,498 |
| Provisions | 29 | 15,929 | 3,622 | - | - |
| Joint ventures and associates | 18 | 1,297 | -5,334 | - | - |
| Financial (income)/expenses | 12 | 205,817 | 185,659 | 163,188 | -30,196 |
| Changes in working capital: | | | | | |
| Trade and other receivables | | 183,796 | -61,749 | 202,061 | 117,300 |
| Trade and other payables | | -130,983 | -18,665 | -146,635 | -51,954 |
| Personnel | | -27,216 | -75,502 | 2,338 | 479 |
| Regulatory assets | | 514,909 | -298,196 | - | - |
| Other changes in assets/liabilities related with operating activities | | -126,888 | 28,567 | -62,959 | -24,171 |
| Income tax and CESE | | -15,925 | 9,243 | 11,999 | 41,197 |
| **Net cash flows from operations** | | 1,378,565 | 505,163 | 80,639 | 114,499 |
| Net (gains) / losses with Asset Rotation | | - | - | - | - |
| **Net cash flows from operating activities** | | 1,378,565 | 505,163 | 80,639 | 114,499 |
| **Investing activities** | | | | | |
| Cash receipts relating to: | | | | | |
| Sale of assets/subsidiaries with loss of control i) | | 131,253 | 2 | - | - |
| Other financial assets and investments | | 35,628 | 3,429 | 45 | - |
| Other financial assets at amortised cost | | - | - | 154,679 | 4,955 |
| Property, plant and equipment and intangible assets | | 3,819 | 770 | 6,099 | 8 |
| Other receipts relating to tangible fixed assets | | 757 | 996 | - | - |
| Interest and similar income | | 9,209 | 15,338 | 6,253 | 14,489 |
| Dividends | | 2,429 | 713 | 85,000 | - |
| Loans to related parties | | 9,594 | 2,567 | - | - |
| | | 192,689 | 23,815 | 252,076 | 19,452 |
| Cash payments relating to: | | | | | |
| Acquisition of assets/subsidiaries | | - | -2 | - | - |
| Other financial assets and investments ii) | | -89,330 | -187,197 | -209 | -430 |
| Changes in cash resulting from consolidation perimeter variations | | - | -2 | - | - |
| Property, plant and equipment and intangible assets | | -451,699 | -776,542 | -10,177 | -11,344 |
| Loans to related parties | | -18,296 | -13,192 | -30,921 | -75 |
| | | -559,325 | -976,935 | -41,307 | -11,849 |
| **Net cash flows from investing activities** | | -366,636 | -953,120 | 210,769 | 7,603 |
| **Financing activities** | | | | | |
| Receipts relating to financial debt (include Collateral Deposits) | | 1,235,369 | 1,193,834 | 973,834 | 1,220,030 |
| (Payments) relating to financial debt (include Collateral Deposits) | | -2,048,372 | -637,815 | -1,725,000 | -797,650 |
| Interest and similar costs of financial debt including hedge derivatives | | -231,653 | -203,696 | -87,092 | -51,730 |
| Receipts/(payments) relating to loans from non-controlling interests | | 1,542 | -2,581 | - | - |
| Interest and similar costs relating to loans from non-controlling interests | | -536 | -1,298 | - | - |
| Receipts/(payments) relating to loans from related parties | | - | - | 671,147 | -261,987 |
| Share capital increases/(decreases) by non-controlling interests | | -20,729 | -16,737 | - | - |
| Receipts/(payments) relating to derivative financial instruments | | 3,081 | -16,616 | 12,416 | - |
| Dividends paid to non-controlling interests | | -8,792 | -7,791 | - | - |
| Receipts/(payments) related with transactions with non-controlling interest without change of control | | 1,267 | - | - | - |
| Lease (payments) iii) | | -19,005 | -21,934 | -3,108 | -3,293 |
| Receipts/(payments) from institutional partnerships iv) | | 129,258 | -16,150 | - | - |
| **Net cash flows from financing activities** | | -958,570 | 269,216 | -157,803 | 105,370 |
| **Changes in cash and cash equivalents** | | 53,359 | -178,741 | 133,605 | 227,472 |
| Effect of exchange rate fluctuations on cash held | | -136,816 | 13,087 | 369 | -219 |
| Cash and cash equivalents reclassified as held for sale | | -14,640 | -55,737 | - | - |
| Cash and cash equivalents at the beginning of the period | | 1,542,722 | 1,803,205 | 1,037,392 | 1,160,600 |
| **Cash and cash equivalents at the end of the period v)** | | 1,444,625 | 1,581,814 | 1,171,366 | 1,387,853 |

(i) Relates essentially to the receivement of the sales of Babilônia Holding, S.A. and its subsidiaries (see note 22);

(ii) Relates essentially to payments made for the capital increases in windfarms and solar plants and Investment Funds;

(iii) Includes capital and interest;

(iv) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in note 30);

v) See details of Cash and cash equivalents in note 24 and the Consolidated and Company Reconciliation of Changes in the responsibilities of Financing activities in note 42 of the Financial Statements.

* Includes the reclassification arising from the change in accounting policy as described in note 2a).

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THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

**Condensed Company Income Statements**
**for the three-month periods ended at 31 March 2020 and 2019**

| Thousand Euros | Notes | 2020 | 2019 |
|---|---|---|---|
| Revenues from energy sales and services and other | 7 | 684,031 | 877,900 |
| Cost of energy sales and other | 7 | -558,437 | -806,127 |
| | | 125,594 | 71,773 |
| Other income | | 5,032 | 7,773 |
| Supplies and services | 9 | -33,485 | -32,550 |
| Personnel costs and employee benefits | 10 | -19,921 | -14,389 |
| Other expenses | | -3,385 | -959 |
| | | -51,759 | -40,125 |
| | | 73,835 | 31,648 |
| Amortisation and impairment | | -6,706 | -7,498 |
| | | 67,129 | 24,150 |
| Financial income | 12 | 152,496 | 188,137 |
| Financial expenses | 12 | -315,684 | -157,941 |
| Profit before income tax | | -96,059 | 54,346 |
| Income tax expense | 13 | 20,006 | 6,658 |
| **Net profit for the period** | | **-76,053** | **61,004** |

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

**Condensed Company Statements of Comprehensive Income**
**for the three-month periods ended at 31 March 2020 and 2019**

| Thousand Euros | 2020 | 2019 |
|---|---|---|
| **Net profit for the period** | -76,053 | 61,004 |
| **Items that may be reclassified to profit or loss (i)** | | |
| Fair value reserve (cash flow hedge) (ii) | -63,333 | -118,928 |
| Tax effect from the fair value reserve (cash flow hedge) (ii) | 14,250 | 26,758 |
| | -49,083 | -92,170 |
| **Other comprehensive income for the period (net of income tax)** | -49,083 | -92,170 |
| **Total comprehensive income for the period** | -125,136 | -31,166 |

(i) See Condensed Company Statement of Changes in Equity
(ii) See Note 25

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THE CERTIFIED ACCOUNTANT N.º 17,713 THE MANAGEMENT THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

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

**Condensed Company Statements of Financial Position**
**as at 31 March 2020 and 31 December 2019**

| Thousand Euros | Notes | 2020 | 2019 * |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | | 27,901 | 28,925 |
| Right-of-use assets | | 109,611 | 110,947 |
| Intangible assets | | 99,845 | 93,353 |
| Investments in subsidiaries | | 15,684,346 | 15,684,346 |
| Investments in joint ventures and associates | | 2 | 2 |
| Equity instruments at fair value | | 1,252 | 1,252 |
| Investment property | | 70,380 | 71,163 |
| Deferred tax assets | 20 | 157,391 | 142,907 |
| Debtors and other assets from commercial activities | | 701 | 692 |
| Other debtors and other assets | 22 | 3,478,361 | 3,289,149 |
| Total Non-Current Assets | | 19,629,790 | 19,422,736 |
| Debtors and other assets from commercial activities | 21 | 448,051 | 583,828 |
| Other debtors and other assets | 22 | 1,907,104 | 1,551,140 |
| Current tax assets | 23 | 95,948 | 109,676 |
| Cash and cash equivalents | 24 | 1,171,366 | 1,037,393 |
| Total Current Assets | | 3,622,469 | 3,282,037 |
| **Total Assets** | | 23,252,259 | 22,704,773 |
| **Equity** | | | |
| Share capital | | 3,656,538 | 3,656,538 |
| Treasury stock | | -55,124 | -55,124 |
| Share premium | | 503,923 | 503,923 |
| Reserves and retained earnings | 25 | 3,291,077 | 2,619,244 |
| Net profit for the period | | -76,053 | 720,916 |
| **Total Equity** | | 7,320,361 | 7,445,497 |
| **Liabilities** | | | |
| Financial debt | 27 | 9,465,996 | 8,494,071 |
| Employee benefits | | 6,812 | 6,696 |
| Provisions | | 1,794 | 1,794 |
| Trade payables and other liabilities from commercial activities | | 936 | 1,144 |
| Other liabilities and other payables | 32 | 544,440 | 348,890 |
| Total Non-Current Liabilities | | 10,019,978 | 8,852,595 |
| Financial debt | 27 | 3,952,412 | 4,980,058 |
| Employee benefits | | 69 | 69 |
| Provisions | | 926 | 926 |
| Trade payables and other liabilities from commercial activities | 31 | 597,104 | 715,314 |
| Other liabilities and other payables | 32 | 1,141,207 | 681,279 |
| Current tax liabilities | 33 | 220,202 | 29,035 |
| Total Current Liabilities | | 5,911,920 | 6,406,681 |
| **Total Liabilities** | | 15,931,898 | 15,259,276 |
| **Total Equity and Liabilities** | | 23,252,259 | 22,704,773 |

* Includes the reclassification arising from the change in accounting policy as described in note 2a).

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THE CERTIFIED ACCOUNTANT N.º 17,713 | THE MANAGEMENT | THE EXECUTIVE BOARD OF DIRECTORS

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

**Condensed Company Statements of Changes in Equity**
**for the three-month periods ended at 31 March 2020 and 2019**

| Thousand Euros | Total Equity | Share capital | Share premium | Legal reserve (i) | Reserves and retained earnings (i) | Fair value reserve (cash flow hedge) (i) | Fair value reserve (financial assets) (i) | Treasury stock (ii) |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2018** | **7,484,917** | **3,656,538** | **503,923** | **739,024** | **2,643,075** | **-1,328** | **-** | **-56,315** |
| Comprehensive income: | | | | | | | | |
| Net profit for the period | 61,004 | - | - | - | 61,004 | - | - | - |
| Changes in the fair value reserve (cash flow hedge) net of taxes | -92,170 | - | - | - | - | -92,170 | - | - |
| Total comprehensive income for the period | -31,166 | - | - | - | 61,004 | -92,170 | - | - |
| **Balance as at 31 March 2019** | **7,453,751** | **3,656,538** | **503,923** | **739,024** | **2,704,079** | **-93,498** | **-** | **-56,315** |
| **Balance as at 31 December 2019** | **7,445,497** | **3,656,538** | **503,923** | **739,024** | **2,672,405** | **-71,269** | **-** | **-55,124** |
| Comprehensive income: | | | | | | | | |
| Net profit for the period | -76,053 | - | - | - | -76,053 | - | - | - |
| Changes in the fair value reserve (cash flow hedge) net of taxes | -49,083 | - | - | - | - | -49,083 | - | - |
| Total comprehensive income for the period | -125,136 | - | - | - | -76,053 | -49,083 | - | - |
| **Balance as at 31 March 2020** | **7,320,361** | **3,656,538** | **503,923** | **739,024** | **2,596,352** | **-120,352** | **-** | **-55,124** |

(i) See note 25
(ii) See note 26

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The following notes form an integral part of these financial statements

**COVID 19 - Macroeconomic, Regulatory, Operational, Accounting Impact and Stakeholders**

In late 2019, in the Chinese city of Wuhan, a virus that can cause a serious respiratory infection like pneumonia was first identified in humans. During the year 2020, this virus, designated by the World Health Organization (WHO) as COVID-19, evolved to other countries and was classified as a pandemic. The Coronavirus (COVID-19) has forced the world to change its habits and is having several social, economic, regulatory, operational, accounting and public health impacts.

***Macroeconomic Impact***

The current global crisis with the COVID-19 pandemic incorporates significant risks to the economy and society, remaining a deep uncertainty regarding lockdown length and its effects in the shape of economic downturn and recovery. Covid-19 is already impacting EDP Group both operationally and economically, but there are still additional risks with relevant likelihood.

In global macroeconomic terms, COVID-19 has impacted the EDP Group's activity in its various geographies and areas of the value chain. However, a prudent strategy to hedge energy and financial market risks, the maintenance of robust liquidity levels as well as an active management of suppliers and critical supplies, have allowed to significantly mitigate the impacts of this crisis.

EDP Group's energy business has been impacted by the drop-in demand associated with the lockdown, as well as by a strong decline in pool prices in the various geographies due to the falling prices in fuel (gas, brent, coal, CO2), partly already felt a few months before the COVID-19 crisis in Europe. The price risk hedging strategy, with very high levels of fixed-price coverage, made it possible to contain the impacts of the fall in pool prices in the Generation business in the several geographies of EDP Group and specially in the Iberian market. The decrease in business consumption has an impact on the commercialization business, however it is partially offset by an increase in residential consumption. The energy distribution businesses in Iberia have very little impact from the drop-in consumption.

Regarding the financial markets, there was a very significant increase in the volatility of exchange and interest rates, in addition to a sharp drop in the appreciation of the capital markets. In this context, the most relevant impact on EDP is the sharp devaluation of the Brazilian real.

In terms of exposure to credit risk, although there has been no material increase in bad debts, an increase in payment delays and a potential increase in bad debts are expected in the sectors of activity most affected by the crisis, especially in the event of an extended lockdown. However, the existence of a very diverse portfolio of customers and standard debt recovery policies and processes allows to mitigate these impacts.

The EDP Group has been strengthening its financial position and is taking the appropriate mitigation measures from the first signs, making it better prepared to absorb the potential impacts that may result from this pandemic. The issue of the 750 million Euro Hybrid Green Bond and the repurchase of a Hybrid Bond in the same amount in January, the securitization of the 825 million Euro tariff deficit and the issue of a 750 million Euro bond loan Euros in early April, as well as the announced sale of the hydro powerplants portfolio in Portugal in the amount of 2.2 billion Euros, reinforce the Group's liquidity position.

***Regulatory Impact***

Dispatch 26/2020 of the Portuguese Authority of Energy and Geology (DGEG) was published in 17 March 2020, and included decisions that came from the Council of Ministers on 13 March 2020 where a set of extraordinary and urgent measures to respond to the epidemiological situation of the new Covid-19 were approved, and DGEG joined this effort, simplifying and facilitating some measures related to the billing of fees related to processes of Small Production Units (UPP) and Self-consumption production units (UPAC), namely, payment of fees associated with administrative procedures.

On 18 March 2020, Regulation 255-A / 2020 of the Energy Services Regulatory Agency (ERSE) was published, which sets out the exceptional conditions for the energy supply services to avoid interruptions in electricity supply, piped natural gas and liquefied petroleum gas (LPG), namely:

- Regarding the contingency plans adopted by the providers of essential public services and anticipating possible payment difficulties motivated by isolation, lack of access to alternative means of payment from home or by an abrupt and unexpected loss of income by consumers, ERSE determines that the period of notice of interruption of supply to domestic customers (BTN) is extended by an additional 30 days;
- Establish exceptional rules regarding the installment payment of debts generated in this exceptional period of 30 days, which may be extended by ERSE itself;
- Fractional payment of invoices, with no interest being charged by companies for a period of 30 days, due to the difficulty of paying consumers to their energy suppliers;
- The distribution system operators must give priority, in their actions to guarantee the supply of energy, to priority facilities, specially in hospitals and other health facilities, including those facilities that are exceptionally mobilized for this regime, as well as facilities public security and civil protection.

DGEG Dispatch 27/2020, dated 20 March 2020, which determines the execution of exceptional and temporary measures in the scope of licensing of the electricity sector, in response to the epidemiological situation arising from COVID-19, was published , namely, the suspension, until the end of April, beginning with the date of the present order, of the submission of new requests for the allocation of Capacity Reserve Titles, Agreements for the allocation of reception capacity in the Electric Public Network (RESP), Registrations for UPP or UPAC, Electricity Production Licenses within the scope of production in Ordinary Regime (PRO), Cogeneration and production in special regime (PRE) and Licenses for the establishment of network infrastructures (lines and extensions, stations transformers, substations, except those of public or private service that fit in situations considered emergency by DGEG, for public health reasons or similar.

On 22 March 2020, Dispatch 3547-A / 2020, of the Ministry of Environment and Climate Action, was published, which regulates the declaration of the state of emergency, ensuring the functioning of supply chains for goods and public services. essential elements, as well as the operating conditions under which they must operate.

In order to ensure the continuity and interruption of the electricity distribution service, distribution system operators, municipalities and concessionaires for low voltage distribution must ensure, within the scope of their responsibilities, all necessary measures to ensure regular management , operation and maintenance of networks, maintenance of lines, transformer stations and auxiliary installations, and defining the necessary teams, including operators, team leaders, operation and maintenance technicians and other elements assigned to emergency response, to ensure the following functions:

- Operation of the National Dispatch of the National Electricity Transport Network in Sacavém;
- Operation of the Operation Center of the National Electricity Transport Network in Vermoim;
- Local operation and response to breakdowns and incidents in the infrastructures of the National Electricity Transport Network;
- Operation of the National Dispatch of the National Transport Network and Natural Gas Storage Infrastructures in Bucelas;
- Local operation and response to breakdowns and incidents in the infrastructures of the National Natural Gas Transport Network;
- Local operation and response to breakdowns and incidents in the underground natural gas storage infrastructures in Carriço;
- Local operation and response to breakdowns and incidents at the Terminal of liquefied natural gas in Sines, including the reception, storage and regasification of liquefied natural gas (GGNL);
- Operation and response to malfunctions and incidents of the computer systems that support previous activities;
- Maintenance of protection bands and fuel management in situations of imminent risk.

***Operational Impact***

The rapid and effective implementation of EDP's business continuity plans in its various Business Units allowed the continuity of operations during the period of confinement, without significant interruptions in the supply of energy or services to customers.

EDP's operational and investment activities are dependent on local and global supply chains, with active management of critical supplies being carried out to minimize potential impacts of breakages in these chains.

***Accounting Impact***

To assess possible accounting impacts arising from COVID-19, the EDP Group reassessed the estimates it considers relevant and which may have been impacted by this fact. Thus, on 31 March 2020, the EDP Group carried out a series of analyzes of these relevant estimates, given that, due to the current scenario of uncertainty and the short time since the pandemic was declared by the WHO, the update of the basic assumptions for these estimates is, at this date, still complex. Nevertheless, we can highlight that:

i) In view of the measures enacted by the governments of the different countries in which the Group operates and the potential change in the quality of the customers' credit portfolio, the EDP Group carried out an analysis of the assumptions used in determining the expected credit losses and their confrontation with the best information available to date, such as the evolution of the Group's exposure to 31 March 2020. In view of the analysis carried out and, given the existing uncertainties regarding the impact on the credit risk of the respective customer portfolio, the Group decided to maintain the assumptions of the impairment calculation matrices, in accordance with those used on December 31, 2019, and continue to monitor the evolution of this topic, in order to adjust the assumptions that may prove necessary;

ii) Regarding the provision for employee benefit liabilities, given the evolution of the stock markets, the discount rate used in the valuation of past service liabilities has been reviewed. In this sense, considering the evolution of interest rates that support the determination of the discount rate, the EDP Group has changed the discount rate to 1.11% on 31 March 2020 (31 December 2019: 0, 95%). This has resulted in a reduction of the related defined benefit obligation amounting to approximately 35 million Euros. An increase of 50 basis points in this rate would result in a reduction in the defined benefit obligation of approximately 104 million Euros. Moreover, there was a significant reduction in the fair value of the Plans Assets, which translated into a reduction in the value of the Plan Assets of approximately 131 million Euros. In this sense, the provision for employee benefit liabilities, at the reporting date, has been impacted by 66 million Euros (net of tax).

***Stakeholders***

The EDP Group assumed the commitment to its stakeholders from the first moment and has acted in the fight against the pandemic, having elaborated an integrated plan of which the following initiatives stand out:

- Employees

The investment in recent years in digitalization was critical in this response to the pandemic, allowing the EDP Group to have 72% of the Group's workers teleworking. The EDP Group also reinforced internal communication and created an internal medical support line for more than 45,000 people.

For employees who are at the front lone to insure the continuity of energy supply, the Group reinforced its cleaning and disinfection activities, delivered personal protective equipment and worked in alternate shifts, without contact and redundancy of the teams.

- Customers

The Group takes care of its customers, not only ensuring the supply of energy, but also suspending energy cuts, making the deadline and payment method more flexible (without interest) and reinforcing digital contact means and call centers.

For its customers who are healthcare professionals and are at the frontline battling the pandemic, the Group is granting discounts on electricity prices in Portugal and Spain. These discounts also benefit the integrated continuing care units and residential structures around disability, childhood and community, as well as hotels required to provide support to hospitals.

- Suppliers and job creation

The Group is contributing to maintain the economic activity and employment and helping suppliers to overcome this phase of the economic slowdown. Thus, the Group maintains the goal of hiring 700 people in 2020 and the investment plan of more than 9 billion Euros between 2020 and 2022 (remaining period of the Business Plan). Regarding suppliers, the Group anticipated payments to more than 1,200 Small and Medium Enterprises (SME) in early April and will make payments on a set of SME invoices of up to 500 thousand Euros, totaling about 100 Million Euros, by the end of May.

- Communities

From the first moment, the Group made a commitment to the Communities, delivering medical equipment worth approximately 5.8 million Euros, of which approximately 4 million Euros in partnership with China Three Gorges (CTG) (50 fans, 200 monitors and medical support equipment), and personal protective equipment worth approximately 500 thousand Euros.

Additionally, the Group i) created a social fund to support community projects and vulnerable communities; ii) donated essential goods to homes and Non-Governmental Organizations (NGO) and personal protective equipment for homes; iii) helped to finance the production of a new invasive ventilator model, the development of platforms and applications to promote public health; and iv) provided electronic equipment for schools in the context of adapting schools to digital platforms. This set of measures totaled an investment of approximately 1.7 million Euros.

- Shareholders

The Group upholds the execution of the business plan and the commitment to the proposal of a stable and sustainable dividend in May 2020.

This set of measures reflects the Group's resilience and commitment to all its stakeholders.

## 1. Economic Activity of EDP Group

EDP - Energias de Portugal, S.A. (hereinafter referred to as EDP), currently with head office in Lisbon, Avenida 24 de Julho 12 and with its shares listed on the Euronext Lisbon stock exchange, results from the transformation of Electricidade de Portugal, E.P., incorporated in 1976 following the nationalization and consequent merger of the main companies in the electricity sector in Portugal. During 1994, as established by Decree-laws 7/91 and 131/94, the EDP Group (EDP Group or Group) was set up following the split of EDP, which led to a number of directly or indirectly wholly owned subsidiaries of EDP.

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

EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and North America) energy sectors.

During the three-month period ended 31 March 2020, we emphasize the following regulatory changes, with potential significant impact in the economic activity of the EDP Group:

**Activity in the energy sector in Portugal**

**Portugal - Electricity**

**Portugal - Electricity - Generation**

On 23 January 2020, Ordinance 15/2020, of the Ministry of Environment and Climate Action, was published, which sets the values of fees within the scope of administrative procedures related to electricity production and supply activities subject to the Decree Law 172/2006, of 23 August 2006 (in its current wording given by Decree-Law 76/2019, of 3 June 2019 - Small Production Units (UPP)).

On 14 February 2020, Ordinance 42/2020, of the Finance department, was published, which sets the rate of addition on CO2 emissions and the value of the resulting addition for each product. The rate of the addition provided for in article 92-A of the Special Consumption Tax Code, defined annually, is fixed based on the auctions prices of greenhouse gas emission licenses carried out within the scope of the European Licensing Trade Emission Levels (CELE), with the value calculated for 2020 of 23.619€ / ton of CO2 (in 2019, this value amounted to 12.74€ / ton of CO2).

On 27 February 2020, Ordinance 53/2020, of the Ministry of the Environment and Climate Action, was published, that sets the amounts to be charged by the entity issuing guarantees of origin (EEGO) to the services provided within the scope of its functions.

On 20 March 2020, ERSE Directive 4/2020 was published, which approves the operational rules of the commercial relationship between the Transmission System Operator (ORT) and the producers covered by the Decree-Law 74/2013, of 4 June 2013, with the amendment given by Decree-Law 104/2019, of 9 August 2019, revoking Directive 15/2016, of 14 September 2020, regarding the clawback regime. The main change in this Directive is to allow the breakdown of the amount of exchanges with contractual stability compensation (CMEC) and to allow monthly aggregation by balance sheet area, instead of by power generation centre.

On 25 March 2020, Ordinance 80/2020 was published, which establishes the reference tariff and respective duration to electricity producers from renewable energy sources, based on a single production technology, with maximum installed capacity up to 1 MW (UPP), and destined to the total sale of energy to Electric Public Network (RESP), that opt for the guaranteed remuneration regime. The reference rate for the UPP applicants that opt for the guaranteed remuneration scheme is 45€/MWh, non-upgradable (applies to any renewable source of primary energy and type of technology, regardless of the location of the UPP installation).

**Portugal - Electricity - Distribution**

On 16 March 2020, Ordinance 73/2020, of the Ministry of Environment and Climate Action, was published, which establishes the non-exhaustive requirements tor the connection of the generator modules to the Public Service Electric Network (RESP), in compliance with the provisions of Commission Regulation (EU) 2016/631 of 14 April 2016 (establishing a network code that defines the requirements for the connection of electricity generators to the network - Requirements for Generators - RfG).

ERSE Directive 3/2020, of 17 February 2020, approved the tariffs and prices for electricity and other services to be in force in 2020.

***Portugal - Electricity - Supply***

On 23 January 2020, Ordinance 16/2020, of the Ministry of Environment and Climate Action, was published, which sets the amount of the fees of the administrative procedures for the self-consumption activity and Renewable Energy Communities (CER), implementing the regime approved by Decree-Law 162/2019, of 25 October 2019 (self-consumption production units (UPAC) and CER).

On 3 February 2020, DGEG Order 4/2020 was published, which approves the Inspection and Certification Regulation (RIC) and the Technical and Quality Regulation (RTQ), thus implementing the art. 13 of Decree-Law 162/2019 of 25 October 2019, a diploma that establishes the legal regime applicable to self-consumption of renewable energy and CER.

ERSE Directive 2-A / 2020 was published on 14 February 2020, which approves the risk management and guarantee regime of the National Electric System (SEN). This Directive under article 58-D of Decree-Law 76/2019, of 3 June 2020, regulates the activity of guarantee management, the management and risks and provision of guarantees within the scope of the SEN, as well as the activity and procedures to be supervised by the Integrated Guarantees Manager.

On 20 March 2020, Regulation 266/2020 of the Energy Services Regulatory Authority (ERSE) was published, which establishes the rules for the exercise of self-consumption activity of individual or collective renewable energy, when there is a connection to the RESP. On 20 March 2020, ERSE Directive 5/2020 was published, which approves the tariffs for access to the networks to be applied to self-consumption of electricity through the RESP in 2020.

On 2 April 2020 ERSE Directive 5-A/2020 was published, which approves a decrease in the price of the energy tariff applied in the regulated market in the electricity sector. Following the drop in energy prices in the Iberian Electricity Market (MIBEL), ERSE approved a decrease in the price of the energy tariff applied to the regulated market by 5€/MWh, with the change in this component of transitory tariff on sales to end customers a reduction of about 3% in the total electricity bill.

**Transversal legislative changes**

***State Budget and Major Plan Options***

Law 2/2020 was published on 31 March 2020, which approves the State Budget Law for 2020, with the following main measures that impact the energy sector:

*Exemption of the oil tax (ISP) and surcharge over CO2*

Coal and coal coke used in the production of electricity are taxed at a rate corresponding to 50% of the ISP rate and CO2 addition for 2020. The payment of 50% of the value of the CO2 addition is the difference between a reference price for CO2 established at 25€/ tCO2 and the price subsequent from the arithmetic average resulting from the auctions of GHG emission licenses, with the maximum limit of € 5 / tCO2.

The ISP exemption on natural gas used to produce electricity is eliminated, which will be taxed at a rate corresponding to 10% of the ISP rate, which will progressively worsen until 2023 in the following terms: 20% in 2021; 30% in 2022; 40% in 2023. Natural gas for electricity production remains exempt from adding CO2 as it is a CELE sector.

The ISP exemption on fuel oil used to produce electricity is eliminated and is now taxed at a rate corresponding to 25% of the ISP rate, which will progressively worsen until 2023 in the following terms: 50% in 2021; 75% in 2022; 100% in 2023. Fuel oil for electricity production remains exempt from adding CO2 as it is a CELE sector.

It is expected that the revenue obtained from ISP and CO2 addition will be allocated 50% to the National Electric System (SEN) or reduction of the tariff debt and 50% to the Environmental Fund.

During the year 2020: 1) The Government will reassess the exemptions attributed to the facilities included in the CELE regime and in the Management System for Intensive Energy Consumption to phase it out; 2) The Government will study the best way to accelerate the progressive reduction of the exemption of ISP and CO2 addition rate, to align them with the incentives for the introduction into the consumption of renewable gases and ensure their contribution to the fulfillment of the targets RNC 2050 and PNEC 2030.

*CESE (Extraordinary Contribution on the Energy Sector)*

CESE remains in force in 2020 as it was in previous years, with the exemption from CESE's application to small producers using renewable sources with installed power up to 20 MW, foreseeing a standard anti abuse which excludes the exemption taxable to the passive subjects that in the set of power generation centers they own, have an installed power> a 60 MW covered by FiT regimes.

The State Budget Law for 2020 grants legislative authorization to the Government (within 90 days), in order, namely, to reduce the various rates of extraordinary contribution to the energy sector, with the limit of the percentage reduction in tariff debt provided for in the electricity tariffs for 2020, according to ERSE.

*Value added tax (VAT)*

Legislative authorization is granted to the Government to amend the VAT Code (to be implemented within 1 year), in which within each power step there may be differentiated VAT rates, depending on consumption (request under analysis at the European Commission's VAT Committee).

*CAV (Audiovisual Contribution)*

In 2020, the monthly values of the CAV are not updated, keeping the value (excluding VAT) at 2.85 €.

*Regulated Electricity Tariff*

The existence of the regulated electricity tariff for Low Normal Voltage is extended until 31 December 2025.

*Social Energy Tariff*

The conditions for access to the social tariff for electricity and natural gas are extended to all situations of unemployment in addition to those that already exist (social income and social unemployment benefit).

**Activity in the energy sector in Spain**

**Electricity - Spain**

*Supply*

CNMC Circular 3/2020, of 15 January 2020, establishing the methodology for calculating tolls for electricity transmission and distribution.

*Vulnerable Consumers*

As a consequence of the declaration of the state of emergency in Spain, motivated by the health crisis caused by COVID-19, temporarily, and for a period of 6 months, the right to receive the social bonus has been extended to all those self-employed workers or self-employed professionals who have been forced to close their business or who have suffered losses of at least 75% of their turnover, and who also meet the income criteria set out in Royal Decree-Law 11 / 2020, of 31 March 2020, adopting urgent complementary measures in the social and economic field to deal with COVID-19.

**Activity in the energy sector in Brazil**

**Electricity**

*Regulatory Changes*

On March 6, 2018, the National Electric Energy Agency (ANEEL) approved the new efficiencies in the definition of the regulatory operating costs. EDP São Paulo maintained its level of efficiency at 82% and EDP Espirito Santo increased its efficiency from 72% to 82%. The global efficiency of the distributors increased from 76% to 79%. ANEEL accepted the request to include labor convictions and the costs of deactivating assets. Regarding the operating cost of the test year and civil convictions, ANEEL chose to postpone the discussion for the methodological review in 2020.

On 10 March 2020, in Normative Resolution 874, ANEEL defined the methodology for the rate of the weighted average cost of capital (WACC) for energy distributors, generators and transmitters. The Distribution WACC goes from 8.09% (amount extended until 31 December 2019) to 7.32%, effective from 2020. The remuneration rate will be recalculated annually, updating the cost of capital for third parties and adopting the average cost of equity for the last 5 years.

On 24 March 2020, Normative Resolution 878 imposed measures to preserve the provision of the distribution service resulting from the public calamity caused by the coronavirus pandemic (COVID-19), listing a series of guidelines necessary for the maintenance of essential services.

On 28 March 2020, due to the coronavirus pandemic, the Ministry of Mines and Energy (MME) decided to postpone, through Ordinance 134, the holding: (i) of the existing energy auctions "A-4" and "A- 5 ", 2020; (ii) the New Energy auction "A-4" and "A-6", from 2020; (iii) the transmission auctions provided for in MME Ordinance 15, of 13 January 2020; and (iv) auctions for contracting solutions for supplying isolated systems, as provided for in MME 67, of 1 March 2018.

*Generation*

On 10 March 2020, ANEEL published Normative Resolution 875 concerning the requirements and procedures necessary to the approval of hydroelectric inventory studies of watersheds, the authorization to operate hydroelectric plants, the communication on the implementation of a hydroelectric generating plant with low installed capacity and the approval of technical and economic feasibility studies for hydroelectric power plants subject to concession. This Normative also establishes the requirements and procedures necessary to obtain authorization for exploration and to change the installed capacity of wind, photovoltaic, thermoelectric and other alternative sources and the communication of the implementation of power plants with low installed capacity.

*Distribution*

On 20 February 2020, ANEEL published Normative Resolution 871, establishing changes to module 8 of the Procedures for the Distribution of Electricity in the National Electrical System - PRODIST. Thus, as of January 2021, all consumer units included in the sample measurement draw for the evaluation of energy quality, must have installed meters with functionalities for permanent monitoring of voltage levels. This resolution also requires that from 1 January 2023, distributors must have a certification for the measurement process, data collection, calculation of indicators and compensation related to the permanent voltage, for the modalities described in item 9.2. .1, based on the standards of the International Organization for Standardization (ISO 9000).

On 20 February 2020, ANEEL approved the Public Consultation CP 17/2019, publishing Normative Resolution 872, thus deciding to suspend the rounding of the additional tariff flags, in line with the EDP Group's contributions and in line with the decision embodied in REH 2,628 of 2019.

On 17 March 2020, Normative Resolution 877 determined the new methodology for Factor X Pd, that consists of shared productivity gains with the consumer. Total factor productivity went from 1.53% to 0.663%, showing a significant reduction in the concessionaires' market and increasing investment and O&M costs, which reduces gains in scale. The market variation coefficient goes from 0.14 to 0.317 and the variable number of consumer units is no longer part of the Pd equation.

On 24 March 2020, Normative Resolution 878 imposes measures to preserve the distribution service due to the public calamity caused by the coronavirus pandemic (COVID-19), such as: (i) cut-off due to lack of activities considered essentials, equipment for the preservation of human life and dependent on electricity, residential and rural consumers, among other cases; (ii) suspension of the requirement to meet deadlines for certain activities of the distributors, face-to-face service and the issuance of a physical invoice; and (iii) prohibition of scheduled closings in addition to those necessary for the maintenance of services.

*Transmission*

On 3 March 2020, Normative Resolution 873 establishes textual adjustments and corrections, definition of less restrictive requirements and changes to deadlines in the Grid Procedures.

**Activity in the renewable energy sector**

**Electricity**

*Generation*

*Regulatory framework for the activities in Spain*

In December 2019, the CNMC (Comisión Nacional de los Mercados y la Competencia) disclosed in its website the final balance of the Spanish electricity system in 2018, delivering a surplus of 96 million Euros.

In January 2020, the CNMC's Circular 3/2020 was approved. The Circular sets the methodology to calculate access fee and removes the former 0,5€/MWh for generators. A new fee of 0,13741 €/MWh was introduced to remunerate the system operator.

On 28 February 2020, the final version of the Rinv (investment premium) adjustment was published, as in 2019 ended the second semi-regulatory period of the RD 413/2014 framework. The three main adjustments vs the previous semi-period have been the estimation of pool prices using forward prices, the so-called "factor de apuntamiento" (from 14.79% to 6.14%) and the adjustment of the OPEX to reflect the removal of the 0.5 €/MWh access fee and the inclusion of the system operator remuneration.

On 14 March 2020, Royal Decree 463/2020 entered into force, declaring the state of emergency for the management of the health crisis caused by the coronavirus (COVID 19). During extreme situations (among them, health crises) article 116 of the Spanish Constitution allows the executive to declare the state of emergency, a measure that enables it to prohibit the free movement of people throughout the country and to take all steps required to guarantee the supply of food to the nation's markets. It also allows the government to take over the means of production and requisition goods.

Initially the state of emergency was set to last until 29 March 2020 but the Congress extended it until 11 April 2020. Also, the government toughened the lockdown measures on March 28 requiring the halt of all "non-essential" activities from 30 March 2020 to 9 April 2020.

Due to the disruption caused by COVID-19, a 2-month extension (from the last day of the state of emergency) of the connection rights expiring on 31 March 2020, was decided.

The final version of the Spanish NECP (National Energy and Climate Plan) for the period 2021-2030 was sent to the European Commission. The final version did not contain changes compared to the latest draft.

*Regulatory framework for the activities in Portugal*

In 27 December 2020, the Portuguese Government published the Dispatch nº 12424-A/2019, setting the Social Tariff, CESE (energy tax) and the tax over oil products (ISP) as the internal events to be considered in the annual study made by ERSE to set the clawback. Additionally, the DGEG (Direção-Geral de Energia e Geologia) clarified in January 2020 that the clawback only applies to renewables under market conditions (and therefore, assets under a tariff scheme or a PPA are excluded from the mechanism).

The 2020 State Budget envisaged that small producers (up to 20 MW) would be exempted from paying the CESE. Also, passive subjects with more than 60 MW under tariff schemes would also be exempted from paying the tax.

On 14 February 2020, the reference terms for capacity reservation were published. Initially, DL nº 76/2019 opened the door to capacity reservation agreements with the Transport system operator (TSO) in which generators would commit to build the interconnection infrastructure. However, given the high number of requests received, a number of technical and sustainability criteria were also included.

In Portugal, a GO (Guarantees of Origin) system was launched. From March 2020 onwards, REN will start to render, transfer and cancel GOs, while importation and exportation will be only possible from the second semester of 2020 onwards. To participate in the GO system, companies will need to pay 1.000€ upfront and 0,037€/MWh for the issuing of the corresponding GOs. Additionally, there is a cost of 250 € per installation for the services of the external audit. The "Manual de Procedimentos" setting the attributions of REN as the entity responsible for the issuing of GOs was approved by DGEG in February 2020.

In order to prevent further spread of the Covid-19, the state of emergency was declared by Presidential Decree no. 14-A/2020, of 18 March, as authorized by the Parliament's Resolution no. 15 A/2020, of 18 March 2020.

On 27 March 2020, the new solar auction was announced by the Energy Secretary of State. Despite the announcement, there is still no date for the auction's launch, due to the Covid-19 pandemic's effects on the market. The injection capacity to be auctioned will be of 700 MW, all in the Alentejo and Algarve areas.

According to the online information session, promoters will have the choice between the following three remuneration schemes: 1)A fixed guaranteed tariff structures, where the bids will express a discount to a reference price; 2) A market scheme where the promoters bid for a contribution made to the National Electric System (SEN) in MWh and where the promoters that bid the largest contributions will be awarded with the capacity title; 3) A new system consisting of a market scheme for power plants incorporating a storage system, where the participants will need to bid a discount to an annual capacity payment.

Following the Portuguese Government's measures driven by Covid-19 pandemic emergency, the Portuguese energy authority (DGEG) suspended all deadlines linked to licensing procedures for all electrical projects after 16 March 2020. In particular, this suspension comprehends the deadlines for any administrative proceeding to be performed by solar promoters with projects awarded in the first solar auction (June 2019).

*Regulatory framework for the activities in Romania*

At the end of 2019, the regulatory entity (ANRE) released Order 236/2019 ruling on negative prices and PPAs, following the EC mandate of removing price limits from wholesale markets. Imbalance price cap is expected to be removed in April, although it´s likely that there will be delays in the implementation. Also, ANRE is already working on a single-price mechanism, also in line with European balancing guidelines (expected to be implemented by January 2021). The Order also seems to allow PPAs as energy transactions in non-regulated markets.

The State of emergency was declared on 16 March 2020, through presidential Decree 195/2020. The Decree aims at controlling the spread of COVID-19. Among others, the Decree includes restrictions of certain rights (introducing for example compulsory quarantines). It also includes the possibility of price controls for certain goods and/or services (for example, electricity prices cannot be increased over the levels applicable on the day of issuance of the Decree).

*Regulatory framework for the activities in Poland*

The Council of the Ministries published on 31 December 2019 a draft Ordinance defining volumes and values for 2020 auctions. The proposed volumes have been significantly lifted from previous versions (for onshore wind and solar PV above 1 MW it has been set at 46,29 TWh, equivalent to around 0,8 GW of onshore wind and around 0,7 GW of solar PV). In 2020, two renewable auction rounds are expected, one in Q2 and another in Q4.

On 15 January 2020, the Ministry of State Assets submitted for public consultation a draft law on the promotion of electricity generation of offshore wind farms. The proposed remuneration scheme is a 25-year CfD with profile risk fully covered. The draft Act also considers the possibility of granting support out of a tender scheme up to 4,6 GW projects (provided certain project milestones have been reached). From 2023 onwards (or once the 4,6 GW threshold is reached), offshore wind projects can participate in competitive auctions.

On 13 March 2020, the Minister of Health announced a state of epidemiological threat in Poland, which is a legal situation aimed at introducing measures to reduce the spread of COVID-19. Following the announcement, some restrictions have been approved, including the prohibition on entering the territory of Poland for foreigners, the obligation of a 14-day home quarantine or the suspension of all international flight and railway connections, among others.

*Regulatory framework for the activities in France*

In December 2019, the CRE (Energy Regulator) held an auction to procure 630 MW of onshore wind and results were announced on 2 April 2020. In total, 35 onshore wind facilities, amounting to 750 MW (considerably above the capacity initially targeted) were awarded a CfD. The average price of winning bids was 62,9€/MWh.

A new version of the PPE (Programmation Plurianuelle de l´Energie) was published for consultation until 19 February 2020. The new version of the plan that feeds France's NECP (National Energy and Climate Plan), has increased offshore wind targets vs. the previous version whilst decreased solar PV's. According to the latest version, France would need to achieve between 33,2 and 34,7 GW of onshore wind in 2028, 5,2-6,2 GW of offshore wind and 35,1-44 GW of solar PV. The PPE also includes a schedule of tenders to be held between 2020 and 2034.

The French Assemblée Nationale approved on 21 March 2020, a law introducing the "State of health emergency" during the coronavirus pandemic. The law introduces measures limiting private liberties (such as confinement and requisitions) and contains provisions regarding postponing the second round of the French municipal elections, economic measures to support the economy and other measures impacting the French justice and labour law.

On 20 March 2020, the CR 17 decree (Complément de Remunération 2017) was published, amending previous decree (Arrêté 6/05/2017). The decree aims at facilitating the transition from CR 16 to CR 17 regime. The maximum number of turbines by wind farm has increased to 6 (from 4, in previous draft) and height limitations have still not been introduced (there will be announced in a further decree).

The French Ministry announced that it would extend deadlines for wind and solar projects trying to complete permitting or construction works during the coronavirus crisis, as these works are becoming increasingly difficult amid lockdown restrictions. Also, the French Energy Ministry announced that the next onshore wind auction will be staggered in two phases. While part of the capacity (1/3, initially 250 MW) would be tendered on 1 July 2020, the remaining capacity (2/3, this is, 500 MW) would be tendered on 1 November 2020.

## 2. Accounting Policies

### a) Basis of presentation

The accompanying consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its joint ventures and associated companies, for the periods ended on 31 March 2020 and 2019 and EDP S.A.'s Executive Board of Directors approved them on 7 May 2020, after that they are subject to General Meeting approval. The financial statements are presented in thousand Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 158/2009 of 13 July and the changes introduced through Decree-law 98/2015 of 2 June, the condensed company's financial statements and the condensed Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (E.U). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's condensed consolidated and company financial statements for the period ended at 31 March 2020 were prepared in accordance with IFRS as adopted by the E.U. until 1 January 2020 and considering the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group for the year ended 31 December 2019.

The EDP Group's activity does not present, on a quarterly basis, a level of seasonality that can be considered significant.

Selected explanatory notes have been included to explain events and transactions that are significant for understanding changes in the EDP Group's financial position and performance since the last annual financial statements.

*Change of Accounting Policy at the individual basis*

On 1 January 2020, EDP SA changed its accounting policy for recognizing balances related to the Group's financial system, starting to recognize the balances of assets and liabilities in cash and cash equivalents and financial debt respectively. Prior to this change, the company recognized these balances in other debtors and other assets and other creditors and other liabilities.

With reference to 31 December 2019, at company level, the effect of this change implied the reclassification of a balance from the caption of other debtors and other assets to the caption of cash and cash equivalents in the amount of 612,064 thousand Euros and the reclassification of a balance of the caption of other creditors and other liabilities for the caption of financial debt in the amount of 711,836 thousand Euros.

With reference to 31 March 2019, at company level, the effect of this change implied the reclassification of a balance from the caption of other debtors and other assets to the caption of cash and cash equivalents in the amount of 761,551 thousand Euros and the reclassification of a balance of the caption of other creditors and other liabilities for the caption of financial debt in the amount of 779,943 thousand Euros.

*Change in results presentation of Joint Ventures and Associated companies*

In January 2020, EDP Group signed a strategic memorandum with ENGIE to the creation of a new company - a Joint Venture with equal control for both sides - as an exclusive investment veihicle for worlwide opportunities in wind offshore projects (fixed and floating projects), combining development and industrial skills of both companies. As part of the deal, EDP Group and ENGIE are preparing their offshore wind projects and the in course projects of this new company, starting with a total of 1.5 GW in construction and 3.7 GW in development, working together to create a global leader in this sector.

With the relevance of this agreement and the growing expectations for offshore renewable business, EDP Group decided to change the way how control this investments, changing the presentation of results with Joint Ventures and Associate companies in Consolidated Income Statement. Previously to this change, EDP Group presented a caption in Consolidated Income Statement, in which reflected the only the results with Joint Ventures and Associates, being the results from acquisitons or disposals recorded as financial income or expenses.

With this change, and considering the interests of Joint Ventures and Associates, and in special the referred vehicle for offshore wind activity, are an extension of EDP Group operating activity, through which conducts its operation and strategy, EDP Group starts including after the other operation income andcosts caption, a single caption related to Joint Ventures and Associates, integrating the results from this companies as well the results from acquisitions and/or disposals in this investments.

The following accounting policies have been updated based on the changes mentioned above:

### u) Cash and cash equivalents

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

On a company basis, EDP S.A. classifies as Cash and cash equivalents the current account balances with Group companies formalized through Cash Pooling Agreements (Group's financial system).

### 3. Recent Accounting Standards and Interpretations Issued

The consolidated and individual consolidated financial statements of EDP SA, for the period ended 31 March 2020, were prepared in accordance with IFRS as adopted by the EU up to 1 January 2020 and considering the International Financial Reporting Standard IAS 34 - "Interim Financial Report", so they do not include all the information required for the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the period ended on 31 December 2019.

**Standards, amendments and interpretations issued effective for the Group**

The amendments that have been issued and that are already effective and that the Group has applied on its financial statements, with no significant impacts, are the following:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

  The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) have been issued by International Accounting Standards Board (IASB) in September 2019 and endorsed by the EU on 15 January 2020, and became effective as of 1 January 1 2020 and must be applied retrospectively.

  The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments for IFRS 9 include a number of reliefs that apply to all hedging relationships of interest rate risk that are affected by interest rate benchmark reform. The reliefs are intended to be narrow in their effect. Accordingly, entities will cease to apply the relief when the earlier of the following occurs: (i) uncertainty regarding timing and amount of the resulting cash flows is no longer present; or (ii) hedging relationship terminates.

- IAS 1 (Amended) and IAS 8 (Amended) - Definition of material;
- IFRS 3 (Amended) - Definition of a business; and
- Amendments to References to the Conceptual Framework in IFRS.

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

The standards, amendments and interpretations issued but not yet effective for the Group (whose effective application date has not yet occurred or, despite their effective dates of application, they have not yet been endorsed by the EU) are the following:

- IFRS 17 - Insurance Contracts; and
- IAS 1 (Amended) - Classification of Liabilities as Current or Non-current

### 4. Critical Accounting Estimates and Judgements in Preparing the Financial Statements

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

The critical accounting estimates and judgements made by management in applying EDP Group's accounting policies were the same as those applied to the consolidated financial statements as at 31 December 2019, with a special note for the following items.

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

**Contractual stability compensation - CMEC**

i) Contractual stability compensation - Initial Amount

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

As a result of the PPAs extinction and in accordance with the applicable legislation, a contractual stability compensation (CMEC) was granted to EDP Group. This mechanism includes three types of compensation: initial compensation, annual compensation (or revisibility) and final adjustment.

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

ii) Contractual stability compensation – Annual revisibility mechanism

During period I (2007/2017) of the contractual stability compensation mechanism, there was a correction on an annual basis, resulting from positive or negative deviations between the estimates made for the initial stability compensation calculation and actual amounts arising from an efficient performance, using the "Valorágua" model, as established in the Decree-Law 240/2004. Later, Order 4694/2014 was published to define the guidelines of the annual revisibility calculation with respect to the revenues from the ancillary services market, regarding power plants under CMEC.

Revisibility amounts for the years 2007 to 2014 were determined and approved by the Member of the Government responsible for the energy sector, and were contested by EDP Produção:

a) As regards the approval of the 2011 and 2012 revisibilities, the fact that it did not consider the costs incurred with the social tariff in the calculation of the revisibilities; and

b) As regards the approval of the 2014 revisibility, the fact that it did not take into account in the calculation of the revisibility the costs incurred with the social tariff and CESE.

Regarding the annual revisibilities of 2015 to 2017, it is awaited approval by the Government member responsible for the energy sector, even though, by letter of 21 April 2017 from ERSE, the transfer to EDP Produção of the annual revisability of 2015 has been authorised.

iii) Contractual stability compensation – Final Adjustment

The CMEC's Final Adjustment is calculated in accordance with number 7 of article 3rd and Annex IV of Decree-Law 240/2004, of 27 December. The State budget for 2017 (Law 42/2016) determined, in its article 170, that the final adjustment amount shall be calculated and justified in a study done and presented by ERSE. This entity had the technical support of the Working Group EDP Produção/REN, legally enforced.

Accordingly, the technical group EDP/REN has presented to ERSE its report on the CMEC final adjustment calculation, which was achieved by strictly following the calculation methodology described in Decree-Law 240/2004. This calculation, performed by the technical group EDP/REN was presented to ERSE and comes to a range of amounts between 256.5 and 271 million Euros.

At the end of September 2017, ERSE has also presented to the Government its report on the calculation of the CMEC final adjustment, reaching an amount of 154 million Euros, which was provisionally considered in the document of tariffs and prices for 2018.

In the Financial statements as at 31 December 2017, EDP Group has included its best estimate of the CMEC final adjustment, by recognising an asset in the amount of 256.5 million Euros against deferred income, based on Decrew-Law 240/2004 and on the document done jointly by EDP and REN and the legal opinions obtained on this subject.

On 3 May 2018, EDP was notified (through a DGEG's letter from 25 April 2018) that the CMEC final adjustment had been officially approved, according to ERSE's proposal, in the amount of 154 million Euros. EDP reflected this reality in its financial statements as of 31 December 2018, recognising a provision by the difference in the final adjustment amounts already recognised in the Group's revenues. On 31 March 2020 EDP maintains the provision in its accounts.

Considering that the administrative act contained in the Dispatch of approval of the SSE of 25 April 2018 lacks technical, economic and legal basis, and that, in particular, it does not apply the calculation methodology contained in Decree-Law 240/2004 and which would lead to the determination of an amount close to the one determined by the technical group, on 3 September 2018, EDP Produção has legally contested it.

**Clawback - Regulatory mechanism to ensure the competitive balance in the wholesale electricity market in Portugal**

Following some tax changes occurred in Spain, which affected electricity generators operating in this country, Decree-Law 74/2013 was approved in Portugal, which aimed to rebalance the competition between electricity generators operating in Portugal and other players operating in Europe.

Pursuant to Decree-Law no. 74/2013 and its regulations, in order to restore such balance, the power plants operating on a market regime is situated in Portugal, which were not covered by the PPA or CMEC regime, should pay an amount per MWh produced.

The amount payable should consider an estimate of the impact that the off-market events in the EU (such as the above-mentioned tax changes in Spain) would have in pool prices, as well as off-market events in Portugal that would affect the competitiveness of electricity generators operating in Portugal. Consequently, a net competition advantage would allegedly arise to generators operating in Portugal.

Under this mechanism regulation – commonly known as clawback – Social tariff and CESE were approved by Dispatch 11566-A/2015, of 3 October 2015, as off-market events that should be considered as competitive disadvantages of generators operating in Portugal.

Dispatch 7557-A/2017, of 25 August, superseded Dispatch 11566-A/2015 (which defined the variables for the computation formula of the amount to be paid by each of the power-generating plants under Decree-Law 74/2013, of 4 June, for each injected MWh) in its entirety. It states that ERSE, after consulting DGEG, shall present proposals for a new definition of the variables, as well as reference terms for the new study.

Subsequently, in the Dispatch 9371/2017, of 24 October 2017, partially nulled of Dispatch 11566-A/2015, of 3 October 2015 from the SSE, is declared, in relation to the decisions presented under its numbers 11 and 12 (the deduction of social tariff and CESE costs in the unit price). ERSE was asked to consider in 2018 UGS tariff, the recovery, in benefit of the consumers, of the amounts allegedly unproperly included in previous years' tariffs (2016 and 2017). Dispatch 9955/2017, of 17 November, defines a new amount for the estimate of the off-market events' impact in EU, which is 4.75 €/MWh, with retroactive effects as at August 24. Following these Dispatches, the document of prices and tariffs for 2018 has included a clawback amount of around 90 million Euros to be returned to tariffs, which includes power plants operating under CMEC and estimated generation.

Based on its interpretation of the Law, as well as on legal opinions obtained in the meantime, EDP Produção considers that the Decree-Law 74/2013 aims to reestablish a situation of competition balance between generators operating in Portugal and their peers operating in other European countries, which means to consider as off-market events all the taxes and contributions that fall only over generators located outside of Portugal (particularly in Spain), as well as all the taxes and contributions that fall only over generators located in Portugal. Consequently, in the Group's understanding, Dispatch 9371/2017 and 9955/2017 have completely distorted the clawback mechanism, having filed its legal action in January 2018.

In the Financial statements as at 31 December 2018, EDP Group has included the clawback amount as calculated by EDP Produção, regarding the legislation in place in each period, namely Decree-Law 74/2013, Order 225/2015, Ordinance 9371/2017 from 24 October and Dispatch 9955/2017, from 17 November. It is important to notice that this mechanism is not applicable to power plants in 2018 still operating under CMEC regime.

On 5 October 2018, the Spanish legislature, by the sixth and seventh additional lines on Article 21 of Royal Decree-Law 15/2018, suspended the 7% tax on electricity generation approved in 2012 for a period of six months, from the beginning of October 2018 to the end of March 2019. This tax suspension correspond to the suspension of the off-market event verified within the European Union, which is considered in the clawback calculation.

Following the temporary suspension of the tax on electricity production in Spain:

- Order 895/2019 of 23 January, establishing the suspension of the "Clawback" was approved for a period of 6 months as from 1 October 2018;
- The Tariff and Price Document for 2019, published on 17 December 2018, estimates a Clawback value of € 4.18/MWh, to be applied after the end of the suspension period (more specifically from 6 April 2019);
- ERSE has informed EDP Produção that any clawback invoicing relating to the referred suspension period should be deleted or canceled;
- The State Budget Law for 2019 provided that "the Government shall, until the end of the first quarter of 2019, review the regulatory mechanism designed to ensure the balance of competition in the wholesale electricity market in Portugal, provided for under DL 74/2013, of 4 June, adapting it to the new rules of the Iberian Electricity Market, with the aim of creating harmonized regulatory mechanisms that reinforce competition and protect consumers".

On 1 April, the suspension of the tax on the production of electric energy in Spain was terminated, and it became effective again. From that moment, the "clawback" invoiced to EDP Produção was resumed, based on a value of 4.75€/MWh.

On August 9, Decree-Law 104/2019 was published, which makes the first amendment to Decree-Law 74/2013, by changing the scope of the clawback mechanism. Previously, "ordinary producers of electricity and other producers not covered by the guaranteed remuneration regime were subject to clawback ". With the publication of this diploma, the CMEC centrals are now included in the scope of the clawback. The same Decree-Law introduced the possibility to define CIT (corporate income tax) – advanced payment, and on 26 September 2019 was published the Order 8521/2019, which set the amounts of advanced payment related to the clawback mechanism at 2.71€ / MWh for coal-fired power plants and 4.18€/MWh for other power plants.

In the Tariff and Price Document for 2019, published on 16 December 2020, ERSE considered the unit values defined in Dispatch 8521/2019, correcting only the value applicable to coal to 1.23 € / MWh, due to the increase in the ISP tax percentage and CO2 addition planned for 2020;

On 27 December 2019, Dispatch 12424-A / 2019 was published, which identifies as national extra-market events to be considered in the Study to be prepared by ERSE until April 2020 (with reference to 2019) under the Clawback, the taxation of petroleum and energy products used in the production of electricity (ISP), CESE and the Social Electricity Tariff.

On 20 March 2020 ERSE Directive 4/2020 was published, which approves the operational rules of the commercial relationship between the Transmission System Operator (ORT) and the producers covered by the application of Decree-Law 74/2013, of 4 June 2013, with the amendment given by Decree-Law 104/2019, of 9 August 2019, revoking Directive 15/2016, of 14 September 2016, regarding the "Clawback" regime. The main change of this Directive is to allow the breakdown of the amount of exchanges with CMEC and to allow monthly aggregation by balance sheet area, instead of by power generation center.

**Ancillary Services**

On 3 September 2018, the Portuguese Competition Authority (AdC) notified EDP Produção with Statement of Objections, under which EDP Produção is accused of abuse of a dominant position in the secondary regulation band market (a part of the ancillary services market). AdC claims that EDP Produção has deliberately limited the participation of CMEC plants in the secondary regulation market between 2009 and 2013, benefitting its non-CMEC power plants. The alleged benefit, in detriment of consumers, would be twofold: receiving higher compensation under CMEC annual adjustment regime; profiting from higher market prices in said market. AdC estimates that the alleged practice of EDP Produção has generated damages to the national electricity system and to consumers of around 140 million Euros. AdC points out that the adoption of a Statement of Objections does not determine the result of the investigation, which began in September 2016. On 28 November 2018, EDP Produção was given the opportunity to exercise its right to be heard and defend itself in relation to the alleged unlawful act and to the penalties in which it may incur.

On 13 March 2019, the Secretary of State for Energy underlined in the National Assembly, in the scope of the Parliamentary Commission of Inquiry on the Payment of Excessive Income to Electricity Producers, that this is not an innovative feature issue but a competition issue and is being handled by the Competition Authority (AdC).

On 18 September 2019, AdC informed EDP of its decision to condemn, imposing a fine of 48 million Euros, for abuse of dominant position in the secondary regulation band market in mainland Portugal between 2009 and 2013. Within the framework of the Competition the fine could amount to 153 million Euros.

According to AdC, EDP would have manipulated its offer of tele-regulation service or secondary regulation band, limiting the capacity offer of its CMEC power plants to offer it through its market power plants, benefiting in two ways:

- Highest compensation paid to CMEC plants (annual revisability), as their lower participation in the provision of secondary regulation band service would be below what would be expected (according to competitive market criteria);
- The increase of the market price of the secondary bandwidth service, as a result of the limited supply by CMEC plants, favoring market-based power plants.

The EDP Group considers that EDP Produção has not exercised any abuse of a dominant position, having acted strictly in accordance with the legal framework in force. EDP will appeal the decision to the Competition, Regulation and Supervision Court, as provided by law.

**Innovative Features**

On 9 July 2018, EDP has been notified, within the scope of a stakeholder hearing promoted by the DGEG, to present its opinion on the possibility of DGEG proposing to the Secretary of State for Energy an amount associated with the alleged "innovative features" introduced in CMEC regime regardind PPA, to a maximum amount of 357.9 million Euros. According to the DGEG, this amount shall be associated with the lack of legal scope for tests on the availability of the CMEC plants (285 million Euros) and the above mentioned ancillary services (72.9 million Euros).

On 26 September 2018, EDP Produção was notified of the Order of the SEE of 29 August, which considers as an "innovative features" the topic "procedures for calculating the verified availability coefficient", quantified at 285 million Euros. This Order refers to the alleged lack of legal forecast of availability tests of CMEC plants. Considering that the Order in question lacks technical, economic and legal basis, on 8 October EDP Produção has submitted an administrative appeal.

Subsequently, EDP Produção received a letter from ERSE dated 12 November 2018 and became aware of the Order of the SEE of 4 October, which, following the Order of 29 August, declared the annulment of the annual adjustments in the part in which they considered the alleged "innovative features" concerning the procedures for calculating the coefficient of availability. In the Tariff and Price Document for 2019, ERSE considered the refund of an amount of 90 million Euros for a portion of the 285 million Euros referred to, expecting that the remaining portion will be paid for a number of years that allow the CMEC to have zero tariff impact by including the 86.5 million Euros in the tariffs of 2020, 86.5 million Euros in tariffs of 2021 and 21.9 million Euros in 2022.

Without having received any response to the gracious complain filed on 1 February 2019, EDP Produção challenged in court the Orders of 29 August and 4 October and the Tariff and Price Document for 2019.

In the Electricity Tariffs and Prices Document for 2020, approved by ERSE on 16 December 2019, that entity charged again 86.5 million Euros, as it had foreseen the previous year.

Although the EDP Group considers that there were no innovative features weighted in CMEC adjustments, this aspect was reflected in these financial statements as of 31 December 2018, by recognising a provision of 285 million Euros. In 2019 EDP made the payment of 92,458 thousand Euros and during 2020 made the payment of 22,541 thousand Euros (see note 29), using this provision, so that at 31 March 2020 this provision amount of 170,001 thousand Euros.

**Hydro power plants of Fridão and Alvito**

On 17 December 2008, EDP Produção and the Portuguese State signed the Contract for the Implementation of the National Program for High Hydroelectric Potential Power Plants (PNBEPH) regarding the Hydro Power Plants of Fridão (AHF) and Alvito (AHA), with the payment, by EDP Produção of 231.7 million Euros. Of this amount, 217,798 thousand Euros relates to the right to implement and exploit the AHF.

EDP Produção followed up on the procedures for the implementation of these projects, having, in the case of the AHF, obtained a Favorable Environmental Impact Declaration and an Environmental Compliance Report of the Execution Project (RECAPE).

On 22 October 2013, EDP Produção requested to the Minister of the Environment, Land Management and Energy, based on a change of circumstances, to postpone the signing of the concession contract for the AHF. This request was formally rejected on 2 May 2014, and the terms of the concession contract, were subsequently negotiated between EDP Produção and the Portuguese Environmental Agency (APA) and a specific date for the respective signature for 30 September 2015, which was revoked by the Government without rescheduling a new date.

In 2016, following the beginning of the XXI Constitutional Government, the Government Program provided the reassessment of the PNBEPH. In this context, it was agreed to suspend for three years the execution of the Contract for the implementation of the AHF, as well as the annulment of the implementation Contract regarding AHA, through a Memorandum of Understanding signed on 5 December 2016, concluded by an agreement between the Portuguese State and EDP Produção on 11 April 2017.

This deferral decision was taken based on public interest reasons, considering the evolution of installed power and energy demand since 2008 (conclusion date of the Implementation Contract) until 2016. It is not clear that the AHF would be an energy surplus that would offset the environmental impacts resulting from its implementation.

On 16 April 2019 EDP Produção received, by email, an official letter from the Ministry of the Environment and Energy Transition, dated 11 April 2019, informing the State's conclusion that there is no need for implementation of AHF to meet national targets for Renewable Energy Source and Greenhouse Gas Reduction, as well as "that the State does not find any reason to inhibit the construction of the Fridão Hydro Power Plant".

Simultaneously, the Minister of the Environment and Energy Transition (MATE) announced at the National Assembly, in a hearing at the Environment, Land-use Planning, Decentralization, Local Power and Housing Committee, that the State's decision was not to build the AHF and that "the State will always comply with the contract but believes there are no reasons for any repayment of the amount that was given to the State ten years ago". It acknowledged, however, that there was no agreement with EDP on this matter.

EDP Produção notified the Portuguese State to return to it all the investment already made, including the consideration paid on the provisional award, and, as well, to compensate it for other losses and damages resulting from the non-compliance, to be settled in a timely manner. As at 31 December 2019 the Group reclassified these Assets under construction to Other debtors and other assets and valued in accordance with the principles defined in IFRS 9 (see note 22).

Currently, the arbitration process initiated by EDP is in progress.

**Sale of real estate by EDP Distribuição**

In the 2009-2018 period, EDP Distribuição disposed a set of real estate that were unused, in the amount of approximately 52 million Euros, obtaining a total net value of gains of 33.9 million Euros (35.7 million Euros of gains and 1.7 million Euros of losses).

In the regulated accounts sent to ERSE in June 2018, EDP Distribuição identified the amount to be returned into tariffs related to the depreciation of the properties that were sold in the period 2012-2017. ERSE did not consider this amount in the 2019 rates and submitted the topic for further analysis.

In the Tariffs for 2020, ERSE recognized the principle of profit sharing with the system and assumed the return into the tariffs of approximately 16.6 million Euros referring to half of the net gains obtained from the sale of real estate by EDP Distribuição between 2009 and 2018, having mentioned that the position to be taken by the respective grantors of the Concession Contract for the National Distribution Network (RND) and the electricity distribution network concessions in BT may determine the revision of this amount.

Subsequent to the publication of the Tariffs for 2020, the Government approved an Order that stipulates that the total value of the gains generated by the sale of real estate by EDP Distribuição between 2009 and 2018, and which were subject to remuneration for the tariffs, "reverts entirely to the grantor ", and should be "fully reflected in the electricity tariffs".

However, in March 2020, EDP Distribuição requested the annulment of the aforementioned Order, requesting the initiation of the arbitration process.

EDP Distribuição acted in a transparent manner and within the framework of regulatory efficiency standards dictated by ERSE itself, as is evident from the values that have always been evidenced in the published Reports and Accounts and in the Regulated Accounts presented.

## 5. Financial Risk Management Policies

During the first quarter of 2020, no significant changes occurred to the risks to which the Group is exposed, or to their management, compared to that has been disclosed in the last annual report period. The description of risks and of their management is disclosed in note 5 - Financial Risk Management Policies of the Annual Report of 2019. The impact of Covid-19 has been felt on the interest and exchange rates to which the EDP Group is exposed, yet so far the Group has not considered necessary to change its Financial Risk Management Policies. However, given that its duration and global impacts are still unknown, the EDP Group continues to monitor the risks, seeking to anticipate and manage possible impacts.

**Exchange-rate and interest rate risk management**

**Sensitivity analysis - exchange rate**

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the EUR/USD exchange rate, as at 31 March 2020 and 2019, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

| | Mar 2020 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | +10% | -10% | +10% | -10% |
| USD | 1,106 | -1,351 | -168,187 | 205,562 |
| | 1,106 | -1,351 | -168,187 | 205,562 |

| | Mar 2019 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | +10% | -10% | +10% | -10% |
| USD | 54,307 | -66,375 | -120,757 | 147,592 |
| | 54,307 | -66,375 | -120,757 | 147,592 |

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

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

Based on the Group's debt portfolio, except for Brazil, and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 31 March 2020 and 2019 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

| | Mar 2020 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **Cash flow effect:** | | | | |
| Hedged debt | -12,302 | 12,302 | - | - |
| Unhedged debt | -4,473 | 4,473 | - | - |
| **Fair value effect:** | | | | |
| Cash flow hedging derivatives | - | - | 6,606 | -6,606 |
| Trading derivatives (accounting perspective) | -1,298 | 1,307 | - | - |
| | -18,073 | 18,082 | 6,606 | -6,606 |

| | Mar 2019 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **Cash flow effect:** | | | | |
| Hedged debt | -14,052 | 14,052 | - | - |
| Unhedged debt | -4,171 | 4,171 | - | - |
| **Fair value effect:** | | | | |
| Cash flow hedging derivatives | - | - | 6,665 | -4,819 |
| Trading derivatives (accounting perspective) | 2,782 | -6,855 | - | - |
| | -15,441 | 11,368 | 6,665 | -4,819 |

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

**Brazil - Sensitivity analysis - Interest rates**

Based on the portfolio of operations, a 25% change in the interest rates, to which the Brazilian subsidiaries are exposed to, would have an impact to EDP Energias do Brasil Group, at 31 March 2020 and 2019, in the amount of:

| | Mar 2020 | |
|---|---|---|
| Thousand Euros | + 25% | - 25% |
| Financial instruments - assets | 3,039 | -2,945 |
| Financial instruments - liabilities | -122,682 | 108,847 |
| Derivative financial instruments | - | - |
| | -119,643 | 105,902 |

| | Mar 2019 | |
|---|---|---|
| Thousand Euros | + 25% | - 25% |
| Financial instruments - assets | 7,081 | -7,091 |
| Financial instruments - liabilities | -54,802 | 55,009 |
| Derivative financial instruments | -1,012 | 1,085 |
| | -48,733 | 49,003 |

**Liquidity risk management**

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with international reliable financial institutions as well as term deposits, allowing immediate access to funds. These credit lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see note 27).

The table below shows the contractual undiscounted cash flows and the estimated interests due, computed using the rates available at 31 March 2020:

| Thousand Euros | Mar 2021 | Dec 2021 | Dec 2022 | Dec 2023 | Dec 2024 | Following years | Total |
|---|---|---|---|---|---|---|---|
| Bank loans | 230,900 | 118,347 | 121,704 | 121,021 | 110,546 | 1,031,717 | 1,734,235 |
| Bond loans | 2,268,116 | 134,935 | 1,293,120 | 1,442,592 | 2,465,757 | 3,610,503 | 11,215,023 |
| Hybrid Bond | 43,906 | - | - | - | - | 1,750,000 | 1,793,906 |
| Commercial paper | 291,684 | 100,000 | - | - | 280,815 | - | 672,499 |
| Other loans | 2,029 | 301 | 34 | 211 | - | 10,238 | 12,813 |
| Interest Payments (i) | 246,460 | 351,222 | 306,173 | 275,492 | 145,021 | 255,402 | 1,579,770 |
| | 3,083,095 | 704,805 | 1,721,031 | 1,839,316 | 3,002,139 | 6,657,860 | 17,008,246 |

i) The coupons of the hybrid bonds were included taking into consideration the earliest possible call date.

**Energy market risk management**

The main price and volume risk indicator used is the margin at risk (P@R), which estimates the impact of the variation of the different risk factors (price of electricity and hydrological) on the next 24 month's margin, P@R corresponding to the difference between an expected margin and a margin of a pessimistic scenario with a probability to occur of 5% (confidence interval of 95%) considering a time frame of 2 years. Both the volumes which are certain and those, which although uncertain, are expected, namely production of the plants and the corresponding consumption of fuel, are considered. The P@R distribution by business segment is as follows:

| | | P@R Distribution by business segment | |
|---|---|---|---|
| Thousand Euros | | Mar 2020 | Dec 2019 |
| **Business** | **Portfolio** | | |
| Electricity | Trading | 968 | 536 |
| Electricity | Trading + Hedging | 102,941 | 87,680 |
| Gas | Hedging | 21,386 | 10,541 |
| Diversification effect | | -28,052 | -10,971 |
| | | 97,243 | 87,786 |

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

| | Mar 2020 | Dec 2019 |
|---|---|---|
| **Credit risk rating (S&P)** | | |
| AAA to AA- | 3.56% | 1.97% |
| A+ to A- | 19.60% | 28.46% |
| BBB+ to BBB- | 63.59% | 61.24% |
| No rating assigned | 13.25% | 8.33% |
| | 100.00% | 100.00% |

## 6. Consolidation Perimeter

During 2020, the following changes occurred in the EDP Group consolidation perimeter:

**Companies acquired:**

The following acquisitions were classified as asset purchases, out of scope of IFRS 3 – Business Combinations, due to the substance of these transactions, the type of assets acquired and the very early stage of the projects:

- EDPR France Holding, S.A.S. acquired 100% of the company Société D'Exploitation du Parc Eolien Source de Sèves, S.A.R.L.;
- EDP Renewables Italia Holding, S.R.L. acquired 65% of the company Aliseo, S.r.l. and 60% of the company Energia Emissioni Zero 4, S.r.l.;
- EDP Renewables Polska, Sp. zo.o. acquired 100% of the company Wind Field Wielkopolska, Sp. zo.o.

**Companies sold and liquidated:**

- The companies Frontier Beheer Nederland, B. V. and Frontier, C.V., in which OW Offshore, S.L. held, directly or indirectly, a 30% financial interest, were liquidated.

**Companies incorporated:**

- Vanosc Energie, S.A.S.;
- Transition Euroise Roman II, S.A.S.;
- Mordel Limited;
- EDPR Offshore South Korea Co., Ltd.;
- Comercializadora Energética Sostenible, S.A.;
- Transporte GNL, S.A.

## 7. Revenues and cost of Energy Sales and Services and Other

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

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Mar 2019 | Mar 2020 | Mar 2019 |
| Electricity and network access | 3,041,623 | 3,263,124 | 602,303 | 727,606 |
| Gas and network access | 286,984 | 268,102 | 40,915 | - |
| Sales of CO2 Licenses | - | - | - | 108,951 |
| Revenue from assets assigned to concessions | 134,115 | 160,657 | - | - |
| Other | 39,240 | 52,294 | 40,813 | 41,343 |
| | 3,501,962 | 3,744,177 | 684,031 | 877,900 |

The caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 302,445 thousand Euros (revenue in 31 March 2019: 320,799 thousand Euros) regarding tariff adjustments of the period (see notes 21 and 31). This caption also includes a net revenue of 9,470 thousand Euros (31 March 2019: net cost of 16,488 thousand Euros) related to recognition of tariff adjustments for the period in Brazil (see notes 21 and 31).

Additionally, the caption Electricity and network access includes, on a consolidated basis, a negative amount of 19,925 thousand Euros (31 March 2019: negative amount of 19,131 thousand Euros) related to the contractual stability compensation (CMEC) as a result of the power purchase agreements (PPA) termination, including a income of 23,479 thousand Euros related to the CMEC final adjustment (31 March 2019: positive amount of 20,963 thousand Euros), net from the recognised provision due to the final adjustment official approval.

The caption Electricity and network access, on a company basis, includes 317,528 thousand Euros (31 March 2019: 367,881 thousand Euros) related with energy sales under the purchase and sale agreement of evolutive energy between EDP, S.A. and EDP Comercial S.A.

The breakdown of Revenues from energy sales and services and other by segment, are as follows (see note 41 - Operating Segments):

| | Mar 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Reported Operating Segments | | | | | |
| Thousand Euros | Renewables | Networks | Client Solutions & Energy Management | Total | Other Segments | Group |
| Electricity and network access | 342,485 | 847,167 | 1,851,973 | 3,041,625 | -3 | 3,041,622 |
| Gas and network access | - | 3,957 | 283,027 | 286,984 | - | 286,984 |
| Revenue from assets assigned to concessions | - | 134,115 | - | 134,115 | - | 134,115 |
| Other | 9,550 | 11,388 | 17,265 | 38,203 | 1,038 | 39,241 |
| | 352,035 | 996,627 | 2,152,265 | 3,500,927 | 1,035 | 3,501,962 |

| | Mar 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Reported Operating Segments | | | | | |
| Thousand Euros | Renewables | Networks | Client Solutions & Energy Management | Total | Other Segments | Group |
| Electricity and network access | 356,263 | 942,666 | 1,964,198 | 3,263,127 | -2 | 3,263,125 |
| Gas and network access | - | 4,690 | 263,412 | 268,102 | - | 268,102 |
| Revenue from assets assigned to concessions | - | 160,652 | 6 | 160,658 | - | 160,658 |
| Other | 12,415 | 10,918 | 27,069 | 50,402 | 1,890 | 52,292 |
| | 368,678 | 1,118,926 | 2,254,685 | 3,742,289 | 1,888 | 3,744,177 |

The segment "Client Solutions & Energy Management" includes sales of renewable energy, hydro and wind, carried out by EDP SA's energy management business unit, as part of its intermediation activity, and sales by the last resource supplying in Portugal, EDP Serviço Universal S.A.

Revenues from energy sales and services and other by segment are considered globally as "overtime" and not as "at a point in time".

Cost of energy sales and other are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Mar 2019 | Mar 2020 | Mar 2019 |
| **Cost of electricity** | 1,503,827 | 1,695,107 | 559,617 | 710,338 |
| **Cost of gas** | 299,137 | 314,685 | - | - |
| **Expenditure with assets assigned to concessions** | 109,972 | 141,787 | - | - |
| **Changes in inventories and cost of raw materials and consumables used** | | | | |
| Fuel, steam and ashes | 29,539 | 136,766 | - | - |
| Gas | 49,078 | 11,892 | 36,686 | - |
| CO2 Licenses | 31,494 | 64,131 | - | 115,549 |
| Other | 4,090 | 18,938 | -37,866 | -19,760 |
| | 114,201 | 231,727 | -1,180 | 95,789 |
| | 2,027,137 | 2,383,306 | 558,437 | 806,127 |

Cost of electricity includes, on a company basis, costs of 304,033 thousand Euros (31 March 2019: 329,396 thousand Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to external specialised entities. The revenue and the expenditure with the acquisition of these assets are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Mar 2020 | Mar 2019 |
| **Revenue from assets assigned to concessions** | 134,115 | 160,657 |
| **Expenditure with assets assigned to concessions** | | |
| Subcontracts and other materials | -84,227 | -116,782 |
| Personnel costs capitalised (see note 10) | -18,232 | -19,406 |
| Capitalised borrowing costs (see note 12) | -7,513 | -5,599 |
| | -109,972 | -141,787 |

Revenue from assets assigned to concessions include 76,838 thousand Euros relative to electricity distribution concessions in Portugal and in Brazil resulting from the application of the mixed model. Additionally, it also includes the revenue related to the asset to be received by EDP Group under the transmission concessions in Brazil (see note 21).

On a consolidated basis, the strong decline in electricity prices, associated with the strong decline in the price of commodities (gas, brent, coal and CO2), explains the reduction in sales revenue from energy and costs.

On an individual basis, the change in Revenues and cost of Energy Sales and Services and Other is explained by the fact that there was no sales of CO2 licenses in 2020.

## 8. Other Income

Other income, for the Group, are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Mar 2020 | Mar 2019 |
| Income arising from institutional partnerships (see note 30) | 51,081 | 46,510 |
| Gains from contractual indemnities and insurance companies | 8,530 | 4,796 |
| Other | 36,327 | 50,513 |
| | 95,938 | 101,819 |

Income arising from institutional partnerships - EDPR NA relates to income arising from production and investment tax credits (PTC/ITC), mostly from accelerated tax depreciation, regarding wind farms and solar plants (see note 30).

The caption Other includes gains on the reinsurance activity, gains in the adjustment of contingent prices of sale operations and gains on the sale of property, plant and equipment.

## 9. Supplies and Services

Supplies and services are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Mar 2019 | Mar 2020 | Mar 2019 |
| Consumables and communications | 7,478 | 8,176 | 2,087 | 1,927 |
| Rents and leases | 11,227 | 9,657 | 3,184 | 1,402 |
| Maintenance and repairs | 84,505 | 89,361 | 5,964 | 10,746 |
| Specialised works: | | | | |
| - Commercial activity | 36,780 | 38,099 | 257 | 63 |
| - IT services, legal and advisory fees | 20,875 | 19,828 | 10,490 | 7,749 |
| - Other services | 13,032 | 8,882 | 6,036 | 5,069 |
| Provided personnel | - | - | 1,935 | 2,004 |
| Other supplies and services | 27,114 | 25,607 | 3,532 | 3,590 |
| | 201,011 | 199,610 | 33,485 | 32,550 |

## 10. Personnel Costs and Employee Benefits

Personnel costs and employee benefits are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Mar 2019 | Mar 2020 | Mar 2019 |
| **Personnel costs** | | | | |
| Board of Directors remuneration | 4,839 | 4,498 | 1,780 | 1,703 |
| Employees' remuneration | 121,302 | 123,143 | 10,842 | 10,208 |
| Social charges on remuneration | 29,016 | 29,125 | 2,673 | 2,503 |
| Performance, assiduity and seniority bonus | 19,612 | 14,163 | 3,352 | -1,465 |
| Other costs | 6,032 | 6,205 | 97 | 250 |
| Own work capitalised: | | | | |
| - Assigned to concessions (see note 7) | -18,232 | -19,406 | - | - |
| - Other (see note 14) | -15,302 | -13,526 | - | - |
| | 147,267 | 144,202 | 18,744 | 13,199 |
| **Employee benefits** | | | | |
| Pension plans costs | 5,171 | 5,608 | 494 | 603 |
| Medical plans costs and other benefits (see note 28) | 1,726 | 1,568 | 22 | 89 |
| Other | 10,867 | 7,909 | 661 | 498 |
| | 17,764 | 15,085 | 1,177 | 1,190 |
| | 165,031 | 159,287 | 19,921 | 14,389 |

Pension plans costs include 1,512 thousand Euros (31 March 2019: 1,387 thousand Euros) related to defined benefit plans (see note 28) and 3,659 thousand Euros (31 March 2019: 4,221 thousand Euros) related with defined contribution plans.

The variation in the caption Performance, assiduity and seniority bonus, for the Company, essentially results from the bonus 2018 adjustment registered in the first quarter of 2019.

During the first quarter of 2020, no treasury stocks were granted to employees.

## 11. Other Expenses

Other Expenses are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Mar 2020 | Mar 2019 |
| Concession rents paid to local authorities and others | 69,350 | 70,394 |
| Direct and indirect taxes | 113,718 | 76,088 |
| Donations | 4,469 | 1,079 |
| Other | 22,088 | 20,732 |
| | 209,625 | 168,293 |

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

The caption Direct and indirect taxes includes the tax of 7% over electricity generation in Spain, property tax and other taxes and levies. The variation of this caption, in what relates to its homologous period amount, reflects, in a general way, from the recognition, in the first 3 months of 2020, of the costs with the rate of 7% on electricity generation in Spain and with Clawback in Portugal, since, in the first 3 months of 2019, these payments were suspended.

The caption Others includes losses in the reinsurance activity and losses in tangible fixed assets.

## 12. Financial Income and Expenses

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

| Thousand Euros | Group Mar 2020 | Group Mar 2019 |
|---|---|---|
| **Financial income** | | |
| Interest income from bank deposits and other investments | 9,203 | 13,381 |
| Interest from derivative financial instruments | 7,906 | 8,001 |
| Interest income on tariff deficit: | | |
| - Portugal - Electricity (see note 21) | 505 | 1,342 |
| - Brazil - Electricity (see notes 21 and 31) | 388 | 244 |
| Other interest income | 11,940 | 12,844 |
| Derivative financial instruments | 9,079 | 7,703 |
| Foreign exchange gains | 67,165 | 12,121 |
| CMEC: | | |
| - Interest on the initial CMEC | 7,642 | 8,414 |
| - Financial effect considered in the calculation | 1,948 | 1,998 |
| Gains on the sale of financial investments | 41 | - |
| Other financial income | 9,580 | 12,498 |
| | 125,397 | 78,546 |
| **Financial expenses** | | |
| Interest expense on financial debt | 130,008 | 168,600 |
| Bonds buyback | 56,897 | - |
| Capitalised borrowing costs: | | |
| - Assigned to concessions (see note 7) | -7,513 | -5,599 |
| - Other (see note 14) | -4,844 | -3,586 |
| Interest from derivative financial instruments | 8,413 | 7,888 |
| Interest expense on tariff deficit: | | |
| - Portugal - Electricity (see note 31) | 17 | 56 |
| - Brazil - Electricity (see notes 21 and 31) | 3,939 | 425 |
| Other interest expense | 4,832 | 8,951 |
| Derivative financial instruments | 23,383 | 12,686 |
| Foreign exchange losses | 57,404 | 13,037 |
| CMEC | 2,600 | 3,356 |
| Unwinding of discounted liabilities | 32,412 | 31,856 |
| Unwinding of lease liabilities (rents due from lease contracts) (see note 32) | 8,963 | 10,018 |
| Net interest on the net pensions plan liability (see note 28) | 1,740 | 2,659 |
| Net interest on the medical liabilities and other benefits (see note 28) | 4,121 | 6,043 |
| Losses on the sale of the electricity tariff deficit - Portugal (see note 21) | 1,037 | |
| Other financial expenses | 7,805 | 7,815 |
| | 331,214 | 264,205 |
| **Financial income/(expenses)** | -205,817 | -185,659 |

Capitalised borrowing costs includes the interest capitalised in assets under construction according to Group accounting policy. Regarding the rate applicable to borrowing costs related with tangible/intangible assets under construction that is used in the determination of the amount of borrowing costs eligible for capitalisation (see notes 14 and 16), it varies depending on business unit, the country and currency, since EDP Group incorporates in its scope of consolidation a significant number of subsidiaries in several geographies with different currencies.

The Unwinding of discounted liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 2,190 thousand Euros (31 March 2019: 1,653 thousand Euros) (see note 29); (ii) the implied financial return in institutional partnerships of 22,257 thousand Euros (31 March 2019: 21,607 thousand Euros) (see note 30); and (iii) the financial expenses related to the discount of the liability associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe of 4,596 thousand Euros (31 March 2019: 5,681 thousand Euros).

The Derivative financial instruments caption includes income and expenses related with financial assets and liabilities measured and fair value through profit and loss, while the remaining captions of financial income and expenses are registered at amortised cost, based on the effective interest rate method.

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

| | Company | |
|---|---|---|
| Thousand Euros | Mar 2020 | Mar 2019 |
| **Financial income** | | |
| Interest income from loans to subsidiaries and related parties (see note 37) | 13,324 | 18,953 |
| Interest from derivative financial instruments | 38,636 | 42,497 |
| Derivative financial instruments | 77,872 | 39,422 |
| Income from equity investments | - | 70,800 |
| Gains on the sale of financial investments | 41 | - |
| Other financial income | 22,623 | 16,465 |
| | 152,496 | 188,137 |
| **Financial expenses** | | |
| Interest expense on financial debt | 48,660 | 59,265 |
| Bonds Buyback | 56,897 | - |
| Interest from derivative financial instruments | 40,363 | 42,406 |
| Derivative financial instruments | 161,508 | 49,639 |
| Unwinding of lease liabilities (rents due from lease contracts) | 1,371 | 1,408 |
| Other financial expenses | 6,885 | 5,223 |
| | 315,684 | 157,941 |
| **Financial income/(expenses)** | -163,188 | 30,196 |

The caption Other financial income includes 4,911 thousand Euros related to nominal interests from bonds issued by EDP Finance B.V., repurchased by EDP S.A. in 2016, 2017 and 2018 (see notes 22 and 37). The effective interest of these instruments amounts to 155 thousand Euros (includes the recognition of premium and transaction costs associated with the buyback transaction by the effective interest rate method).

In the first quarter of 2020, EDP concluded a "Tender Offer" over the issue “€750,000,000 Fixed to Reset Rate Subordinated Notes due 2075”, booking a cost related to the transaction of 56,897 thousand Euros.

The fluctuation on Financial Results on an individual basis is mainly explained by the Tender Offer above mentioned, dividends received in 2019 and negative fluctuation of cross currency interest rate swaps associated to US Dollar.

## 13. Income Tax

The following note includes an analysis on the reconciliation between the theoretical and the effective income tax rate applicable at an individual level and at the level of the EDP Group, on a consolidated basis. In general terms, this analysis aims to quantify the impact of the income tax, recognised in the income statement, which includes both current and deferred tax.

**Relevant events for EDP Group with impact in 2020**

EDP is monitoring, in the countries where it is present, tax measures designed to help mitigate the economic effects of the coronavirus outbreak.

The statutory corporate income tax rates applicable in the main countries in which EDP Group operates which were updated are as follows:

| | Mar 2020 | Mar 2019 |
|---|---|---|
| **Europe:** | | |
| Belgium | 25% | 30% |
| France | 28% - 32.02% | 28% - 34.43% |

**Corporate income tax provision**

Income tax expense is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Mar 2019 | Mar 2020 | Mar 2019 |
| Current tax | -210,847 | 58,908 | 20,095 | 8,316 |
| Deferred tax | 118,421 | -157,643 | -89 | -1,658 |
| | -92,426 | -98,735 | 20,006 | 6,658 |

**Reconciliation between the theoretical and the effective income tax expense**

The effective income tax rate is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Mar 2019 | Mar 2020 | Mar 2019 |
| Profit before tax and CESE | 391,172 | 363,885 | -96,059 | 54,346 |
| Income tax expense | -92,426 | -98,735 | 20,006 | 6,658 |
| Effective income tax rate | 23.6% | 27.1% | 20.8% | -12.3% |

The difference between the theoretical and the effective income tax expense results from the application of the law provisions in the determination of the taxable base, as demonstrated below.

The reconciliation between the theoretical and the effective income tax expense for the Group, in March 2020 and 2019, is as follows:

| Thousand Euros | Mar 2020 | Mar 2019 |
|---|---|---|
| **Profit before income tax and CESE** | 391,172 | 363,885 |
| Theoretical income tax rate * | 29.5% | 29.5% |
| **Theoretical income tax expense** | 115,396 | 107,346 |
| Tax losses and tax credits | 2,420 | 4,921 |
| Tax benefits | -5,802 | -7,095 |
| Differences between accounting and fiscal provisions/depreciations | -1,046 | 3,905 |
| Accounting/fiscal differences on the recognition/derecognition of assets | -868 | -30 |
| Taxable differences attributable to non-controlling interests | -3,713 | -3,007 |
| Other adjustments and changes in estimates | -13,961 | -7,305 |
| **Effective income tax expense as per the Consolidated Income Statement** | 92,426 | 98,735 |

* Average tax rate considering the different tax rates applicable to EDP Group companies in Portugal.

## 14. Property, Plant and Equipment

This caption is as follows:

| Thousand Euros | Land and natural resources | Buildings and other constructions | Plant and machinery | Other tangible assets | Assets under construction | Total |
|---|---|---|---|---|---|---|
| Gross Amount | 74,087 | 329,232 | 35,066,726 | 432,046 | 1,651,326 | 37,553,417 |
| Accumulated depreciation and impairment losses | - | 148,417 | 17,463,944 | 346,227 | 81,494 | 18,040,082 |
| **Carrying Amount** | 74,087 | 180,815 | 17,602,782 | 85,819 | 1,569,832 | 19,513,335 |
| | | | | | | |
| **Balance as at 31 December 2019** | 82,310 | 214,417 | 17,653,425 | 91,281 | 1,634,789 | 19,676,222 |
| Additions | 47 | - | 3,422 | 1,341 | 289,158 | 293,968 |
| Depreciation and impairment | - | -2,244 | -239,795 | -7,100 | - | -249,139 |
| Disposals/Write-offs | -56 | -52 | -1,418 | -230 | -160 | -1,916 |
| Transfers | - | 349 | 342,296 | 995 | -337,600 | 6,040 |
| Exchange Difference | -8,214 | -31,651 | -155,145 | -460 | -16,357 | -211,827 |
| Perimeter Variations | - | -4 | -3 | -8 | 2 | -13 |
| **Balance as at 31 March 2020** | 74,087 | 180,815 | 17,602,782 | 85,819 | 1,569,832 | 19,513,335 |

Gross amount of Assets under construction are as follows:

| Thousand Euros | Mar 2020 | Dec 2019 |
|---|---|---|
| Wind and solar farms in North America | 955,976 | 1,003,395 |
| Wind and solar farms in Europe | 399,295 | 345,360 |
| Hydric Portugal | 73,479 | 142,573 |
| Other assets under construction | 222,577 | 228,110 |
| | 1,651,327 | 1,719,438 |

The capitalised costs for Property, plant and equipment for the period, except Land and natural resources, are as follows:

| Thousand Euros | Mar 2020 |
|---|---|
| Subcontracts and other materials | 248,008 |
| Purchase price allocation | 24,010 |
| Dismantling and decommissioning costs (see note 29) | 1,757 |
| Personnel costs (see note 10) | 15,302 |
| Borrowing costs (see note 12) | 4,844 |
| | 293,921 |

Additions include the investment in wind and solar farms by the subgroups EDPR NA, EDPR EU and EDPR BR. In Portugal, the Group is carrying out hydroelectric investments in the construction of several power plants (Foz Tua, Caniçada and Ribeiradio-Ermida) and improvements and repairs in thermoelectric power plants (Lares, Ribatejo and Sines).

Transfers refer to wind and solar farms of EDP Renováveis that become operational in North America and Spain. Additionally, this caption includes the transfer to held for sale of Electricity generation assets (Hydro Brazil, Hydro Portugal and Offshore wind) by the net amount of 6,040 thousand Euros (cost in the amount of 10,814 thousand Euros and accumulated depreciation and impairment losses in the amount of 4,774 thousand Euros) (see note 34).

The movement in Exchange differences in the period results mainly from the net effect of the appreciation of US Dollar and the depreciation of Brazilian Real, against the Euro.

## 15. Right of use assets

This caption is as follows:

| Thousand Euros | Land and natural resources | Buildings and other constructions | Plant and machinery | Other tangible assets | Total |
|---|---|---|---|---|---|
| Gross amount | 693,164 | 216,679 | 3,994 | 8,032 | 921,869 |
| Accumulated depreciation and impairment losses | 32,909 | 29,106 | 1,219 | 3,876 | 67,110 |
| **Carrying Amount** | 660,255 | 187,573 | 2,775 | 4,156 | 854,759 |
| | | | | | |
| **Balance as at 31 December 2019** | 623,389 | 196,233 | 3,639 | 5,242 | 828,503 |
| Additions | 36,077 | 324 | 68 | 206 | 36,675 |
| Depreciation and impairment | -6,988 | -6,501 | -274 | -863 | -14,626 |
| Disposals/Write-offs | - | -174 | - | -5 | -179 |
| Transfers | - | 315 | - | 37 | 352 |
| Exchange Difference | 7,777 | -2,624 | -658 | -461 | 4,034 |
| **Balance as at 31 March 2020** | 660,255 | 187,573 | 2,775 | 4,156 | 854,759 |

Additions include, essentially, new lease contracts registered under IFRS16 in the EDPR NA and EDPR EU subgroup.

Transfers include the transfer to held for sale of Electricity generation assets (Hydro Brazil and Offshore wind).

## 16. Intangible Assets

This caption is as follows:

| Milhares de Euros | Concession rights | CO2 Licenses | Other intangibles | Intangible assets in progress | Total |
|---|---|---|---|---|---|
| Gross amount | 12,382,558 | 226,732 | 1,050,690 | 233,345 | 13,893,325 |
| Accumulated depreciation and impairment losses | 9,210,858 | - | 618,597 | - | 9,829,455 |
| **Carrying Amount** | 3,171,700 | 226,732 | 432,093 | 233,345 | 4,063,870 |
| | | | | | |
| **Balance as at 31 December 2019** | 3,337,501 | 224,992 | 442,326 | 219,004 | 4,223,823 |
| Additions | 9,375 | 1,740 | 4,708 | 25,077 | 40,900 |
| Depreciation and impairment | -87,714 | - | -15,845 | - | -103,559 |
| Disposals/Write-offs | -1,639 | - | - | -77 | -1,716 |
| Transfers | 17,877 | - | 4,497 | -7,859 | 14,515 |
| Exchange Difference | -104,054 | - | -3,355 | -2,817 | -110,226 |
| Perimeter Variations | 354 | - | -238 | 17 | 133 |
| **Balance as at 31 March 2020** | 3,171,700 | 226,732 | 432,093 | 233,345 | 4,063,870 |

Additions of Intangible assets in progress essentially include the implementation and development of information systems projects.

Transfers refer to the intangible assets assigned to concessions that became operational, in the amount of 15,019 thousand Euros (see note 21). Additionally, this caption includes the transfer to held for sale of Electricity generation assets (Hydro Brazil, Hydro Portugal and Offshore wind).

The capitalised costs of the period related to construction of intangible assets are included in own work capitalised in notes 7, 10 and 12.

## 17. Goodwill

Goodwill for the Group, resulting from the difference between the acquisition price and the fair value of the net assets acquired, at the acquisition date, is organized by corporate structure, and is as follows:

| Thousand Euros | Balance at 1 January | Increases | Decreases | Impairment | Exchange differences | Balance at 31 March |
|---|---|---|---|---|---|---|
| EDP España Group | 884,574 | - | - | - | - | 884,574 |
| EDP Renováveis Group | 1,198,498 | - | - | - | 16,899 | 1,215,397 |
| EDP Brasil Group | 29,903 | - | - | - | -984 | 28,919 |
| Other | 6,887 | - | - | - | - | 6,887 |
| | 2,119,862 | - | - | - | 15,915 | 2,135,777 |

## 18. Investments in Joint Ventures and Associates

This caption is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 |
| Investments in joint ventures | 875,360 | 936,496 |
| Investments in associates | 112,691 | 162,016 |
| | 988,051 | 1,098,512 |

As at 31 March 2020, for the Group, this caption includes goodwill in investments in joint ventures of 42,253 thousand Euros (31 December 2019: 42,226 thousand Euros) and goodwill in investments in associates of 20,070 thousand Euros (31 December 2019: 20,045 thousand Euros).

The movement in Investments in joint ventures and associates, for the Group, is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 |
| **Balance at the beginning of the period** | 1,098,512 | 951,613 |
| Acquisitions/Entries | - | 6,982 |
| Increases/Decreases of share capital | 25,555 | 260,298 |
| Share of profit in joint ventures and associates | -1,297 | 25,011 |
| Dividends | -3,107 | -45,771 |
| Exchange differences | -78,869 | 107 |
| Cash flow hedging reserve | -1,721 | -10,334 |
| Transfer to Assets held for sale (see note 34) | -24,405 | -90,270 |
| Other | -26,617 | 876 |
| **Balance at the end of the period** | 988,051 | 1,098,512 |

## 19. Equity Instruments at Fair Value

As at 31 March 2020, the movements in Equity Instruments at Fair Value through OCI are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 |
| Equity Instruments at Fair Value through OCI | 96,240 | 102,814 |
| Equity Instruments at Fair Value through PL | 67,912 | 67,992 |
| | 164,152 | 170,806 |

As at 31 March 2020, this caption is analysed as follows:

| | Other Comprehensive Income | | Results | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Zephyr Fund (Energia RE portfolio) | Other | EDA - Electricidade dos Açores, S.A. | Feedzai - Consultadoria e Inovação Tecnológica, S.A. | Other | Total |
| **Balance as at 31 December 2019** | 80,079 | 22,735 | 14,416 | 46,814 | 6,762 | 170,806 |
| Acquisitions | - | 662 | - | - | - | 662 |
| Disposals | - | -170 | - | - | - | -170 |
| Change in fair value | -6,488 | -623 | - | - | - | -7,111 |
| Other variations | - | 45 | - | - | -80 | -35 |
| **Balance as at 31 March 2020** | 73,591 | 22,649 | 14,416 | 46,814 | 6,682 | 164,152 |

Under IFRS 13 (see note 38), equity instruments at fair value are classified into three levels of fair value: level 1 includes essentially financial investments that are indexed to quoted market prices; level 2 includes the fund of stocks and bonds held by Energia RE; and level 3 covers all other equity instruments at fair value. As at 31 March 2020, there are no equity instruments at fair value within level 1.

## 20. Deferred Tax Assets and Liabilities

EDP Group records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis. As at a 31 March 2020, on a consolidated basis, the movement by nature of Net Deferred Tax Assets and Liabilities are as follows:

| Net Deferred Tax Assets | | | | | |
|---|---|---|---|---|---|
| Thousand Euros | Balance at 01.01.2020 | Mov. Results | Mov. Reserves | Perimeter variations, exchange differences and others | Balance at 31.03.2020 |
| Tax losses and tax credits | 1,067,738 | -27,655 | - | 20,931 | 1,061,014 |
| Provisions for social benefits, bad debts and other risks | 666,766 | -6,674 | 28,096 | -30,454 | 657,734 |
| Financial instruments | 84,851 | -26,863 | 55,530 | -479 | 113,039 |
| Property plant and equipment | 278,901 | -388 | - | -151 | 278,362 |
| Financial and equity instruments at fair value | 248 | - | 131 | -6 | 373 |
| Tariff adjustments and tariff deficit | 14,448 | 188,376 | - | - | 202,824 |
| Allocation of fair value to assets and liabilities acquired | 13,248 | -2,192 | - | -45 | 11,011 |
| Fiscal revaluations | 392,872 | -12,472 | - | 623 | 381,023 |
| Use of public property | 24,437 | 125 | - | -5,095 | 19,467 |
| Other temporary differences | 86,815 | 2,580 | 1,035 | 660 | 91,090 |
| Assets/liabilities compensation of deferred taxes | -1,546,278 | -4,058 | -1,035 | -47,935 | -1,599,306 |
| | 1,084,046 | 110,779 | 83,757 | -61,951 | 1,216,631 |

| Net Deferred Tax Liabilities | | | | | |
|---|---|---|---|---|---|
| Thousand Euros | Balance at 01.01.2020 | Mov. Results | Mov. Reserves | Perimeter variations, exchange differences and others | Balance at 31.03.2020 |
| Provisions for social benefits, bad debts and other risks | 16,375 | 229 | -1,618 | - | 14,986 |
| Financial instruments | 122,266 | -17,706 | 89,345 | -4,454 | 189,451 |
| Property plant and equipment | 404,458 | -15,931 | - | 5,516 | 394,043 |
| Reinvested gains | 3,192 | - | - | - | 3,192 |
| Financial and equity instruments at fair value | 10,551 | -393 | - | - | 10,158 |
| Tariff adjustments and tariff deficit | 109,158 | 27,801 | - | - | 136,959 |
| Allocation of fair value to assets and liabilities acquired | 663,855 | 8,741 | - | -30,133 | 642,463 |
| Fiscal revaluations | 61,552 | -1,020 | - | 61 | 60,593 |
| Deferred income relating to CMEC | 177,611 | -9,166 | - | - | 168,445 |
| Gains from institutional partnerships in wind farms | 349,644 | 1,434 | 4 | 8,821 | 359,903 |
| Use of public property | 6,958 | -97 | - | -1,433 | 5,428 |
| Fair value of financial assets | 56,977 | 1,508 | - | -12,048 | 46,437 |
| Other temporary differences | 67,427 | 1,016 | - | -6,525 | 61,918 |
| Assets/liabilities compensation of deferred taxes | -1,546,278 | -4,058 | -1,035 | -47,935 | -1,599,306 |
| | 503,747 | -7,642 | 86,696 | -88,130 | 494,670 |

On a Company basis, EDP, S.A. records the tax effect arising from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis. As at a 31 March 2020, on a Company basis, the movement by nature of Net Deferred Tax Assets and Liabilities are as follows:

| Net Deferred Tax Assets | | | | | |
|---|---|---|---|---|---|
| Thousand Euros | Balance at 01.01.2020 | Mov. Results | Mov. Reserves | Perimeter variations, exchange differences and others | Balance at 31.03.2020 |
| Tax losses and tax credits | 116,483 | - | - | - | 116,483 |
| Provisions for social benefits, bad debts and other risks | 6,065 | 242 | - | - | 6,307 |
| Financial instruments | 48,337 | - | 25,759 | - | 74,096 |
| Property plant and equipment | 4,330 | -11 | - | - | 4,319 |
| Other temporary differences | 3,086 | -322 | - | 323 | 3,087 |
| Assets/liabilities compensation of deferred taxes | -35,394 | -11,507 | - | - | -46,901 |
| | 142,907 | -11,598 | 25,759 | 323 | 157,391 |

| Net Deferred Tax Liabilities | | | | | |
|---|---|---|---|---|---|
| Thousand Euros | Balance at 01.01.2020 | Mov. Results | Mov. Reserves | Perimeter variations, exchange differences and others | Balance at 31.03.2020 |
| Financial instruments | 27,642 | - | 11,509 | - | 39,151 |
| Allocation of fair value to assets and liabilities acquired | 3,546 | - | - | - | 3,546 |
| Fiscal revaluations | 192 | -2 | - | - | 190 |
| Other temporary differences | 4,014 | - | - | - | 4,014 |
| Assets/liabilities compensation of deferred taxes | -35,394 | -11,507 | - | - | -46,901 |
| | - | -11,509 | 11,509 | - | - |

## 21. Debtors and Other Assets from Commercial Activities

At Group level, Debtors and other assets from commercial activities are as follows:

| | Non-Current | | Current | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 | Mar 2020 | Dec 2019 |
| **Assets measured at amortised cost:** | | | | |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 300,630 | 254,482 | 124,952 | 82,166 |
| Amounts receivable from tariff adjustments - Electricity - Brazil | 13,773 | 29,105 | 43,409 | 50,486 |
| Debtors for other goods and services | - | - | 38,954 | 32,201 |
| Amounts receivable relating to CMEC | 561,225 | 579,160 | 201,093 | 197,905 |
| Amounts receivable from concessions - IFRIC 12 | 976,149 | 954,132 | 65,054 | 57,916 |
| Other assets measured at amortised cost | 43,992 | 44,935 | 116,010 | 155,600 |
| Impairment losses on other assets measured at amortised cost | -2,894 | -2,895 | -2,645 | -2,694 |
| | 1,892,875 | 1,858,919 | 586,827 | 573,580 |
| **Trade receivables at amortised cost:** | | | | |
| Trade receivables | 41,762 | 49,305 | 1,334,111 | 1,480,280 |
| Impairment losses on trade receivables | -14,664 | -16,285 | -284,382 | -302,687 |
| | 27,098 | 33,020 | 1,049,729 | 1,177,593 |
| **Assets measured at fair value through other comprehensive income:** | | | | |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 5,565 | 6,292 | 2,876 | 2,865 |
| **Assets measured at fair value through profit or loss:** | | | | |
| Amounts receivable from concessions - IFRIC 12 | 542,498 | 664,489 | - | - |
| **Contract assets:** | | | | |
| Contract assets receivable from energy sales contracts | 1,093 | 1,355 | 987,771 | 1,051,994 |
| Incremental costs of obtaining contracts with customers | 72,968 | 63,752 | - | - |
| Contract assets receivable from concessions - IFRIC 12 | 649,311 | 743,111 | - | |
| | 723,372 | 808,218 | 987,771 | 1,051,994 |
| **Other assets:** | | | | |
| Other assets out of scope of IFRS 9 | 54,612 | 53,282 | 70,023 | 52,128 |
| | 3,246,020 | 3,424,220 | 2,697,226 | 2,858,160 |

At Company level, Debtors and other assets from commercial activities are as follows:

| | Current | |
|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 |
| **Assets measured at amortised cost:** | | |
| Debtors for other goods and services | 22,102 | 26,509 |
| Other assets measured at amortised cost | 46,094 | 62,754 |
| | 68,196 | 89,263 |
| **Trade receivables at amortised cost:** | | |
| Trade receivables | 182,712 | 237,424 |
| Impairment losses on trade receivables | -215 | -215 |
| | 182,497 | 237,209 |
| **Contract assets:** | | |
| Contract assets receivable from energy sales contracts | 179,591 | 252,885 |
| **Other assets:** | | |
| Other assets out of scope of IFRS 9 | 17,767 | 4,471 |
| | 448,051 | 583,828 |

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

| Thousand Euros | Non-Current | Current |
|---|---|---|
| **Balance as at 31 December 2019** | 260,774 | 85,031 |
| Receipts through the electricity tariff | - | -22,119 |
| Sale of 2020 overcosts for the special regime generators | - | -821,221 |
| Tariff adjustment of the period (see note 7) | 109,453 | 236,171 |
| Interest income (see note 12) | - | 505 |
| Prepayment of tariff deficit (see note 31) | - | 585,429 |
| Transfer from Non-Current to Current | -64,032 | 64,032 |
| **Balance as at 31 March 2020** | 306,195 | 127,828 |

During the first quarter of 2020, EDP Serviço Universal, S.A. sold the 2020 tariff deficit in the amount of 821,221 thousand Euros. This tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2020 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2018 and 2019). In this sale transaction of assets, EDP Serviço Universal, S.A. gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 825 million Euros and generated a loss net of transaction costs of 1,037 thousand Euros (see note 12).

As at 31 March 2020, the caption Assets measured at fair value through other comprehensive income includes the amount of the tariff deficit classified and measured at fair value through other comprehensive income. According to IFRS 13, the tariff deficit fair value is classified as level 2 (see note 38).

The following table provides details for the caption Amounts receivable from tariff adjustments - Electricity - Portugal, by nature and year of establishment, as well as presents the amounts of tariff deficit that have been sold during the period ended 31 March 2020:

| Thousand Euros | Deficit | Tariff adj. | Sales | Total |
|---|---|---|---|---|
| **Year:** | | | | |
| 2016 | 5,768 | 1,449 | - | 7,217 |
| 2018 | 6,825 | -34,563 | - | -27,738 |
| 2019 | 1,616 | 343,521 | - | 345,137 |
| 2020 | 821,221 | 109,406 | -821,221 | 109,406 |
| | 835,430 | 419,814 | -821,221 | 434,023 |

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments recognised in EDP São Paulo - Distribuição de Energia S.A. and EDP Espírito Santo - Distribuição de Energia S.A. in the accumulated amount, as at 31 March 2020, of 20,020 thousand Euros (31 December 2019: 33,190 thousand Euros) and 37,162 thousand Euros (31 December 2019: 46,401 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 7,993 thousand Euros (see note 7), transfer from tariff adjustment payable of 7,844 thousand Euros (see note 31), amounts received through the electricity tariff of 24,692 thousand Euros, unwinding in the amount of 2,041 thousand Euros (see note 12) and the exchange differences due to depreciation of Brazilian Real against Euro with a negative impact of 15,595 thousand Euros.

The caption Amounts receivable relating to CMEC amounts to 762,318 thousand Euros, and includes 561,225 thousand Euros as non-current and 201,093 thousand Euros as current. The amount receivable relating to CMEC includes 382,534 thousand Euros as non-current and 44,203 thousand Euros as current, which correspond to the initial CMEC granted to EDP Produção (833,467 thousand Euros), deducted from the annuities for the years 2007 to 2017, and 178,691 thousand Euros as non-current and 55,638 thousand Euros as current, relating with the final adjustment recognised in accordance with the result achieved by the EDP/REN working group. The remaining 101,252 thousand Euros as current correspond to the amounts receivable through the revisibility calculation from 2014 to 2017. The revisibility calculation for 2015 to 2017 is still waiting the official approval.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 1,583,701 thousand Euros (31 December 2019: 1,676,537 thousand Euros) relates to the financial asset to be received by the EDP Group regarding the electricity distribution concessions in Portugal and Brazil, resulting from the application of the mixed model, and the asset related to electricity transmission concessions in Brazil. The variation of the period includes: (i) the effect of the depreciation of Brazilian Real against Euro in the amount of 153,601 thousand Euros; (ii) transfers from Contract assets receivable from concessions in the amount of 53,136 thousand Euros; and (iii) the re-measurement of IFRIC 12 indemnity amount in Brazil concessions of 4,435 thousand Euros.

Contract assets receivable from energy sales contracts - Current include contract assets relating to energy delivered and not yet invoiced, amounts receivable from REN regarding the CMEC Revisibility of 2016 and 2017 which are awaiting approval, and accruals from UNGE's energy management business. The impairment losses on Trade receivables includes impairment losses related to Contract assets receivable from energy sales contracts.

The caption Contract assets receivable from concessions - IFRIC 12 refers to the investment in assets under construction assigned to concessions, with the biggest increase, during the first quarter of 2020, in Brazil.The variation of the period includes (i) the effect of the depreciation of Brazilian Real against Euro in the amount of 144,203 thousand Euros; (ii) the investment of the period in the amount of 100,597 thousand Euros and (iii) the transfer of assets assigned to concessions which began operation to intangible assets, in the amount of 15,019 thousand Euros (see note 16), and to Amounts receivable from concessions - IFRIC 12, in the amount of 53,136 thousand Euros.

## 22. Other Debtors and Other Assets

Other debtors and other assets are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 | Mar 2020 | Dec 2019 * |
| **Debtors and other assets - Non-Current** | | | | |
| **Assets measured at amortised cost:** | | | | |
| Loans to subsidiaries | - | - | 3,047,434 | 3,016,108 |
| Loans to related parties | 8,056 | 9,070 | 90 | 90 |
| Guarantees rendered to third parties | 94,589 | 107,744 | - | - |
| Other financial assets at amortised cost (i) | 40,488 | 46,382 | 18 | 46,900 |
| **Assets measured at fair value through profit or loss:** | | | | |
| Derivative financial instruments (see note 35) | 360,006 | 201,349 | 430,715 | 225,947 |
| Contingent price | 141,853 | 155,353 | - | - |
| **Other assets:** | | | | |
| Excess of the pension fund financing (see note 28) | 55,506 | 55,506 | 104 | 104 |
| Other debtors and sundry operations | 361,214 | 357,174 | - | - |
| | 1,061,712 | 932,578 | 3,478,361 | 3,289,149 |
| **Debtors and other assets - Current** | | | | |
| **Assets measured at amortised cost:** | | | | |
| Loans to subsidiaries | - | - | 304,301 | 297,616 |
| Dividends attributed by subsidiaries | - | - | - | 85,000 |
| Loans to related parties | 13,969 | 13,257 | - | - |
| Receivables from the State and concessors | 23,939 | 27,955 | - | - |
| Guarantees rendered to third parties | 47,458 | 70,809 | 42,087 | 43,980 |
| Subsidiary companies | - | - | 298,153 | 69,318 |
| Other financial assets at amortised cost (i) | 23,234 | 23,025 | 419,740 | 526,428 |
| **Assets measured at fair value through profit or loss:** | | | | |
| Derivative financial instruments (see note 35) | 462,771 | 363,943 | 753,169 | 439,143 |
| Other financial investments measured at fair value | 41,792 | 29,938 | - | - |
| Contingent price | 107,605 | 129,161 | - | - |
| **Other assets:** | | | | |
| Other debtors and sundry operations | 128,525 | 223,691 | 89,654 | 89,655 |
| | 849,293 | 881,779 | 1,907,104 | 1,551,140 |
| | 1,911,005 | 1,814,357 | 5,385,465 | 4,840,289 |

* Includes reclassification resulting from the change of the accounting policy as described in note 2a)

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 1,372,080 thousand Euros (31 December 2019: 1,369,908 thousand Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 1,507,097 thousand Euros (31 December 2019: 1,503,715 thousand Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 37).

For the Loans to subsidiaries, EDP, S.A. performs an analysis to evaluate impairment based on the general approach. The company uses several inputs on making its assessment of the credit risk related to these assets, such as the analysis of the historical possible delays and/or impairment losses indications, rating companies (when applicable) and market and macroeconomic data that may change the probability of default and the expectation of delays in the receivable amounts. According to the analysis performed, as per 31 March 2020 there are no expected credit losses accounted for related to loans with subsidiaries.

### (i) Other financial assets at amortised cost

On a consolidated basis, this caption mainly includes securities issued by Tagus - Sociedade de Titularização de Crédito, SA, in the context of the transmission of the right to receive tariff adjustments (deviations and deficits) from the National Electric System for credit securitisation companies, acquired by EDP Serviço Universal, S.A. The detail of the balances arising from these operations is as follows:

| Thousand Euros | Issue date | Class R Notes | Liquidity Notes | Senior Notes | Total Mar 2019 |
|---|---|---|---|---|---|
| Overcost from special regime production 2016 | Ago 2016 | 462 | 693 | | 1,155 |
| Overcost from special regime production 2017 | Dez 2017 | 613 | 546 | 14,356 | 15,515 |
| Overcost from special regime production 2018 | Jun 2018 | 462 | 1,132 | 23,801 | 25,395 |
| Overcost from special regime production 2019 | Jun 2019 | 606 | 640 | 20,390 | 21,636 |
| | | 2,143 | 3,011 | 58,547 | 63,701 |

On a company basis, this caption includes the bonds issued by EDP Finance B.V. reacquired on market by EDP, S.A.

During 2020 EDP Finance B.V. repaid, at maturity, in the first quarter 750 million Dollars of securities issued, of which EDP, S.A. had already reacquired 167,076 thousand Dollars.

The detail of these bonds is as follows:

| Issuer | Maturity date | Currency | Interest rate | Nominal value in Currency '000 | Acquired in Currency '000 | Fair Value '000 |
|---|---|---|---|---|---|---|
| EDP Finance B.V. | 29 Jun 2020 | EUR | 4.13% | 300,000 | 66,628 | 69,196 |
| EDP Finance B.V. | 14 Sep 2020 | EUR | 4.88% | 750,000 | 287,778 | 300,247 |
| EDP Finance B.V. | 20 Jan 2021 | EUR | 4.13% | 600,000 | 46,783 | 48,239 |
| | | | | | 401,189 | 417,682 |

The caption Other debtors and sundry operations - Non Current includes the financial consideration paid in advance for the exploitation of the hydro power plants of Fridão and other amounts invested in such hydro power plant (see note 4).

The variation of the caption Other debtors and sundry operations - Current is mainly due to the receipt in the first quarter of the amount of 121,596 thousand Euros related to the sale of Babilônia Holding, S.A. and its subsidiaries.

## 23. Tax Assets

Current tax assets are as follows:

| Thousand Euros | Group Mar 2020 | Group Dec 2019 | Company Mar 2020 | Company Dec 2019 |
|---|---|---|---|---|
| **Non-Current:** | | | | |
| Special taxes Brazil | 290,323 | 389,037 | - | - |
| **Current:** | | | | |
| Income tax | 192,343 | 186,869 | 95,221 | 108,799 |
| Value added tax (VAT) | 70,316 | 87,431 | - | - |
| Special taxes Brazil | 103,425 | 132,792 | - | - |
| Other taxes | 7,832 | 8,643 | 727 | 877 |
| | 373,916 | 415,735 | 95,948 | 109,676 |
| | 664,239 | 804,772 | 95,948 | 109,676 |

The movement in the period in current and non-current taxes in Brazil is mainly due to exchange rate differences resulting from the depreciation of Brazilian Real against the Euro in 2020.

## 24. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 | Mar 2020 | Dec 2019* |
| **Cash** | 1,365 | 298 | 46 | 41 |
| | | | | |
| **Bank deposits** | | | | |
| Current deposits | 712,397 | 953,829 | 133,731 | 167,288 |
| Term deposits | 745,503 | 545,480 | 250,000 | - |
| Specific demand deposits in relation to institutional partnerships | - | 60,977 | - | - |
| | 1,457,900 | 1,560,286 | 383,731 | 167,288 |
| **Operations pending cash settlement** | | | | |
| Current deposits | - | - | 150,000 | 258,000 |
| | | | | |
| **Other operations** | | | | |
| Group Financial System (see note 37) | - | - | 637,589 | 612,064 |
| | 1,459,265 | 1,560,584 | 1,171,366 | 1,037,393 |
| | | | | |
| **Held for sale operations:** | | | | |
| Cash and cash equivalents reclassified as held for sale (see note 34) | -14,640 | -17,862 | - | - |
| | 1,444,625 | 1,542,722 | 1,171,366 | 1,037,393 |

* Includes the reclassification arising from the change in accounting policy as described in note 2a).

Specific demand deposits in relation to institutional partnerships corresponds to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 30), under the Group accounting policy.

As at 31 March 2020, on a company basis, the caption Operations pending cash settlement represents commercial paper issued by EDP, S.A., which is booked as financial debt at the issuance trade date, under the Group accounting policy. This caption of 150,000 thousand Euros (31 December 2019: 258,000 thousand Euros) refers to commercial paper issued on 31 March 2020, acquired by EDP Finance B.V., which settlement date occurred on 2 April 2020.

## 25. Reserves and retained earnings

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 | Mar 2020 | Dec 2019 |
| Legal reserve | 739,024 | 739,024 | 739,024 | 739,024 |
| Fair value reserve (cash flow hedge) | 144,637 | 58,716 | -155,242 | -91,909 |
| Tax effect of fair value reserve (cash flow hedge) | -41,489 | -18,175 | 34,890 | 20,640 |
| Fair value reserve of assets measured at fair value through other comprehensive income | 11,344 | 18,455 | - | - |
| Tax effect of the fair value reserve of assets measured at fair value through other comprehensive income | -1,504 | -3,253 | - | - |
| Currency translation reserve - Exchange differences arising on consolidation | -139,430 | 62,094 | - | - |
| Currency translation reserve - Net investment hedge | -660,711 | -594,947 | - | - |
| Currency translation reserve - Net investment hedge - Cost of hedging | -85,083 | -21,194 | - | - |
| Treasury stock reserve (EDP, S.A.) | 55,124 | 55,124 | 55,124 | 55,124 |
| Other reserves and retained earnings | 4,390,890 | 3,951,351 | 2,617,281 | 1,896,365 |
| | 4,412,802 | 4,247,195 | 3,291,077 | 2,619,244 |

*Fair value reserve (cash flow hedge)*

The changes in this consolidated caption for the period are as follows:

| Thousand Euros | Group FV reserve |
|---|---|
| **Balance as at 31 December 2019** | 18,455 |
| Changes in fair value - Zephyr Fund (Energia RE portfolio) (see note 19) | -6,488 |
| Changes in fair value - Other (see note 19) | -623 |
| **Balance as at 31 March 2020** | 11,344 |

*Currency translation reserve - Exchange differences arising on consolidation*

Exchange differences arising on consolidation corresponds to the amounts resulting from changes in the value of net assets of subsidiaries, joint ventures and associated companies resulting from changes in exchange rates. The exchange rates used in the preparation of the financial statements are as follows:

| | | Exchange Rate in Mar 2020 | | Exchange Rate in Dec 2019 | | Exchange Rate in Mar 2019 | |
|---|---|---|---|---|---|---|---|
| Currency | | Close | Average | Close | Average | Close | Average |
| US Dollar | USD | 1.096 | 1.103 | 1.123 | 1.120 | 1.124 | 1.136 |
| Brazilian Real | BRL | 5.700 | 4.911 | 4.516 | 4.414 | 4.387 | 4.280 |
| Macao Pataca | MOP | 8.749 | 8.828 | 9.010 | 9.035 | 9.084 | 9.180 |
| Canadian Dollar | CAD | 1.562 | 1.482 | 1.460 | 1.486 | 1.500 | 1.511 |
| Polish Zloty | PLN | 4.552 | 4.325 | 4.257 | 4.298 | 4.301 | 4.302 |
| Romanian Leu | RON | 4.825 | 4.797 | 4.783 | 4.745 | 4.761 | 4.735 |
| Pound Sterling | GBP | 0.886 | 0.862 | 0.851 | 0.878 | 0.858 | 0.873 |
| South African Rand | ZAR | 19.610 | 16.930 | 15.777 | 16.177 | 16.264 | 15.929 |
| Mexican Peso | MXN | 25.712 | 22.056 | 21.220 | 21.560 | 21.691 | 21.816 |
| Colombian peso | COP | 4,453.406 | 3,900.351 | 3,685.713 | 3,673.675 | 3,585.021 | 3,565.105 |
| Chinese Yuan | CNY | 7.778 | 7.698 | 7.821 | 7.736 | 7.540 | 7.667 |
| Corean Won | WON | 1,341.030 | 1,315.974 | 1,296.280 | 1,305.210 | n.a. | n.a |
| Japanese Yen | JPY | 118.900 | 120.126 | 121.940 | 122.021 | n.a | n.a |

*Currency translation reserve - Net investment hedge and Cost of hedging*

The changes in these captions, net of income tax, for the period are as follows:

| Thousand Euros | Net investment hedge | Cost of hedging |
|---|---|---|
| **Balance as at 31 December 2019** | -594,947 | -21,194 |
| Changes in fair value | -65,764 | -63,889 |
| **Balance as at 31 March 2020** | -660,711 | -85,083 |

The caption Net investment hedge corresponds to the amounts resulting from the application of hedge accounting to investments in subsidiaries in foreign currencies, mainly in the subsidiary EDPR North America, through financial derivative instruments (see note 35) and debt in foreign currency. The caption Cost of hedging corresponds to the amounts determined in accordance with accounting policies.

## 26. Non-Controlling Interests

This caption is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 |
| Non-controlling interests in income statement | 90,136 | 387,576 |
| Non-controlling interests in equity and reserves | 3,473,558 | 3,386,250 |
| | 3,563,694 | 3,773,826 |

The movement by subgroup of the non-controlling interests item is analyzed as follows:

| Thousand Euros | EDP Renováveis | EDP Brasil Group | Other | Total |
|---|---|---|---|---|
| **Balance as at 31 December 2019** | 2,547,411 | 1,266,635 | -40,220 | 3,773,826 |
| Results | 59,864 | 32,075 | -1,803 | 90,136 |
| Dividends | - | -814 | - | -814 |
| Currency Exchange differences | -10,099 | -258,883 | - | -268,982 |
| Captial Increses/Decreases | -20,050 | - | - | -20,050 |
| Perimeter variations and Others | 4,792 | -15,215 | 1 | -10,422 |
| **Balance as at 31 March 2020** | 2,581,918 | 1,023,798 | -42,022 | 3,563,694 |

## 27. Financial Debt

This caption is as follows:

| Thousand Euros | Group Mar 2020 | Group Dec 2019 | Company Mar 2020 | Company Dec 2019 |
|---|---|---|---|---|
| **Debt and borrowings - Non-current** | | | | |
| Bank loans: | | | | |
| - EDP Finance B.V. | 597,607 | 439,261 | - | - |
| - EDP Brasil Group | 225,491 | 285,520 | - | - |
| - EDP Renováveis Group | 661,918 | 688,708 | - | - |
| | 1,485,016 | 1,413,489 | - | - |
| Non-convertible bond loans: | | | | |
| - EDP, S.A | - | - | 7,400,000 | 7,400,000 |
| - EDP Finance B.V. | 7,981,813 | 9,190,998 | - | - |
| - EDP Brasil Group | 798,988 | 1,060,453 | - | - |
| | 8,780,801 | 10,251,451 | 7,400,000 | 7,400,000 |
| Hybrid bonds: | | | | |
| - EDP, S.A. | 1,737,810 | 994,071 | 1,737,810 | 994,071 |
| | 1,737,810 | 994,071 | 1,737,810 | 994,071 |
| Commercial paper: | | | | |
| - EDP, S.A. | 328,186 | 100,000 | 328,186 | 100,000 |
| - EDP Finance B.V. | - | 222,539 | - | - |
| - EDP Brasil Group | 52,631 | 66,435 | - | - |
| | 380,817 | 388,974 | 328,186 | 100,000 |
| Other loans | 10,784 | 13,557 | - | - |
| | 12,395,228 | 13,061,542 | 9,465,996 | 8,494,071 |
| Accrued interest | 10,280 | 8,528 | - | - |
| Other liabilities: | | | | |
| - Fair value of the issued debt hedged risk | 60,124 | 54,545 | - | - |
| **Total Debt and Borrowings** | 12,465,632 | 13,124,615 | 9,465,996 | 8,494,071 |
| **Collateral Deposits - Non-current *** | -20,113 | -21,690 | - | - |
| | 12,445,519 | 13,102,925 | 9,465,996 | 8,494,071 |
| **Debt and borrowings - Current** | | | | |
| Bank loans: | | | | |
| - EDP Brasil Group | 137,383 | 125,956 | - | - |
| - EDP Renováveis Group | 81,574 | 79,825 | - | - |
| - Other | - | 17 | - | - |
| | 218,957 | 205,798 | - | - |
| Non-convertible bond loans: | | | | |
| - EDP, S.A. | - | - | 850,000 | 850,000 |
| - EDP Finance B.V. | 1,930,062 | 1,213,181 | - | - |
| - EDP Brasil Group | 222,418 | 282,301 | - | - |
| | 2,152,480 | 1,495,482 | 850,000 | 850,000 |
| Commercial paper: | | | | |
| - EDP, S.A | 100,000 | 100,000 | 1,607,000 | 2,582,000 |
| - EDP Finance B.V. | 190,000 | 618,750 | - | - |
| - EDP Brasil Group | - | - | - | - |
| | 290,000 | 718,750 | 1,607,000 | 2,582,000 |
| Other loans | | | | |
| Group Financial System (see note 37) | - | - | 1,382,983 | 711,836 |
| - Other | 858 | 1,198 | - | - |
| | 858 | 1,198 | 1,382,983 | 711,836 |
| Accrued interest | 164,653 | 279,568 | 112,429 | 96,964 |
| Other liabilities: | | | | |
| - Fair value of the issued debt hedged risk | 4,551 | 6,800 | - | - |
| **Total Debt and Borrowings** | 2,831,499 | 3,446,854 | 3,952,412 | 4,980,058 |
| **Collateral Deposits - Current *** | -32,768 | -39,786 | - | - |
| | 2,798,731 | 3,407,068 | 3,952,412 | 4,980,058 |

* Deposits constituted as collateral for financial guarantee;
** Includes the reclassification arising from the change in accounting policy as described in note 2a).

Non-current Commercial Paper refers to a Commercial Paper program with firm underwriting commitment for a period of over one year, in the amount of 100,000 thousand Euros, 250,000 thousand US Dollars and 300,000 thousand Brazilian Reais.

Main events of the period:

On 21 January 2020, EDP concluded a "Tender Offer" over the issue "€750,000,000 Fixed to Reset Rate Subordinated Notes due 2075". As a result of the offer, EDP S.A. acquired 681 million Euros of that issuance, and on March 2020 proceeded with the early redemption for the remaining nominal amount of that issuance, which totaled 69 million Euros (see note 12).

The nominal value of outstanding Bond loans placed with external counterparties issued during 2020, as at 31 March 2020, is as follows:

| Issuer | Issue date | Interest rate | Type of hedge | Conditions / Redemption | Nominal Value in Million Currency | Thousand Euros | |
|---|---|---|---|---|---|---|---|
| | | | | | | Group | Company |
| **Hybrids by EDP S.A.** | | | | | | | |
| EDP, S.A. (i) | Jan-20 | Fixed Rate EUR 1,7% (ii) | n.a. | Jul-80 | 750 EUR | 750,000 | 750,000 |
| | | | | | | 750,000 | 750,000 |

(i) There is a call option exercisable at par by EDP at April 2025 and July 2025 and subsequently, on each interest payment date.
(ii) Fixed rate in the first 5,5 years, subsequently updated every 5 years.

Some of the loans contracted by the EDP Group, mainly debt issued under the EMTN, include some usual clauses in this type of operations, namely, "change-of-control", "negative pledge", "pari-passu" and "cross-default" clauses, each one only applicable under a restricted set of circumstances.

The Group has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 March 2020, these loans amounted to 737,338 thousand Euros (31 December 2019: 771,854 thousand Euros).

EDP Group has several credit facilities it uses for liquidity management. EDP Group has short-term credit facilities of 256 million Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, all with a firm underwriting commitment, which as at 31 March 2020 were totally available. EDP Group also has a Commercial Paper program of 50 million Euros with guaranteed placement, which as at 31 March 2020 was totally available. Regarding medium-term credit facilities with a firm underwriting commitment, EDP Group has three Revolving Credit Facilities, namely (i) 75 million Euros, maturing in 2021 and totally available as at 31 March 2020; (ii) 3,300 million Euros, of which 3,295 million Euros mature in 2024 while the remaining amount matures in 2023, and totally available as at 31 March 2020; and (iii) 2,240 million Euros, of which 2,095 million Euros mature in 2025 while the remaining amount matures in 2023, which as at 31 March 2020 is available in 1,632 million Euros.

In accordance with the Group's accounting policies, the financial liabilities whose risks are being hedged by derivative financial instruments and that comply with hedge accounting requirements of IFRS 9, are accounted at fair value. The financial liabilities are booked at amortised cost.

## 28. Employee Benefits

Employee benefits are as follows:

| Thousand Euros | No-Current | | Current | |
|---|---|---|---|---|
| | Mar 2020 | Dec 2019 | Mar 2020 | Dec 2019 |
| Provisions for pension liabilities | 533,340 | 499,948 | 130,426 | 130,842 |
| Provisions for medical liabilities and other benefits | 618,389 | 628,207 | 50,774 | 52,672 |
| | 1,151,729 | 1,128,155 | 181,200 | 183,514 |

The movement in Provisions for employee benefits liabilities for EDP Group is as follows:

| Thousand Euros | Mar 2020 | |
|---|---|---|
| | Pensions | Medical and Other |
| **Balance at the beginning of the period** | 630,790 | 680,879 |
| Charge for the period | 3,252 | 5,847 |
| Actuarial (gains)/losses | 65,871 | 23,458 |
| Charge-off | -28,763 | -6,035 |
| Transfers, reclassifications and exchange differences | -7,384 | -34,986 |
| **Balance at the end of the period** | 663,766 | 669,163 |

The components of the consolidated net cost of the plans for employe benefits recognised during the period are as follows:

| Thousand Euros | Mar 2020 | |
|---|---|---|
| | Pensions | Medical and Other |
| Current service cost | 1,512 | 1,726 |
| **Operational component (see note 10)** | 1,512 | 1,726 |
| Net interest on the net pensions plan liability | 1,740 | 4,121 |
| **Financial component (see note 12)** | 1,740 | 4,121 |
| | 3,252 | 5,847 |

With reference to 31 March 2020, the net movement of the Provision for pension liabilities period corresponds to an increase of 32.976 thousands of Euros, of which 40.226 thousands of Euros correspond to the positive net movement seen in Portugal and 7.250 thousands of Euros correspond to the negative net movement seen in Brazil. The movement in the period in Portugal is mainly related to the recognition of actuarial losses (65,871 thousand Euros) resulting from the devaluation of the assets of the portfolio of Pension Plan Fund and the payment of benefits (negative 28,763 thousand Euros). The movement in the period in Brazil is mainly due to exchange rate differences resulting from the depreciation of Brazilian Real.

In turn, the net movement in the Provision period for liabilities for medical care and other benefits corresponds to a decrease of 11.716 thousands of Euros, of which 21.933 thousands of Euros correspond to the positive net movement seen in Portugal, 110 thousands of Euros correspond to the negative net movement seen in Spain and 33.539 thousands of Euros correspond to the negative net movement in Brazil. The positive net movement in Portugal is mainly related the recognition of actuarial losses resulting from the devaluation of the assets of the portfolio of Medican Plan and Death Subsidy Plan. The movement in the period in Brazil is mainly due to exchange rate differences resulting from the depreciation of Brazilian Real.

On 31 March 2020, the determination of the cost of current services and net interest was based on the cost estimate for the period actuarially determined on 31 December 2019.

## 29. Provisions

Provisions are as follows:

| Thousand Euros | No-Current | | Current | |
|---|---|---|---|---|
| | Mar 2020 | Dec 2019 | Mar 2020 | Dec 2019 |
| Provision for legal and labour matters and other contingencies | 88,369 | 107,813 | 2,428 | 2,221 |
| Provision for customer guarantees under current operation | - | - | 1,030 | 1,029 |
| Provision for dismantling and decommissioning | 477,108 | 475,320 | 10,670 | 10,670 |
| Provision for other liabilities and charges | 342,700 | 343,293 | 109,216 | 112,171 |
| | 908,177 | 926,426 | 123,344 | 126,091 |

With reference to 31 March 2020, the movement by nature of the Provisions item at the EDP Group level is presented as follows:

| Thousand Euros | Legal, labor and other matters | Guarantees to customers in the context of current activity | Dismantling and Decommissioning | Other risks and charges | Total |
|---|---|---|---|---|---|
| **Balance as at 31 December 2019** | 110,034 | 1,029 | 485,990 | 455,464 | 1,052,517 |
| Charge for the period | 2,488 | - | - | 16,739 | 19,227 |
| Charge-off for the period | -2,876 | - | - | -422 | -3,298 |
| Reversals | -3,381 | - | -3,796 | -1,169 | -8,346 |
| Unwinding (see note 12) | - | - | 2,190 | - | 2,190 |
| Increase of the responsibility (see note 14) | - | - | 1,757 | - | 1,757 |
| Innovative Features Charge-off (see note 4) | - | - | - | -22,541 | -22,541 |
| CMEC | - | - | - | 6,224 | 6,224 |
| "Lesividad" | - | - | - | 3,005 | 3,005 |
| Exchange differences and other | -15,468 | - | 1,637 | -5,383 | -19,214 |
| **Balance as at 31 March 2020** | 90,797 | 1,029 | 487,778 | 451,917 | 1,031,521 |

EDP and its subsidiaries' Board of Directors, based on the information provided by its legal advisors and on the analysis of pending law suits, have recognised provisions to cover the losses estimated as probable, related with litigations in progress. As at 31 March 2020, there were no significant changes in the several provisions as of 31 December 2019.

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

The processes whose losses were considered as possible, do not require the recognition of provisions and are periodically reassessed. As at 31 March 2020, there were no significant changes in the losses considered as possible as of 31 December 2019.

Finally, even EDP Group classifies its risk as remote, it is important to identify the following litigation:

On 27 October 2009 and 5 January 2010, the EDP Group received two tax settlements regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely EDP Espírito Santo and Enersul. As at 31 March 2020, the amount of this tax contingency amounts to 292 million euros (31 December 2019: 290 million euros).

Considering the analysis made, the technical advice received and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes as established in article 75 no. 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at that date (existing article 81).

Given the above, and considering that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional settlements. Thus, following the implied rejection of the hierarchical appeal, EDP presented a judicial claim, on 6 June 2012. In November 2018, EDP Group was notified with a decision in favour. The Treasuary filed an appeal on that decision.

## 30. Institutional Partnerships in USA

The caption Institutional partnerships in USA is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 |
| Deferred income related to benefits provided | 1,014,436 | 1,002,871 |
| Liabilities arising from institutional partnerships | 1,436,327 | 1,286,913 |
| | 2,450,763 | 2,289,784 |

EDPR North America recognises under this caption the receipts of institutional investors associated with wind and solar projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, and recognised over the useful life of the related projects (see note 8). Additionally, this liability is increased by the estimated interest based on the liability outstanding and the expected rate of return of the institutional investors (see note 12).

The movements in Institutional partnerships in USA are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 |
| **Balance at the beginning of the period** | 2,289,784 | 2,231,249 |
| Proceeds received from institutional investors | 134,734 | 188,490 |
| Cash paid for deferred transaction costs | -1,545 | -2,087 |
| Cash paid to institutional investors | -3,931 | -80,776 |
| Other Income (see note 8) | -51,081 | -181,570 |
| Unwinding (see note 12) | 22,257 | 85,320 |
| Exchange differences | 58,790 | 42,848 |
| Other | 1,755 | 6,310 |
| **Balance at the end of the period** | 2,450,763 | 2,289,784 |

During the first quarter of 2020, EDPR NA, has secured and received proceeds amounting to 134,734 thousand Euros (148,539 thousand dollars) related to institutional equity financing from JP Morgan, in exchange for an interest in onshore wind projects.

Under these partnerships, EDP Group provides operating guarantees to institutional investors in wind and solar projects, which are typical of this type of structure. As at 31 March 2020, the liabilities associated with these guarantees are not expected to exceed the amounts already recognized under the caption Liabilities arising from institutional partnerships.

## 31. Trade payables and other liabilities from commercial activities

At Group level, Trade payables and other liabilities from commercial activities are as follows:

| | Non-Current | | Current | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 | Mar 2020 | Dec 2019 |
| **Contract liabilities:** | | | | |
| Energy sales contracts - EDPR NA | 8,794 | 9,148 | - | - |
| Deferred income - CMEC | 226,679 | 208 535 | 71,204 | 74,995 |
| Amounts received from the Fund for systemic sustainability of the energy sector | - | - | 37,215 | - |
| | 235,473 | 217,683 | 108,419 | 74,995 |
| **Other liabilities:** | | | | |
| Investment government grants | 568,574 | 566,450 | - | - |
| Amounts payable for tariff adjustments - Electricity - Portugal | 25,186 | - | 32,718 | 43,626 |
| Amounts payable for tariff adjustments - Electricity - Brazil | 363,110 | 464,823 | - | - |
| Amounts payable - securitisations | - | - | 715,269 | 136,933 |
| Amounts payable - CMEC | - | - | 222,245 | 221,955 |
| Amounts payable for concessions | 188,840 | 199,772 | - | - |
| Property, plant and equipment suppliers | 4,595 | 5,101 | 1,230,999 | 1,196,186 |
| Suppliers | - | - | 651,139 | 919,745 |
| Accrued costs related with commercial activities | - | - | 613,759 | 633,664 |
| Holiday pay, bonus and other charges with employees | - | - | 165,634 | 151,917 |
| CO2 emission Licenses | - | - | 236,464 | 203,085 |
| Other creditors and sundry operations | 170,849 | 190,478 | 299,872 | 277,517 |
| | 1,321,154 | 1,426,624 | 4,168,099 | 3,784,628 |
| | 1,556,627 | 1,644,307 | 4,276,518 | 3,859,623 |

At Company level, Trade payables and other liabilities from commercial activities are as follows:

| | Current | |
|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 |
| Suppliers | 333,539 | 412,388 |
| Accrued costs related with commercial activities | 224,019 | 249,488 |
| Property, plant and equipment suppliers | 894 | 961 |
| Holiday pay, bonus and other charges with employees | 32,969 | 30,370 |
| Other creditors and sundry operations | 5,683 | 22,107 |
| | 597,104 | 715,314 |

Deferred income - CMEC Non-current and Current, in the amount of 297,883 thousand Euros (31 December 2019: 283,530 thousand Euros) includes the amount of 162,144 thousand Euros corresponding to the initial CMEC amount (833,467 thousand Euros) deducted from the amortisation of initial CMEC during the years 2007 to 2017 and accrued with unwinding (see note 12), and the amount of 135,739 thousand Euros relating with the final adjustment recognised in accordance with the result achieved by EDP/REN working group (256,539 thousand Euros), deducted from amortisation charges of the period and accrued with corresponding unwinding (see note 12).

The Amounts received from the Fund for Systemic Sustainability of the Energy Sector refer to amounts transferred to EDP SU related with the electricity tariffs for 2020, which represented CESE amounts intended to reduce the National Electric System's tariff debt and that will be settled through the tariff.

Investment government grants are amortised through the recognition of a revenue in the income statement over the useful life of the related assets, which amounts to 6,202 thousand Euros as at 31 March 2020.

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

| Thousand Euros | Non-Current | Current |
|---|---|---|
| **Balance at the beginning of the period** | - | 43,626 |
| Payment through the electricity tariff | - | -10,918 |
| Tariff adjustment of the period (see note 7) | 25,179 | - |
| Interest expense (see note 12) | 7 | 10 |
| **Balance at the end of the period** | 25,186 | 32,718 |

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments recognised in EDP São Paulo - Distribuição de Energia S.A. and EDP Espírito Santo - Distribuição de Energia S.A. in the accumulated amount of 216,355 thousand Euros (31 December 2019: 276,341 thousand Euros) and 146,755 thousand Euros (31 December 2019: 188,482 thousand Euros), respectively. The variation occurred includes the tariff deficit of the period with a negative impact of 1,477 thousand Euros (see note 7), the transfer to tariff adjustment receivable of 7,844 thousand Euros (see note 21), the decrease of the amount returned through the tariff of 17,914 thousand Euros, the exchange differences due to depreciation of Brazilian Real against Euro with a negative impact of 95,758 thousand Euros and the unwinding in the amount of 5,592 thousand Euros (see note 12), which includes the recognition of 3,791 thousand Euros (18,616 thousand Brazilian Real) of the unwinding over the amount resulting from the non-inclusion, in 2019, of the amounts of VAT borne in the basis of calculation of PIS and COFINS (1,756,597 thousand Brazilian Real as at 31 December 2019).

In the energy distribution activity, the subsidiaries of EDP Group in Portugal and Spain recover the deficits and tariff adjustment assets through the tariffs charged to their customers. The caption Amounts payable - securitizations includes the amounts payable to entities that have acquired the right to receive these assets in securitisation or direct sales operations in Portugal. Additionally, as at March 2020, this caption includes 585,429 thousand Euros related to the anticipated sale of tariff deficit of 2020 (see note 21), which right to be received by EDP Serviço Universal will occur in during 2020.

The caption Amounts payable - CMEC refers to amounts received by EDP Distribuição, through the tariff, regarding the CMEC Revisibility of 2016 and 2017, which delivery to REN is awating approval.

The caption Amounts payable for concessions includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA in the amount of 136,869 thousand Euros (31 December 2019: 134,496 thousand Euros) and the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil in the amount of 51,971 thousand Euros (31 December 2019: 65,276 thousand Euros).

The caption Property, plant and equipment suppliers - Current refers mainly to the amounts due related with the construction of windfarms and solar parks in North America in the amount of 1,040,320 thousand Euros (31 December 2019: 1,003,564 thousand Euros) and in Italy in the amount of 30,646 thousand Euros (31 December 2019: 28,902 thousand Euros) .

The caption CO2 emission licenses includes the CO2 consumptions during 2019 and 2020 in Portugal and Spain, in the amount of 130,221 thousand Euros and 104,925 thousand Euros, respectively (31 December 2019: 116,752 thousand Euros and 86,333 thousand Euros). The CO2 emission licences related with the consumptions in a given year are delivered to the regulatory authorities until April of the following year.

The caption Other creditors and sundry operations - Non-current includes the amount of 66,893 thousand Euros related with the reinsurance activity (31 December 2019: 62,258 thousand Euros). The caption Other creditors and sundry operations - Current includes the amount of 14,317 thousand Euros related to tariff adjustment payable (31 December 2019: 14,317 thousand Euros).

## 32. Other Liabilities and Other Payables

Other liabilities and other payables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 | Mar 2020 | Dec 2019 * |
| **Other liabilities and other payables - Non-Current** | | | | |
| Loans from non-controlling interests | 192,729 | 215,023 | - | - |
| Derivative financial instruments (see note 35) | 301,724 | 169,008 | 412,760 | 215,510 |
| Amounts payable and contingent prices for acquisitions/sales | 13,443 | 18,303 | - | - |
| Lease Liabilities (Rents due from lease contracts) | 794,375 | 762,725 | 131,680 | 133,378 |
| Other creditors and sundry operations | 12,598 | 12,060 | - | 2 |
| | 1,314,869 | 1,177,119 | 544,440 | 348,890 |
| **Other liabilities and other payables - Current** | | | | |
| Loans from non-controlling interests | 137,330 | 117,327 | - | - |
| Dividends attributed to related companies | 43,335 | 58,749 | - | - |
| Derivative financial instruments (see note 35) | 389,322 | 213,363 | 997,912 | 547,312 |
| Group companies | - | - | 72,033 | 70,288 |
| Amounts payable and contingent prices for acquisitions/sales | 131,224 | 151,975 | - | - |
| Lease Liabilities (Rents due from lease contracts) | 73,633 | 75,004 | 12,372 | 12,390 |
| Other creditors and sundry operations | 3,252 | 7,353 | 58,890 | 51,289 |
| | 778,096 | 623,771 | 1,141,207 | 681,279 |
| | 2,092,965 | 1,800,890 | 1,685,647 | 1,030,169 |

* Includes reclassification resulting from the change of the accounting policy as described in note 2a)

The caption Loans from non-controlling interests Current and Non-Current mainly includes:

| Thousand Euros | | Mar 2020 |
|---|---|---|
| ACE Portugal (CTG Group) | Fixed rate of 3.75% | 32,608 |
| ACE Poland (CTG Group) | Fixed rate of a range between 1.33% and 7.23% | 103,495 |
| ACE Italy (CTG Group) | Fixed rate of 4.5% | 56,105 |
| CITIC CWEI Renewables (CTG Group) | Fixed rate of 5.5% | 39,225 |
| Sonatrach | Fixed rate of 5.6% | 74,168 |
| | | 305,601 |

The variation of the caption Lease Liabilities (Rents due from lease contracts) includes: i) 36,675 thousand Euros corresponding to lease liabilities (rents due from lease contracts) starting after 1 January 2020; ii) negative 19,181 thousand Euros corresponding to payments of rents made; and iii) 8,963 thousand Euros corresponding to the financial update of the liability (see note 12).

As at 31 March 2020, the nominal value of the lease liabilities (rents due from lease contracts) is detailed as follows: (i) less than 5 years: 334,168 thousand Euros; (ii) from 5 to 10 years: 278,308 thousand Euros; (iii) from 10 to 15 years: 277,200 thousand Euros; and (iv) more than 15 years: 560,420 thousand Euros.

## 33. Tax Liabilities

Tax liabilities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 | Mar 2020 | Dec 2019 |
| **Non Current** | | | | |
| Social tax Brazil | 113,738 | 138,212 | - | - |
| | | | | |
| **Current** | | | | |
| Income tax | 254,903 | 47,100 | 202,935 | 1,456 |
| Withholding tax | 20,658 | 36,785 | 1,976 | 1,801 |
| Value Added Tax (VAT) | 121,014 | 116,799 | 13,314 | 24,725 |
| Special taxes Brazil | 65,359 | 90,100 | - | - |
| CESE | 52,733 | 53,360 | - | - |
| Other taxes | 172,952 | 134,450 | 1,977 | 1,053 |
| | 687,619 | 478,594 | 220,202 | 29,035 |
| | 801,357 | 616,806 | 220,202 | 29,035 |

As at 31 March 2020, the caption CESE excludes the amount that is recorded in Non-Current Assets and Liabilities Held for Sale of 10,026 thousand Euros (31 December 2019: 10,045 thousand Euros).

The variation in Other Taxes is mainly due to the record of Property Tax by companies located in North America.

## 34. Non-Current Assets and Liabilities Held for Sale

This caption is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019 |
| **Assets held for sale** | | |
| Electricity generation assets - Hydro Brazil | 80,020 | 90,517 |
| Electricity generation assets - Hydro Portugal | 1,975,838 | 1,951,176 |
| Electricity generation assets - Offshore wind | 255,717 | 214,194 |
| | 2,311,575 | 2,255,887 |
| **Liabilities held for sale** | | |
| Electricity generation assets - Hydro Brazil | 11,961 | 16,924 |
| Electricity generation assets - Hydro Portugal | 28,943 | 35,147 |
| Electricity generation assets - Offshore wind | 34,266 | 26,751 |
| | 75,170 | 78,822 |
| | 2,236,405 | 2,177,065 |

In May 2019, EDPR Group signed a strategic memorandum of understanding with ENGIE to create a co-controlled 50/50 joint venture in fixed and floating offshore wind segment. The new entity will be the exclusive vehicle of investment of EDPR and ENGIE for offshore wind opportunities worldwide. As at 31 March 2020, the assets and liabilities associated with the companies included in this segment were presented in non-current assets and liabilities held for sale.

During the first semester of 2019, the EDP Brasil Group started the process of selling Energest, S.A. Assets and liabilities associated with this company were presented in non-current assets and liabilities held for sale.

In the last quarter of 2019, the EDP Group agreed to sell a portfolio of 6 large hydro plants in Portugal to a consortium of investors formed by Engie, Crédit Agricole Assurances and Mirova – Natixis Group. The disposed hydro portfolio comprises 1,689 MW of installed capacity in the Douro river basin (Miranda, Picote, Bemposta, Foz Tua, Baixo Sabor and Feiticeiro). Assets and liabilities associated with this transaction were presented in non-current assets and liabilities held for sale. This transaction is based on a set of potential price adjustments and its fair value will be determined on the date of the transaction.

As at 31 March 2020 the following reclassifications were made to held for sale:

| | Mar 2020 | | | |
|---|---|---|---|---|
| Thousand Euros | Hydro Brazil | Hydro Portugal | Offshore wind | Total |
| **Assets** | | | | |
| Property, plant and equipment (see note 14) | 9,347 | -2,270 | -1,037 | 6,040 |
| Investments in joint ventures and associates (see note 18) | - | - | -24,405 | -24,405 |
| Other assets | 7,399 | -22,392 | -7,690 | -22,683 |
| Cash and cash equivalents (see note 24) | -6,249 | - | -8,391 | -14,640 |
| Assets Held for Sale | -10,497 | 24,662 | 41,523 | 55,688 |
| | - | - | - | - |
| **Liabilities** | | | | |
| Other liabilities | 4,963 | 6,204 | -7,515 | 3,652 |
| Liabilities Held for Sale | -4,963 | -6,204 | 7,515 | -3,652 |
| | - | - | - | - |

All assets and liabilities held for sale are part of the Renewables segment.

These reclassifications were made only for financial statement presentation purposes, without impact on the measurement of these assets and liabilities, as it is expected that the fair value less costs to sell is higher than its book value, in accordance with IFRS 5.

## 35. Derivative Financial Instruments

In accordance with IFRS 9, the Group classifies derivative financial instruments as fair value hedge of a recognised asset or liability (Fair value hedge), as cash flow hedge of recognised liabilities and highly probable future transactions (Cash flow hedge), as net investment hedge in foreign operations (Net investment hedge), or as held for trading, if or when they are not eligible for hedge accounting.

The fair value of the derivative financial instruments in EDP Group is as follows:

| | Mar 2020 | | Dec 2019 | |
|---|---|---|---|---|
| Thousand Euros | Assets | Liabilities | Assets | Liabilities |
| **Net Investment hedge** | | | | |
| Cross-currency interest rate swaps | 20,832 | -161,409 | 9,343 | -54,085 |
| Currency forwards | 13 | -3,254 | 5,026 | - |
| **Fair value hedge** | | | | |
| Interest rate swaps | 80,808 | - | 84,762 | - |
| Cross-currency interest rate swaps | 3,834 | - | 50,213 | - |
| **Cash flow hedge** | | | | |
| Interest rate swaps | 258 | -21,850 | 122 | -15,383 |
| Swaps related to gas commodity | 246,728 | -246,737 | 131,719 | -148,416 |
| Electricity swaps | 57,855 | -27,346 | 25,213 | -30,132 |
| Currency forwards for commodities | 148,636 | -333 | 95,434 | -5,240 |
| **Trading** | | | | |
| Interest rate swaps | 12,295 | -3,684 | 7,682 | -1,958 |
| Cross-currency interest rate swaps | - | - | - | -55 |
| Commodity swaps | 199,824 | -208,521 | 123,013 | -116,937 |
| Currency forwards | 3,796 | -859 | 1,573 | -1,233 |
| Commodity forwards | 3,596 | -8,140 | 728 | -2,760 |
| Currency forwards associated to commodities | 42,092 | -8,743 | 27,855 | -6,172 |
| Commodity options | 2,210 | -170 | 2,609 | - |
| | 822,777 | -691,046 | 565,292 | -382,371 |

The management of financial risk of EDP, S.A. and other EDP Group companies, is carried out centrally by EDP, S.A. (note 5). On this basis, EDP, S.A. negotiates derivative financial instruments with external entities to hedge its own individual business risks, as well as for other companies of the Group, performing for these entities' as an intermediate in their contracting.

The fair value of the derivative financial instruments at Company level is as follows:

| Thousand Euros | Mar 2020 | | Dec 2019 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| **Cash flow hedge** | | | | |
| Swaps related to gas commodity | 77,684 | -57,304 | 7,392 | -82,537 |
| Electricity swaps | 699 | -229,493 | 4,157 | -95,770 |
| Currency forwards for commodities | 113,966 | - | 86,380 | - |
| **Trading** | | | | |
| Interest rate swaps | 83,378 | -78,747 | 91,067 | -86,739 |
| Cross-currency interest rate swaps | 108,455 | -182,763 | 53,946 | -57,922 |
| Commodity swaps | 665,281 | -757,995 | 369,978 | -405,701 |
| Currency forwards | 4,655 | -11,344 | 2,806 | -5,296 |
| Commodity forwards | 67,388 | -63,063 | 7,661 | -10,089 |
| Currency forwards associated to commodities | 59,910 | -27,664 | 39,096 | -16,269 |
| Commodity options | 2,468 | -2,299 | 2,607 | -2,499 |
| | 1,183,884 | -1,410,672 | 665,090 | -762,822 |

The fair value of derivative financial instruments is booked in Other debtors and other assets (see note 22) and Other liabilities and other payables (see note 32), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities, which are compared in each date of report to fair values available in common financial information platforms. Therefore, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of level 2 (see note 38) and no changes of level were made during this period. These entities use generally accepted discounted cash flow techniques and data from public markets.

Considering that hedging derivative financial instruments are contracted with a high correlation of critical terms, namely in the same currency and at the same indexes, the hedge ratio between the hedging instruments and the hedged instruments is 1:1.

As at 31 March 2020, the following market inputs were considered for the fair value calculation:

| Instrument | Fair value indexed to the following market inputs |
|---|---|
| Cross-curr. int. rate swaps | Interest rates: Euribor 3M, Euribor 6M, Libor 3M, Libor 6M, Daily CDI, Wibor 3M and Robor 3M; and exchange rates: EUR/GBP, EUR/BRL, EUR/PLN, EUR/CAD, EUR/RON and EUR/USD. |
| Interest rate swaps | Interest rates: Euribor 3M, Euribor 6M, Wibor 6M, US Libor 3M and CAD Libor 3M. |
| Currency forwards | Exchange rates: EUR/USD, EUR/PLN, EUR/BRL, EUR/GBP and USD/BRL. |
| Commodity swaps | Market quotes of commodities: Brent, NBP Natural Gas, Electricity, Henry Hub, TTF, Coal, CO2 and JKM. |

## 36. Commitments

Operating guarantees granted by EDP Group, not included in the consolidated statement of financial position nor in the Notes, are as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Mar 2020 | Dec 2019 | Mar 2020 | Dec 2019 |
| **Operating guarantees** | | | | |
| EDP, S.A. | 483,167 | 453,005 | 483,167 | 453,005 |
| EDP España Group | 73,237 | 105,283 | - | - |
| EDP Brasil Group | 224,409 | 270,421 | - | - |
| EDP Renováveis Group | 1,751,282 | 1,435,821 | - | - |
| | 2,532,095 | 2,264,530 | 483,167 | 453,005 |

In addition to the guarantees identified above, EDP Group provides financial and operating guarantees related to liabilities assumed by joint ventures and associates in the amount of 536,066 thousand Euros and 345,123 thousand Euros, respectively (31 December 2018: 604,590 thousand Euros and 341,301 thousand Euros).

The remaining financial and operating guarantees granted by EDP Group have underlying liabilities that are already reflected in its consolidated statement of financial position and/or disclosed in the Notes.

In the Group, the commitments relating to future cash outflows not reflected in the measurement of the lease liabilities (rents due from lease contracts) and purchase obligations are disclosed, by maturity, as follows:

| | Mar 2020 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Future cash outflows not reflected in the measurement of the lease liabilities (rents due from lease contracts) | 325,088 | 29,547 | 68,921 | 61,811 | 164,809 |
| Purchase obligations | 21,053,470 | 4,590,788 | 4,408,497 | 2,371,123 | 9,683,062 |
| | 21,378,558 | 4,620,335 | 4,477,418 | 2,432,934 | 9,847,871 |

At Company level, the commitments relating to future cash outflows not reflected in the measurement of the lease liabilities (rents due from lease contracts) and purchase obligations are disclosed, by maturity, as follows:

| | Mar 2020 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Future cash outflows not reflected in the measurement of the lease liabilities (rents due from lease contracts) | 300 | 300 | - | - | - |
| Purchase obligations | 5,830,946 | 337,971 | 603,598 | 551,386 | 4,337,991 |
| | 5,831,246 | 338,271 | 603,598 | 551,386 | 4,337,991 |

## 37. Related Parties

**Balances and transactions with subsidiaries, joint ventures and associates**

In their ordinary course of business, EDP Group companies establish commercial transactions and operations with other Group companies, whose terms reflect current market conditions.

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

**Credits held**

| | 31 March 2020 | | | |
|---|---|---|---|---|
| Thousand Euros | Intra-Group Financial Mov. | Loans and Interests receivable | Other Credits | Total |
| EDP Comercial, S.A. | - | 76,088 | 240,157 | 316,245 |
| EDP Distribuição, S.A. | - | 1,507,097 | 20,158 | 1,527,255 |
| EDP España, S.A.U. | - | - | 52,013 | 52,013 |
| EDP Finance, B.V. | - | 411,264 | 76,669 | 487,933 |
| EDP Produção, S.A. | - | 1,372,080 | 278,902 | 1,650,982 |
| Hidrocantábrico Distribucion Eléctrica, S.A.U. | - | - | 36,859 | 36,859 |
| EDP Renováveis, S.A. | - | - | 12,739 | 12,739 |
| EDP Servicios Financieros España, S.A.U. | 629,391 | - | 3,194 | 632,585 |
| EDP Serviço Universal, S.A. | - | 301,258 | 149,846 | 451,104 |
| EDP Renewables Europe, S.L.U. | - | - | 3,475 | 3,475 |
| EDP Comercializadora, S.A.U. | - | - | 119,016 | 119,016 |
| EDP GÁS.COM - Comércio de Gás Natural, S.A. | 3,634 | 10,093 | 22,693 | 36,420 |
| Other | 4,564 | 85,209 | 53,196 | 142,969 |
| | 637,589 | 3,763,089 | 1,068,917 | 5,469,595 |

The amount of 411,264 thousand Euros refers to the repurchase in market by EDP, S.A. of three bond issues issued by EDP Finance B.V.

**Debits held**

| Thousand Euros | 31 March 2020<br>Intra-Group Financial Mov. | Loans and Interests payable | Other Debits | Total |
|---|---|---|---|---|
| EDP Distribuição, S.A. | 95,103 | - | 1,325 | 96,428 |
| EDP Comercial, S.A. | 36,090 | - | 299 | 36,389 |
| EDP Finance, B.V. | - | 9,895,873 | 82,178 | 9,978,051 |
| EDP Renováveis Servicios Financieros, S.A. | - | - | 10,135 | 10,135 |
| EDP Produção, S.A. | 459,638 | - | 729,392 | 1,189,030 |
| EDP Renováveis, S.A. | - | - | 10,553 | 10,553 |
| EDP Serviço Universal, S.A. | 747,404 | - | 27,520 | 774,924 |
| EDP España, S.A.U. | - | - | 14,651 | 14,651 |
| EDP Comercializadora, S.A.U | - | - | 171,496 | 171,496 |
| Other | 44,748 | - | 125,581 | 170,329 |
| | 1,382,983 | 9,895,873 | 1,173,130 | 12,451,986 |

The amount of 9,895,873 thousand Euros includes 8,316,840 thousand Euros related to six intragroup bonds issued by EDP Finance BV and acquired by EDP S.A., with fixed and variable rate at medium-long term (3, 5, 7 and 10 years).

**Expenses**

| Thousand Euros | 31 March 2020<br>Interest on Intra-Group Financial Mov. | Interest on Loans Obtained | Other Losses | Total |
|---|---|---|---|---|
| EDP Finance, B.V. | 33,982 | - | 25,956 | 59,938 |
| EDP Produção, S.A. | - | - | 588,827 | 588,827 |
| EDP España, S.A.U. | - | - | 12,917 | 12,917 |
| EDP Comercializadora, S.A.U. | - | - | 121,689 | 121,689 |
| Other | - | 3 | 98,854 | 98,857 |
| | 33,982 | 3 | 848,243 | 882,228 |

**Income**

| Thousand Euros | 31 March 2020<br>Interest on Intra-Group Financial Mov. | Interest on Loans Granted | Other Gains | Total |
|---|---|---|---|---|
| EDP Comercial, S.A. | 35 | 430 | 324,357 | 324,822 |
| EDP Distribuição, S.A. | - | 5,778 | 12,448 | 18,226 |
| EDP España, S.A.U. | - | - | 56,434 | 56,434 |
| EDP Produção, S.A. | - | 5,516 | 288,967 | 294,483 |
| EDP Soluções Comerciais, S.A. | - | 54 | 2,997 | 3,051 |
| EDP Finance, B.V. | - | 4,911 | 56,953 | 61,864 |
| Hidrocantábrico Distribución Eléctrica S.A.U. | - | - | 5,278 | 5,278 |
| EDP Comercializadora, S.A.U | - | - | 129,070 | 129,070 |
| EDP Renováveis, S.A. | - | - | 8,380 | 8,380 |
| EDP Renewables Europe, S.L.U. | - | - | 2,195 | 2,195 |
| Other | 39 | 1,472 | 36,357 | 37,868 |
| | 74 | 18,161 | 923,436 | 941,671 |

**Assets and Liabilities**

| Thousand Euros | 31 March 2020 Assets | Liabilities | Net Value |
|---|---|---|---|
| **Joint Ventures** | | | |
| Porto do Pecém Transportadora de Minérios S.A. | 404 | - | 404 |
| Cide HC Energía, S.A. | 3,278 | 8,289 | -5,011 |
| SCNET - Sino-Portuguese Centre | - | 1,080 | -1,080 |
| HC Tudela Cogeneración, S.L. | 878 | 590 | 288 |
| Other | 2,680 | 1,394 | 1,286 |
| | 7,240 | 11,353 | -4,113 |
| **Associates** | | | |
| MABE Construção e Administração de Projectos, Ltda. | 4,342 | - | 4,342 |
| Parque Eólico Sierra del Madero, S.A. | 8,150 | - | 8,150 |
| Parque Eólico Belmonte, S.A. | 1,428 | - | 1,428 |
| Aprofitament D'Energies Renovables de L'Ebre, S.L. | 1,883 | - | 1,883 |
| Centrais Elétricas de Santa Catarina, S.A. - Celesc | 2,813 | 1,754 | 1,059 |
| Other | 881 | 181 | 700 |
| | 19,497 | 1,935 | 17,562 |
| | 26,737 | 13,288 | 13,449 |

**Transactions**

| Thousand Euros | 31 March 2020 Operating Income | Financial Income | Operating Expenses | Financial Expenses |
|---|---|---|---|---|
| ***Joint Ventures*** | | | | |
| Cide HC Energía, S.A. | 21,085 | 3 | 93 | - |
| HC Tudela Cogeneración, S.L. | 462 | 5 | 910 | - |
| Empresa de Energia São Manoel, S.A. | 32 | - | 1,854 | - |
| Porto do Pecém Transportadora de Minérios S.A. | 52 | - | 848 | - |
| Other | 2,799 | 412 | 472 | - |
| | 24,430 | 420 | 4,177 | - |
| **Associates** | | | | |
| MABE Construção e Administração de Projectos, Ltda. | - | 50 | - | - |
| Desarrollos Eólicos de Canarias, S.A. | 43 | - | 7 | - |
| Parque Eólico Sierra del Madero | 2 | 71 | - | - |
| Parque Eólico Belmonte, S.A. | 151 | 8 | - | - |
| Other | - | 7 | - | - |
| | 196 | 136 | 7 | - |
| | 24,626 | 556 | 4,184 | - |

## 38. Fair Value of Financial Assets and Liabilities

The fair value of financial assets and liabilities is as follows:

| | Mar 2020 | | | Dec 2019 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Carrying amount | Fair value | Difference | Carrying amount | Fair value | Difference |
| **Assets** | | | | | | |
| Equity instruments at fair value | 164,152 | 164,152 | - | 170,806 | 170,806 | - |
| Debtors/other assets from commercial activities | 5,943,246 | 5,943,246 | - | 6,282,380 | 6,282,380 | - |
| Other debtors and other assets | 1,088,228 | 1,088,228 | - | 1,249,065 | 1,249,065 | - |
| Derivative financial instruments | 822,777 | 822,777 | - | 565,292 | 565,292 | - |
| Collateral deposits/financial debt | 52,881 | 52,881 | - | 61,476 | 61,476 | - |
| Cash and cash equivalents | 1,444,625 | 1,444,625 | - | 1,542,722 | 1,542,722 | - |
| | 9,515,909 | 9,515,909 | - | 9,871,741 | 9,871,741 | - |
| **Liabilities** | | | | | | |
| Financial debt | 15,297,131 | 15,654,953 | 357,822 | 16,571,469 | 17,319,817 | 748,348 |
| Suppliers and accruals | 1,882,138 | 1,882,138 | - | 2,115,931 | 2,115,931 | - |
| Institutional partnerships | 2,450,763 | 2,450,763 | - | 2,289,784 | 2,289,784 | - |
| Trade payables and other liabilities from commercial activities | 3,382,433 | 3,382,433 | - | 2,821,549 | 2,821,549 | - |
| Other liabilities and other payables | 1,401,919 | 1,401,919 | - | 1,418,519 | 1,418,519 | - |
| Derivative financial instruments | 691,046 | 691,046 | - | 382,371 | 382,371 | - |
| | 25,105,430 | 25,463,252 | 357,822 | 25,599,623 | 26,347,971 | 748,348 |

Given that EDP Group's financial assets and liabilities, recognised at amortised cost, are predominantly short-term and level 2, changes in fair value were not considered. Fair value of EDP Group's loans was determined considering current market interest rates.

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

For fair value of debt purposes, the Hybrid bonds were valued considering the maturity of the first call date.

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

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

| | Mar 2020 | | | Dec 2019 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | | |
| Equity instruments at fair value through | | | | | | |
| other comprehensive income (note 19) | - | 73,591 | 22,649 | - | 80,079 | 22,735 |
| profit or loss (note 19) | - | - | 67,912 | - | - | 67,992 |
| Tariff deficit at fair value through other comprehensive income (see note 21) | - | 8,441 | - | - | 9,157 | - |
| Amounts receivable from concessions-IFRIC 12 at fair value through profit or loss (see note 21) | - | 542,498 | - | - | 664,489 | - |
| Derivative financial instruments (see note 35) | - | 822,777 | - | - | 565,292 | - |
| | - | 1,447,307 | 90,561 | - | 1,319,017 | 90,727 |
| **Financial liabilities** | | | | | | |
| Derivative financial instruments (see note 35) | - | 691,046 | - | - | 382,371 | - |
| | - | 691,046 | - | - | 382,371 | - |

The market value of the amounts of tariff deficit at fair value through other comprehensive income is calculated based on the cash flows associated with these assets, discounted at rates which, at the balance sheet date, better reflect the assets risk considering the average term of the assets.

The amounts receivable from concessions - IFRIC 12 at fair value through profit or loss are valued based in the methodology of the Value of Replacement as New (VNR). This method requires that each asset is valued, at current prices, for all the expenses needed for its replacement by equivalent asset that performs the same services and has the same capacity as the existing asset. The valuation for each asset is based on (i) Data Bank of Referential Prices - which is defined in the Tariff Adjustment Procedures - PRORET; or (ii) Data Bank of Prices from the Distribution company - which is formed based on the company's own information; or (iii) Referential Budget – that corresponds to the calculation by comparison of market data, relating to other assets with similar characteristics. ANEEL reviews the VNR, through the valuation report of the Regulatory Remuneration Base, every three years for EDP Espírito Santo and every four years for EDP São Paulo, as established in the concession contracts.

## 39. Relevant or Subsequent Events

**EDP issues a €750 million 7-year green bond**

On 7 April 2020, EDP - Energias de Portugal S.A. issued 750 million Euros of subordinated notes, maturing in April 2027 with a coupon of 1.625%, corresponding to a yield of 1.719%. Notes will be issued under EDP and EDP Finance B.V.'s Programme for the Issuance of Debt Instruments (MTN) and application will be made for the Notes to be admitted to trading on Euronext Dublin. This issue will be used for the financing or refinancing, in whole or in part, of EDP's Eligible Green Project Portfolio, which consists of renewable projects – wind and solar – as set out in EDP's Green Bond Framework.

**Payment of dividends - Year 2019**

On 16 April 2020, EDP - Energias de Portugal, S.A. in accordance with article 249º of the Portuguese Securities Code nº 2 paragraph b) and article 7, no. 3 of the Portuguese Securities Market Commission's Regulation no. 5/2008, EDP - Energias de Portugal, S.A. hereby informs that the General Shareholders Meeting, approved the proposal of the Executive Board of Directors for the allocation of profits regarding the financial year ended 31 December 2019, which provides for the payment of a gross dividend of 0.19 euros per share.

**EDP secures a solar PPA in Mexico**

On 16 April 2020, EDP Renováveis, S.A., has secured a Power Purchase Agreement with Ammper Energía S.A.P.I. de C.V. to sell the energy produced by the 200 MW Los Cuervos solar PV project. The contract is set in USD and for a 15-year minimum period. The Los Cuervos solar project, located in Mexico, is expected to start operations in the beginning of 2021.

**The Capital Group notifies qualified shareholding in EDP of 2.05%**

On 22 April 2020, The Capital Group Companies, Inc. notified EDP that, in accordance with article 20 of the Portuguese Securities Code, it had reached a qualifying shareholding correspondent to 2.05% of EDP's share capital and of the respective voting rights. The 2% threshold was crossed on 21 April 2020.

## 40. EDP Branch in Spain

The aim of EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, interests in EDP Servicios Financieros (España), S.A.U. and EDP España, S.A.U. are directly allocated to the assets of EDP Sucursal, as well as the majority interest in EDP Renováveis, S.A.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed by an Executive Committee, a Management Committee and by direct representation on iberian scope EDP Management Committees.

The Executive Committee is composed essentially by five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP in Spain, namely the Department of M&A ("Direcção de Projectos e Novos Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Administration and Finance ("Direcção de Administração e Finanças"), Department of Human Resources ("Direcção de Recursos Humanos"), Department of EDP Spain Foundation ("Direcção da Fundação EDP Espanha"), Department of Regulation ("Direcção de Regulação"), IT Department ("Direcção de Sistemas de Informação") and Department of Environment, Sustainability, Innovation and Quality ("Direcção de Ambiente, Sustentabilidade, Inovação e Qualidade") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory, being provided with 217 human resources as at 31 March 2020, including 117 in its own payroll. Lastly, the Spanish branch of EDP has direct representation on iberian scope EDP Management Committees, particularly the Energy Planning, Price and Volume, Markets, Distribution Networks, Commercial and Production Committees.

The consolidated Statement of Financial Position of the Branch is as follows:

| | EDP Branch | |
|---|---|---|
| Thousand Euros | Mar 2020 | Dec 2019* |
| Investments in subsidiaries: | | |
| - EDP Renováveis, S.A. | 4,154,431 | 4,154,431 |
| - EDP España, S.A.U. | 2,105,002 | 2,105,002 |
| - EDP Servicios Financieros (España), S.A.U. | 482,695 | 482,695 |
| - EDP International Investments and Services, S.L. | 988,849 | 988,849 |
| Deferred tax assets | 66,972 | 66,972 |
| Other debtors and others assets | 9,364 | 9,702 |
| Total Non-Current Assets | 7,807,313 | 7,807,651 |
| Other debtors and others assets | 76,503 | 132,751 |
| Tax receivable | 67,406 | 79,517 |
| Cash and cash equivalents | 629,532 | 523,961 |
| Total Current Assets | 773,441 | 736,229 |
| **Total Assets** | 8,580,754 | 8,543,880 |
| Equity | 8,442,993 | 8,442,024 |
| Employee benefits | 2,246 | 2,225 |
| Other liabilities and other payables | 1,308 | 1,501 |
| Total Non-Current Liabilities | 3,554 | 3,726 |
| Employee benefits | 17 | 17 |
| Other liabilities and other payables | 107,053 | 96,521 |
| Tax payable | 27,137 | 1,592 |
| Total Current Liabilities | 134,207 | 98,130 |
| **Total Liabilities** | 137,761 | 101,856 |
| **Total Equity and Liabilities** | 8,580,754 | 8,543,880 |

* Includes reclassification resulting from the change in accounting policy as described in note 2a)

## 41. Operating Segments

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

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

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

The management of financial activities of all EDP Group entities (except Brazil) is undertaken centrally by the Financial Department at holding level, in accordance with policies approved by the Executive Board of Directors. As a result of this management, all financial operations and financial results are disclosed only at Group level.

The Renewables segment corresponds to the activity of generation of electricity from renewable sources, mainly hydro, wind and solar. This segment includes, but not limited to, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (hydro activity);
- EDP España, S.A.U. (hydro activity);
- EDP Renováveis, S.A. and all subsidiaries of the EDPR Group;
- Enerpeixe, S.A.;
- Investco, S.A.;
- Lajeado Energia, S.A.

The Networks segment corresponds to the activities of electricity distribution and transmission, including last resort suppliers. This segment includes, but not limited to, the following companies:

• EDP Distribuição - Energia, S.A.;
• EDP Serviço Universal, S.A.;
• Electra de Llobregat Energía, S.L.;
• Hidrocantábrico Distribucion Eléctrica, S.A.U.;
• EDP Gás Serviço Universal, S.A.;
• EDP Espírito Santo Distribuição de Energia S.A.;
• EDP São Paulo Distribuição de Energia S.A.;
• EDP Transmissão, S.A.;
• EDP Transmissão Aliança SC, S.A.;
• EDP Transmissão SP-MG, S.A.

The Client Solutions & Energy Management segment includes the following activities: generation of electricity from non-renewable sources, mainly coal and gas; electricity and gas supply and related energy solutions services to clients; and energy management businesses responsible for management of purchases and sales of energy in iberian and brazilian markets, and also for the related hedging transactions. This segment includes, but not limited to, the following companies:

• EDP - Gestão da Produção de Energia, S.A. (thermal activity);
• EDP España, S.A.U. (thermal and intermediation activities);
• UNGE - Unidade de Negócio de Gestão de Energia Ibérica (EDP, S.A.);
• Porto do Pecém Geração de Energia, S.A.;
• EDP Comercial - Comercialização de Energia, S.A.;
• EDP - Comercialização e Serviços de Energia, Ltda.

**Segment Definition**

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

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

In each business segment, Assets include the Property, Plant and Equipment, Right-of-use assets, Intangible Assets and Goodwill. The remaining assets are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

Under IFRS 8, the EDP Group discloses as Operating investment, additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore, in each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment; Intangible Assets; and Amounts receivable from concessions - IFRIC 12 under the financial asset model, excluding CO2 licenses and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period. Goodwill is disclosed in note 17.

In consolidated financial statements, Joint Ventures and associated companies are accounted under the equity method, in accordance with the Group accounting policy disclose in note 2. These equity accounted investees are disclosed by business segment under IFRS 8 and presented in the business segment correspondent to its operating activity.

**EDP Group Operating Segments Information as at 31 March 2020**

| Thousand Euros | Renewables | Networks | Client Solutions & Energy Management | Total Segments |
|---|---|---|---|---|
| **Revenues from energy sales and services and other** | 766,666 | 1,438,351 | 2,184,662 | 4,389,679 |
| Revenues inter-segments | 414,631 | 441,724 | 32,397 | 888,752 |
| Revenues from third parties | 352,035 | 996,627 | 2,152,265 | 3,500,927 |
| **Gross Profit** | 694,015 | 450,987 | 336,135 | 1,481,137 |
| Other income | 77,406 | 6,991 | 6,236 | 90,633 |
| Supplies and services | -82,430 | -83,093 | -66,251 | -231,774 |
| Personnel costs and employee benefits | -50,206 | -53,350 | -34,706 | -138,262 |
| Other costs | -87,753 | -79,797 | -31,958 | -199,508 |
| Impairment losses on trade receivables and debtors | 0 | -6,364 | -7,860 | -14,224 |
| Joint ventures and associates | -2,008 | 1,247 | 1,407 | 646 |
| **Gross Operating Profit** | 549,024 | 236,621 | 203,003 | 988,648 |
| Provisions | -109 | -15,880 | 60 | -15,929 |
| Amortisation and impairment | -187,901 | -88,655 | -77,679 | -354,235 |
| **Operating Profit** | 361,014 | 132,086 | 125,384 | 618,484 |
| **Assets** | 20,565,832 | 3,478,422 | 2,887,024 | 26,931,278 |
| **Financial assets - Investments in joint ventures and associates** | 746,828 | 62,701 | 20,884 | 830,413 |
| **Operating Investment** | 275,562 | 123,109 | 12,704 | 411,375 |

**EDP - Energias de Portugal, S.A.**
**Notes to the Consolidated and Company Financial Statements**
**for the three-month periods ended at 31 March 2020 and 2019**

**Reconciliation of information between Operating Segments and Financial Statements for 31 March 2020**

| Thousand Euros | |
|---|---|
| **Total Revenues from energy sales and services and other of Reported Segments** | **4,389,679** |
| Revenues from energy sales and services and others from Other Segments | 56,322 |
| Adjustments and Inter-segments eliminations* | -944,039 |
| **Total Revenues from energy sales and services and other of EDP Group** | **3,501,962** |
| | |
| **Total Gross Profit of Reported Segments** | **1,481,137** |
| Gross Profit from Other Segments | 48,695 |
| Adjustments and Inter-segments eliminations* | -55,007 |
| **Total Gross Profit of EDP Group** | **1,474,825** |
| | |
| **Total Gross Operating Profit of Reported Segments** | **988,648** |
| Gross Operating Profit from Other Segments | -16,301 |
| Adjustments and Inter-segments eliminations* | 7,228 |
| **Total Gross Operating Profit of EDP Group** | **979,575** |
| | |
| **Total Operating Profit of Reported Segments** | **618,484** |
| Operating Profit from Other Segments | -25,004 |
| Adjustments and Inter-segments eliminations* | 3,509 |
| **Total Operating Profit of EDP Group** | **596,989** |
| | |
| **Total Assets of Reported Segments** | **26,931,278** |
| Assets Not Allocated | 14,104,678 |
| Financial Assets | 3,973,233 |
| Trade Receivables and Other Debtors | 5,943,246 |
| Inventories | 337,765 |
| Tax Assets | 1,880,870 |
| Other Assets | 1,940,335 |
| Assets from Other Segments | 524,346 |
| Inter-segments assets eliminations* | 70,937 |
| **Total Assets of EDP Group** | **41,631,239** |
| | |
| **Total Equity accounted Investments in joint ventures and associates of Reported Segments** | **830,413** |
| Equity accounted Investments in joint ventures and associates from Other Segments | 157,638 |
| **Total Equity accounted Investments in joint ventures and associates of EDP Group** | **988,051** |
| | |
| **Total Operating Investment of Reported Segments** | **411,375** |
| Operating Investment from Other Segments | 13,690 |
| **Total Operating Investment of EDP Group** | **425,065** |
| Dismantling/discomission of PP&E | 1,757 |
| CO2 Emission Licenses and Green Certificates | 8,224 |
| Concession Rights - IFRIC 12 ** | -100,597 |
| Investment Grants | - |
| Other Investments | 419 |
| **Total Fixed Assets additions of EDP Group (Notes 16 and 18)** | **334,868** |

| | Total of Reported Segments | Other Segments | Adjustments and Inter-segments eliminations* | Total of EDP Group |
|---|---|---|---|---|
| **Other income** | **90,633** | 11,537 | -6,232 | **95,938** |
| **Supplies and services** | **-231,774** | -36,399 | 67,162 | **-201,011** |
| **Personnel costs and employee benefits** | **-138,262** | -28,130 | 1,361 | **-165,031** |
| **Other costs** | **-199,508** | -10,062 | -55 | **-209,625** |
| **Impairment losses on trade receivables and debtors** | **-14,224** | - | - | **-14,224** |
| **Equity method in joint ventures and associates** | **646** | -1,943 | - | **-1,297** |
| | | | | |
| **Provisions** | **-15,929** | | - | **-15,929** |
| **Amortisation and impairment** | **-354,235** | | -12,422 | **-366,657** |

* Mainly related with intragroup balances and transactions eliminations.
** See Note 21 - Debtors and Other Assets from Commercial Activities

**EDP Group Operating Segments Information as at 31 March 2019**

| Thousand Euros | Renewables | Networks | Client Solutions & Energy Management | Total Segments |
|---|---|---|---|---|
| **Revenues from energy sales and services and other** | 745,125 | 1,560,995 | 2,517,652 | 4,823,772 |
| Revenues inter-segments | 376,447 | 442,069 | 262,967 | 1,081,483 |
| Revenues from third parties | 368,678 | 1,118,926 | 2,254,685 | 3,742,289 |
| **Gross Profit** | 673,907 | 459,066 | 228,823 | 1,361,796 |
| Other income | 75,850 | 6,147 | 12,275 | 94,272 |
| Supplies and services | -83,681 | -85,006 | -62,686 | -231,373 |
| Personnel costs and employee benefits | -45,855 | -56,411 | -33,714 | -135,980 |
| Other costs | -64,522 | -76,530 | -19,166 | -160,218 |
| Impairment losses on trade receivables and debtors | -65 | -4,022 | -9,948 | -14,035 |
| Joint ventures and associates | 3,708 | -1,071 | 1,139 | 3,776 |
| **Gross Operating Profit** | 559,342 | 242,173 | 116,723 | 918,238 |
| Provisions | -542 | -2,882 | -198 | -3,622 |
| Amortisation and impairment | -210,443 | -89,039 | -60,534 | -360,016 |
| **Operating Profit** | 348,357 | 150,252 | 55,991 | 554,600 |
| **Assets (31 December 2019)** | 20,532,246 | 3,654,007 | 3,124,385 | 27,310,638 |
| **Financial assets - Investments in joint ventures and associates Assets (31 December 2019)** | 812,696 | 110,846 | 20,401 | 943,943 |
| **Operating Investment (31 March 2019)** | 163,082 | 154,557 | 12,296 | 329,935 |

**Reconciliation of information between Operating Segments and Financial Statements for 31 March 2019**

| Thousand Euros | |
|---|---|
| **Total Revenues from energy sales and services and others of Reported Segments** | **4,823,772** |
| Revenues from energy sales and services and others from Other Segments | 67,661 |
| Adjustments and Inter-segments eliminations* | -1,147,256 |
| **Total Revenues from energy sales and services and others of EDP Group** | **3,744,177** |
| **Total Gross Profit of Reported Segments** | **1,361,796** |
| Gross Profit from Other Segments | 67,607 |
| Adjustments and Inter-segments eliminations* | -68,532 |
| **Total Gross Profit of EDP Group** | **1,360,871** |
| **Total Gross Operating Profit of Reported Segments** | **918,238** |
| Gross Operating Profit from Other Segments * | 9,060 |
| Adjustments and Inter-segments eliminations* | -5,833 |
| **Total Gross Operating Profit of EDP Group** | **921,465** |
| **Total Operating Profit of Reported Segments** | **554,600** |
| Operating Profit from Other Segments | -1,056 |
| Adjustments and Inter-segments eliminations* | -4,000 |
| **Total Operating Profit of EDP Group** | **549,544** |
| **Total Assets of Reported Segments (31 December 2019)** | **27,310,638** |
| Assets Not Allocated | 10,979,847 |
| Financial Assets | 4,030,891 |
| Trade Receivables and Other Debtors | 6,282,380 |
| Inventories | 368,334 |
| Tax Assets | 1,888,818 |
| Other Assets | 1,844,301 |
| Assets from Other Segments | 531,633 |
| Inter-segments assets eliminations* | 3,539,528 |
| **Total Assets of EDP Group (31 December 2019)** | **42,361,646** |
| **Total Equity accounted Investments in joint ventures and associates of Reported Segments (31 December 2019)** | **943,943** |
| Equity accounted Investments in joint ventures and associates from Other Segments | 154,569 |
| **Total Equity accounted Investments in joint ventures and associates of EDP Group (31 December 2019)** | **1,098,512** |
| **Total Operating Investment of Reported Segments (31 March 2019)** | **329,935** |
| Operating Investment from Other Segments | 13,384 |
| **Total Operating Investment of EDP Group (31 March 2019)** | **343,319** |
| Discomission of Property, plant and equipment | 2,062 |
| CO2 Licenses and Green Certificates | 124,215 |
| Concession Rights - IFRIC 12 | -130,169 |
| Investment Grants | -740 |
| Other Investments | 22,037 |
| **Total Fixed Assets additions of EDP Group (31 March 2019)** | **360,724** |

| | Total of Reported Segments | Other Segments | Adjustments and Inter-segments eliminations* | Total of EDP Group |
|---|---|---|---|---|
| **Other income** | **94,272** | 15,335 | -7,788 | **101,819** |
| **Supplies and services** | **-231,373** | -40,760 | 72,523 | **-199,610** |
| **Personnel costs and employee benefits** | **-135,980** | -26,644 | 3,337 | **-159,287** |
| **Other costs** | **-160,218** | -8,037 | -38 | **-168,293** |
| **Other costs** | **-14,035** | - | - | **-14,035** |
| **Joint ventures and associates** | **3,776** | 1,558 | - | **5,334** |
| **Provisions** | **-3,622** | 0 | - | **-3,622** |
| **Amortisation and impairment** | **-360,016** | -10,116 | -3,501 | **-373,633** |

* Mainly related with intragroup balances and transactions eliminations

## 42. Reconciliation of Changes in the responsibilities of Financing activities at 31 March 2020

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Financial debt and Derivative financial instruments (including Collateral Deposits) | | | | | |
| Thousand Euros | Loans obtained (Note 27) | Collateral Deposits (Note 27) | Derivative financial instruments (Note 35)* | Institutional partnerships in USA (Note 30) | Lease Liabilities (Rents due) (Note 32) | Loans from non-controlling interests (Note 32) |
| **Balance as at 31 de December 2019** | **16,571,469** | **-61,476** | **-86,007** | **2,289,784** | **837,729** | **332,350** |
| **Cash flows:** | | | | | | |
| Receipts relating to financial debt (including Collateral Deposits) | 1,235,369 | - | - | - | - | - |
| (Payments) relating to financial debt (including Collateral Deposits) | -2,046,754 | -1,618 | - | - | - | - |
| Interest and similar costs of financial debt including hedge derivatives | -265,788 | - | 34,135 | - | - | - |
| Receipts/(payments) relating to loans from non-controlling interests | - | - | - | - | - | 1,542 |
| Interest and similar costs relating to loans from non-controlling interests | - | - | - | - | - | -536 |
| Receipts/(payments) relating to derivative financial instruments | - | - | 3,081 | - | - | - |
| Receipts/(payments) from institutional partnerships | - | - | - | 129,258 | - | - |
| Lease (payments) | - | - | - | - | -19,005 | - |
| Exchange differences | -371,806 | 10,213 | -69 | 58,790 | 3,630 | -7,119 |
| Fair value changes | 845 | - | 117,573 | - | - | - |
| Interests and accrued and deferred costs | 173,796 | - | 507 | 1,755 | - | 3,822 |
| Unwinding | - | - | - | 22,257 | 8,963 | - |
| ITC/PTC recognition | - | - | - | -51,081 | - | - |
| New lease contracts/Increments in rent values | - | - | - | - | 36,329 | - |
| Reclassification to Liabilities held for sale | - | - | - | - | 362 | - |
| **Balance as at 31 March 2020** | **15,297,131** | **-52,881** | **69,220** | **2,450,763** | **868,008** | **330,059** |

* The Group considers as financing activities all derivative financial instruments excluding derivatives related with commodities.

| | Company | | | |
|---|---|---|---|---|
| | Financial debt and Derivative financial instruments | | | |
| Thousand Euros | Loans obtained (Note 27) | Derivative financial instruments (Note 35)* | Lease Liabilities (Rents due) (Note 32) | Group companies (Note 32) |
| **Balance as at 31 December 2019** | **13,474,129** | **2,138** | **145,768** | **70,288** |
| **Cash flows:** | | | | |
| Receipts relating to financial debt (including Collateral Deposits) | 973,834 | - | - | - |
| (Payments) relating to financial debt (including Collateral Deposits) | -1,725,000 | - | - | - |
| Interest and similar costs of financial debt including hedge derivatives | -82,778 | -4,314 | - | - |
| Receipts/(payments) relating to loans from related parties | 671,147 | - | - | - |
| Receipts/(payments) relating to derivative financial instruments | - | 12,416 | - | - |
| Lease (payments) | - | - | -3,108 | - |
| Exchange differences | 4,351 | - | - | - |
| Fair value changes | - | 64,399 | - | - |
| Unwinding | - | - | 1 371 | - |
| Interests and accrued and deferred costs | 102,725 | 1,727 | - | 1,745 |
| New lease contracts/Increments in rent values | - | - | 21 | - |
| **Balance as at 31 March 2020** | **13,418,408** | **76,366** | **144,052** | **72,033** |

* The Group considers as financing activities all derivative financial instruments excluding derivatives related with commodities.

## *Review Report on the Condensed Consolidated Financial Statements*

### *Introduction*

We have reviewed the accompanying condensed consolidated financial statements of EDP – Energias de Portugal, S.A. (the Entity), which comprise the condensed consolidated statement of financial position as at March 31, 2020 (which shows total assets of Euros 41,631,239 thousand and total equity of Euros 12,221,588 thousand including a consolidated net profit attributable to equity holders of EDP of Euros 145,851 thousand), the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the three month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

### *Management's responsibility*

The Management is responsible for the preparation of the condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, as well as to create and maintain appropriate systems of internal control to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements. We conducted our review in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A review of financial statements is a limited assurance engagement. The procedures performed mainly consist of making inquiries and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISAs). Accordingly, we do not express an opinion on these consolidated financial statements.

**PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.**
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Receção: Palácio Sottomayor, Avenida Fontes Pereira de Melo, nº16, 1050-121 Lisboa, Portugal
Tel: +351 213 599 000, Fax: +351 213 599 999, www.pwc.pt
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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of EDP – Energias de Portugal as at March 31, 2020 are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

May 7, 2020

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
Registered in the Comissão do Mercado de Valores Mobiliários with no. 20161485
represented by:

João Rui Fernandes Ramos, R.O.C.

# Financial Statements
## 31 December 2019

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**EDP - Energias de Portugal**

**Consolidated Income Statements**
**for the periods ended at 31 December 2019 and 2018**

| Thousand Euros | Notes | 2019 | 2018 |
|---|---|---|---|
| Revenues from energy sales and services and other | 7 | 14,333,009 | 15,278,085 |
| Cost of energy sales and other | 7 | -9,115,859 | -10,178,903 |
| | | 5,217,150 | 5,099,182 |
| Other income | 8 | 691,886 | 562,677 |
| Supplies and services | 9 | -897,543 | -956,961 |
| Personnel costs and employee benefits | 10 | -620,196 | -651,540 |
| Other expenses | 11 | -652,473 | -715,379 |
| Impairment losses on trade receivables and debtors | 25 | -33,207 | -20,850 |
| | | -1,511,533 | -1,782,053 |
| | | 3,705,617 | 3,317,129 |
| Provisions | 35 | -101,530 | -287,938 |
| Amortisation and impairment | 12 | -1,765,619 | -1,444,812 |
| | | 1,838,468 | 1,584,379 |
| Financial income | 13 | 387,817 | 456,245 |
| Financial expenses | 13 | -1,057,591 | -1,010,390 |
| Share of net profit in joint ventures and associates | 21 | 25,011 | 10,858 |
| Profit before income tax and CESE | | 1,193,705 | 1,041,092 |
| Income tax expense | 14 | -225,901 | -99,666 |
| Extraordinary contribution to the energy sector (CESE) | 15 | -68,477 | -65,345 |
| | | -294,378 | -165,011 |
| **Net profit for the period** | | **899,327** | **876,081** |
| **Attributable to:** | | | |
| **Equity holders of EDP** | | **511,751** | **519,189** |
| **Non-controlling Interests** | 32 | **387,576** | **356,892** |
| **Net profit for the period** | | **899,327** | **876,081** |
| Earnings per share (Basic and Diluted) - Euros | 29 | 0.14 | 0.14 |

LISBON, 20 FEBRUARY 2020

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

**EDP - Energias de Portugal**

**Consolidated Statements of Comprehensive Income**
**for the periods ended at 31 December 2019 and 2018**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Thousand Euros | Equity holders of EDP | Non-controlling Interests | Equity holders of EDP | Non-controlling Interests |
| **Net profit for the period** | 511,751 | 387,576 | 519,189 | 356,892 |
| **Items that will never be reclassified to profit or loss (i)** | | | | |
| Actuarial gains/(losses) (iii) | -170,330 | -30,559 | -74,125 | 8,694 |
| Tax effect from the actuarial gains/(losses) | 53,752 | 10,387 | 22,199 | -2,957 |
| Fair value reserve with no recycling (financial assets) (ii) | 6,429 | - | -3,586 | - |
| Tax effect from the fair value reserve with no recycling (financial assets) (ii) | -1,514 | - | 917 | - |
| | -111,663 | -20,172 | -54,595 | 5,737 |
| **Items that may be reclassified to profit or loss (i)** | | | | |
| Currency translation reserve | -70,687 | -3,590 | -122,280 | -80,484 |
| Fair value reserve (cash flow hedge) (ii) | 354,667 | 3,437 | -164,709 | -7,811 |
| Tax effect from the fair value reserve (cash flow hedge) (ii) | -92,451 | -793 | 42,020 | 1,641 |
| Fair value reserve of assets measured at fair value throught other comprehensive income with recycling (ii) | - | 71 | -2,739 | -35 |
| Tax effect of Fair value reserve of assets measured at fair value throught other comprehensive income with recycling (ii) | - | - | 863 | - |
| Share of other comprehensive income of joint ventures and associates, net of taxes | -17,188 | -5,825 | -13,658 | -2,372 |
| | 174,341 | -6,700 | -260,503 | -89,061 |
| **Other comprehensive income for the period (net of income tax)** | 62,678 | -26,872 | -315,098 | -83,324 |
| **Total comprehensive income for the period** | 574,429 | 360,704 | 204,091 | 273,568 |

(i) See Condensed Consolidated Statement of Changes in Equity
(ii) See Note 31
(iii) See Note 34

LISBON, 20 FEBRUARY 2020

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

**EDP - Energias de Portugal**

**Consolidated Statements of Financial Position**
**as at 31 December 2019 and 2018**

| Thousand Euros | Notes | 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 16 | 19,676,222 | 22,707,511 |
| Right-of-use assets | 17 | 828,503 | - |
| Intangible assets | 18 | 4,223,823 | 4,736,530 |
| Goodwill | 19 | 2,119,862 | 2,251,461 |
| Investments in joint ventures and associates | 21 | 1,098,512 | 951,613 |
| Equity instruments at fair value | 22 | 170,806 | 125,147 |
| Investment property | | 29,944 | 30,973 |
| Deferred tax assets | 23 | 1,084,046 | 1,152,195 |
| Debtors and other assets from commercial activities | 25 | 3,424,220 | 2,522,640 |
| Other debtors and other assets | 26 | 932,578 | 629,620 |
| Non-Current tax assets | 27 | 389,037 | 53,728 |
| Collateral deposits associated to financial debt | 33 | 21,690 | 25,466 |
| Total Non-Current Assets | | 33,999,243 | 35,186,884 |
| Inventories | 24 | 368,334 | 342,037 |
| Debtors and other assets from commercial activities | 25 | 2,858,160 | 3,167,479 |
| Other debtors and other assets | 26 | 881,779 | 594,808 |
| Current tax assets | 27 | 415,735 | 354,057 |
| Collateral deposits associated to financial debt | 33 | 39,786 | 167,425 |
| Cash and cash equivalents | 28 | 1,542,722 | 1,803,205 |
| Non-Current Assets held for sale | 40 | 2,255,887 | 11,065 |
| Total Current Assets | | 8,362,403 | 6,440,076 |
| **Total Assets** | | 42,361,646 | 41,626,960 |
| **Equity** | | | |
| Share capital | 29 | 3,656,538 | 3,656,538 |
| Treasury stock | 30 | -61,220 | -62,410 |
| Share premium | 29 | 503,923 | 503,923 |
| Reserves and retained earnings | 31 | 4,247,195 | 4,350,938 |
| Consolidated net profit attributable to equity holders of EDP | | 511,751 | 519,189 |
| Total Equity attributable to equity holders of EDP | | 8,858,187 | 8,968,178 |
| Non-controlling Interests | 32 | 3,773,826 | 3,932,149 |
| **Total Equity** | | 12,632,013 | 12,900,327 |
| **Liabilities** | | | |
| Financial debt | 33 | 13,124,615 | 13,462,390 |
| Employee benefits | 34 | 1,128,155 | 1,099,049 |
| Provisions | 35 | 926,426 | 982,515 |
| Deferred tax liabilities | 23 | 503,746 | 574,701 |
| Institutional partnerships in USA | 36 | 2,289,784 | 2,231,249 |
| Trade payables and other liabilities from commercial activities | 37 | 1,644,307 | 1,356,245 |
| Other liabilities and other payables | 38 | 1,177,119 | 756,899 |
| Non-current tax liabilities | 39 | 138,212 | 97,637 |
| Total Non-Current Liabilities | | 20,932,364 | 20,560,685 |
| Financial debt | 33 | 3,446,854 | 2,622,509 |
| Employee benefits | 34 | 183,514 | 308,253 |
| Provisions | 35 | 126,091 | 35,930 |
| Trade payables and other liabilities from commercial activities | 37 | 3,859,623 | 3,862,245 |
| Other liabilities and other payables | 38 | 623,771 | 770,922 |
| Current tax liabilities | 39 | 478,594 | 566,089 |
| Non-Current Liabilities held for sale | 40 | 78,822 | - |
| Total Current Liabilities | | 8,797,269 | 8,165,948 |
| **Total Liabilities** | | 29,729,633 | 28,726,633 |
| **Total Equity and Liabilities** | | 42,361,646 | 41,626,960 |

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THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

**EDP - Energias de Portugal**

**Consolidated Statements of Changes in Equity**
**for the periods ended at 31 December 2019 and 2018**

| Thousand Euros | Total Equity | Share capital (i) | Share premium (i) | Legal reserve (ii) | Reserves and retained earnings | Fair value reserve (cash flow hedge) (ii) | Fair value reserve (financial assets) (ii) | Currency translation reserve (ii) | Treasury stock (iii) | Equity attributable to equity holders of EDP | Non-controlling Interests (iv) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2017** | **13,480,260** | **3,656,538** | **503,923** | **739,024** | **5,116,253** | **-76,142** | **31,255** | **-361,956** | **-62,957** | **9,545,938** | **3,934,322** |
| Comprehensive income: | | | | | | | | | | | |
| Net profit for the period | 876,081 | - | - | - | 519,189 | - | - | - | - | 519,189 | 356,892 |
| Changes in the fair value reserve (cash flow hedge) net of taxes | -128,859 | - | - | - | - | -122,689 | - | - | - | -122,689 | -6,170 |
| Changes in the fair value reserve of assets measured at fair value through other comprehensive income, net of taxes | -4,580 | - | - | - | - | - | -4,545 | - | - | -4,545 | -35 |
| Share of other comprehensive income of joint ventures and associates net of taxes | -16,030 | - | - | - | - | -14,484 | - | 826 | - | -13,658 | -2,372 |
| Actuarial gains/(losses) net of taxes | -46,189 | - | - | - | -51,926 | - | - | - | - | -51,926 | 5,737 |
| Exchange differences arising on consolidation | -202,764 | - | - | - | - | - | - | -122,280 | - | -122,280 | -80,484 |
| Total comprehensive income for the period | 477,659 | - | - | - | 467,263 | -137,173 | -4,545 | -121,454 | - | 204,091 | 273,568 |
| Dividends paid | -690,517 | - | - | - | -690,517 | - | - | - | - | -690,517 | - |
| Dividends attributable to non-controlling interests | -196,852 | - | - | - | - | - | - | - | - | - | -196,852 |
| Purchase and sale of treasury stock | -952 | - | - | - | - | - | - | - | -952 | -952 | - |
| Share-based payments | 1,393 | - | - | - | -106 | - | - | - | 1,499 | 1,393 | - |
| Impacts related with IFRS 9 and IFRS 15's adoption | -81,494 | - | - | - | -60,609 | - | -16,423 | - | - | -77,032 | -4,462 |
| Changes resulting from acquisitions/sales, equity increases/decreases and other | -89,170 | - | - | - | -14,743 | - | - | - | - | -14,743 | -74,427 |
| **Balance as at 31 December 2018** | **12,900,327** | **3,656,538** | **503,923** | **739,024** | **4,817,541** | **-213,315** | **10,287** | **-483,410** | **-62,410** | **8,968,178** | **3,932,149** |
| Comprehensive income: | | | | | | | | | | | |
| Net profit for the period | 899,327 | - | - | - | 511,751 | - | - | - | - | 511,751 | 387,576 |
| Changes in the fair value reserve (cash flow hedge) net of taxes | 264,860 | - | - | - | - | 262,216 | - | - | - | 262,216 | 2,644 |
| Changes in the fair value reserve of assets measured at fair value through other comprehensive income, net of taxes | 4,986 | - | - | - | - | - | 4,915 | - | - | 4,915 | 71 |
| Share of other comprehensive income of joint ventures and associates net of taxes | -23,013 | - | - | - | -8,706 | -8,532 | - | 50 | - | -17,188 | -5,825 |
| Actuarial gains/(losses) net of taxes | -136,750 | - | - | - | -116,578 | - | - | - | - | -116,578 | -20,172 |
| Exchange differences arising on consolidation | -74,277 | - | - | - | - | - | - | -70,687 | - | -70,687 | -3,590 |
| Total comprehensive income for the period | 935,133 | - | - | - | 386,467 | 253,684 | 4,915 | -70,637 | - | 574,429 | 360,704 |
| Dividends paid | -690,675 | - | - | - | -690,675 | - | - | - | - | -690,675 | - |
| Dividends attributable to non-controlling interests | -136,515 | - | - | - | - | - | - | - | - | - | -136,515 |
| Share-based payments | 1,231 | - | - | - | 41 | - | - | - | 1,190 | 1,231 | - |
| Sale with loss of control of windfarms in Europe | -289,186 | - | - | - | - | 172 | - | - | - | 172 | -289,358 |
| Changes resulting from acquisitions/sales, equity increases/decreases and other | -88,302 | - | - | - | 4,852 | - | - | - | - | 4,852 | -93,154 |
| **Balance as at 31 December 2019** | **12,632,013** | **3,656,538** | **503,923** | **739,024** | **4,518,226** | **40,541** | **15,202** | **-554,047** | **-61,220** | **8,858,187** | **3,773,826** |

(i) See note 29
(ii) See note 31
(iii) See note 30
(iv) See note 32

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THE MANAGEMENT

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**EDP - Energias de Portugal**

**Consolidated and Company Statements of Cash Flows for the periods ended at 31 December 2019 and 2018**

| Thousand Euros | Notes | Group 2019 | Group 2018 | Company 2019 | Company 2018 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| **Profit before income tax and CESE** | | 1,193,705 | 1,041,092 | 655,758 | 652,102 |
| Adjustments for: | | | | | |
| Amortisation and impairment | 12 | 1,765,619 | 1,444,812 | 28,856 | 31,963 |
| Provisions | 35 | 101,530 | 287,938 | -133 | -7,475 |
| Share of net profit in joint ventures and associates | 21 | -25,011 | -10,858 | - | - |
| Financial (income)/expenses | 13 | 669,774 | 554,145 | -685,775 | -733,781 |
| (Gains) / Losses on disposal and scope effects except Asset Rotations (i) | | 32,440 | -56,043 | -3,676 | -95 |
| Changes in working capital: | | | | | |
| Trade and other receivables | | 131,007 | -107,674 | 75,690 | -90,578 |
| Trade and other payables | | -116,077 | -184,356 | -54,321 | 103,946 |
| Personnel | | -339,684 | -221,658 | 156 | -1,078 |
| Regulatory assets | | -251,160 | 916,895 | - | - |
| Other changes in assets/liabilities related with operating activities | | -342,802 | -274,050 | 35,352 | -83,437 |
| Income tax and CESE | | -284,929 | -255,722 | 46,697 | 77,602 |
| **Net cash flows from operations** | | 2,534,412 | 3,134,521 | 98,604 | -50,830 |
| Net (gains) / losses with Asset Rotation (i) | | -313,452 | -196,447 | - | - |
| **Net cash flows from operating activities** | | 2,220,960 | 2,938,074 | 98,604 | -50,830 |
| **Investing activities** | | | | | |
| Cash receipts relating to: | | | | | |
| Sale of assets/subsidiaries with loss of control (ii) | | 502,982 | 492,024 | - | - |
| Other financial assets and investments (iii) | | 563,867 | 143,320 | 116 | 34,148 |
| Other financial assets at amortised cost | | - | - | 474,188 | 408,617 |
| Changes in cash resulting from consolidation perimeter variations | | - | 2,785 | - | - |
| Property, plant and equipment and intangible assets | | 30,885 | 12,948 | 221 | 543 |
| Other receipts relating to tangible fixed assets | | 4,894 | 10,857 | - | 21 |
| Interest and similar income | | 61,308 | 36,229 | 76,964 | 193,436 |
| Dividends | | 43,127 | 26,851 | 601,205 | 868,344 |
| Loans to related parties | | 605,313 | 275,622 | 508,490 | 5,198,799 |
| | | 1,812,376 | 1,000,636 | 1,661,184 | 6,703,908 |
| Cash payments relating to: | | | | | |
| Acquisition of assets/subsidiaries | | -3,133 | - | - | - |
| Other financial assets and investments (iv) | | -739,100 | -215,027 | -146,156 | -3,600,344 |
| Other financial assets at amortised cost | | - | - | - | -541,751 |
| Changes in cash resulting from consolidation perimeter variations (v) | | -112,284 | -50,183 | - | - |
| Property, plant and equipment and intangible assets | | -2,348,542 | -1,708,627 | -38,341 | -50,109 |
| Loans to related parties | | -254,339 | -205,787 | -325,850 | -919,384 |
| | | -3,457,398 | -2,179,624 | -510,347 | -5,111,588 |
| **Net cash flows from investing activities** | | -1,645,022 | -1,178,988 | 1,150,837 | 1,592,320 |
| **Financing activities** | | | | | |
| Receipts relating to financial debt (include Collateral Deposits) | | 4,099,892 | 2,704,418 | 1,657,992 | 817,942 |
| (Payments) relating to financial debt (include Collateral Deposits) | | -3,443,363 | -3,634,500 | -1,729,425 | -1,451,900 |
| Interest and similar costs of financial debt including hedge derivatives | | -557,270 | -623,444 | -266,144 | -311,999 |
| Receipts/(payments) relating to loans from non-controlling interests | | -29,922 | -61,907 | - | - |
| Interest and similar costs relating to loans from non-controlling interests | | -21,177 | -32,458 | - | - |
| Receipts/(payments) relating to loans from related parties | | - | - | -297,485 | -829,664 |
| Interest and similar costs of loans from related parties including hedge derivatives | | - | - | -4,988 | -40,972 |
| Share capital increases/(decreases) by non-controlling interests | | -61,722 | -71,410 | - | - |
| Receipts/(payments) relating to derivative financial instruments | | -4,946 | 17,796 | 35,365 | 312,433 |
| Dividends paid to equity holders of EDP (vi) | | -690,675 | -690,517 | -690,963 | -690,805 |
| Dividends paid to non-controlling interests | | -134,726 | -167,796 | - | - |
| Treasury stock sold/(purchased) (vii) | | - | -952 | - | -952 |
| Receipts/(payments) related with transactions with non-controlling interest without change of control | | -20,386 | - | - | - |
| Lease (payments) (viii) | | -75,754 | - | -12,533 | - |
| Receipts/(payments) from institutional partnerships - USA (ix) | | 105,627 | 225,353 | - | - |
| **Net cash flows from financing activities** | | -834,422 | -2,335,417 | -1,308,181 | -2,195,917 |
| **Changes in cash and cash equivalents** | | -258,484 | -576,331 | -58,740 | -654,427 |
| Effect of exchange rate fluctuations on cash held | | -1,999 | -20,541 | -534 | 270 |
| Cash and cash equivalents at the beginning of the period | | 1,803,205 | 2,400,077 | 484,603 | 1,138,760 |
| **Cash and cash equivalents at the end of the period*** | | 1,542,722 | 1,803,205 | 425,329 | 484,603 |

(i) See note 8;

(ii) Relates essentially to the receivements of the sales of EDP Renewables France, S.A.S. and EDPR Participaciones, S.L to Beta Energy Investments S.A.R.L. and Beta II S.R.L. (see note 6);

(iii) Relates essentially to the receivements of the contingent prices related with the sale of 75% of the companies Nation Rise Wind Farm Gp II Inc. and Nation Rise Wind Farm Limited Partnership (see note 26), the Mayflower Wind Energy LLC capital refunds and the sales of Solar Ventures Acquisition LLC, Goldfinger Ventures LLC, Goldfinger Ventures II LLC (see note 6);

(iv) Relates essentially to payments made for the capital increases in Vento XIX, Mayflower Wind Energy LLC, Solar Ventures Acquisition LLC, Goldfinger Ventures LLC and Goldfinger Ventures II LLC (see note 21);

(v) Refers to the sale of onshore wind portfolio in Europe (see note 6) and the reclassification to assets held for sale of the cash balances of the companies included in the sell operation of Electricity generation assets, hydro in Brazil, onshore wind in Brazil and offshore wind (see note 40).

(vi) See Note 31;

(vii) See Consolidated and Company Statement of Changes in Equity;

(viii) Includes capital and interest;

(ix) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in note 36).

* See details of Cash and cash equivalents in note 28 and the Consolidated and Company Reconciliation of Changes in the responsibilities of Financing activities in note 51 of the Financial Statements.

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THE CERTIFIED ACCOUNTANT N.º 17,713 | THE MANAGEMENT | THE EXECUTIVE BOARD OF DIRECTORS

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

**Company Income Statements**
**for the periods ended at 31 December 2019 and 2018**

| Thousand Euros | Notes | 2019 | 2018 |
|---|---|---|---|
| Revenues from energy sales and services and other | 7 | 2,968,760 | 3,675,039 |
| Cost of energy sales and other | 7 | -2,739,070 | -3,502,579 |
| | | 229,690 | 172,460 |
| Other income | | 19,387 | 18,455 |
| Supplies and services | 9 | -152,951 | -161,194 |
| Personnel costs and employee benefits | 10 | -72,800 | -74,425 |
| Other expenses | | -24,630 | -12,345 |
| Impairment losses on trade receivables and debtors | 25 | 10 | -142 |
| | | -230,984 | -229,651 |
| | | -1,294 | -57,191 |
| Provisions | 35 | 133 | 7,475 |
| Amortisation and impairment | 12 | -28,856 | -31,963 |
| | | -30,017 | -81,679 |
| Financial income | 13 | 1,252,845 | 1,296,027 |
| Financial expenses | 13 | -567,070 | -562,246 |
| Profit before income tax | | 655,758 | 652,102 |
| Income tax expense | 14 | 65,158 | 86,484 |
| **Net profit for the period** | | **720,916** | **738,586** |

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THE MANAGEMENT

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The following notes form an integral part of these financial statements

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

**Company Statements of Comprehensive Income**
**for the periods ended at 31 December 2019 and 2018**

| Thousand Euros | 2019 | 2018 |
|---|---|---|
| **Net profit for the period** | 720,916 | 738,586 |
| **Items that will never be reclassified to profit or loss (i)** | | |
| Actuarial gains/(losses) | -538 | -1,025 |
| Tax effect from the actuarial gains/(losses) | 122 | 249 |
| Changes in reserves and retained earnings by liquidation of financial assets | -248 | - |
| | -664 | -776 |
| **Items that may be reclassified to profit or loss (i)** | | |
| Fair value reserve (cash flow hedge) (ii) | -90,247 | -9,158 |
| Tax effect from the fair value reserve (cash flow hedge) (ii) | 20,306 | 2,060 |
| | -69,941 | -7,098 |
| **Other comprehensive income for the period (net of income tax)** | -70,605 | -7,874 |
| **Total comprehensive income for the period** | 650,311 | 730,712 |

(i) See Condensed Company Statement of Changes in Equity
(ii) See Note 31

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THE CERTIFIED ACCOUNTANT N.º 17,713 | THE MANAGEMENT | THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

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

**Company Statements of Financial Position**
**as at 31 December 2019 and 2018**

| Thousand Euros | Notes | 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 16 | 28,925 | 93,170 |
| Right-of-use assets | 17 | 110,947 | - |
| Intangible assets | | 93,353 | 78,662 |
| Investments in subsidiaries | 20 | 15,684,346 | 15,102,046 |
| Investments in joint ventures and associates | | 2 | 2 |
| Equity instruments at fair value | | 1,252 | 1,537 |
| Investment property | | 71,163 | 56,984 |
| Deferred tax assets | 23 | 142,907 | 92,659 |
| Debtors and other assets from commercial activities | | 692 | 661 |
| Other debtors and other assets | 26 | 3,289,149 | 3,772,477 |
| Total Non-Current Assets | | 19,422,736 | 19,198,198 |
| Debtors and other assets from commercial activities | 25 | 583,828 | 653,404 |
| Other debtors and other assets | 26 | 2,163,204 | 2,424,019 |
| Current tax assets | 27 | 109,676 | 98,092 |
| Cash and cash equivalents | 28 | 425,329 | 484,603 |
| Total Current Assets | | 3,282,037 | 3,660,118 |
| **Total Assets** | | 22,704,773 | 22,858,316 |
| **Equity** | | | |
| Share capital | 29 | 3,656,538 | 3,656,538 |
| Treasury stock | 30 | -55,124 | -56,315 |
| Share premium | 29 | 503,923 | 503,923 |
| Reserves and retained earnings | 31 | 2,619,244 | 2,642,185 |
| Net profit for the period | | 720,916 | 738,586 |
| **Total Equity** | | 7,445,497 | 7,484,917 |
| **Liabilities** | | | |
| Financial debt | 33 | 8,494,071 | 10,014,872 |
| Employee benefits | 34 | 6,696 | 5,683 |
| Provisions | 35 | 1,794 | 1,808 |
| Trade payables and other liabilities from commercial activities | | 1,144 | 2,278 |
| Other liabilities and other payables | 38 | 348,890 | 349,826 |
| Total Non-Current Liabilities | | 8,852,595 | 10,374,467 |
| Financial debt | 33 | 4,268,222 | 2,795,609 |
| Employee benefits | 34 | 69 | 1,442 |
| Provisions | 35 | 926 | 1,172 |
| Trade payables and other liabilities from commercial activities | 37 | 715,314 | 788,883 |
| Other liabilities and other payables | 38 | 1,393,115 | 1,293,180 |
| Current tax liabilities | 39 | 29,035 | 118,646 |
| Total Current Liabilities | | 6,406,681 | 4,998,932 |
| **Total Liabilities** | | 15,259,276 | 15,373,399 |
| **Total Equity and Liabilities** | | 22,704,773 | 22,858,316 |

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The following notes form an integral part of these financial statements

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

**Company Statements of Changes in Equity**
**for the periods ended at 31 December 2019 and 2018**

| Thousand Euros | Total Equity | Share capital (i) | Share premium (i) | Legal reserve (ii) | Reserves and retained earnings (ii) | Fair value reserve (cash flow hedge) (ii) | Treasury stock (iii) |
|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2017** | **7,444,569** | **3,656,538** | **503,923** | **739,024** | **2,596,176** | **5,770** | **-56,862** |
| Comprehensive income: | | | | | | | |
| Net profit for the period | 738,586 | - | - | - | 738,586 | - | - |
| Changes in the fair value reserve (cash flow hedge) net of taxes | -7,098 | - | - | - | - | -7,098 | - |
| Actuarial gains / (losses) net of taxes | -776 | - | - | - | -776 | - | - |
| Total comprehensive income for the period | 730,712 | - | - | - | 737,810 | -7,098 | - |
| Dividends paid | -690,805 | - | - | - | -690,805 | - | - |
| Purchase and sale of treasury stock | -952 | - | - | - | - | - | -952 |
| Share-based payments | 1,393 | - | - | - | -106 | - | 1,499 |
| **Balance as at 31 December 2018** | **7,484,917** | **3,656,538** | **503,923** | **739,024** | **2,643,075** | **-1,328** | **-56,315** |
| Comprehensive income: | | | | | | | |
| Net profit for the period | 720,916 | - | - | - | 720,916 | - | - |
| Changes in the fair value reserve (cash flow hedge) net of taxes | -69,941 | - | - | - | - | - 69 941 | - |
| Changes in reserves and retained earnings by liquidation of financial assets | -248 | | | | -248 | | |
| Actuarial gains / (losses) net of taxes | -416 | - | - | - | -416 | - | - |
| Total comprehensive income for the period | 650,311 | - | - | - | 720,252 | -69,941 | - |
| Dividends paid | -690,963 | - | - | - | -690,963 | - | - |
| Share-based payments | 1,232 | - | - | - | 41 | - | 1,191 |
| **Balance as at 31 December 2019** | **7,445,497** | **3,656,538** | **503,923** | **739,024** | **2,672,405** | **-71,269** | **-55,124** |

(i) See note 29
(ii) See note 31
(iii) See note 30

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**Notes to the Consolidated and Company Financial Statements**



The following notes form an integral part of these financial statements

**EDP - Energias de Portugal, S.A.**
**Notes to the Consolidated and Company Financial Statements as at and for the periods ended 31 December 2019 and 2018**

## 1. Economic Activity of EDP Group

EDP - Energias de Portugal, S.A. (hereinafter referred to as EDP), currently with head office in Lisbon, Avenida 24 de Julho 12 and with its shares listed on the Euronext Lisbon stock exchange, results from the transformation of Electricidade de Portugal, E.P., incorporated in 1976 following the nationalization and consequent merger of the main companies in the electricity sector in Portugal. During 1994, as established by Decree-laws 7/91 and 131/94, the EDP Group (EDP Group or Group) was set up following the split of EDP, which led to a number of directly or indirectly wholly owned subsidiaries of EDP.

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

EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors.

**Activity in the energy sector in Portugal**

**Portugal - Electricity**

The general basis of the organization and inner workings of the National Electrical System (SEN), as well as the general bases applicable i) to the exercise of the activities of generation, transportation, distribution, supplying of electricity and operator change logistics and ii) to the organization of the electricity markets is set in Decree-Law (DL) 29/2006 of 15 February 2006, in the version published in the DL 215-A/2012 of 8 October 2012, with the changes introduced by DL 42/2016, of 28 December 2016, and further developed by the DL 172/2006 of 23 August 2006, on the version republished by the DL 215-B/2012 of 8 October 2012, with the changes introduced by the DL 114/2017 of 29 December 2017 and by DL 76/2019, of 3 June 2019.

These legal diplomas transpose to the Portuguese law, the principles of Directive 2009/72/CE, from the European Parliament and the Council of 13 July, which sets common rules for the internal electricity market and revokes the Directive 2003/54/CE, of the European Parliament and the Council, of 26 June.

The SEN integrates the activities of: i) generation, ii) transportation, iii) distribution, iv) supplying, v) organized markets operation, vi) operator change logistics and vii) other activities related with providing services related with the market integrated.

These activities are under the regulation of the Energy Services Regulatory Entity (ERSE), whose purpose is to contribute to ensure the correct efficiency and rationality regarding objectivity, transparency, non-discrimination and competition, through the continuous supervision and oversight, integrated in the goal of fulfillment of the internal electricity market.

In what concerns the transportation, distribution and last resource supplying, the law sets the right to a fixed income, dictated by ERSE, as stipulated in the Tariff Regulations, that assures the economic-financial balance given the conditions of an efficient management.

**Portugal - Electricity - Generation**

***Background***

The generation activity envolves generation in both the ordinary regime (PRO) and the special regime (PRE), being both regimes, subjected to the assignment of a generation license by the Portuguese Authority of Energy and Geology (DGEG).

The PRO regime incorporates the production that is not under a special regime, including all remunerated power plants under the PPAs (Power Purchase Agreement), CMEC (Contractual Stability Compensation) and Power Guarantee, being the energy produced sold in organized markets or through bilateral contracts.

On the other hand, PRE integrates: i) the production that is covered by special regimes such as the production of electricity through cogeneration and endogenous, renewable and non-renewable resources, micro production, mini-production and production without power injection in the network or, ii) the production that is made through endogenous, renewable and non-renewable resources, not subject to special legal regime. The energy produced under a special regime, if it is under guaranteed remuneration, is sold to the Supplier of Last Resort (CUR). Otherwise, it can be sold to any trader or market aggregator, on organized markets or through the celebration of bilateral contracts.

In Portugal, EDP Group develops the activity of PRO and the activity of PRE through EDP Gestão da Produção, S.A. and EDP Renováveis Portugal, S.A., amongst other subsidiaries.

*Highlights:*

*Transformation from Power Purchase Agreement (PPAs) into Contractual Stability Compensation (CMEC)*

The PPAs were created by the DL 182/95, of 27 July 1995, as long term contracts, signed between bound electricity generators and REN. The fix and variable costs of production were indemnified to the producer by meanings of a pre-determined remuneration which might vary considering the plants availability. These contracts assure to the electricity generators a low level of risk.

The approval of Directive 2003/54/CCE in 2004, which aimed to deepen the liberalization of the energy market, and the commitments assumed by Portuguese and Spain Governments, with a view to the construction of the Iberian Electricity Market (MIBEL), led to the revision of the sector organization, particularly regarding generation, as it was at stake the PPAs compatibility with goals pursued at the European and Iberian levels. In this context, DL 240/2004, of 27 December, established PPAs early termination, based on the implementation of a mechanism for the maintenance of the contractual equilibrium named CMEC, which consisted on the right to the payment of a compensation to the envisaged generators. This regime was notified (and authorized) by the European Commission and, also, was object of a legislation authorization, conferred to by Law 52/2004.

The PPAs maintained by EDP Group were early terminated and CMEC regime entry into force from 1 July 2007 onwards. CMECs consist of i) an initial amount, that corresponds to the difference between the present value of the PPAs (calculated at the early end of the contract (2007), and the value of expected market revenues, deducting the respective operating costs and other costs (estimated in 2007, to that year's values). The amount thus determined is paid in annuities from July 2007 up to the end date of the longest underlying PPA (December 2027); ii) annual adjustments, that correspond to the annual revisibility, calculated by the difference between the conditions underlying the initial amount and the values resulting from the valuation model (Valoragua), obtained from real data. These annual adjustments occurred during the first 10 years of the CMEC mechanism, ie between July 2007 and July 2017 and iii) a final adjustment, which reviews, reported to July 2017 date, the amount of the compensation to be paid to the electricity generator up to 2027 (the remaining PPA term with the longest duration), with a rational calculation similar to the initial amount but without any adjustments from July 2017 onwards.

In EDP Group 27 PPAs ongoing for hydro power plants and 7 PPAs for thermal power plants were early terminated in July 2007.

However, EDP Group was the only entity that accepted PPAs early termination and the remuneration through CMEC regime. The remaining entities maintain the respective PPAs into force (regarding to a coal plant and to a gas plant).

While within the scope of the PPAs, investment and availability of the plants were remunerated with full recognition of costs incurred in generation, in the CMEC regime, each plant started to be remunerated in market, being this remuneration complemented by the difference between what the plants would receive in the PPAs and what they receive in the free market in a context of an efficient management.

In 2012, several citizens presented a complaint at the European Commission on the hypothetical disconformity of the CMEC mechanism and of the hydro public domain (DPH) use rights that accompanied hydric plants. In 2017, the European Committee issued its decision, and state that the national procedures regarding to DPH connected to plants operating under CMEC regime were in accordance to european legislation on State Aid.

Meanwhile, the implementation of the CMEC regime has been object of several vicissitudes, contested by EDP Group at the adequate level, namely: (i) the calculation of the final adjustment value with basis on a different methodology than the one legally foreseen, resulting in the value approximately of 154 million Euros, homologated by the Energy Secretary of State (SEE) BY Dispatch dated 25 April 2018; (ii) the alleged existence of "innovatory aspects" regarding, in particular, the performance of tests to the CMEC plants availability from which a supposed benefit of 285 million euros, currently deducted, in the tariff context, to the values to be received by EDP; (iii) obligation of the CMEC plants to the payment foreseen in DL 74/2013 (clawback), following determination of Law 71/2008, which approves State Budget for 2019; this sets that the Government, until the end of 2019 first trimester, proceeds with the revision of clawback mechanism, which happened through DL 104/2019, of 9 August.

*System Services*

In addition to operating in the daily, intraday and long-term market, generators can participate in the system services markets.

The system services are adjustments to solve deviations and technical constraints in real time, in order to respond to the needs of quality, reliability and security of the network, while always maintaining the supply-demand balance.

*Remuneration Regime*

The generation activity is remunerated by the energy produced, by the availability of the installed capacity and by the systems services:

| | Regulated Remuneration | Remuneration in Market |
|---|---|---|
| Energy | - PPA<br>- CMEC<br>- Bonus rates for special regime production | - MIBEL<br>- Bilateral contracts |
| Installed Capacity | - PPA<br>- CMEC<br>- Power guarantee | - Capacity auctions |
| System services | - Direct hiring | - System services market |

*Social Tariff*

The DL138-A/2010, of 28 December, created a social tariff scheme financed by ordinary regime producers, including large hydro plants.

Social tariff consisted of the allocation to economically vulnerable customers of a discount on the network access tariff in an amount corresponding to a discount of 20% on the transitional tariffs of sale to end customers.

In 2011, a regime of extraordinary social support to the energy consumers (ASECE) was created, which consisted of an additional discount granted to economically vulnerable customers worth 13.8% of the value of the invoice, in this case, financed by the State, in order to neutralize the VAT increase from 6% to 23% for these customers.

In 2016, ASECE was extinguished, but the value of the respective discount was incorporated into social tariff, which means it has became also financed by producers in ordinary regime and by the big hydric. Beyond that, the eligibility criteria to benefit from social tariff is broader and the respective implementation is immediate.

Considering the historic, in 2016 the number of persons benefiting from social tariff increased from around 80.000 to around 800.000 and the discount, that was of 20% come to 33,8%, situation that is still maintained actually.

*Clawback*

The DL 74/2013, of 4 June, introduced a regulatory mechanism to ensure the competitive balance in the wholesale electricity market in Portugal, which acts in the event of distortions resulting from extra-market events, through allocation, based on the impact registered on the price structure, of the allocation of the cost of general economic interest (CIEG) between consumers and producers of electricity - Clawback.

The electricity generators covered by this mechanism are ordinary regime producers and other producers that are not covered by the guaranteed remuneration scheme.

Clawback aims to prevent that extra markets events, as the existence of taxes existing only in one of MIBEL countries, may entail non-justified benefits for the producers that develop their activity in another country.

ERSE periodically prepares a study on the impact of electricity average price formation at Portuguese wholesale market in extra market events registered within European Union considering also national extra markets events. Concretely, it have been considered as an european extra market event the tax burden that levies over producers located in Spain and as a national extra market event the Social Tariff (funded by the PRO) and the Extraordinary Contribution on the Energetic Market. More recently, the tax over oil products was also considered as a national extra market event. This mechanism is currently framed by DL 74/2013, DL 104/2019, Ministerial Order 282/2019 and also by Dispatch 12424-A/2016 of 26 December.

The implementation of DL 74/2013 registered several amendments, namely regarding recognition of national extra market events.

*Hydrological Correction Account*

On 5 March, the Energy Secretary of State published Dispatch 2224/2018, which determines the creation and composition of a Working Group, designed as "Working Group for the extinction of the hydrological correction account" - for EDP - Energias de Portugal,S.A. financial statements - with the purpose of preparing a grounded report with the hydrological correction account 's annual movements and their origin, as well as of determine rights on the differentials of the updated amounts of the payments and receipts flows and the financial charges associated with the hydrological correction account. This working group was created following the extinction of an earlier working group with the same purpose, operated by Dispatch 5443/2017 of 22 June. The Working Group concluded its work and the Government, recognizing the value at stake, does not recognize to EDP its right to receive it, and this fact was already object of contest at the right place.

*Reserve remuneration regime for National Electricity System (SEN)*

On 27 January 2017, Ordinance 41/2017 established a new regime for the payment of the security reserve provided to the SEN through the availability services provided by electric producers and other market agents. Under this scheme, the remuneration of the security reserve is established through an annual competitive auction mechanism that pays exclusively for the availability services provided, favoring low carbon technologies. However, Law 114/2017 of 29 December 2017, that approves the State Budget for 2018, determined the postponement of the annual auction until the Portuguese State receives the unequivocal pronouncement of the European Commission regarding the compatibility of the mechanism of the SEN security reserve with the Community provisions regarding State support for the energy sector. On 3 April 2018, Order 93/2018 was published, which maintains the postponement of that auction.

***Key Developments of 2019***

*Exemption of the oil tax (ISP) and surcharge over CO2*

Ordinance 6-A/2019 was published on 4 January 2019, which sets the $CO_2$ surcharge rate on $CO_2$ emissions and the addition value for each product. The addition rate forecast in the Article 92-A of the Code of Special Taxes on Consumption, defined annually, is based on the tenders prices for the greenhouse gas emission carried out under the European Trading of Emission Allowances (CELE). The amount for 2019 is 12.74€ / tonne of $CO_2$ (in 2018, this amount was 6.85€/tonne of $CO_2$).

*Clawback*

On 23 January 2019, Dispatch 895/2019 of the Office of the Energy Secretary of State was published, which defines the parameter corresponding to the impact of extra market measures and events registered in the European Union in the creation of average electricity prices in the wholesale market in Portugal (clawback). The suspension of the Clawback mechanism is thus determined in the period corresponding to the suspension of the tax measures in Spain, from 1 October 2018 until 31 March 2019. In the calculation of system costs, ERSE is considering the value of 4.18€ / MWh as of 1 April 2019.

On 9 August 2019 was published DL 104/2019, of the Council of Ministers, which makes the first amendment to Decree-Law 74/2013, of 4 June 2013, regarding the clawback mechanism, clarifying the subjective scope of the mechanism, which now includes the following producers:

- Producers of electricity in the ordinary regime, except for the power plants covered by paragraph 2 a) of article 17 of that law, until the date of termination of the respective contracts for the purchase of energy;
- Electricity producers exploiting hydroelectric plants with installed capacity> = 10 MVA;
- Electricity producers that do not benefit from any guaranteed remuneration mechanism, except producers: i) that make specific compensations to SEN within the scope of the competitive procedure provided for in article 5-B of Decree-Law No. 172/2006, of 23 August 2006, as amended; and ii) whose installed capacity of each individually considered power station is <5 MW.

With the published DL it becomes possible a CIT (Corporate Income Payment) – Advanced Payment, applied to electricity producers covered by the clawback mechanism, and the unit value of the payment on account is established by the government member responsible for the energy area, under proposal from ERSE. The same Government official decides on the amounts to be invoiced to electricity producers, based on the results of a study prepared annually by ERSE on the impact on average electricity prices in the Portuguese wholesale market of measures and extra market events registered in the EU.

On 30 August 2019 it was published Ordinance 282/2019, from the Environment and Energy Transition, which regulates some aspects of the clawback mechanism, following the provisions of Decree Law 104/2019, in particular: (i) ERSE's annual study; (ii) clawback's tariff repercussions and changes to the formulas to be used and; (iii) the Advanced Payment mechanism.

On 26 September 2019, Order No. 8521/2019 of the Ministry of the Environment and Energy Transition published the CIT (Corporate Income Payment) – advanced payment for Clawback of 2.71€ / MWh for coal-fired power plants and 4.18€ / MWh for the remaining plants.

On 27 December 2019, Dispatch 12424-A / 2019, published by the Office of the Secretary of State for Energy, was published, which identifies the national extra-market events to be considered in the Study to be prepared by ERSE in 2020 (with reference to 2019) under the Clawback mechanism. The taxation of petroleum and energy products used in the production of electricity (ISP), the Extraordinary Contribution on the Energy Sector (CESE) and the Social Electricity Tariff are considered as extra-market events.

*Over-equipment of wind farms*

On 31 January 2019 it was published Ordinance 43/2019, of the Ministry of the Environment and Energy Transition, which changes the criteria for granting authorization for the installation of over-equipment in wind farms.

With the publication of this Ordinance, ERSE consultation (foreseen in former legislation) is dismissed if the owner of the power plant chooses to apply the energy of the over-equipment to a tariff of 45€/MWh, without update, for a period of 15 years. This Ordinance also applies to requests for authorization that, at the date of its entry into force, are still pending from the decision of DGEG.

*Guarantees of origin*

On 8 October 2019, Order 8965/2019 of the Office of the Secretary of State for Energy was published, which determines that REN, as the Issuer of Guarantees of Origin (EEGO), must create and maintain a platform that ensures the management of the certification of cogeneration and electricity production facilities from renewable energy sources and the issuing of guarantees of origin (GO).

*Parliamentary Commission of Inquiry on the Payment of Excessive Income to Electricity Producers (CPIPREPE)*

On 15 May 2019 the CPIPREPE Final report has been globally approved, with votes in favor from PS PCP, BE and PEV and votes against from PSD and CDS. The absence of unanimity in the voting process reveals the existence of divergent opinions on the issue of alleged excessive rents.

The Conclusions and Recommendations contained in the Final Report of CPIPREPE are not binding.

*Other Key Developments of 2019*

On 18 January 2019, Decree-Law (DL) 10/2019 was published, which establishes the new rules on the allocation of revenues from emission allowances tenders and introduces into portuguese legislation the partial transposition of the European Directive 2018/410 on the rules of the CELE.

This Decree-Law sets in 60% the value of the revenues generated from the emission licences tenders to be transferred to SEN in order to offset part of the total over-cost of the special regime (PRE) from renewable energy sources, in each year, until it reaches 100% of this extra cost (includes over cost of renewable cogeneration generation).

These revenues are allocated to National Electric System (SEN) to deduct from the Global System Use tariff, in order to reduce the consumer's energy bill. It also allows, if necessary, an additional transfer of funds from the Environmental Fund to the SEN, in case there is a significant difference between actual revenues and estimated revenues.

On 3 June 2019, DL 76/2019 of the Presidency of the Council of Ministers was published, which amends the legal regime applicable to the exercise of the activities of generation, transportation, distribution and supply of electricity and to the organization of the electricity markets. In general terms, this Decree-Law aims, among other aspects:

- Establish the legal basis for the adoption, within the PRE, of procedures of a competitive nature, maintaining as a prerequisite in the licensing the existence of injection capacity in the network;
- Allow the promoters, who so wish, to support the construction or reinforcement in the network (without burdening the system) when it does not have the necessary injection capacity, not limiting the realization of projects;
- Allow the licensing of production units in pre-existing electro-producing centers that, using a different source of renewable energy, do not require an increase in injection capacity in the Electric Public Network (RESP);
- To frame the regime applicable to Small Production Units (UPP);
- To frame the SEN's risk management and guarantees regime in the scope of the use of network infrastructures and participation in SEN's global management;
- Change the object of the concessions of the LV electricity distribution network, in order to grant an option to the grantor to include or not the public lighting network in the object of the concession.

On 6 June 2019, Dispatch 5532-B / 2019 of the Secretary of State for Energy was published, which establishes the opening of a competitive procedure, in the form of an electronic auction, for the allocation of reserve of injection capacity in RESP connection points for photovoltaic solar energy.

**Portugal - Electricity - Transportation**

***Background***

The transportation activity integrates the overall management of the system and is implemented under a public service concession, exclusively, through the exploitation of the National Transportation Network (RNT).

The RNT concession contract was awarded by the State to REN - Redes Energéticas Nacionais, SGPS, SA in 2007, for a period of 50 years.

**Portugal - Electricity - Distribution**

***Background***

The distribution activity includes the operation of the National Distribution Network (RND), which includes distribution networks in medium and high voltage, and the operation of distribution networks in low voltage, being exercised through concession contracts under a public service regime, exclusivily.

The concession contract for RND’s exploration in high and medium voltage was attributed by the state to EDP Distribuição in 2009, for a period of 35 years.

The concession contracts for the operation of the low voltage electricity distribution networks were settled between the 278 Municipalities of mainland Portugal and EDP Distribuição on different dates, for a period of 20 years, according to DL 344-B/82 of 1 September with the respective amendments, namely those introduced by DL 29/2006.

The concession contracts between the 278 Municipalities and EDP Distribuição will reach their end until 2026, the majority in 2021 and 2022.

In this context, Law 31/2017, of 31 May, came to predict the launch of the public tender for the award of new concession contracts synchronously, in 2019, to territorial areas defined by municipalities or municipal entities, under proposal from ERSE.

***Key Developments of 2019***

ERSE Directive 5/2019 of 18 January 2019 approved tariffs and prices for electricity and other services to be in force in 2019.

On 15 April, ERSE Directive 10/2019 was published, which approves the parameters related to the connections to the electric energy networks and repeals Directive 18/2012, of 8 November, of ERSE.

On 2 August 2019, Regulation 610/2019 was published, which approves the Intelligent Electricity Distribution Services Regulation, framing the intelligent network services by network operators and suppliers.

In the Tariffs for 2020, approved in 16 December 2019, ERSE recognized the principle of profit sharing with the system and assumed the return into the tariffs of approximately 16.6 million Euros referring to half of the net gains obtained from the sale of real estate by EDP Distribuição between 2009 and 2018, having mentioned that the position to be taken by the respective grantors of the Concession Contract for the National Distribution Network (RND) and the electricity distribution network concessions in BT may determine the revision of this amount.

Subsequent to the publication of the Tariffs for 2020, the Government approved an Order that stipulates that the total value of the gains generated by the sale of real estate by EDP Distribuição between 2009 and 2018, and which were subject to remuneration for the tariffs, "reverts entirely to the grantor ", and should be" fully reflected in the electricity tariffs ".

***Portugal - Electricity - Supply***

***Background***

The commercialization activity is open to competition, being subject to prior registration.

Suppliers can freely buy and sell electricity and, in this sense, they have the right to access to the transmission and distribution networks, through the payment of regulated tariffs fixed by ERSE.

It is also legally consecrated, for the protection of consumers, a supplier of last resort, subject to the granting of a license, whose purpose is to serve as guarantor of the electricity supply to costumers, especially the most vulnerable, in terms of quality and continuity of service.

The commercialization activity is carried out by EDP Comercial, S.A and the activity of last resort supplier (CUR) is carried out by EDP Serviço Universal, SA - a company incorporated and totally owned by EDP Distribuição, S.A.

***Key Developments of 2019***

*Self-consumption, small production units and renewable energy communities*

On 15 April, Ordinance 115/2019 was published, which sets the reference tariff applicable, during the current year, to the electricity sold in its entirety to RESP, from small production units (UPP) using sources of renewable energy. It is planned to maintain the value practiced in recent years - from the entry into force of the current regime, which replaces the previous similar model of micro and mini-production -, set at 95€ /MWh, in order to guarantee investment stability and cost control for SEN.

On 17 September 2019, Resolution no. 192/2019, of the Assembly of the Republic, was published, recommending the Government the adoption of a legislative framework for collective self-consumption and for renewable energy communities (this resolution had already been approved 19 July 2019 and the new legislative framework was approved by the Council of Ministers on 5 September 2019).

On 25 October 2019, Decree-Law 162/2019 of the Presidency of the Council of Ministers was published, which establishes the legal regime applicable to self-consumption of renewable energy, individually, collectively or by renewable energy communities, proceeding, in this last part, to the partial transposition into national law of Directive 2018/2001 of the European Parliament and of the Council, of 11 December 2018, on the promotion of the use of energy from renewable sources.

This decree-law intends for Portugal to achieve the goals defined under the PNEC 2030, namely to achieve a 47% share of energy from renewable sources in gross final consumption in 2030, as well as to reduce the price of electricity consumption for those who adhere to the self-consumption. This Decree-Law takes effect in the following terms:

a) As of 1 January 2020, for individual self-consumption projects and collective self-consumption projects or CER, which cumulatively: i) have an intelligent counting system; ii) are installed at the same voltage level;

b) DGEG and ERSE publish, until 31 December 2019, the necessary regulations for the implementation of the aforementioned projects;

c) o As of 1 January 2021, related to other self-consumption projects;

d) DGEG and ERSE promote the participation of entities that intend to implement self-consumption projects, which must express such interest in the Portal, in the process of defining the regulations necessary for the implementation of this decree-law.

DGEG Order 46/2019, dated 30 December 2019, was published, which defines the operating rules of the computer platform intended for the operationalization of the prior control procedures provided for in Decree-Law 162/2019, of 25 October 2019, as well as the necessary introductory documents, applicable to self-consumption production units (UPAC), electricity use facilities (IU) associated with those and facilities related to Renewable Energy Communities (CER).

*Other Key Developments of 2019*

On 11 January 2019, Law 5/2019 of the National Assembly was published, which establishes the regime of compliance with the duty of information of the energy supplier to the consumer. It applies to suppliers in the supply and / or provider of services to consumers of electricity, natural gas, GPL and petroleum derived fuels. The supplier must inform the consumer of the conditions under which the supply and / or provider of services is performed in a clear and complete manner. In the electricity and natural gas sectors, this is reflected in a greater detail on the invoice information.

On 15 January 2019, ERSE Directive 4/2019 was published, approving the rules of the pilot project for consumers participation in the system services market in the regulatory reserve component. The pilot project lasts one year (starting on 2 April 2019) and aims to ensure equal treatment in the participation in the regulatory reserve market of eligible consumers and producers, thereby increasing competition in this market. The approved rules will allow consumers with an offer capacity equal to or greater than 1 MW to participate in the reserve market of SEN regulation.

On 10 April 2019, following ERSE Directive 4/2019, ERSE Directive 9/2019 was published, which approves the general conditions of the system services market access contract in the scope of the pilot project for participation of the consumption in the reserve market of regulation established in the Manual of Procedures of the Global System Management (MPGGS) of the electric sector.

On 6 May 2019, ERSE Directive 11/2019 was issued, which approves the terms and conditions for the setting of energy purchased from producers under a special regime, through an auctioning mechanism for products with a maturity term of different maturity. This mechanism allows the coverage of commercial price and supply risks by market traders and the stability of CUR's revenue conditions in the purchase and sale of electricity from the special regime production.

DL 60/2019 of the Presidency of the Council of Ministers was published on 13 May 2019, which determines the introduction of the reduced VAT rate to the fixed component of network access tariffs for electricity supplies, corresponding to a contracted power not exceeding 3.45 kVA, and supplies of natural gas, corresponding to low-pressure consumption not exceeding 10,000 m3 per year.

On 18 July 2019, ERSE Directive No. 13/2019 was published, which approves the terms and conditions of the CUR's forward purchase mechanism, which aims to cover the risks of price variability and the stabilization of the cost conditions for the supply of the CUR for the benefit of consumers.

On 24 July 2019, ERSE Directive No. 14/2019 was published, which determines the entities authorized to be part of the diversion trading unit under the terms of the Global System Management Procedures Manual (MPGGS), related to the units of marketing schedule.

On 7 October 2019, Order 8900/2019, published by the Office of the Secretary of State for Energy, was published, which determines the discount to be applied to tariffs for access to electricity networks, applicable from 1 January 2020, which must correspond to a value that allows a 33.8% discount on the transitory tariffs for sale to final electricity customers, excluding VAT, other taxes, contributions, fees and late payment fees that may apply.

On 6 December 2019, Order 11585-A/2019, issued by the Office of the Ministry of Environment and Climate Action, was published, which establishes the parameters to the calculation of the remuneration of the five-year straightening of the extra cost with the 2020 PRE. Remuneration was set at 1.1020% for the year 2019 and 0.5553% is set for 2020.

**Organized markets operation**

***Background***

The activity of management of organized electricity markets is liberalised, being subject to approval, and is the responsibility of market operators.

**Logistic operations for the change of suppliers**

***Background***

The activity of logistic operations for the change of suppliers includes the necessary functions to change the supplier by the final consumer, at his request, and has been exercised, provisionally and temporarily, by EDP Distribuição - Energia, S.A.

However, this activity was through DL 38/2017, of 31 March, attributed to ADENE, which now exercises it for both electricity and natural gas.

**Portugal - Natural Gas**

***Background***

The general bases for the organization and operation of the national natural gas system (SNGN), as well as the general bases i) applicable to the operation of reception, storage and regasification of liquefied natural gas (GGNL), underground storage and transportation of natural gas, distribution and sale of natural gas and ii) the organization of these markets are established in DL 30/2006, of 15 February, in the version corresponding to the republishing made by DL 230/2012, of 8 October, with the changes introduced by Law 42/2016, of 28 December, and developed by DL 140/2006 of 26 July, in the corresponding republication version made by DL 231/2012, of 8 October, with the changes introduced by Law 38/2017, of 29 December.

These legal diplomas transpose into Portuguese law Directive 2009/75/CE of the European Parliament and of the Council of 13 June 2009, on common rules for the internal market in natural gas and revoking Directive 2003/55/CE.

The national natural gas system (SNGN) includes the activities of (i) receiving, storing and regasifying LNG, (ii) underground storage of natural gas, (iii) natural gas transportation, (iv) natural gas distribution, (v) natural gas supply; (vi) operation of organized natural gas markets; and (vii) natural gas supplier's logistic change operation.

These activities are subject to the regulation of the Energy Services Regulatory Agency (ERSE), whose purpose is to ensure the efficiency and rationality of activities in objective, transparent, non-discriminatory and competitive terms, through its continuous supervision and monitoring, integrated the purpose of the internal market for natural gas.

For the activities of transportation, distribution and supplying of last resort, the law establishes the right to a remuneration fixed by ERSE, in accordance with the Tariff Regulation, that ensures the economic and financial balance under the conditions of an efficient management.

***Key Developments of 2019***

On 4 April, ERSE Directive 8/2019 was published, which defines the reference price methodology to be applied in determining transmission network usage tariffs, the discount to be applied at points of entry from storage facilities and at exit points for storage facilities and the discount to be applied to products of standard interruptible capacity.

As part of the regulatory review in the Natural Gas sector, Regulation 362/2019 of 23 April 2019 was published by ERSE, which amends the Regulation on Access to Networks, Infrastructures and Natural Gas Interconnections, in particular with regard to matters relating to the establishment of allowable income for network and infrastructure operators in the framework of the tariff process.

**Portugal - Natural Gas - Supply**

***Background***

The supply activity is liberalised, being subject to prior registration.

The suppliers can buy and sell natural gas without restrictions . To this end, and upon the payment of a regulated tariff, they have the right of access to GNL storage facilities and terminals and to transportation networks and distribution networks.

The sale of natural gas is subject to the transitional regime established for the gradual opening of the market.

For the protection of the customers, the last resort supplier is also subject to the attribution of license and public service obligations in the areas covered by the Public Natural Gas Network (RPGN).

This supplier is subject to the obligation of supply, guaranteeing, in the areas covered by the RPGN, to all customers who request it, the satisfaction of their needs, in compliance with the applicable legislation, namely the one related to customers protection.

The liberalised trading activity is carried out in the EDP Group by EDP Comercial, S.A. and the activity of last resort supplier (CUR) is carried out by EDP Gás Serviço Universal, S.A.

***Key Developments of 2019***

On 10 April 2019 was issued the Dispatch 4001/2019, from the Office of the Secretary of State for Energy, which determines the maintenance of the percentage of the natural gas tariff by 31.2% on the transitional rates of sale to final customers of natural gas (excluding VAT, other taxes, contributions, fees and default interest that are applicable), and its application should not be considered for the purposes of other currently existing support.

Also in the scope of the regulatory review that took place in the Natural Gas sector, the Tariff Regulation (Regulation no. 361/2019, dated 23 April 2019, of ERSE) and the Trade Relations Regulation (Regulation (ERSE), in order to integrate a set of issues for the new regulatory period to start in January 2020.

As mentioned in the chapter of the electricity supply, DL 60/2019 of the Presidency of the Council of Ministers was published on 13 May 2019, which determines the introdution of the reduced VAT rate on natural gas supplies, corresponding to low pressure consumption not exceeding 10,000 m3 per year.

On 1 July 2019 ERSE Directive 12/2019 was published, which approves natural gas tariffs and prices for gas year 2019-2020 and the parameters for the 2020-2023 regulation period. This Directive also embodies the innovations introduced by the Tariff Regulation, in particular the changes in the methodology for the structure of tariffs for the use of the transmission system, resulting from the application of Regulation (EU) 2017/460 that approves the Network Code on tariff structures for natural gas transportation, as well as the adoption of the 4-year regulatory period (2020-2023) and the adoption of the new regulated tariff period, coinciding with the capacity allocation year.

ERSE Directive 15/2019 was published on 26 July 2019, which approves the consumption profiles applicable to connections with annual consumption up to 100 000 m3, as well as the average daily consumptions characteristic of each consumption profile, to be in force from 1 July 2019 to 30 June 2020.

**Activity in the energy sector in Spain**

**Electricity - Spain - Supply**

In Spain, EDP-España, S.A.U. (EDP-España) operates in the electricity and gas sectors. In the electricity sector generates, distributes and supplies electricity. Production is based essentially on traditional coal thermal power plants and, on a smaller scale, on hydroelectric and nuclear power plants.

*Electric Sector Regulation*

On 27 November 1997 the Electric Sector's Law 54/1997 was approved, which (i) implements the principles included in the Protocol signed on 11 December 1996 between the Ministry of Industry and the major electric power companies regarding greater liberalization and competition in the electricity sector and (ii) incorporates into Spanish law the provisions contained in Directive 96/92/EC on common rules for the internal electricity market. Additionally, on 6 July 2007 the Law 17/2007 of 4 July came into force, amending the Law 54/1997, to adapt it to the Directive 2003/54/EC of the European Council and Parliament of 26 June 2003 on common rules for the internal market of electricity. Law 54/1997 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles of the European Parliament and Council's Directive 2009/72/CE of 13 July that revokes the Directive 2003/54/CE. On 27 December 2013, was published in the Official State Gazette the Law (BOE) 24/2013 which replaces Law 54/1997 maintaining the principles established in previous legislation but with particular emphasis on economic and financial sustainability of the electricity sector.

*Generation*

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

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

Electricity is paid at the system's marginal price plus a component for the adjustment services necessary to ensure an adequate supply. Additionally, the Order ITC/2794/2007 of 27 September 2007, replaced the concept of "power availability" remuneration of electricity generation by the concept of "capacity payments" stated in article 14.5 of the Law 24/2013, which sets a remuneration of the availability service (eliminated in June 2018) and the incentive to invest in long-term capacity.

The set-up of new generation units is liberalised, subject to obtaining the necessary permits.

Producers have the right to use primary energy sources in their generation units as deemed most appropriate, with the applicable environmental restrictions. On 7 April 2019, Royal Decree 244/2019 of 5 April 2019 entered into force, which regulates the administrative, technical and economic conditions of the self-consumption of electricity that replaces the previous Royal Decree 900/2015, of 9 October 2015.

The Royal Decree-Law 9/2013 regulates the remuneration scheme for facilities that use cogeneration, renewable energy sources and waste (former special regime) and, in addition of the price market sale, can be charged a specific fee to cover the costs not recovered in the market. This scheme generates a return, before tax, equal to the rate of the 10-year Spanish state bonds, plus a spread. This spread, since July 2013, is 300 basis points. The Royal Decree 413/2014 regulates the energy production through renewable energy sources, waste or cogeneration and different Ministerial Orders regulate the prices applicable to these facilities.

Due to the climate emergency and in order to contribute to the implementation of the objectives set out in the Strategic Energy and Climate Framework, Royal Decree Law 17/2019 of 22 November 2019 adopts urgent measures for the necessarychanges in the remuneration affecting the electricity system and by which it responds to the process of cessation of activity of thermal power plants. Of the fourteen coal plants on the peninsula, the Ministry of Ecological Transition is currently processing eight closure requests that will cease operation by 30 June 2020.

*Transmission*

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

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

The Royal Decree 9/2013 establishes the methodology for calculating the remuneration of the electricity transmission activity based on the Spanish Government ten year bond yield, plus 200 basis points.

According to the Law 24/2013 the transmission activity is performed by a single entity. There is also a distinction made between the primary transmission system (facilities superior or equal to 380 kV with international networks and with extra-peninsular and insular systems) and the secondary transmission system (facilities superior or equal to 220 kV other than primary transmission systems and the facilities below 220kV with transmission functions).

*Distribution*

Law 54/1997 established that the remuneration for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the electricity distribution activity and modified the system of "Acometidas" (system that regulates the installation that connects the distribution grid to the point of delivery of energy to the customers). This remuneration system is based on investments and increased demand of each distributor. On 1 April 2012, came into force the Royal Decree 13/2012, amending the remuneration criteria of the distribution activity related to the assets in use that are not amortised, taking as basis for their financial retribution their net amount. Additionally, the return on assets in use in the year t shall be initiated at 1 January t+2. However, since the adoption of the Royal Decree 9/2013, the distribution activity remuneration will be calculated based on the Spanish Government ten year bond yield, plus 100 basis points. during the second quarter of 2013 and 200 b.p. from 2014 forward. These principles were embodied in the new Law 24/2013 and developed in Royal Decree 1048/2013, repealing the Royal Decree 222/2008.

The application of the new methodology adopted in the Royal Decree 1048/2013 was conditioned by the approval of the standard facilities list and unit investment values and operation and maintenance, which occurred with the publication of the Order IET/2660/2015 of 11 December.

On 10 June 2016, the Spanish Government has published the Ministerial Order IET/980/2016, that has set the final compensation amount from EDP España's electricity distribution business for 2016. In addition, new regulation has set the regulatory average remaining life of EDP España's existing assets as at 31 December 2014 at 25.13 years. Consequently, EDP España evaluated the accounting criteria of the regulated activity, starting to recognise income according to the amortisation pace of its assets, considering the limit of 25.13 years.

The BOE 223/2017 published on 15 September 2017 opened the hearing process of the Order of the Minister of Energy, Tourism and Digital Agenda, introducing a "lesividad" declaration procedure for the public interest Order IET/980/2016, which established the remuneration for the electricity distribution companies until 2016. The allegation of injury to the public interest comes from the fact that this Order does not consider the penalty or reduction of the remuneration per client that was established under the Royal Decree 1048/2013 article 13 for failures in energy meters readings and measuring instruments, as well as different criteria for calculating the residual value of the assets depending on the dimension of the distribution company.

*Supply*

Law 54/1997 established a progressive liberalisation of electricity supply and the introduction of supply activities to enable customers to progressively choose their suppliers and liberalising the supply market from 1 January 2003. Additionally, since 1 July 2009, distributors can no longer act as suppliers (sell electricity) acting strictly as grid operators. Law 24/2013 determines that certain consumers are entitled to be provided with voluntary prices for small consumers and last resort tariffs for reference traders. The reference traders are determined according to the criteria established in Royal Decree 216/2014.

*Electricity Tariffs Regime*

The electrical system costs are described in Article 13.3 of Law 24/2013. These costs will be financed through the revenue from the electrical system, including access fees (which are intended to cover the remuneration of the transmission and distribution), charges for the payment of the cost of other items that are not covered by other income, may be compensated for any financial mechanism legally established, including the state budget.

Access fees, equal in all the Spanish territory, must be determined with the methodologies defined by the National Markets and Competence Commission (CNMC) considering the costs of the system as defined in the Law 24/2013. Charges applicable to consumers and producers are determined by calculation methods adopted by the Government and CNMC that will serve to cover certain costs of the system, without prejudice of what is in force for the access fees of the transport and distribution networks.

For the year 2020, electricity access tariffs are established in Ordinance TEC / 1258/2019 of 20 December 2019. Royal Decree-Law 1/2019 included urgent measures to adapt the CNMC's ("Comisión Nacional de los Mercados y la Competencia") competences to the requirements in European Parliament and Council Directive 2009/72/EC and 2009/73/EC of 13 July 2009 establishing common rules for the internal electricity market and natural gas, thereby altering the CNMC's controls by assigning to it: i) to fix annually the remuneration of electricity transmission and distribution activities; ii) approve the methodology and conditions for access and connection to the electricity transmission and distribution networks; iii) set the operating rules of the market in aspects whose approval corresponds to the national regulatory authority and; iv) define the remuneration of the electric system operator.

For the exercise of these skills, the CNMC has approved the following rules: i) Circular 2/2019, of 12 November 2019, which establishes the methodology for calculating the financial remuneration rate for the activities of electricity transmission and distribution and regasification, transportation and distribution of natural gas; ii) Circular 3/2019, of 20 November 2019, which establishes the methodologies that regulate the operation of the wholesale electricity market and the management of the operation of the system; iii) Circular 4/2019, of 27 November 2019, which establishes the remuneration methodology for the electric system operator; iv) Circular 5/2019, of December 5, 2019, which establishes the methodology for calculating the remuneration of the electricity transmission activity; v) Circular 6/2019, of December 5, 2019, which establishes the methodology for calculating the remuneration of the electricity distribution activity.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to the liberalised market. However, the Royal Decree 485/2009 of 3 April, provided that the consumers of low-tension, with contract capacity not exceeding 10 kW, were eligible for last resort tariff (TUR), which determines the maximum price of supply. These tariffs will be applicable by the suppliers of last resort (CUR), where EDP Comercializadora Último Recurso, S.A. is included.

Law 24/2013 replaces the concept of TUR by "voluntary price for the small consumer" and the concept of CUR by "reference supplier", leaving the term TUR reserved for reducing the rate to be applied to vulnerable consumers or rate disincentive for consumers who are temporarily without supplier. The Royal Decree 216/2014 sets out the methodology for the calculation of the voluntary price for small consumer and their legal framework of contracting, already updated by the Real Decree 469/2016 of 18 November.

*Vulnerable Consumers*

The previous legislation on social allowance, which imposes its financing on vertically integrated companies, was overruled by a verdict of the Supreme Court of 24 October 2016. As a consequence of the judicial decision, on 25 December 2016 entered into force the Royal Decree-Law 7/2016, of 23 December, which regulates a new financing mechanism for the cost of social allowance and other measures to protect vulnerable electricity consumers, modifying Law 24/2013.

Royal Decree 897/2017 and Order ETU/943/2017, both of 6 October, proceeded to the regulatory development of the measures adopted by Royal Decree-Law 7/2016. The application of the new social allowance is now based on an income criteria and certain personal circumstances (large family, disability, pensioners with minimal retirement, victims of gender violence or victims of terrorism), which will determine the discount applicable to the electricity bill as vulnerable consumer or consumer at risk of social exclusion. The new financing of social allowance will be assumed by the parent companies of the groups of companies that carry out the activity of electricity sale or by the companies that do so if they are not part of any corporate group and in proportion to the customers to whom they supply electricity.

On 28 September and 22 December 2017, the Ministry of Energy published the Orders ETU/929/2017 and ETU/1282/2017, respectively, which determine the refund by the Spanish State of the amount that the electricity companies contributed to the financing of the social tariff between 2014 and 2016.

**Gas - Spain**

Law 34/1998, approved on 7 October and amended by Law 12/2007 of 2 July identifies the suppliers as well as the companies that have access to the facilities owned by third parties, which purchase natural gas for sale to consumers or other suppliers for the purpose of international exchanges.

Law 34/1998 of the hydrocarbons sector was amended by Law 8/2015 of 21 May, with the aim of creating an organised gas market and providing greater flexibility and lower costs for traders in the management of security minimum stocks.

In accordance with Article 82 of Law 34/1998, the new last resort tariffs have been set, that can benefit consumers who are covered by the regulation (from July 2009 defined as those consuming less than 50,000 kWh/year), and which will be implemented by the suppliers that,, have an obligation as suppliers of last resort. EDP Comercializadora Último Recurso, S.A. is one of the trading companies designated by the Ministry.

For suppliers of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (EDP Comercializadora de Último Recurso, S.A. currently covers suppliers obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff (TUR) became the only tariff from 1 January 2010 on, denying to suppliers of last resort the application of discounts over customers with TUR.

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

Law 2/2015 of 30 March, on the indexation of the Spanish economy, aims to establish a new index system, in order to monetary values of regulated prices do not be amended as a result of price index or formulas, affecting the determination of price updates related to the hire of meters, royalties, and periodic inspections. Until the approval of the Royal-Decree that will detail how these updates will be revised, the reference prices as the industrial index price and the consumer index price will be zero.

The regulation of the natural gas organised market is complete with the Resolution of 4 December 2015, of the Secretary of State for Energy, approving: (i) the market rules that determine the technical and economic management of the organized market; (ii) the accession agreement that the agents have to subscribe to operate in the market; and (iii) the resolutions relating to the operation of the market, as well by the resolution of the State Secretary of 23 December 2015, that developed the procedure for operation gas acquisition, and two other resolution of 2 August, which approved the management rules of the gas system guarantee and the structure access to the installations of the Spanish gas system.

The Decree TEC / 1259/2019, of 20 December 2019, establishes the fees and tariffs associated with third party access to gas installations and the remuneration of regulated activities for the year 2020.

**Activity in the energy sector in Brazil**

**Electricity**

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

In early 90s, the Brazilian electricity sector has undergone major structural changes, having migrated from a monopoly run by the State to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the liberalised system.

*Regulated System*

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

Since 2004, the main form of contracting by a distributor concessionaire is through the realization of public auctions regulated by National Electricity Agency (ANEEL). The rules of these auctions are designed so that the winner is the one with the lowest price.

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

*Liberalised system*

In the liberalised market, electricity is traded among production concessionaires, independent power producers, auto-producers, supply agents and free consumers. In this market, the contractual conditions, such as price, duration and amount of the contract are traded freely and negotiated between the parties (Decree No. 5,163/04). Free consumers can return to the regulated system under certain conditions.

*Regulatory Changes*

The Federal Government has defined changes in the electric sector through "MP". The "MP" 577, published on 31 August 2012, addresses the termination of public service concessions of electricity and the temporary service, and the intervention for the suitability of the public service of electricity. This measure results in the Law 12,767 of 27 December 2012.

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

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

Some concessions attributed to distribution companies have been anticipated, so they had to enter into a new contract. Others, including EDP São Paulo and EDP Espírito Santo, regardless of the maturity of the contracts, may join the amendment proposed by ANEEL, using the methodology that is being evaluated in the Public Hearing 58/2016. This amendment brings changes in the calculation of portions A and B, namely: i) calculation of portion B shall be determined by the market of the test-year and by the tariff prevailing in the last tariff process, ceasing to be obtained by the difference between the verified revenue and portion A; ii) unrecoverable revenues, demand surplus, exceeding demand and other income are now part of Portion A; iii) National Electric System Operator (ONS) becomes part of portion B; iv) Other Transmission Facilities (DIT) losses will be allocated to the technical losses; and v) neutral energy and transportation.

The hydro concessions held by EDP Group - Energias do Brasil have been granted after February 1995, corresponding to the date of the entry into force of Law 8,987, thus they are not covered by the regulatory changes introduced. Still, these changes will influence the rules that will be applied on the renewal of these concessions in the future, in the following conditions:

- Each hydro plant should be remunerated by a tariff calculated by the ANEEL;

- Power selling (Physic guarantees) defined through production quotas dedicated exclusively to the regulated sector, that is to the distributors; and

- Compliance with the quality service standards determined by ANEEL.

On 24 January 2013, ANEEL approved the Extraordinary Tariff Review - RTE specific for the adjustment of energy costs, transmission costs and sectorial charges, from all energy distributors. Thus, the unmanageable costs and supply tariffs will be reduced, with no impact in the distributors margin. These effects were noticeable by consumers, from the end of January 2013.

On 23 January 2013, it was published the "MP" 605, whose objective was to increase the scope of application of the resources of the CDE (Energy Development Account), which began promoting resources to cover the discounts applied to the tariffs and involuntary exposure of distributors resulting from the non-adherence to the extension of part of the generation concessions. This measure amended the Law 10,438/2002 which established the application of CDE resources.

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

Eletrobrás, the managing company of the sector funds, among them the CDE, is responsible for monthly transferring to the distribution utilities of the costs related to: generation allocated under the Energy Relocation Mechanism - ERM (Hydrological Risk Quotas); replacement amount not covered by quotas (Involuntary Exposure) and the additional cost of the thermal power plants activation outside the order of merit (ESS - Energy Security), occurred from January to December 2013 and the annual amounts approved by ANEEL to cover, entirely or partially, the positive balances in "Conta de Compensação de Variação de Valores de Itens da Parcela A - CVA", arising from the cost of purchasing electricity and Ancillary Services Charge - ESS.

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

These measures were implemented by Decree 8,221/2014, of 2 April 2014 related with the cover of the extra costs for 2014, with retroactive effects to February, which defines the financing method and the subsequent effect on electricity tariffs. This is a non-refundable contribution cost.

From January 2015, entered into force the Flags Tariff System. This system signals to consumers the real costs of electricity generation, and consists on three flags: green, yellow and red. The green flag indicates that the cost of energy production is lower and, therefore no changes are applied to the energy tariffs. The yellow and red flags represent the increase in energy production cost, and is added an additional amount to the energy tariff. Only consumers classified as low income residential subcategory will have discount on the additional amount applied by the yellow and red flags. On a monthly basis, the operating system conditions are reassessed by the ONS, which defines the best strategy for power generation over demand.

On 4 February 2015, the Tariff Flag Resource Account was established, through the Decree 8,401. Distributors should collect the proceeds from the application of this system to this account, managed by the CCEE. Proceeds are allocated to cover the costs that are not included in the distribution tariff, such as: Energy Security of the Ancillary Service Charge - ESS, thermal dispatch, Itaipu hydrological risk and quotas, exposure to spot market and the Power Reserve Account - CONER surplus.

ANEEL should approve on a monthly basis, the transfers to the distribution companies. Any costs not covered by revenue will be considered in the next tariff process.

On 27 February 2015, through Ratifying Resolution 1,859, ANEEL established the new criteria for the additional tariff and the operation of the Flags Tariff System:

a) Green Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is less than the amount of 200 R$/MWh;

b) Yellow Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than 200 R$/MWh and lower than the maximum value of the Differences Settlement Price - PLD, at the time at 388.48 R$/MWh. For the period of 1 January to 1 March 2015, the consumption proportional increase is 1.5 R$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 2.5 R$ per 100 KWh; and

c) Red Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than the maximum value of the PLD. For the period from 1 January to 1 March 2015, the consumption proportional increase is 3 R$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 5.5 R$ per 100 KWh. After 1 September 2015, as determined by ANEEL Ratifying Resolution 1,945 of 28 August 2015, occured the approval of the red flag amount redution to 4,5 R$ per 100 KWh.

As at 26 January 2016, ANEEL approved the division of the red flag in two price levels, into force from 1 February. The first level will have a value of 3 R$ per 100 kWh consumed and will be used when the CVU of the most expensive plant to be dispatched is between 422.56 R$/MWh and 610 R$/MWh; the second level will continue to be 4.50 R$ per 100 kWh consumed and will be used when the CVU of the most expensive plant to be dispatched exceeds 610 R$/MWh.

As at 26 October 2017, ANEEL approved the increase the second level of the red flag at 5 R$ per 100 kWh consumed. The yellow flag decrease to 1 R$ per 100 kWh. The first level of the red flag remained unchange.

On 28 April 2015, through the Normative Resolution 660, ANEEL approved changes in the methodology applicable to the Periodic Tariff Review processes for distributors valid for the processes performed from 6 May 2015. The changes occurred on the following aspects: (i) general procedures; (ii) operating costs; (iii) X factor (productivity gains); (iv) non-technical losses; (v) unrecoverable revenues and (vi) other income, among with:

a) Extinction of the tariff cycle concept, starting to be used methodologies and parameters prevailing at the time of the tariff review. The update of the parameters will occur in periods of 2/4 years while the updating of the methodologies in periods of 4/8 years;

b) The weighted average cost of capital (WACC) increased from 7.5% to 8.09% (after taxes). The points considered in the update were: (i) standardisation of series; (ii) use of average credit risk of companies in the debt capital of third parties; and (iii) recalculation of the cost of capital every 3 years, with methodology review in every 6 years;

c) Remuneration for the risk associated with investment operations carried out with third-party funds (subsidies);

d) For the definition of efficient operating costs, were considered the "quality index" and "losses";

e) To define the level of non-technical losses, it was included the variable "low-income" and the database updated based on 3 statistical models;

f) The level of unrecoverable revenues (%) shall be calculated based on past 60 months of non-compliance of the reference distributors;

g) The percentage share of other revenue has been changed to 30% in the following services: (i) efficiency of energy consumption; (ii) qualified cogeneration facility; and (iii) data communication services. For the other services the share percentage was set at 60%; and

h) The calculation of the X Factor now regards commercial quality.

On 23 November 2015, ANEEL approved, through Normative Resolution 686/2015, changes to the tariff revision methodology on Regulatory Remuneration Base (BRR). The main changes are the following: (i) the exchange of BRR monetary adjustment index, from IGP-M (General Market Price Index), from FGV (Getulio Vargas Foundation), to the IPCA (Price Index Broad consumer), from IBGE (Brazilian Institute of Geography and Statistics); (ii) the assessment of hand labor costs and smaller components of investment through pre-approved regulatory values by type of equipment; and (iii) update of tariff transfer of systems, vehicles, and rentals.

On 28 March 2016, was published Normative Resolution No. 703, of 15 March 2016, through which ANEEL changed some regulatory procedures affecting the calculation of sectorial assets and liabilities relating to: (i) Variation Compensation Account of the A items amounts (CVA)"; (ii) Energy over contracting and Short Term Market Exposure (MCP); (iii) Other financial components; and (iv) Limits of the Power Purchase Costs Transfer.

The main changes with impact for the distribution companies are: (i) "glosa" calculation of the outstanding balance for power purchase CVA; (ii) exclusion of hydrological risk for the composition of contracts price in the "glosa" calculation, except for availability contracts; (iii) use of the carrying amounts of energy contracts and spot market performance for the calculation of the outstanding balance of the power purchase CVA and for the Ancillary Service Charge (ESS) and the Reserve Energy Charge (EER); and (iv) calculation of the spot market results through specific financial component.

On 19 September 2016, ANEEL approved, through Normative Resolution 733/2016, the conditions for the application of a new tariff, the White Tariff.

The White Tariff is a new option that indicates to consumers the variation of the energy value according to the day and time of consumption. This tariff is offered to low voltage consumers, known as group B. With this rate, the consumer will be able to pay different amounts depending on the time and day of the week.

On weekdays, the value of the White Tariff varies depending on three periods: peak, intermediate and off-peak. The peak, intermediate and off-peak periods are approved by ANEEL in the periodic revisions of each distributor. To adhere to the White Tariff, consumers need to formalize their choice with their distributor. Who does not opt for this system, will continue to be charged according with the Conventional Tariffs.

The adherence to this new system can be made since January 2018, as follows: (i) immediately for new connections and for consumers with average annual consumption exceeding 500 kWh/month; (ii) up to 12 months for consumers with average annual consumption exceeding 250 kWh/month; and (iii) up to 24 months for the remaining consumers. Consumers may return to the Conventional Tariff.

The MP 735/16, converted in Law 13,360 published on 18 November 2016, restructures the management of the sector funds: Energy Development Account - CDE, Global Reversion Reserve - RGR and Fuel Consumption Account - CCC, whose values today are approximately of 20 billion Reais, transferring this management from Eletrobrás to the Electric Energy Trading Chamber - CCEE, until 1 May 2017.

Nowadays, the Brazilian electricity sector is in discussion about the redefinition of the sectorial regulatory model. These initiatives, have been discussed by segments of the electricity industry and some associations, materialised in two law projects currently in progress in the national congress.

Among the changes debated, the main ones are: the opening of the liberalised market; the assessement of the supply growth; the separation of "lastro" and energy; and the revision of the sectorial subsidies.

Thus, the Ministry of Mines and Energy published the public consultation (CP 33/17) proposing significant reforms to the sectorial model, namely: self-production; opening of the liberalised market; changes in the contracting obligation; reduction of transmission and production costs; connection between price and operation; separation of "lastro" and energy; involuntary over contracting; distribution tariffs; subsidies to stimulated sources (biomass, solar, wind and small hydropower); rationalisation of discounts; risk and rationalisation of contracts; transmission compensation; quotas' withdraw and privatisation; convergence of the CDE; extension of power plants up to 50MW; hydrological risk; and installment payments of outstanding debts.

EDP Brasil conducted in-depth studies and simulations on the various topics, assisted by the consultant Bain & CO in order to actively contribute to CP 33/17.

After the contribution period, Decree 9158/17 was published, which changes the rules for the extension of power plants up to 50 MW, in line with what was proposed in the public consultation. Thus, power plants between 5 and 50 MW, under a concession or authorisation regime, may be extended, upon discretion of the granting authority, for a period of 30 years through the payment of public property use. In addition to this payment, the extension is subject to the payment of the financial compensation for the use of water resources - CFURH, which reverts to the municipalities affected by the power plant, the reversal of the assets at the end of the period and the waiver of pre-existing rights.

The MP 814, published on 29 December 2017, covers, among other topics, the electric power services in Isolated Systems and on the expansion of electric power supply, and allows the inclusion of Eletrobras Group in the National Privatisation Plan, since the measure has the force of law. The hopped solution to the recent judicialization of the electricity sector that already involves 6 billion Brazilian Reais in amounts not paid in the liberalised market, related to the deficit of generation of hydroelectric energy (GSF) was not under this MP. This MP pointed to a hydrological risk solution in the Free Contracting Environment (ACL), addressed the Eletrobras privatization, the increased costs with subsidies and charges (CCC/CDE, the increase in Social tariff regime and the "Light for All" Program) and the increase of the energy price for the continuity of Angra 3. The fear of political effects of these tariff impacts contributed to the loss of parliamentary support for MP 814/2017, which was revoked in June 2018.

On 09 February 2018, the Ministry of Mines and Energy (MME) published a proposal for a Decree-Law regarding the Modernisation and Opening of the liberalised market of Electric Energy that resulted from the discussions and contributions sent under Public Consultation 033 - Enhancement of the Legal Framework of the Electric Sector. The purpose of this Decree-Law is to improve the sector's regulatory model, namely: (i) liberalised market expansion for a wider range of customers; (ii) separation of the "lastro" of the commercialization of electric energy; (iii) reduction of distributors' responsibilities regarding the energy purchase management; and (iv) greater participation and autonomy of agents in the sector. The document is in the Civil House to be sent to the National Congress. On 16 December 2019, MME published Ordinance 465, promoting the opening to the free market: (i) from 1 January 2021 for consumers with voltage equal to or greater than 1,500 kW; (ii) as of 1 January 2022, for consumers with a voltage of 1,000 kW or more. By 31 January 2022, ANEEL and CCEE should present a study on the regulatory measures necessary to allow the opening of the free market for consumers with voltage below 500 kW, including the regulated energy supplier and a proposal for planning opening beginning 1 January 2024.

On 6 March 2018, the National Electric Energy Agency (ANEEL) defined that the weighted average cost of capital (WACC) for energy distributors will be maintained at 8.09% until 31 December 2019, anticipating the methodology review from 2020 to 2019. On the same date, ANEEL approved the new efficiencies to be applied in the definition of regulatory operational costs. EDP São Paulo maintained its efficiency level at 82% and EDP Espirito Santo increased its efficiency from 72% to 82%. The distributors' overall efficiency increased from 76% to 79%. ANEEL accepted the request to consider labour sentences and dismantling costs. Regarding the operational cost of the test year and civil sentences, ANEEL chose to postpone the discussion for the methodological review in 2020.

The Government's Law 10.322/2018 permits the privatization of six power distributors companies controlled by Eletrobras. This Government's Law takes advantage of MP 814/17 policies and is currently in process.

On 27 April 2018, ANEEL published the new criteria of the tariff flags for the cumulative distribution function (FDA) and the adjustment of the Energy Reallocation Mechanism (MRE).

On 28 December 2018, the Brazilian Government approved Decree 9.642, which gradually eliminates subsidies included in the electricity tariffs at a rate of 20% per year for 5 years. The subsidies targeted for reduction are those related to the discount for the rural, irrigation/aquaculture and water/sewage/sanitation consumers. The decree also ends with the commutativity of discounts for the beneficiaries of the rural and irrigation/aquaculture classes.

On 29 December 2018, Ordinance 514 was published, which decreases the power limits for contracting electric energy from consumers in the liberalised market. From 1 July 2019 consumers with power of 2,500 kW or more will be able to purchase energy on the open market and from 1 January 2020 the possibility will also include the power of 2,000 kW.

On 12 February 2019, it was published the Ordinance 124 of 2019 that established the Working Group in order to coordinate the development of studies to support the revision process of Annex C of the Itaipu Treaty.

On 4 April 4 2019, Ordinance 187 established the Working Group to develop proposals for the Modernization of the Electricity Sector, dealing in an integrated manner the following topics: i) market environment and viability mechanisms for the expansion of the Electricity System; ii) pricing mechanisms; iii) rationalization of costs and subventions; iv) energy reallocation mechanism; v) allocation of costs and risks; vi) adoption of new technologies; and vii) sustainability of distribution services.

Decree 9.744/2019, published by the Ministries of Mines and Energy (MME) on 3 April 2019, established the cumulative subsidies for consumers in the rural and irrigation/low voltage aquaculture consumers from the date of its publication.

Authorization Resolution 7,807/2019 of 9 May 2019, provisionally approves 370 million Reais, equivalent to six-twelfths of the budget proposed for 2019, which is part of the proposal presented by ONS for the cycle budget from January 2019 to December 2021.

On 17 October 2019, Decree No. 9,864 / 2019 was published, which regulates Law No. 10,295, that creates the Energy Efficiency Indicators and Levels Steering Committee and the Technical Group for Energy Efficiency in Constructions in the Country.

Ordinance No. 6,012 / 2019 - ANEEL - Establishes ANEEL's Special Bidding Committee - CEL, which mission is to coordinate the processes related to auctions.

*Generation*

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

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

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

The capacity payments of a generation plant defined by the Ministry of Mines and Energy and set out in the concession agreement or authorization act, correspond to the maximum amount of energy that can be used for commercialization through contracts, in accordance with Decree 5,163 of 2004.

An unfavourable hydrological scenario could damage revenues and the results of hydroelectric production due to the lack of capacity to produce the necessary energy in order to fulfill the contractual obligations.

The systemic production deficit, by national hydroelectric plants related to the Energy Reallocation Mechanism (MRE), cause the reduction of capacity of all hydropower plants in the country, through the factor known as Generation Scaling Factor - GSF. This decrease compels those companies to buy energy in the free market to comply with the agreements with the consequent of a negative exposure in the spot market.

On 18 August 2015, the Federal Government published the MP 688 (converted into Law 13,203 at 8 December 2015) on the renegotiation of the production hydrological risk, in order to allow the hydrological risk renegotiation by hydroelectric producers participating in the MRE. The regulation of the renegotiation hydrological risk was carried out by ANEEL, through Normative Resolution REN 684 on 11 December 2015, with retroactive application to January 2015, the access to this system requires regulatory approval.

For producers operating in the regulated system (ACR), it is planned the transfer the of GSF losses for the Tariff Flag account upon a payment of a premium risk. Thus, producers will be reimbursed for losses from 2015 GSF through the exemption from the premium risk from January 2016 until the full compensation of the 2015 losses as ANEEL approval.

For producers operating in the liberalised system (ACL), will also be subject to a premium risk payment, due to the acquisition of the system backup power. The compensation of losses from the 2015 GSF will be made by the extension of the concession contract of the production company that adhere to the agreement in ACL. From 2016 the renegotiation does not exempt the producer of the GSF cost, allows only the mitigation of part of the hydrological risk through the purchase of new energy which will be available in the electrical system.

hydrological risk approval in the regulated system to ANEEL, with effect from 1 January 2015. EDP Brasil failed the renegotiation of the hydrological risk in the liberalised system. Also note that on 29 January 2016, the orders have been published that approved the renegotiation of the hydrological risk in the regulated system for other plants that were upon evaluation of EDP Brasil, namely, Santa Fé and Energest (regarding with Mascarenhas hydro plant). Enerpeixe and part of the energy related to Mascarenhas hydro plant did not had their requests approved for the energy acquired in the Energy Auction A-1. For these cases, Energest and Enerpeixe appealed against the ANEEL decision of 29 March 2016 on Macarenhas, denying the request. On 17 May, ANEEL denied the administrative appeal of Enerpeixe.

In 6 January 2018, physical guarantee of UHE Santo Antônio do Jarí was increased to 222 MW.

Normative Resolution 7017 of 15 May 2018 allowed the change in the installed capacity of Swiss Hydroelectric Plant from 33,900 kW to 35,337 kW.

On 21 June 2018, Decree No. 4915 was published with the following changes: (i) MME's competences were transferred to ANEEL: the definition in the bidding document and the reimbursement by the winner of the bid for costs incurred in studies or projects of hydroelectric projects above 50 MW were approved and; (ii) the definition of the optimal use of the above 50 MW projects to be tendered.

On 19 July 2018, Normative Resolution 822/2018 was published, which establishes the Complementary Dispatch for the Maintenance of the Operational Power Reserve, valid as of 1 October 2018. This Ancillary Service is defined as the dispatch of generating units of thermoelectric plants that are centrally controlled, to preserve the operational power reserve in the hydroelectric plants that participate in the Automatic Generation Control in any subsystem. This dispatch will be determined by ONS, which will define the systematics of price offer, a week earlier, limited to 130% of the latest value of the Unit Variable Cost (CVU), to minimize the cost operating system.

On 23 August 2018, Normative Resolution 827/2018 was published, which regulates the new formula for penalty for failure to supply fuel to thermoelectric plants with centralized dispatch. The main change is that ANEEL started to pass on the fine to the CVU. The penalty will be determined by the ratio between the total or partial unavailability of the plant due to the lack of fuel and the percentage that will be applied to the penalty. This percentage will be multiplied by the CVU and by an amount of Non-Supplementary Energy that will be calculated by the ONS, thus reaching the value of the penalty.

On 29 January 2019, the Ministerial Council for Disaster Response Supervision published Resolution 1 of 28 January 2019, which determines federal supervisory agencies to require the immediate updating of the Power Plants Safety Plans, Law 12,334 of 2010. The National Electricity Agency (ANEEL) has implemented a special operation to monitor power plants, which includes a documentary assessment and face-to-face inspection of all the power plants in operation.

On 1 March 2019, the MME published Ordinance 151 that established the dates of the energy auctions in: (i) 2019: A-4 in June and A-6 in September; (ii) 2020: A-4 in April and A-6 in September; and (iii) 2021: A-4 in April and A-6 in September. Ordinace 152 established the schedule for existing A-1 and A-2 energy auctions in December 2019, 2020 and 2021.

On 1 March 2019, Ordinance 152 was published, which establishes the estimated timetable for the promotion of Auctions to Purchase Electricity from Existing Generation Projects, for the contracting of electricity by the distribution agents of the National Interconnected System (SIN), which is dealt with in article 19, 1°-D, of Decree nº 5163, of 30 July 2004, for the years 2019, 2020 and 2021.

Normative Resolution 843 of 2 April 2019 establishes criteria and procedures for the preparation of the Monthly Energy Operation Program (PMO) and for the formation of the Settlement Price of Differences (PLD).

On 3 April 2019, Ordinace 186 was published and established the Guidelines for the Bidding for the Purchase of Electricity from New Generation Projects, named "A-4", of 2019.

On 11 April 2019, Ordinance 190/2019 published by MME, includes fixed costs in the Unit Variable Cost (CVU) for generation in Natural Gas Termoelectric Plants (UTEs). Ordinace 504, published by MME, from 19 December 2018, will become effective with the following changes: "Article 1 To authorize, on an exceptional and temporary basis, until 30 April 2020, the inclusion of fixed costs to the CVU for the generation of centrally dispatched centrally, operationally available and without Electric Power Commercialization Contract in effect on the date of publication of this Administrative Rule and whose representation of availability is null in the planning horizon of the Monthly Operating Program (PMO), considering as reference the date of publication of this Order, to trigger the order of merit or regardless of the order of merit, if there is a decision of the Committee of Monitoring of the Electric Sector (CMSE)".

On 16 April 2019, Ordinance 198/2019 extended the duration of the Working Group for thirty days in order to coordinate the development of studies to support the revision process of Annex C to the Itaipu Treaty, as defined in Ordinance 124/2019 of the MME.

Ordinance 216/2019, from 13 May 2019, amends Administrative Rule 318/2018, of the MME, regarding the Special Regime for Incentives for Infrastructure Development (REIDI), including in its framework the generation of electricity from participation bidding, in the auction mode in the Regulated Contracting Environment (ACR), including supply solutions in the Isolated Systems.

By means of Dispatch 1,251, from 2 May 2019, ANEEL partially grants the request for reconsideration of EDP Energias do Brasil SA, in face of Dispatch SRM/ANEEL 977 of 2019, to approve the adjustment of the basic price of sale of energy (CFURH) of the Electricity Trading Contracts in the Regulated Environment (CCEARs) signed by EDP Pequenas Centrais Hidroelétricas SA, backed by the Rio Bonito Small Hydroelectric Power Plant, in accordance with the Annex; and determines to the Chamber of Electric Energy Commercialization (CCEE) to make available the Additives to the CCEARs with adjustment of the basic price of sale of energy, to celebrate the contractual instruments.

Through Ordinance 222/2019, from 6 May 2019, the MME establishes the Guidelines for the Bidding for the Purchase of Electricity from New Production Undertakings, called "A-6", of 2019.

On 16 May 2019, the MME published Ordinance 226/2019, which restates the amendment to Ordinance MME 222, which establishes guidelines for the Auction for the Purchase of Electricity from New Production Undertakings, named "A-6", 2019.

On 23 May 2019, the MME published Ordinance 230/2019, which establishes the methodology to be applied in the Auction for Purchase of Electricity from New Production Projects, called the New Energy Auction "A-4", of 2019, provided for in article 1 of Ordinance MME 186 of 3 April 2019.

On 28 May 2019, ANEEL's board of directors approved the bidding for this year's A-4 generation auction (auction 03/2019). The purpose is to contract energy from new hydroelectric, wind, solar photovoltaic and thermoelectric biomass power plants, starting from January 2023.

Resolution 2,566, dated 25 June 2019, homologates the tariffs to be use for the Reference Distribution Systems (TUSD) applicable to producing power plants connected at the voltage levels of 88 kV or 138 kV for the 2019/2020 tariff cycle.

On 5 June 2019, Complementary Law 912 was enacted, which establishes the State Policy for Governance and Safety of Dams in the State of Espírito Santo.

ANEEL published the decision to modify the formula for calculating the Electricity Trading Rules in the 2017, 2018 and 2019 versions, through of Order 1,635/2019 of 6 June 2019, in order to: (i) correct the determination of unavailability of thermoelectric power plants in order of merit for the purpose of calculating energy eligible for the displacement of hydroelectric generation, pursuant to Normative Resolution 764, of 18 April 18 2017; (ii) approve the Electricity Commercialization Rules applicable to the Accounting and Settlement System, in the form of the modules of Annex I; and (iii) to determine to CCEE the accounting of short-term market operations since the beginning of the effectiveness of REN 764, in accordance with the rules approved in the previous item.

On 13 June 2019, the MME published Ordinance 144/2019, which defines new amounts of physical energy guarantee of the Hydropower Plants denominated Swiss UHE, Quebra Quebrada UHE and UHE Jirau, in the form of the Annexes of the present Ordinance.

Through Authorizing Resolution 7,886/2019 of 4 June 2019, the authorization for Cachoeira Caldeirão S.A. was published to implement the necessary resources to provide the Cachoeira Caldeirão Hydroelectric Power Station with the capacity to provide the ancillary service of the Special Protection System.

The Installed Power of UHE São Manoel was changed from 700.00 MW to 735.84 MW, according to ANEEL Order 2,674 / 2019. The new parameter was sent to MME for extraordinary review of Physical Guarantee.

*Distribution*

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

With the publication of the Decree 8,461, of 2 June 2015, the extension of the electricity distribution concessions encompassed in the Law 12,783, of 11 January 2013, may be extended for thirty years, once met the following criteria: (i) relative efficiency to the service quality; (ii) economic and financial management efficiency; (iii) operating and economic rationality; and (iv) moderate tariffs.

The distribution concessions held by EDP - Energias do Brasil, which were granted after February 1995, date of entry into force of Law 8,987, are not covered by the regulatory changes. Still, these changes are likely to influence the rules that will be applied in the renewal of these concessions.

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

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

Tariffs are adjusted annually based on changes in portion A costs and in the monetary correction of portion B costs, by the Market prices index (IGPM), discounted of productivity gains (factor X). The adjustment index is calculated in such a way to pass the non-controlling cost variations of the portion A and the corrected portion B. Periodically (on average every 4 years), a Periodic Tariff Review occurs, generating the recalculation of all costs, the definition of a new BRR and a new reference company, capturing productivity gains occurred in the period between revisions. At the beginning of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs. On 25 November 2014, ANEEL made addendums to the concession contracts with brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities and, as a consequence, to qualify them to be recognised in the financial statements. After the addendums, it was considered that the conditions are met to recognise regulatory assets/liabilities as assets and liabilities. Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement with ANEEL.

The Decree 8,828/2016 of 4 August 2016, eliminated the obligation of contracting the installed capacity of the plants that correspond to the maximum load demand ("Lastro de potência") and the penalties associated with their eventual failure. In addition, it removed the limitation of transfer costs to the tariff, when it needs to recontract energy, which volume is less than 96% of the Replacement Amount, for cases when there is an excess of contracts on the supply load measured in year A-1 (Existing Energy). The exclusion of the transfer limit on over contracting situations will bring more flexibility to the distributors, making them able to mitigate - in a very limited way though - the effects of reducing the existing volume of energy in their portfolios.

Additionally, the withdrawal of the mandatory "monômia" tariff for low voltage consumers, allowed the proposal of implementation of the "binômia"(energy and demand) tariff, seeking to encourage the efficient use of the distribution' networks and ensure the expansion and the sustainability of the incentive program for renewable energy and localized production.

As one of the mitigation measures for the problem of the electricity overcontracting felt by the most distributors throughout 2016, ANEEL published some normative resolutions. Normative Resolution 711/2016 allowed distributors, in agreement with the production agents: to reduce, postpone or cancel energy trading agreements in the ACR (CCEARs). There is a charge or receipt of bonuses by the distributor for 3 years, depending on the contract price, in relation to the average purchase price of the distributor.

In addition, there was a large number of customers that went to the ACL market, especially due to the high costs of thermoelectric generation that occurred between 2014 and 2015, with a significant impact on the over-contracting of the distributors. In this context, Normative Resolution 726/2016 was published, which made it possible the contracts devolution when the customers are in new energy trading agreements in the ACR.

Normative Resolution 727/2016, in turn, and within the package of measures adopted by ANEEL regarding overcontracting, has improved the use of the New Energy Deficits and Deficit Compensation Mechanism (MCSD), with the possibility of contractual reduction by producers. The reductions will occur from the most expensive contract to the cheapest, without mechanism of charges and bonuses.

On 28 March 2017, ANEEL decided to republish the Energy Tariffs to reverse the forecast of the Reserve Energy Charge (EER) of Almirante Álvaro Alberto - Unit III (Angra III) nuclear power plant. The new tariffs became effective from 1 April 2017 until the next tariff processes of the country's distributors, scheduled during 2017. Nevertheless, it was decided to anticipate the reversal of the charge, in an extraordinary and exclusively way, in April 2017, of the amounts already collected from tariffs from 2016 until March 2017, since the Angra III nuclear power plant was scheduled to start operating in January 2016, but due to delays in construction work, the new entry forecasted is from 2019.

In April 2017, Decree 9022/2017 was published, establishing standards and guidelines for the Energy Development Account (CDE), the Global Reversion Reserve (RGR) and the National System Operator (ONS). The main reason was the change of the manager of the CDE and RGR accounts, from Eletrobrás to CCEE (Electric Energy Trading Chamber). In the same decree, rules concerning the purpose and budget for CDE and RGR, management, transparency and some provisions related to the change of the account manager were also defined. In addition, ONS received new assignments related to the load forecasting and planning of isolated systems operation.

On 22 December 2017, Normative Resolution 794 was published amending Normative Resolution 414 of 9 September 2010, which approves the revision of Modules 1 and 8 of the Procedures for the Distribution of Electricity in the National Electrical System - PRODIST and revokes REN 574/2013. With the publication of the resolution, a specific section was included in PRODIST to establish procedures for the quality of complaint handling, including a methodology for defining the limits for the years following the publication of the resolution. With the publication of the trajectory of the indicators of the distributors EDP São Paulo, the limits will be: i) 25 in 2018; (ii) 24 in 2019; (iii) 21 in 2020; (iv) 17 in 2021; and v) 12 in 2022. For EDP Espírito Santo, the limits will be: i) 23 in 2018; (ii) 23 in 2019; (iii) 21 in 2020; iv) 17 in 2021; and v) 13 in 2022. In addition, Submodules 5.1 and 5.2 of the Tariff Regulation Procedures (PRORET), which regulate the Fuel Consumption Account and the Energy Development Account (CDE) were approved, as provided for in Decree No. 9.022/2017.

On 27 April 2018, ANEEL announced the new criteria for triggering the tariff flags considering the hydrological risk thresholds defined according to the known operational history of the National Interconnected System (SIN). From 2019, the rule for the tariff coverage treatment will be revaluated based on the hydrological calendar, in April, which is the end of the rainy period. The metric will consider the definition of hydrological risk cost, where there is an indirect relationship between the depth of the hydro generation deficit (GSF) and the short-term price of electricity (PLD). The composition of these two variables causes the proposed amounts to approximate the costs incurred. The yellow flag remains R$1 per 100 kWh consumed and fractions. The red flag on level 1 is R$3 per 100 kWh and, on level 2, is R$5 per 100 kWh.

On 17 July 2018, ANEEL approved Normative Resolution 824, which redefines the mechanism for the sale of surplus and its tariff impact.

On 7 August 2018, ANEEL approved the Annual Tariff Adjustment of EDP Espírito Santo. Regarding the current tariff, the average effect to be perceived by consumers will be +15.87%, +14.99% for consumer units served in high and medium tension and +16.30% for those served in low tension. Portion B (portion managed by the distributor) was 862 million Reais.

On 16 October 2018, ANEEL approved the Annual Tariff Adjustment of EDP São Paulo. Regarding the current tariff, the average effect to be passed on to consumers will be +16.12%, being +17.84% for high and medium tension consumption and +15.13% for low tension consumption. Portion B (portion managed by the distributor) was 961 million Reais.

The budget of the Energy Development Account - CDE for the year 2019 was established by ANEEL through Normative Resolution 840, of 26 December 2018.

ANEEL decides, through Order 1.220/2019 of 26 April 2019, that: (i) The ONS shall issue a Partial Release Agreement (TLP) without any non-impeding pendencies proper to the Transmission Functions (FT) of the Concession Contract 016/2019 signed by Água Azul SPE SA - Água Azul Substation, with the right to receive 100% of the Allowed Annual Revenue (RAP) per FT released, as of 20 February 2019; (ii) Água Azul will be entitled to receive the charges for use associated to EDP São Paulo Distribuidora de Energia SA (EDP São Paulo) exclusive use line entries as of the date established in the Transmission Facility Connection Contract (CCT) signed between Água Azul and EDP São Paulo, pursuant to Normative Resolution 68, of 8 June 2004; and (iii) differences in revenue collection should be considered in the next annual revenue readjustment, pursuant to Article 4 of Normative Resolution 454 of 2011.

Through Order 1,265/2019, dated 3 May 2019, ANEEL informs that the balance of ITAIPU's Electric Energy Trading Account in 2018 was positive and requests data on a monthly basis to the concessionaires and licensees.

Through Order No. 1,241/2019 of 30 April 2019, ANEEL classifies the concessionaires and licensees of public energy distribution service of SIN as distribution agents with a market of less than 700 GWh / year for the year 2020.

Through Order 1,223 / 2019, dated 29 April 2019, ANEEL establishes the annual forecast of the System Service Charge (ESS) and the Reserve Energy Charge (EER), with the objective of tariff coverage of the distributors with a tariff process in the second quarter of 2019. Concessionaire: EDP / ES - EER = 73 Million Reais and ESS = 4 Million Reais.

Normative Resolution 845 and Homologatory Resolution 2,551, both dated 21 May 2019, establish the new bands and the additional tariff flags.

Normative Resolution 846 of 11 June 2019 approves new procedures, parameters and criteria for imposing penalties on agents of the electricity sector.

In a press release dated 20 March 2019, MME, ANEEL and CCEE announced an agreement with banks to anticipate the payment of the ACR Account loan. As a result, consumers will no longer make monthly account disbursements between October 2019 and April 2020, which would result in an average 3.7% reduction in tariff readjustments in 2019 and 1.2% in 2020. However, ANEEL underlined that the effect of this measure will not be immediately, but will be included in the subsequent tariff revisions.

Through Authorizing Resolution 7,717/2019 of 2 April 2019, ANEEL changed the limits for the commercial quality indicator FER - Equivalent Frequency of Complaint.

Order 2,581/2019 sets the average cost of energy and power traded by distribution agents in the ACR at 306.55 R$/MWh for the year 2020.

On 6 August 2019, ANEEL ratified the result of the 8th EDP Espírito Santo Periodic Tariff Review. The average effect for consumers was -4.84%. Parcel B, intended to cover the costs of electricity distribution, was set at 979 million Brazilian reais. The value of the X Factor for the T component at -1.05% and the value of the Pd component at 1.12%, to be applied in the Parcel B update in the EDP Espirito Santo tariff adjustments. Technical losses were set at 7.06% on injected energy and non-technical losses were set at a reduction path from 10.58% in 2019 to 9.58% in 2021 for the low voltage market.

On 16 August 2019, ANEEL published REN 854 changing the rule for billing electricity for public lighting for cases in which it is carried out by consumption estimate based on the installed power and the period of use. This change may reduce the billing amounts of EDP Group's distributors, as well as indirect impacts on the Non-Technical Losses and Operating Costs process.

On 23 October 2019, ANEEL approved the tariff review of EDP São Paulo. The average effect on consumers was -5.33%. Portion B was 2.7%, considering an X Factor of 0.88%. The value of the T component of the Factor X was set at 0%, the Pd at 0.96% and the Q at -0.08%. Technical losses were fixed at 5.06%, while commercial losses were set at 8.43% in relation to the low voltage market, in a downward trend of up to 8.42% until 2022.

On 17 December 2019, the ANEEL Board approved the budget for the Energy Development Account (CDE) for the year 2020, with a 24% increase in CDE. The total budget amount was 21.9 thousand millions Brazilian Reais. The increase in the fund for 2020 was provided by the increase in the costs of the Fuel Consumption Account (CCC) - 1.180 thousand millions Brazilian reais, by the forecast of the account deficit in 2019, and by the constitution of the technical reserve. The difference between the cost of the new quota for 2020 and the tariff coverage is the triggering event. Currently, there is no way of monthly transfer to the deficit tariff, and the tariff balance is achieved only in the next tariff event.

On 17 December 2019, ANEEL published Normative Resolution 868 that regulates the reduction of tariff discounts to rural consumers until its elimination in 2023.

On 23 December 2019, ANEEL published Normative Resolution 863/2019 which requires that the Group A consumer measurement system in the Regulated Contracting Environment be equivalent to the Free Contracting Environment system and both have a limited reading period to the calendar month. Billing by Group B estimate should also be limited to the calendar month. There is also the possibility of self-reading for low-voltage consumers, if they have a common agreement between the distributor and the consumer.

*Supply*

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

ANEEL approved improvements in the establishment of the short-term price of electricity (PLD), through Normative Resolution 843, of 5 April 2019, establishing the general guidelines for the process of price creation and the disclosure of data to the market, reinforcing its anticipation and transparency, as well as consolidating several agency regulations.

Order 1,635/2019 amends the Electricity Trading Rules in the 2017, 2018 and 2019 versions, to correct how the unavailability of thermal power plants is determined. It also approves the Electricity Trading Rules applicable to the Accounting and Settlement System and directs the CCEE to recount short-term market operations since the effectiveness of REN 764.

Normative Resolution 848/2019 publishes version 2018.1.2 of CCEAR's Sales Revenue Book of the Electricity Trading Rules applicable to the Accounting and Settlement System – SCL and Normative Resolution 850/2019 publishes the approval of these same rules.

*Public Domain Assets*

In Brazil, fixed assets used in the distribution and the supply activities are bound to these services and cannot be removed, sold, transferred or mortgaged without the prior and express consent of the regulator (ANEEL).

*Transmission*

The concession of the public electricity transmission service is delegated by the Granting Authority through bids and formalized through concession agreements. The remuneration for the public transmission service is denominated Annual Revenue Allowance (RAP), and it is achieved in the transmission auction itself and paid to the transmitters as they start operating.

The RAP is adjusted annually and is reviewed every four or five years, under the terms of the concession agreements. ANEEL can still calculate an additional amount to the RAP in order to remunerate the new installations through an Authorizing Resolution, whenever there is a need for reinforcements and / or improvements indicated in studies.

The revenues of the transmission companies are the result of the payment of a designated tariff TUST - Tariff of Use of the Transmission System - by users of the Basic Network of the National Interconnected System: generators, distributors, free and potentially free consumers, and suppliers importing and exporting energy.

The electricity transmission concessionaires have the quality of the service evaluated through indicators associated with the availability of the transmission system, defined by Normative Resolution 729 of 2016. These indicators are characterized as: (i) Variable Portion - PV, portion to be deducted from the transmitter's revenue due to the non-provision of the service and; (ii) additional to the RAP, a value to be added to the annual remuneration of the transmitter that presents excellent performance, with resources coming exclusively from the Variable Portion, deducted from the transmitters.

The public electricity transmission service of the National Interconnected System (SIN) includes the facilities of the Basic Network - RB and Basic Border Network - RBF. Normative Resolution 67/2004 establishes criteria for the structure of the Basic Network of the National Interconnected System and defines that the RB consists in the SIN installations with a tension level equal to or greater than 230 kV, while the RBF is made up of the transforming units of SIN power with an upper tension equal to or greater than 230 kV and a lower tension of less than 230 kVA.

Normative Resolution 68/2004 establishes the procedures for access and implementation of reinforcements in the Other Transmission Facilities - DITs.

Decree 5,597 of 26 November 2005, which regulated the criteria for access to the Basic Network, was subsequently regulated by Normative Resolution 722, dated 31 May 2017, which established criteria for access to the Basic Network.

Through Normative Resolution 831 of 30 October 30 2018, ANEEL changed the parameters for the calculation of the price limit for new auctions.

Normative Resolution 454/2011 establishes the criteria and conditions for the commercial operation and incorporation into the National Interconnected System (SIN), the increases and reinforcements in transmission facilities. REN defines that for the initiation of the tests, it is necessary to issue the Release Term for Test and for commercial entry, the Partial Release Terms - TLP or the Definitive Release Term - TLD, by ONS. The TLP indicates that there may be restrictions of its own or even third party impediment restrictions; however, it guarantees the right to receive remuneration. REN also establishes the receipt of 90% of the RAP part if the transmission facilities start commercial operation with their own non-impeding restrictions.

Normative Resolution 841/2018 will enter into force as of 1 July 2019 and will revoke REN 454/2011. The new REN creates the Revenue Release Term - TLR, which, in the case of installations capable of operating with third party impeding restrictions, will receive 100% of the RAP and will maintain the receipt of 90% of the RAP portion for the TLPs if the restrictions for more than 12 months, the transmitter will receive 80% of the RAP portion. The new REN creates the Revenue Release Term - TLR, which for the cases of facilities capable of operating with third party impediments, receives 100% of the RAP and maintains the receipt of 90% of the RAP portion for the TLPs if the for more than 12 months.

On 23 December 2018, EDP Transmissão started the commercial operation of its facilities, the Linhares - São Mateus 2 - 230kV Transmission Line, with 113 km of extension and the São Mateus 2 Substation, in the State of Espírito Santo. The beginning of commercial operation occurred twenty months prior to the date established in the Concession Agreement, an unprecedented event in the Brazilian electricity sector.

Resolution 2,514, of 19 February 2019, updates the ANEEL reference bank to be used in the authorization, concession bidding processes and revision of the annual allowed revenues of electric power transmission concessionaires.

Through Ordinance 217/2019, of 29 April 2019, MME established the schedule for the execution of the Bids for the Public Service Concession for Electric Power Transmission in the years 2019, 2020 and 2021. It is a requirement for Bidding for Basic Network Transmission Facilities to include Power Transformers with Primary Voltage equal to or greater than 230 kV and Secondary and Tertiary Voltages below 230 kV, as well as their Connections and other Equipment connected to the Tertiary, the conclusion of the Contract of Use of the Transmission System - CUST among the concessionaires, permit holders or authorized to Public Service of Distribution of Electric Energy and National Operator of the Electric System - ONS within the deadlines established in the Annex. ANEEL will inform the concessionaires, licensees or authorized for Public Service of Electric Energy Distribution regarding the existence of Transmission Facilities that depend on CUST for bidding. On 13 January 2020, through Ordinance 15/2020, six tenders were announced until the year 2022: two tenders in 2020 in July and December, two tenders in 2021 in June and December, and two in 2022 in the months of June and December. The deadline for entering into the contracts is up to seven months after completion.

Normative Resolution 847, dated 25 June 2019, revokes Normative Resolution 709, which limited the shareholder structure of the transmission concessionaire to the level of the holding company, when both jointly carried out the activity and required that the holding company keep the economic and financial information segregated in cost centers in order to identify the operational and holding activities.

Homologation Resolution No. 2,549, dated 14 May 2019, amends Homologatory Resolution 2,514 of 19 February 2019, which ratifies the new values of the Reference Price Bank to be practiced in the substation and transmission line works.

By Order 1,306 of 14 May 2019, ANEEL attests conformity of the technical characteristics of the basic design of the object transmission facilities of the Concession Agreement 39/2017-ANEEL, prepared by EDP Transmissão Aliança SC S.A.

Homologatory Resolution 2,562, of 25 June 2019, establishes the value of the Tariffs for the Use of the Transmission System (TUST) for electricity, components of the National Interconnected System for the 2019-2020 cycle.

Homologatory Resolution 2,565 of June 25, 2019 establishes the Annual Revenues Allowed for the provision of the facilities under the responsibility of concessionaires of public energy transmission service.

Normative Resolution 847 revokes Normative Resolution 709, given that ANEEL understood that the restrictions imposed could hinder the participation of agents in transmission auctions, reducing the competitiveness of the competitions. These restrictions concerned the development of operating and holding activities by the public service transmission concessionaires.

The Secretariat of Coordination and Governance of the Union's Heritage published Ordinance 02, which authorizes EDP Transmission MA II S.A to carry out the construction works of the Power Transmission Line, in the Municipality of Cantanhede/MA.

On 26 November 2019, ANEEL published Normative Resolution 861 that creates the Database of Electricity Transmission Installations - BDIT, determining that by 31 March of each year, the transmission companies must inform about the new installations. They should also send data for installations that have been in operation in the past.

**Activity in the renewable energy sector**

In December 2007 the EDP Group incorporated EDP Renováveis, S.L. in Spain so as to concentrate the Group's subsidiaries in the renewable energies sector. On 18 March 2008, EDP Renováveis was converted into a public limited company.

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

On 3 August 2017, in the context of the General and Voluntary Public Tender Offer for the acquisition of shares representative of the share capital of EDP Renováveis, S.A. that was concluded on the third quarter of 2017, EDP - Energias de Portugal, S.A. total investment was 296,376 thousand Euros with added transaction costs in the amount of 3,244 thousand Euros. As a result of this transation, EDP - Energias de Portugal, S.A. holds 720,191,372 shares in EDP Renováveis, S.A., increasing its interest in the company from 77.5% to 82.6%.

**Electricity**

*Generation*

As at December 2019, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital of EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energias del Ocidente, S.L.), EDP Renewables North America, LLC. (EDPR NA, previous designated as Horizon Wind Energy, LLC.) and EDP Renováveis Brasil, S.A., operating respectively in Europe, in the United States of America and in Brazil.

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and United Kingdom. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, EDP Renewables España, EDP Renewables France, EDP Renewables Belgium, EDP Renewables Polska, EDP Renewables Romania, EDP Renewables Italia and EDPR UK Limited. As at 31 December 2019, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

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

*Regulatory framework for the activities in Spain*

On 12 July 2013 the Spanish Council of Ministers approved a comprehensive reform of the energy sector. This energy reform was afterwards implemented by means of a new "Energy Sector Act", a Decree-Law, eight Royal Decrees and three Ministerial Orders.

As a part or this Energy Reform, Royal Decree-Law 9/2013 was approved in July 2013. The purpose of this Royal Decree-Law was to adopt a series of measures to ensure the sustainability of the electricity system. Prior to Royal Decree-Law 9/2013, renewable generators benefited from a feed-in tariff regime in which renewable electricity could be sold at a regulated feed-in tariff or at the Spanish wholesale market price plus a variable premium.

According to the 2013 regulatory framework, renewable energy facilities are entitled to sell the electricity they generate into the Spanish wholesale market and, during their respective regulatory lives, receive additional payments per installed MW from the Spanish electricity system through the "Comisión Nacional de los Mercados y la Competencia (CNMC)" body. This regulatory system is intended to allow each standard wind farm to achieve a pre-tax rate of return (fixed at 7.398% until 2019 YE) over its regulatory life. This reasonable return was determined by reference to the 10-year Spanish government bond plus a spread of 300 basis points.

Regarding the wind sector, Decree Law 413/2014 confirmed that wind farms in operation in 2003 (or before) would not receive any further incentive, while the incentive for the rest of the wind farms would be calculated in order to reach the 7.398% return before taxes. More than 1,300 possible types of renewables installation ("standard facilities") are included in the Decree Law, 23 of them corresponding to wind farms of more than 5 MW classified by the year of first operation (from 1994 to 2016).

In October 2015, the Government approved Royal Decree 947/2015 and a Ministerial Order aimed at allowing the installation of new renewable capacity through competitive tenders.

On 14 January 2016, the first auction of renewables' capacity was held. The auction was designed to provide a similar remuneration scheme that the one that applies to current installations (RD 413/2014). Following this framework, auction participants were requested to bid on the "initial investment" (CAPEX) parameter which would then, by being plugged in the formula set by RD 413/2014 determine the "RINV" (investment premium) that would eventually be awarded.

Developers were bidding to build 500 MW of wind energy and 200 MW of biomass plants. The auction was very competitive, around 5 times oversubscribed for onshore wind. EDPR was awarded 93 MW of wind energy.

In December 2016, the Energy Ministry (MINETAD) published a draft Royal Decree and a Ministerial Order defining a competitive process for the allocation of new renewable capacity. On 6 and 8 March 2017, two additional draft Resolutions were released including relevant information regarding the auction rules. The Council of Ministers approved on 31 March the RD 359/2017 launching the official call for the auction. The remuneration scheme will be in line with RD 413/2014 scheme. However there will be some differences in the distribution of the remuneration scheme when compared to previous tenders. On the one hand, the tender will be technologically neutral, meaning that projects based on different renewable energy technologies, such as wind, solar and biomass, will be able to compete for contracts.

On 22 February 2017, the Ministerial Order ETU/130/2017 was published, which includes the new remuneration parameters. In 2016 the first semi-regulatory period of RD 413/2014 ended, and therefore, the "RINV" parameter had to be adjusted in order to consider pool price deviations between the estimated price and the current price and the new pool forecasts.

In 17 May 2017, the "Operador do Mercado Ibérico - Pólo Espanhol" (OMIE) held a tender for the allocation of 3 GW of new renewable capacity. The tender had around 9 GW of competing capacity. 2,979 MW of the 3 GW auctioned were allocated to wind projects.

Following the outcome of this tender, the Spanish government decided to launch one additional tender for a maximum of 3 GW. The new tender held place on 26 July 2017 and was open exclusively to wind and solar PV technologies. The rules governing the new tender was the same as the ones for the tender held on 17 May, except for the maximum possible discount to the standard CAPEX which would be 87.08% for wind and 69.88% for solar PV.

Additionally, the royal decree ruling the tender (RD 650/2017) included the possibility to increase the allocated capacity to all capacity bidding the same discount, provided it would not create an overcost to the system. Following this, all the capacity which offered the maximum allowed discount was awarded (no tiebreaker rule was triggered). Overall, 5,037 MW were awarded, with solar power producers being the biggest winners with 3,909 MW compared to 1,120 MW for wind.

On 8 October 2018, Spanish Minister of Energy and environmental transition introduced several measures to limit the basis of electricity cost for new consumers giving a new step towards the long-term energy transition targeted by the Socialist Party. The implemented measures include the suspension of the 7% generation tax for a 6-month period, the facilitation of self-consumption and the administrative extension until March 2019 of the connection rights for the renewable plants awarded in last year´s auctions.

On 22 February 2019, MITECO (The Ministry for Environmental Transition) put for public consultation the "Strategic Framework for Energy and Climat" (Marco Estratégico de Energía y Clima) including: (i) a new version of the Draft Project Law on Energy Transition, (ii) the draft National Energy and Climate Plan 2021-2030 ("NECP"); and (iii) Draft Strategy for a fair energy transition. With regards to the Spanish NECP, Spain has submitted a draft version to the European Commission targeting a share of 42% of renewables (74% of renewable electricity) by 2030.

On 22 November 2019, Royal Decree Law 17/2019 was passed, introducing a series of measures aimed at guaranteeing a stable regulatory and economic framework to encourage the development of renewable energy generation in Spain. The RDL updates the "reasonable return" for renewable generation for the next regulatory period starting on 1 January 2020 at a level of 7.39% for assets before RDL 9/2013 and 7.09% for the new ones. In addition, RDL 17/2019 establishes that the period for reviewing the rest of parameters will run until 29 February 2020.

Another objective of RDL is to adopt a new regulation governing access to the network in nodes affected by the closure of coal and nuclear power plants and concessions for the private use of water, where new renewable projects may offer an alternative. Under RDL 17/2019, grating access to the grid to renewable projects in areas affected by the closure of thermal facilities, will be based on the technical and economic benefits, as well as the environmental and social ones, in particular job creation.

*Regulatory framework for the activities in Portugal*

The Portuguese legal provisions applicable to the generation of power from renewable sources are currently established by Decree-Law 189/88 dated 27 May, (subsequently amended by Decree-Law 168/99 of 18 May, Decree-Law 312/2001 of 10 December and Decree-Law 339-C/2001 of 29 December). Also relevant is Decree-Law 33-A/2005, of 16 February 2005 ("DL 33-A/2005"), which establishes the feed-in tariff remuneration applicable to energy produced by renewable sources.

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013 that maintains the legal stability of the current feed-in tariff contracts (following Decree-Law 33-A/2005) and protects the value of the investments made by wind energy producers. However, this Decree Law granted the possibility to adhere to voluntary changes of the existing feed-in tariff. Indeed, wind generators could extend the support scheme (generally 5 or 7 years) in exchange of upfront payments or discounts on existing tariffs. EDPR chose a 7 year extension of the tariff defined as the average market price of previous twelve months, with a floor of 74€/MWh and a cap of 98€/MWh (values updated with inflation from 2021 onwards) in exchange for yearly payments from 2013 to 2020.

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

In 1 August 2017, the Portuguese Government approved Order 7087/2017 that determines the procedures for authorisation process for new equipments (SE). In particular, the Government introduced a new requirement for the authorisation: the obligation for the Direção Geral de Energia e Geologia (DGEG) to consult ERSE, which will have to assess its impact on the electricity system. Therefore, a new SE will only be authorised it does not have a negative impact on the electricity system.

The Portuguese government 2019 Budget included an extension of the special energy tax (so-called CESE) to renewables. However, there is an exemption for facilities with licenses that had been granted through public tenders.

On 31 January 2019 was published Ordinance 43/2019, of the Ministry of the Environment and Energy Transition, which changes the criteria for granting authorization for the installation of over-equipment of wind farms.

With the publication of this Ordinance, ERSE consultation is dismissed if the owner of the power plant chooses to apply the energy of the over-equipment to a tariff of 45€/MWh, without update, for a period of 15 years. This Ordinance also applies to requests for authorization that, at the date of its entry into force, are still pending from the decision of the Portuguese Authority of Energy and Geology (DGEG).

On 3 June 2019 the DL 76/2019 was published. This DL is a comprehensive review of the legal basis of the Portuguese electricity sector. Regarding new renewable capacity, the Decree changes the order in which grid capacity reservation and production license are obtained. New projects will need to obtain the title of grid capacity reservation prior to applying for the production license. The Decree also introduces three ways to obtain grid capacity reservation, being one of them competitive tenders.

Portugal launched its first utility-scale renewable energy auction in June 2019, with the first round for 1.4GW of PV injection capacity held in July. Developers in the Portuguese tender could present two kinds of offer: one with a fixed price below €45/MWh and another with a variable tariff which includes a requirement to pay compensation to the electricity system, depending on spot market power prices. Both systems will be valid for 15 years from commercial operations. EDPR secured a 15-year contract for a solar project with total capacity of 142 MW.

On December 6, the DGEG (Direção-Geral de Energia e Geologia) released regulation of the Licensing Monitoring Committee (Comissão de Acompanhamento dos Processos de Licenciamento) of the solar PV plants resulting from the 2019's Auction. This Committee was set up with the aim of contributing to the fulfilmenet of the obligations arising from the tender procedure, in particular with regard to the deadline for obtaining the licences.

*Regulatory framework for the activities in Romania*

In 30 March 2017, the government finally approved the emergency ordinance to amend the renewable law 220/2008. As expected, the Green Certificate (GC) scheme was extended until 2031 (GC will remain valid until March 2032). The Ordinance also confirmed the GC floor would remain fixed at 29.4€ and GC cap will lose indexation and reduced to a level of 35€. Regarding wind energy, the ordinance approves the extension of the GC recovery from 2018 to 2025, while solar PV's GC postponement is extended until the end of 2024 (the recovery will take place from 2025 to 2030).

Following the approval of the Emergency Government Ordinance (EGO) 24/2017 in March, the energy regulator (ANRE) issued the Order 27/2017 establishing the mandatory quota of estimated green certificates for the period April-December 2017. This new quota is based on a new methodology, which establishes the number of GCs estimated to be issued, instead of a percentage of clean energy. The number of GC for the April-December period was defined to 11,233,667 GCs.

ANRE issued the Order 77/2017 approving the regulation on organisation and functioning of the Green Certificates (GC) market. The Order allows the trade of GCs in two different markets: (i) a centralised anonymous GC market (operational as of 1 September 2017) that comprises platforms for GCs trading (spot and forward transactions) organised by Romanian Electricity and Gas Market Operator (OPCOM), allowing participants to the GCs market to submit firm GCs sale or purchase offers with respect to quantity and price, without revealing their identity to the other participants to the trading sessions; and (ii) a centralised market for electricity from renewable energy sources benefiting from the GCs scheme (not yet operational): market platform to trade bundled GC and electricity of renewable energy sources. The electricity price will be determined competitively by the market mechanisms, while the price of the GCs associated to the sold quantity of electricity will be equal to the closing price for the last trading session on the centralised anonymous GCs market. In both markets, the transactions have a limit of 10,000 GCs per day.

On 26 June 2018 EGO 24/2017 concluded the process of co-validation within Romanian Parliament with the approval of the Chamber of Deputies (CD). During the discussions in the CD, several amendments to the text approved in March 2017 were discussed. The final set of amendments includes, among others: (i) a potential change to a Feed-in-Premium scheme for operating assets; (ii) a gradual increase in the maximum allowed impact to final consumers currently at a maximum of 11.1€/MWh; (iii) the removal of the Green Certificates (GC) loss from positive unbalances; (iv) the pro-rata allocation of GCs sold in the centralized platforms when the supply exceeds demand; and (v) modifications in the postponement of solar photo voltaic (PV) GCs.

In December 2018, the EGO 114/2018 introducing several measures affecting the Romanian electricity sector was approved. The EGO will charge companies holding licenses in the electricity sector with a tax of 2% of the annual turnover (as opposed to former charge of 0.1%). Also, the EGO sets the obligation for electricity producers to sell at regulated prices to the suppliers of last resort the quantities needed to cover the consumption of household consumers (for which regulated tariffs will apply) from 1 March 2019 to 28 February 2022.

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

The United States federal government and various state governments have been implementing policies to promote the growth of renewable energy, particularly wind power. The main federal renewable energy incentive program is the Production Tax Credit (PTC), which was created by the US Congress as part of 1992 EPACT. Additionally, several states have passed legislation, mainly in the form of renewable portfolio standards (RPS), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

American Recovery and Reinvestment Act of 2009 includes a number of energy measures related to tax and policy provisions to benefit the development of wind energy generation, namely (i) a three year extension of the PTC until 2012 and (ii) an option to elect a 30% Investment Tax Credit (ITC) that could replace the PTC through the duration of the extension. This ITC allows the companies to receive 30% of the cash invested in projects placed in service or with the beginning of construction in 2009 and 2010. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and includes an one year of ITC extension, which allow the companies to receive 30% of the cash invested in projects with beginning of construction until December 2011 as long as placed in service until December 2012.

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

On 16 December 2014, the US Congress approved the "Tax Increase Prevention Act of 2014" that included an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set a new expiration date of 31 December 2014 and kept the qualification criteria (projects can qualify as long as they are under construction by year-end 2014).

On 15 December 2015, the US Congress approved the "Consolidated Appropriations Act of 2016" that included an extension of the PTC for wind energy, as well as the possibility of a 30% Investment Tax Credit instead of the PTC. Developers had until the end of 2016 to start construction of new wind farms to qualify for 10 years of production tax credits at the full level. Congress introduced a phase out for projects that start construction after 2016 and before 2020. These projects will still qualify for production tax credits, but at reduced levels. The levels are 80% for projects starting construction in 2017; 60% in 2018; and 40% in 2019. Developers of projects that start construction before 2020 may choose to claim 30% investment tax credits instead of production tax credits, subject to a similar phase out. The phase out reduces the value of the 30% investment tax credit to 24% in 2017; 18% in 2018; and 12% in 2019. Neither production tax credits nor investment tax credits are allowed for wind projects that start construction in 2020 or later.

The aforementioned "Consolidated Appropriations Act, 2016" also extended the Investment Tax Credit (ITC) for solar projects. Solar projects that are under construction by the end of 2019 will now qualify for the 30% ITC. The credit is reduced to 26% for projects starting construction in 2020 and to 22% for projects starting construction in 2021. The credit drops to a permanent 10% level for projects that begin construction in 2022 or later.

Additionally, on 5 May 2016, the US Internal Revenue Service issued guidance that wind farms have four years from their start of construction to be placed in service and qualify for the PTC. As a result, projects that start construction prior to year-end 2019 and are placed in service prior to year-end 2023 will be eligible for the PTC. The IRS ruling also includes a provision that allows developers to secure the PTC if 5% of a project's capital components by US dollar value are safe harbored in a given year and construction is complete within 4 years. Thus, if a developer safe harbors 5% of project Capex in 2016, will be qualified for 100% of the PTC if the construction is concluded until 2020.

On 22 June 2018, the IRS released Notice 2018-59, which provides guidance to determine when a solar project begins construction for ITC purposes and specifies that projects have until 2024 to be placed in service and qualify for the ITC at levels above 10%. The ITC percentage for a solar project is determined based on the year in which construction of the project begins – provided the solar project is also placed in service before 1 January 2024 – as follows: (i) before 1 January 2020, 30%; (ii) in 2020, 26%; (iii) in 2021, 22%; and (iv) any time thereafter (regardless of the year in which the solar project is placed in service), 10%. Similar to the IRS guidance regarding the wind PTC, establishing the beginning of construction is deemed by (i) engaging significant physical work or (ii) paying or incurring 5% of the ultimate tax basis of the project. Thus, if a developer safe harbors 5% of project Capex in 2019, the project will be qualified for a 30% ITC if the construction is concluded before 1 January 2024. Similarly, if a developer safe harbors 5% of project Capex in 2021, the project will be qualified for a 22% ITC if the construction is concluded before 1 January 2024.

On 20 December 2019, the President signed the Taxpayer Certainty and Disaster Tax Relief Act of 2019. The act changes the phase down schedule for the Production Tax Credit for onshore wind energy projects.. Under prior law, the PTC phased down to 40% for projects beginning construction in 2019 and then to 0% for facilites for which construction began in 2020. The new act leaves in place the 40% PTC rate for 2019 projects, then increases the PTC to 60% for projects beginning construction in 2020. Projects beginning construction in 2021 and later will have no PTC. The act made no changes to the solar ITC.

The Taxpayer Certainty and Disaster Tax Relief Act of 2019 also did not include the creation of any new tax credits for offshore wind or energy storage, despite previously proposed legislation that sought to do so. Two bills recently introduced in the U.S. Senate would extend the 30% investment tax credit (ITC) for offshore wind projects for another 6 to 8 years. Legislation has also been introduced to make energy storage technologies fully eligible for the ITC that is currently available to solar and some solar-plus-storage projects. More than 100 House Democrats signed a letter asking for a long-term extension of clean energy tax credits. While tax credits for offshore wind and storage were not included in the Taxpayer Certainty and Disaster Tax Relief Act of 2019, it is still possible that they could be included in future legislation. Improved ITC for offshore wind and storage would improve the economic outlook for those resources.

On 9 February 2016, the US Supreme Court suspended implementation of the Clean Power Plan (CPP) announced by the United States' Environmental Protection Agency (EPA) on 3 August 2015, a rule to cut carbon pollution from existing power plants, which is pending judicial review. On 7 December 2017, EPA Administrator Scott Pruitt announced at a hearing of the U.S. House Energy and Commerce Committee that the EPA will introduce a replacement rule to CPP. As of 29 June 2018, EPA's agenda put a final Clean Power Plan repeal date in October speculating that a replacement rule will be proposed at the same time. On 21 August 2018, the EPA proposed the Affordable Clean Energy (ACE) rule to replace the CPP to establish emissions guidelines for states to develop plans to address greenhouse gas emissions from existing coal-fired plants. The rule would allow states full discretion to set heat-rate improvements (HRI) for unit-specific emissions standards. The HRIs may be overstated, since they appear to be based on potential improvements at inefficient plants that have already retired; i.e. the existing fleet may have already applied "Best system of emission reduction" (BSER) measures and therefore do not have room for improvement.

On 1 June 2017, President Trump announced that the U.S. would withdraw from The Paris Agreement, an international accord to combat climate change. The ultimate impact of these changes on renewable demand is not yet clear for several reasons: most of these changes will be contested in court; States regulators decide on the energy mix at State level; the most important energy players are already implementing the main elements of the Clean Power Plan; and the Executive Order does not impact ITC/PTC, which is the main development driver for the US renewable energy market. On 23 January 2018, Trump signed a proclamation setting in place four years of tariffs for cell and module imports. The tariffs commence at 30% of reported value, decrease in subsequent years and don't apply to the first 2.5GW of cell imports each year. On 3 April 2018, the Trump administration released a list of more than 1,300 imported products from China that may be subject to a 25% tariff. The list of imports from China includes "wind-powered electric generating sets," which will have minimal impact on the U.S. wind industry due to the low number of wind turbines imported from China. The Trump administration also placed a 25% tariff on steel imports and a 10% tariff on aluminum imports, two raw materials that are sometimes used in manufacturing wind and solar energy components.

On 22 December 2017, President Trump signed the final bill for a tax reform law, the Tax Cuts and Jobs Act of 2017. The law made numerous changes to the U.S. tax code including some that may impact demand and financing for renewable energy. Among these are the Base Erosion Anti-Abuse Tax (BEAT) provision, which seeks to prevent multinational companies from engaging in "earnings stripping", the practice of lowering a company's U.S. tax liability by deducting interest from payments made from a foreign parent company to its U.S. subsidiary. The BEAT provision allows companies to offset up to 80% of BEAT tax payments with energy tax credits such as the PTC and ITC. Because companies are not allowed to offset the entirety of BEAT tax payments with energy tax credits, the provision may negatively impact the tax equity financing market, a key finance driver for renewable energy. The final law also reduced the corporate tax rate from 35% to 21%. This could also decrease the size of the market for tax equity financing. With regards to other new policy initiatives, White House officials have expressed a desire to introduce an infrastructure plan to be passed by Congress. While details of this plan are currently unclear, increased investment in Infrastructure could change the demand for renewables or change the value of production from existing facilities.

On 8 January 2018, the Federal Energy Regulatory Commission (FERC) rejected a proposal from the Department of Energy (DoE) to subsidize certain coal and nuclear plants by providing cost recovery for plants with onsite fuel supplies. The FERC instead asked regional grid operators to assess how best to enhance the resilience of the power system. FERC's five members unanimously rejected the proposed DoE rule. Instead, FERC asked regional grid operators to review an extensive list of quesitons about improving power system resilience and report back within 60 days. It is currently unclear as to whether or not the DoE will continue to pursue coal and nuclear subsidies and, if so, how the DoE will seek to do so.

On 3 January 2019, the 116th United States Congress convened with a Republican-majority Senate and a Democratic-majority House of Representatives. In the prior Congress, Republicans held majorities in both the Senate and the House of Representatives. With this change, a shift in governing philsophy is expected. Democratic representatives have informally proposed a range of potential legislative actions having to do with climate change. One of these proposals is a "Green New Deal" which features a 100% United States RPS standard. Such a standard, if implemented, would increase demand for renewable electricity in the U.S. However, new legislation regarding climate change and renewable energy has yet to be formally proposed and the details of such legislation, if proposed at all, are unclear. Additionally, any legislation passing the Democratic-majority House of Representatives would also to have to pass the Republican-majority Senate and be signed by President Trump before becoming law. While this "Green New Deal" is not currently a likely success, it is an indicator that Green goals are becoming bolder and seeking greater results such as, in this case, a 100% renewable mandate. On June 26, 2019, a new bill was introduced to the Senate targeting a national 50% renewable energy standard (RES) by 2035. While the bill has not been passed and currently has only a handful of sponsors, it supports the growing bipartisan trend towards climate action.

*Regulatory framework for the activities in Poland*

On 19 February 2016 the PiS MPs party proposed a draft law on wind investments covering localization, realizations and operation of wind farms, the so-called Wind Turbine Investment Act. After a long approval process in which the renewable sector succeeded in introducing some amendments to the original draft the law was finally approved and published in the Polish Official Gazette in June 2016. The main measures of this new law include minimum distance restrictions for new wind farms and increased real estate tax burden.

On the other hand, and following the delay of implementation of the RES Act Chapter 4 introduced in late December 2015, PiS' government has introduced to Polish parliament a more comprehensive amendment proposal to the RES Act in early May 2016. After having gone through Poland's parliamentary appreciation process the amendments were finally approved and published in late June, in line with the intentions to have the Chapter 4 in force since 1 July 2016. While keeping the core of the new auction system introduced by the new 2015 RES Act these new amendments have also introduced some modifications (namely introducing technology baskets for future tenders and improving the treatment of biomass, biogas and cofiring technologies).

In October 2016 the Polish Government published the Ordinance detailing the amount and value of energy to be auctioned in 2016. Wind energy was not included among the technologies allowed to participate (except for facilities below 1 MW). The auction was held in 30 December 2016.

On 23 November 2016, the Polish Government disclosed a draft ordinance detailing the amount and value of energy planned to be auctioned in 2017. The draft highlights that baseload renewables (dedicated biomass and biogas) remain key to the government as they will be allocated around 50% of the total 2017's auction budget. The new draft proposes the budget to be allocated to the pot in which new onshore wind could compete. This amount could amount up to 150 MW. It is also likely that wind and PV will compete for the same budget.

During the first semester of 2017, the substitution fee was 300.03 PLN. However, with the entry into force of the amendment proposed by the Polisk Government in the third quarter of 2017 the substitution fee changed to 125% of the average market price of the green certificate from the previous year capped at 300 PLN. Given the current low prices of GCs, this rule is expected to involve a even higher price reduction.

Together with the reduction of the substituion fee, the accompanying note of the amendment proposal includes a proposal to set up (and increase) the GC's quotas up to 2020: 17.5% in 2018, 18.5% in 2019; and 19.5% in 2020. However, this specific proposal is not included in the official text of the proposal that has been approved.

On 13 December 2017, the EU Commission (through the Directorate-General for Competition) approved the Polish support scheme for renewables and therefore confirmed that the scheme is in line with the 2014 European State Aid Guidelines.

On 29 June 2018, Polish Parliament (Sejm and Senate) approved a set of amendments to the Wind Turbine Investment Act, amendments which were published in Polish Official Gazette on 30 June. The approved amendments envisaged a return to the initial taxable base of the Real Estate Tax as of January 2018. The amendments do not include any relevant changes towards operating assets and focus mainly on operative changes and clarifications to the new tender scheme. Therefore, the amendments include the budget (values and volumes) for 2018 tenders.

On 2 October 2018, the Energy Regulatory Office published a call for the first auction in Poland in which wind onshore and solar PV with capacity above 1MW can participate to get a 15 year CfD. Following this announcement, a wind and solar PV joint auction for projects exceeding 1 MW was held on 5 November 2018. All contracted power went to wind, with 31 wind projects selected at an average price of 196 PLN/MWh (around 45.4€/MWh).

On 3 January 2019, the Polish Energy Exchange published the official weighted average price of Green Certificates: 103.82 PLN/MWh. As the substitution fee should be 125% of the previous year price, its value for 2019 should be 129.8 PLN/MWh.

On 25 June 2019, the government approved a set of amendments to the Renewable Energy Sources Act, which were originally published and submitted for public consultation on 28 February 2019. The main objective pursued by the Act was to allow auctions for new renewable energy projects in 2019 (including some changes to the CfD scheme to be granted therein). The Act confirms the celebration of auctions for new assets in 2018, including proposed budget, volumes and reference prices (for onshore wind >1 MW around 2.5 GW with a reference price of 286 PLN/MWh).

Poland's energy regulator launched a wind and solar PV tender on 5 December 2019 granting 2,2 GW of new capacity (most of the capacity was granted to onwshore wind projects). Winning bids were below 233PLN/MWh with lowest bids reaching 163 PLN/MWh. EDPR was awarded 307 MW of wind power under a 15-year contract-for-difference.

The Polish government is working on a offshore wind law, that should be formally enacted in the first quarter of 2020. Poland's National Energy and Climate Plan (NECP) was sent to the European Commission on 29 December 2019. According to the information published in the Ministry's website, the country could commit to a 23% share of renewable energy in 2030 if it gets additional European funds. In addition, the share of renewables in electricity generation will rise to 32% in 2030. Onshore wind installed capacity could increase to 9,6 GW in 2030 while offshore wind to 3,8 GW in 2030 and 8 GW in 2040.

*Regulatory framework for the activities in France*

On 15 April 2016, the French council of State published a decision ordering the government to start recovering the interests that the feed-in tariff received from 2008 to 2014 would have generated. This decision was based on the grounds that the French Government failed to notify the European Commission of the Ministerial Order approving the feed-in tariff.

A Contract-for-difference (CfD) scheme replacing the feed-in tariff scheme was released in December 2016 for wind farms having requested a PPA in 2016. According to the decree, the strike price would be equal to the value of the current feed-in tariff (similar tenure, indexation and adjustment after year 10), plus a management fee to compensate balancing costs (2.8 €/MWh). The market reference price will be the production weighted average pool price, using a representative production profile of the wind industry in France. The settlement would be done on a monthly basis.

The French Government also disclosed a draft decree for the 2017 CfDs for wind farms below 6 wind turbines. According to the draft, the CfD tenure will be extended to 20 years (instead of 15 years), being the strike price 72€/MWh (plus the management fee). The draft also includes a limitation of the amount of energy to be remunerated under the CfD strike price. Larger wind farms will be awarded CfDs through competitive tenders.

Additionally, on 24 April 2016 the French Government enacted the so-called "Programmation pluriannuelle des Investissements" (PPI) which objective is to set different renewables' capacity targets by technology, in order to achieve the objectives of the "Loi de Transition Énergétique" (decree-law meant to define the long term energetic and climate politic in France, officially aproved in August 2015). The PPI provides short-term (2018) and medium-term (2023) renewables' capacity targets and also includes a provisional timetable of the next renewable tenders to be launched between 2016 and 2019.

The French government published on 10 May, the decree for the 2017 Contract-for-Difference (CfD) for wind farms below 6 wind turbines and maximum 3 MW per turbine. These projects will be exempt from tendering.

The regulator has also disclosed the tender rules for onshore wind farms (of more than 7 wind turbines or with over 3 MW per wind turbine) for the period from November 2017 to June 2020. The rules foresee the allocation of 3 GW of wind capacity in six successive 500 MW rounds every 6 months during the next 3 years. The rules also include a calendar with the dates in which the tenders are expected to take place and the first tender was in November 2017.

Together with the disclosure of the results of the second onshore wind tender the French government and regulator introduced some changes to the tender rules including a downward revision of the maximum strike price as well as small changes to the calendar and quotas of remaining tenders to be held up to 2020.

On 27 November 2018, the "Pluriannual Energy Planning" (PPE) was released. According to the PPE, 40% of the energy could be produced from renewable sources by 2030. The PPE includes different targets for renewables: 35.6-44.5 GW of solar capacity, 34-35.6 GW of onshore wind and 4.7-5 GW of offshore wind, by 2028.

On 29 November 2018, the government approved the Decree 1054-2018 aimed at accelerating legal procedures following claims against the administrative authorizations of wind farms, by removing the two-level court system in the event of litigation.

The third offshore auction took place in March 2019 with all major players participating (grouped in 10 consortiums). On 14 June 2019, the Energy Regulation Commission "CRE" announced the result of the Dunkirk auction, being consortium made of EDF, Innogy and Enbridge the winner. The final price was 44€/MWh for a period of 20 years. François de Rugy, France's Minister for Ecologic and Solidary Transition, has confirmed that France will double its offshore wind tender schedule to 1 GW yearly between 2020 and 2023 (and potentially beyond) after bids in the latest round confirmed steep cost reductions in the sector. The PPE envisaged tenders for about 5 GW out to 2028 or about 500 MW annually.

In June 2019 also were announced the winners of the third onshore wind round. The overall capacity of winning projects was 516 MW, with the average bid price standing at 63€/MWh (vs. a maximum reference price of 71€/MWh). Successful projects will sign 20-year CfDs.

Next onshore round started in July 2019 and 500 MW was tendered. A new specification clause has been added in case that participation is low. In case that there are only 400 MW participating (or less), then the 20% less competitive projects will be automatically discarded.

The French Parliament approved on 26 September 2019 the so-called "Energy and Climate Law", committing the country to carbon-neutrality by 2050.

On 8 November 2019 the Energy and Climate Law, which sets the framework and targets of French climate policy for the next 30 years, was formally enacted. The adoption of the Energy-Climate law constitutes a major step toward achieving the government's ambition to address climate change by becoming carbon neutral by 2050. This objective represents a reduction of France's greenhouse gas emissions by a factor of more than six compared to 1990 emissions levels.

In order to achieve carbon neutrality by 2050, the Energy-Climate law provides for the reduction of fossil fuels consumption by 40% by 2030 (instead of the previous 30% target) and for the end of coal-based electricity generation by 2022. The law provides that the share of nuclear in the electricity mix should be reduced to 50% by 2035. Regarding wind energy, the law redefines the authority responsible for permitting onshore wind projects. Concerning offshore wind, the law also includes a higher target (already announced by the Energy Minister) of auctioning 1 GW of capacity until 2024 (doubling the volumes defined by France's initial energy plan published in January 2019).

Due to the high volume of projects potentially wishing to benefit from the CR 2016 Regime (the so-called "Complément de Rémuneration" which grants a 15-year CfD with a strike price at a level close to the former feed-in tariff), the Ministry of Ecological Transition (Ministère de Transition écologique et solidaire) decided in December 2019 to close the scheme once the first 1.800 MW of contracts are signed (in December 2019, around 1,23 GW of contracts had been already signed).

## 2. Accounting Policies

### a) Basis of presentation

The accompanying consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its joint ventures and associated companies, for the periods ended on 31 December 2019 and 2018 and EDP S.A.'s Executive Board of Directors approved them on 20 February 2020, after that they are subject to General Meeting approval. The financial statements are presented in thousand Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February 2005, with changes updated by the Decree-law 158/2009 of 13 July and Decree-law 98/2015 of 2 June, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (E.U). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company financial statements for the years ended 31 December 2019 and 2018 were prepared in accordance with IFRS as adopted by the E.U. and effective during 2019.

As described in note 3, the Group adopted in the preparation of company and consolidated financial statements as at 31 December 2019, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2019. The adoption of IFRS 16 - Leases and the hedge accounting requirements from IFRS 9 - Financial Instruments by EDP Group led to several changes in the Group accounting policies, models and procedures, as well as in disclosures. The accounting policies used by the Group in preparing the consolidated financial statements described in this note were adopted in accordance. The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, are detailed in note 3.

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

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

The preparation of financial statements in conformity with IFRS requires the Executive Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant, are presented in note 4 - Critical accounting estimates and judgments in preparing the financial statements.

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated and company financial statements, except for the adoption of IFRS 16 and the hedge accounting requirements of IFRS 9. As at 1 January 2019, as provided by these Standards, the Group has applied the modified retrospective approach without restatement of the comparative information (see note 3).

Following the Strategic Plan Update 2019-2022 presented in March 2019, the Executive Board of Directors reorganized the business segments in order to be aligned with this new view, with effect from 1 January 2019. Despite of this change in the composition of the segments, EDP Group has not identified any significant changes in key assumptions used in impairment tests performed in the end of 2018, which could indicate that an asset may be impaired.

*Change in line items on the Consolidated Income Statement*

As at 31 December 2018, EDP Group separated the line "Impairment losses on trade receivables and debtors", which previously was included in "Other expenses" and "Other income" (impairment reversals).

*Method change for preparing the Statement of Cash Flow*

As at 31 December 2019, and also following the Strategic Plan update, EDP Group changed to the indirect method for the Statement of Cash Flow, with restatement of the comparative data.

**b) Basis of consolidation**

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

EDP Group applies prospectively as from 1 January 2010, IFRS 3 (revised) for the accounting of business combinations.

*Controlled entities*

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

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

Accumulated losses are attributed to non-controlling interests in the corresponding proportions held, implying that the Group can recognise negative non-controlling interests.

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

*Jointly controlled entities*

EDP Group classifies an arrangement as a joint arrangement when the jointly control is contractually established. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. After determining the existence of joint control, the Group classifies joint arrangements into two types - joint operations or joint ventures.

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement, so these investments are included in the consolidated financial statements under the equity method.

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

*Entities over which the Group has significant influence*

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

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

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

*Accounting for investments in subsidiaries, joint ventures and associates in the company's financial statements*

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

*Goodwill*

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

Costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

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

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

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

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

Goodwill is not adjustable due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

*Purchases of non-controlling interests and dilution*

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

*Investments in foreign operations*

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

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

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

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

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

*Balances and transactions eliminated on consolidation*

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

*Business combinations achieved in stages*

In a business combination achieved in stages, on the date of obtaining control, the excess of the aggregate of (i) the consideration transferred; (ii) the amount of any non-controlling interest recognised in the acquiree; and (iii) the fair value of the previously held equity interest in the acquired business; over the net of amounts of the identifiable assets acquired and liabilities assumed, is recognised as goodwill.

If applicable, the negative difference, after evaluating the consideration transferred, of the amount of any non-controlling interest recognised in the acquiree and the fair value of the previously held equity interest in the acquired business; over the net value of the identifiable assets acquired and liabilities assumed, is recognised in the income statement. The Group recognises the difference between the fair value of the previously held equity interest in the acquired business and the carrying value in consolidated results in Other income. Additionally, the Group reclassifies the deferred amounts in other comprehensive income relating to the previously held equity interest to the income statement or consolidated reserves, according to their nature.

**c) Foreign currency transactions**

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

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

**d) Derivative financial instruments and hedge accounting**

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

The fair value of derivative financial instruments corresponds to their market value, if available, or to quotes indicated by external entities through the use of valuation techniques accepted by the market, which are compared in each date of report to fair values available in common financial information platforms.

**Hedge accounting**

The Group uses financial instruments to hedge interest rate risk, exchange rate risk and price risk resulting from its operational and financing activities. Derivatives not qualified for hedge accounting under IFRS 9 are accounted for as trading instruments.

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

(i) The hedging relationship consists only of hedging instruments and hedged items that are eligible as per determined in IFRS 9;
(ii) At the inception of the hedge there is formal documentation of the hedging relationship and the Group's risk management objective and strategy for the hedge;
(iii) There is an economic relationship between the hedged item and the hedging instrument;
(iv) The effect of credit risk does not dominate the value changes that result from that economic relationship; and
(v) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

*Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets and liabilities or group of hedged assets and liabilities that are attributable to the hedged risk. For cross currency interest rate swaps, the currency basis spread is excluded from the hedge designation, but considered as a hedging cost in other comprehensive income, in cost of hedging reserve. When the hedging relationship ceases to comply with the requirements for hedge accounting, the accumulated gains or losses concerning the fair value of the risk being hedged are amortised over the residual period to maturity of the hedged item.

*Cash flow hedge*

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

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

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

*Net investment hedge*

The net investment hedge model is applied on a consolidated basis to investments in subsidiaries in foreign currencies. This model allows that the exchange differences recognised in the currency translation reserve to be offset by the foreign exchange differences in foreign currency loans or currency derivatives contracted, recognised in Currency translation reserve - Net investment hedge. For cross currency interest rate swaps, the cross currency basis spread and forward points are not designated into the hedge relationship, but deferred as a hedging cost in other comprehensive income, in Currency translation reserve - Net investment hedge - Cost of hedging, and recognized in profit or loss over the period of the hedge. The ineffective portion of the hedging relationship is recognised in the income statement.

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

*Effectiveness*

For a hedge relationship to be classified as such, in accordance with IFRS 9, its effectiveness must be demonstrated. Therefore, the Group performs prospective tests at the inception date and at each balance sheet date, in order to demonstrate its effectiveness, showing that any adjustments to the fair value of the hedged item attributable to the risk being hedged are offset by adjustments to the fair value of the hedging instrument. Any ineffectiveness is recognised in the income statement when it occurs.

**e) Debtors and Other assets**

IFRS 9 introduced a model for the classification of financial assets based on the business model for managing the financial assets ("business model test") and their contractual cash flow characteristics ("SPPI test"). EDP Group classifies its financial assets, at the initial recognition, in accordance with the aforementioned requirements introduced by IFRS 9, on the following categories:

*Financial assets at amortised cost*

A financial asset is measured at amortised cost if: (i) it is held within a business model whose objective is to hold assets in order to collect its contractual cash flows; and (ii) the contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognised at fair value and subsequently measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Loans and trade receivables are generally held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest, thus they meet the criteria for amortised cost measurement under IFRS 9.

*Financial assets measured at fair value through other comprehensive income (FVOCI)*

A financial asset is measured at fair value through other comprehensive income if (i) the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and (ii) the asset's contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognised and subsequently measured at fair value, with the changes in the carrying amount booked in other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

*Financial assets measured at fair value through profit or loss (FVTPL)*

Financial assets that do not meet the criteria to be classified under the previously referred categories, are classified at fair value through profit or loss, deemed to be a residual category under IFRS 9.

Regardless of the business model assessment, EDP Group can elect to classify a financial asset at fair value through profit or loss if doing so reduces or eliminates a measurement or recognition inconsistency ("accounting mismatch").

***Changes in the business model assessment over time***

Financial assets are not reclassified subsequent to their initial recognition. However, if the Company changes its business model for managing financial assets, it will classify newly originated or newly purchased financial assets under the new business model, but will keep the classification of existing assets under the previous business model.

***Recognition and derecognition of financial assets***

Purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell these financial assets.

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

***Impairment***

EDP Group recognise an impairment loss based on the Expected Credit Loss (ECL) model, before the objective evidence of a loss event from past actions. This model is the basis for the recognition of impairment losses on held financial assets that are measured at amortised cost or at fair value through other comprehensive income (which includes cash and cash equivalents, trade receivables, loans and debt securities).

The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If the credit risk on a financial asset does not increase significantly since its initial recognition, EDP Group measures the loss allowance for that financial asset at an amount equal to 12-month expected credit losses. If the credit risk increases significantly since its initial recognition, EDP Group measures the loss allowance for that financial asset at an amount equal to lifetime expected credit losses.

Regardless of the above, a significant increase in credit risk is presumed if there is an objective evidence that the financial asset is impaired, including if there is observable data that comes to the attention of the holder of the asset about the following loss events, among others: significant financial difficulty of the issuer or obligor; restructuring of an amount due to the Group in terms that it would not consider otherwise; a breach of contract, such as a default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

As soon as the loss event occurs in terms of IFRS 9, the impairment allowance would be allocated directly to financial asset affected, that is, the asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in profit or loss, if the decrease can be related objectively to an event occurring after the impairment loss was recognised.

*Trade receivables, including contract assets*

EDP Group applies the simplified approach and records lifetime expected losses on all trade receivables and contract assets, including those with a significant financing component. The estimated ECL are calculated based on actual credit loss experience over a period that, per business and type of customers, is considered statistically relevant and representative of the specific characteristics of the underlying credit risk. When applicable, EDP Group estimated the ECL rates separately for corporates and individuals.

Considering the particularities of each business, exposures are segmented based on common credit risk characteristics such as credit risk grade, geographic region and/or industry - for corporates; and type of product purchased - for individuals, as applicable. Actual credit loss experience is adjusted by scalar factors to reflect differences between economic conditions during the period over which historical data was collect, current conditions and EDP Group's view of economic conditions over the expected lives of the receivables.

*Other receivables and financial assets*

For receivable assets related to regulatory assets, loans, financial entities and State carried at amortised cost and FVOCI, EDP Group performes an analysis based on the general approach. On making its assessment, the company has to make assumptions about risk of default and expected loss rates, which requires judgement. The inputs used for risk assessment and for calculation of the loss allowances for financial assets includes: (i) credit ratings (as far as available) from external credit rating companies such as Standard and Poors, Moody's and Fitch; (ii) significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower; (iii) public market data, namely on probabilities of default and loss given default expectations; and (iv) macroeconomic information (such as market interest rates or growth rates).

**f) Trade payables and other liabilities**

An instrument is classified as a financial liability when there is a contractual obligation for the issuer to liquidate capital and/or interests, through delivering cash or other financial asset, regardless of its legal form. Financial liabilities are recognised at the issuance date (trade date): (i) initially at fair value less transaction costs; and (ii) subsequently at amortised cost, using the effective interest method. All financial liabilities are booked at amortised cost, with the exception of the financial liabilities hedged at fair value hedge, which are stated at fair value on risk component that is being hedged.

*Initial measurement of the lease liabilities (rents due from lease contracts)*

As provided by IFRS 16, as from 1 January 2019 onwards EDP Group measures the lease liabilities (rents due from lease contracts) on the commencement date based on the present value of the future payments of that lease contracts, discounted using EDP Group's incremental borrowing rate for each portfolio of leases identified.

EDP Group determines the lease term as the non-cancellable period of a lease, together with both: (i) periods covered by an option to extend the lease, if the lessee is reasonably certain to exercise that option; and (ii) periods covered by an option to terminate the lease, if the lessee is reasonably certain not to exercise that option.

EDP Group applies the recognition exemption provided by IFRS 16 for the leases which lease term is 12 months or less, or that are for a low-value asset.

After the commencement date, the lease liabilities (rents due from lease contracts) are increased to reflect interest on the liability and reduced to reflect the lease payments made.

*Remeasurement of the lease liabilities (rents due from lease contracts)*

EDP Group remeasures the lease liabilities (rents due from lease contracts), and adjusts the corresponding right-of-use assets, by discounting the revised lease payments, using an unchanged discount rate, if either:

• there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or
• there is a change in the amounts expected to be payable under a residual value guarantee.

If there is a lease modification that do not qualifies to be accounted as a separate lease, EDP Group remeasures the lease liabilities (rents due from lease contracts) and adjusts the corresponding right-of-use assets, by discounting the revised lease payments, using a revised discount rate at the effective date of the modification.

The variable lease payments that do not depend in an index or a rate are not included in the measurement of the lease liabilities (rents due from lease contracts), nor the right-of-use asset. Those payments are recognised as cost in the period in which the event or condition that gives rise to the payments occurs.

*Derecognition of financial liabilities*

EDP Group derecognises a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability, or a part of it, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**g) Equity instruments**

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

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

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

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

*Equity instruments at fair value*

EDP Group classifies the equity instruments that are held for trading at fair value to profit or loss. For all other equity instruments, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in other comprehensive income.

If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in other comprehensive income. There is no recycling of amounts from other comprehensive income to profit and loss (for example, on sale of an equity investment) being, at that time, transferred to retained earnings.

**h) Property, plant and equipment**

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

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

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

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

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

| | Number of years |
|---|---|
| Buildings and other constructions | 8 to 50 |
| Plant and machinery: | |
| - Hydroelectric generation | 30 to 75 |
| - Thermoelectric generation | 25 to 45 |
| - Renewable generation | 30 to 35 |
| - Electricity distribution | 10 to 40 |
| - Other plant and machinery | 4 to 25 |
| Transport equipment | 4 to 25 |
| Office equipment and tools | 2 to 16 |
| Other property, plant and equipment | 3 to 50 |

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

*Capitalisation of borrowing costs and other directly attributable costs*

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

*Investment government grants*

Investment government grants are initially booked as Trade payables and other liabilities from commercial activities - Non Current only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for expenses incurred are booked in the income statement on a linear basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in the income statement over the related assets useful life.

*Transfers of assets from customers*

Transfers of assets from customers concession arrangement and out of the scope of IFRIC 12, in accordance with IFRS 15, are related to payments of performance obligations fulfilled over the useful life of the underlying asset. Accordingly, when they are received from the customers, they are booked as liabilities instead of revenue. The assets are recognised by the estimated construction cost and are depreciated over their useful lives. The liabilities are recognised as revenue based on the corresponding useful life of the underlying asset.

**i) Intangible assets**

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

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

*Acquisition and development of software*

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

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

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

*Concession rights on distribution of electricity*

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

*Concession rights to use the public hydric domain*

Portuguese concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which does not exceed 74 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever these compensations are paid and for all the Group subsidiaries.

The accounting policy related to intangible assets assigned to concessions in the scope of IFRIC 12 is described in z), Group concession activities.

*Industrial property and other rights*

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

**j) Leases / Right-of-use assets**

Until 31 December 2018, EDP Group classified its lease transactions as finance leases or operating leases based on the substance of the transaction rather than its legal form. A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Lease payments made by the Group under operating lease contracts are recognised as an expense in the period to which they relate, on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Finance leases are recognised by the lessee, at the inception of the lease, as assets and liabilities at the fair value of the leased assets which is equivalent to the present value of the future lease payments. Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Lessors record assets held under finance leases as leased capital, by the net amount invested in the lease. Lease payments include the financial income and the amortisation of the outstanding principal. Financial results recognised reflect a constant periodic rate of return on the outstanding net balance of the lessor.

*Determining whether an Arrangement contains a Lease*

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

As from 1 January 2019 onwards EDP Group has adopted IFRS 16 and therefore presents the information related to lease contracts in the caption Right-of-use assets, creating a separate line in the Statement of Financial Position. These assets are accounted for at cost less accumulated depreciation and impairment losses. The cost of these assets comprises the initial costs and the initial measurement of the lease liabilities (rents due from lease contracts), deducted from the prepaid amounts and any incentives received.

Depreciation of right-of-use assets is calculated on a straight-line basis over their estimated useful lives, considering the lease contract terms.

*Remeasurement of right-of-use assets*

If EDP Group remeasures the lease liability (rents due from lease contracts) (see f)), the corresponding right-of-use assets shall be adjusted accordingly.

**k) Investment property**

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

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

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

Investment property is amortised on a straight-line basis over the estimated useful life of the assets (between 8 and 50 years).

**l) Inventories**

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

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

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

**m) Employee benefits**

**Pensions**

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

*Defined benefit plans*

In Portugal, the defined benefit plan is assured by (i) a closed pension fund managed by an external entity, covering responsibilities with benefits that are complementary to those provided under the Social Security System (namely retirement and early retirement pensions); and (ii) by a complementary specific provision, recognised in the statement of financial position. Benefits are generally determined and assigned through the combination of one or more factors, such as age, years of service and the relevant base retribution (pensionable salary).

In Brazil, EDP São Paulo and EDP Espírito Santo have defined benefit plans managed by a closed complementary welfare entity, external to EDP Group, covering responsibilities associated with retirement and early retirement pensions, according to factors such as age, years of service and the relevant base retribution.

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

Actuarial gains and losses presented in consolidated statement of comprehensive income comprises: (i) the actuarial gains and losses resulting from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments; (ii) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

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

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

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

*Defined contribution plans*

In Portugal, Spain and Brazil, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan. These contributions represent a percentage of the fixed and variable remuneration of the employees included in this plan and are accounted for as cost for the period in which they are due.

**Other benefits granted**

*Medical benefits*

Some EDP Group companies provide medical benefits under which employees and immediate eligible family members have favourable conditions in medical assistance and health care services, namely:
- Concerning EDP Group companies in Portugal, through the provision of medical assistance that is complementary to the one provided under the National Health System, provided using infrastructures owned and managed internally;
- Concerning EDP Group companies in Brazil, through the share of costs in eligible medical and health expenses, in an external agreed network.

The medical benefits plans are classified as defined benefit plans.

In Portugal, the medical benefit and death benefits plan is assured by (i) a closed fund managed by an external entity, created in December 2016, and (ii) a complementary specific provision, recognised in EDP Group company's statement of financial position.

In Brazil, the liability is being covered by provisions booked in EDP Group company's statement of financial position.

Measurement and recognition of the medical benefits liabilities are similar to the defined benefit pension plans liabilities, explained above.

*Other benefits*

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, survival benefits, life insurance, antiquity and retirement benefits, power tariff discounts, among others.

Benefits included in each Plan for Portugal and Brazil are detailed in EDP's Collective Labor Agreement, published in the Labor Bulletin of 8 October 2014 and in the website of the Plan management entity Enerprev (www.enerprev.com.br), respectively.

**n) Provisions**

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

*Provisions for dismantling and decommissioning in electric power plants*

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

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

**o) Recognition of revenue from contracts with customers**

EDP Group recognises revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services, as provided in the 5 steps methodology introduced by IFRS 15, namely: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations; and (v) recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue in EDP Group arises essentially from electricity generation and distribution and energy (electricity and gas) supply activities.

Revenue related to the **sale of energy and access tariffs** to energy distribution network is measured at fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after elimination of intra-group sales.

Regarding the **electricity generation**, the transfer of control occurs when the energy is generated and injected into the transport/distribution grids. The electricity generated is sold under free market conditions or through the establishment of medium/long term power purchase agreements.

The **energy distribution** is a regulated activity, which is remunerated through tariffs set by each country Regulatory Body (ERSE in Portugal, CNE in Spain and ANEEL in Brazil). In Portugal and Spain, revenue arises mainly from the sale of access tariffs, as well as from the recovery, from the commercialisation entities, of the costs related to the global management activity of the system. In Brazil, revenue results from the electricity sales to final consumers, in the regulated market, based on the tariffs determined by ANEEL, which are included the use of the distribution and transport system tariff, among other components. In Portugal and Brazil, these activities are subject to public service concession arrangements (see z)).

Following the Directive 13/2018, of 15 December 2018, on tariffs to be in force in 2019, and the premisses of IFRS 15, EDP Distribuição acts as an agent in the purchase and sale of access to the transmission network (CVART) and therefore, as from this date onwards the associated amounts of costs and revenues are recorded at net value in the caption Revenues and cost of Energy Sales and Services and Other.

The **energy supply** is carried out in regulated and non-regulated markets. In non-regulated market, revenue is recognised based on commercial agreements. In regulated market, revenue is recognised according to the tariffs determined by each country Regulatory Body.

For contracts with customers in which the sale of energy and access tariffs are generally expected to be the only performance obligation, EDP Group recognises the revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue recognition includes two components: (i) energy sales already invoiced, based on actual consumption readings and/or in estimated consumption based on the historical data of each consumer; and (ii) estimates of energy supplied and not yet invoiced (energy into energy meter). Differences between estimated and actual amounts are recorded in subsequent periods.

Additionally, it should be noted that, in energy distribution and supply activities, there is a tariff adjustment mechanism through which gains or losses of a certain year are recognised in the period to which they relate and recovered in the future years tariffs – Tariff Adjustments (see w)).

EDP Group recognises the revenue related with **services rendered** over time in accordance with IFRS 15, given that the customer simultaneously receives and consumes the benefits provided by the Group.

EDP Group also sells products and services as a part of an **integrated commercial offer ("bundled")**. In a bundled sale arrangement, the Group accounts the sale of each product and/or service separately if they are distinct, that is, if the product or service is separately identifiable in the context of the integrated offer and the customer benefits from it. The consideration paid is allocated between the goods or services separately identifiable based on their relative stand-alone selling prices. The stand-alone selling price is determined based on EDP Group price lists on goods or services sold separately or, if they are not listed, based on the market valuation approach.

In what concerns variable transaction prices, EDP Group only recognises revenue when it is highly probable that there will not be any significant reversal of the recognised revenue, when it becomes certaint.

EDP Group considers the facts and circumstances when analysing the terms of each contract with customers, applying the requirements that determine the recognition and measurement of revenue in a harmonized manner, when considering contracts with the same characteristics and in similar circumstances.

*Contract liabilities*

As provided by IFRS 15, EDP Group presents a contract liability if the Group has an obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

*Contract assets*

As provided by IFRS 15, EDP Group presents a contract asset if the Group has a right to consideration that is conditional on something other than the passage of time. This is common when the Group has transferred goods or services to a customer usually before invoicing and the payment is due, excluding any amounts presented as a Trade receivables (unconditional rights to consideration).

*Incremental costs of obtaining a contract*

EDP Group establishes certain contracts with third parties for the promotion (sale) of energy and related services. These third parties act as sales agents and are paid through sales commissions. The Group recognises incremental costs of obtaining contracts with customers as an asset if the entity expects to recover these costs over the respective contracts. The costs incurred by an entity to obtain a contract with a customer are considered as incremental costs whenever it is clear that the entity would not incur these costs if the contract had not been obtained (for example, a sales commission).

Therefore, EDP Group understands that the incremental costs to obtain a contract are eligible for capitalisation, accounting for a contract asset under the caption Debtors and other assets of commercial activities - Non-current. This asset shall be recognised in the income statement as amortisation, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Considering the analysis carried out on the set of goods and services provided by the EDP Group to which these commissions relate, the useful life allocated to them varies between 6 and 8 years.

**p) Financial results**

Financial results include interest costs on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, realised gains and losses, changes in fair value of derivative financial instruments related to financing activity classified by the Group, within IFRS 9, as held for trading and consequently measured at fair value through profit or loss, and changes in the fair value of hedged risks, when applicable.

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

Considering the accounting model provided by IFRS 16, as from 1 January 2019, the financial results start to include the interest expenses (unwinding) calculated on the lease liabilities (rents due from lease contracts).

**q) Income tax**

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

Deferred taxes arising from the revaluation of assets measured at fair value through other comprehensive income and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

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

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

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

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

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

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

When accounting for interest and penalties related to income taxes, EDP Group considers whether a particular amount payable or receivable is, in its nature, a taxable income and, if so, applies IAS 12 to this amount. Otherwise, IAS 37 is applied.

**r) Earnings per share**

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

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

**s) Share based payments**

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

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

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

Shareholders of EDP Brasil structured and implemented a Share based Compensation Policy, which began in June 2016. The referred policy comprises two types of programs to be granted to certain employees (incentive and retention programs), being the eligible beneficiaries and assignment requirements subject to the conditions established.

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

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

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

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

**u) Cash and cash equivalents**

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

**v) Operating segments**

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

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

(i) that engages in business activities from which it may earn revenues and incur expenses;

(ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance;

(iii) for which discrete financial information is available.

**w) Tariff adjustments**

Classification and measurement of regulatory assets, which qualify as financial assets in EDP Group's financial statements, follow the requirements introduced by IFRS 9. Thus, the Group performs an analysis based on the business model used in the management of the assets and the characteristics of the contractual cash flows (see e)).

In this sense, deviations and tariff deficits exclusively recovered or returned through electricity and gas tariffs, applicable to customers in subsequent periods, are recognised at amortised cost.

On the other hand, deviations or deficits that can be recovered, either through electricity rates (receipt of capital and interest) or through sales with recourse to third parties (bilateral contracts or securitization operations) are recognised at fair value through comprehensive income. This classification results from the existing history of sales to third parties and from the management's perspective regarding the existing assets.

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

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

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

**x) CO2 Licenses and greenhouse gas emissions**

The Group holds CO2 Licenses in order to deal with gas emissions resulting from its operational activity and Licenses for trading. The CO2 and gas emissions Licenses held for its own use are booked as intangible assets at the acquisition cost. CO2 licenses consumption is recorded in accordance with the weighted average price of the CO2 and gas emissions Licenses held for consumption in that year.

The Licenses held by the Group for trading purposes are booked under Inventories (see l)).

**y) Statement of Cash Flow**

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

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

**z) Group concession activities in the scope of IFRIC 12**

The International Financial Reporting Committee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date. In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. IFRIC 12, was applied prospectively since it was impracticable to apply it retrospectively.

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

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

*Financial Asset Model*

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

*Intangible Asset Model*

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

*Mixed Model*

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

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

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

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

The concession contracts that currently exist in EDP Group are mainly based in the Intangible Asset Model, namely in the electricity special regime production concessions (PRE) in Portugal and in the Mixed Model, namely in the electricity distribution concessions in Portugal and in Brazil.

IFRIC 12 - Concessions has been amended as a result of the adoption of IFRS 15, thus EDP Group has transferred from the caption Intangible assets to the caption Debtors and other assets from commercial activities - Non current, the amounts related to the assets under construction for the electricity distribution concessions in Portugal and in Brazil, since they qualify as contractual assets (see o)).

**aa) Institutional partnerships in USA**

The Group has entered in several partnerships with institutional investors in the United States, through operating agreements with limited liability companies that apportion the cash flows generated by the wind farms between the investors and the Company and allocates the tax benefits, which include Production Tax Credits (PTCs), Investment Tax Credits (ITC) and accelerated depreciation, largely to the investor.

The institutional investors purchase their minority partnership interests for an upfront cash payment with an agreed targeted internal rate of return over the period that the tax credits are generated. This anticipated return is computed based on the total anticipated benefit that the institutional investors will receive and includes the value of PTC's / ITC's, allocated taxable income or loss and cash distributions received.

The control and management of these wind farms are a responsibility of EDPR Group and they are fully consolidated in these financial statements.

The financial instruments held by the institutional investors issued by the partnerships represent compound financial instruments as they contain characteristics of both financial liabilities and equity. The Group has determined that at the funding dates, the fair values of the original proceeds is equal to the fair values of the liabilities at that time and no value was assigned to the equity component. Subsequently, these liabilities are measured at amortized cost.

This liability is reduced by the value of tax benefits provided and cash distributions made to the institutional investors during the contracted period. The value of the tax benefits delivered, primarily accelerated depreciation and ITC are recognised as Income from institutional partnerships on a pro-rata basis over the useful life of the underlying projects (see note 8). The value of the PTC's delivered are recorded as generated. This liability is increased by an interest accrual that is based on the outstanding liability balance and the targeted internal rate of return agreed.

After the flip date, the institutional investor retains a non-significant interest for the duration of the structure. This non-controlling interest is entitled to distributions ranging from 2.5% to 6% and taxable income allocations ranging from 5% to 17%. EDPR NA has an option to purchase the institutional investor's residual interest at fair market value during a defined period following the flip date. Post flip non-controlling interests is the portion of equity that is ascribed to the institutional investor in the institutional equity partnership at flip date. This amount is reclassified from the total equity attributable to the Parent to non-controlling interests caption in the period in which the flip date takes place.

## 3. Recent Accounting Standards and Interpretations Issued

### Standards, amendments and interpretations issued effective for the Group

The amendments to standards already issued and effective that the Group applied in the preparation of its financial statements, can be analysed as follows:

- **IFRS 16 - Leases**

IFRS 16 - Leases has been issued by International Accounting Standards Board (IASB) in January 2016 and endorsed by the EU on 31 October 2017, and became effective as of January 1, 2019. EDP Group adopted this standard on the required effective date in accordance with the modified retrospective transition approach, without adjustments to opening balance of the comparative period nor restatement of the comparative information.

This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17 - Leases and its associated interpretative guidance. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. The most significant impact resulting from the initial application of IFRS 16 is the recognition of right of use (ROU) assets and lease liabilities (rents due from lease contracts) for the operating leases, unless the lease term is 12 months or less, or the lease is for a low-value asset. Lessor accounting remains similar to the current standard, IAS 17.

Based on the inventory of the existing lease contracts carried out, EDP Group has recognised, as at 1 January 2019, new assets and liabilities for its operating leases, unless the lease term is 12 months or less, or the lease is for a low-value asset, as detailed bellow. As provided by the standard, EDP Group has elected to measure the ROU asset at the amount of the lease liability (rents due from lease contracts) on the initial application date (adjusted for any prepaid amount or accrued lease expenses), which corresponds to the payments of that lease contracts discounted using EDP Group's incremental borrowing rate for each portfolio of leases identified. The discount rates used, on initial application date, were the following:

| Currency | Minimum Rate | Maximum Rate |
| --- | --- | --- |
| Euro (EUR) | 0.52% | 5.56% |
| US Dollar (USD) | 4.75% | 5.77% |
| Brazilian real (BRL) | 7.22% | 11.96% |
| Polish Zloty (PLN) | 2.19% | 5.68% |

The ROU asset is depreciated over the asset's useful life, which in most cases corresponds to the lease term and the lease payments are broken down into interest and repayment of the liability. The change in presentation of operating lease expenses also results in a corresponding increase in cash flows operating activities and a decline in cash flows obtained from financing activities.

In this sense, it has been made an assessment of the qualitative and quantitative impacts, in Company and EDP Group financial statements, resulting from the adoption of IFRS 16. Accordingly, qualitative changes are presented in note 2 and quantitative impacts resulting from its adoption are below summarised.

- **Summary of the impacts of the adoption of IFRS 16 in Consolidated and Company Statement of Financial Position on 1 January 2019**

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| Thousand Euros | 01-Jan-19 | Impact of IFRS 16 adoption | 31-Dec-18 | 01-Jan-19 | Impact of IFRS 16 adoption | 31-Dec-18 |
| **Assets** | | | | | | |
| Property, plant and equipment | 22,626,988 | -80,523 | 22,707,511 | 31,113 | -62,057 | 93,170 |
| Right-of-use assets | 828,226 | 828,226 | - | 118,961 | 118,961 | - |
| Investment property | 30,973 | - | 30,973 | 71,249 | 14,265 | 56,984 |
| Debtors and other assets from commercial activities - Non-Current | 2,512,326 | -10,314 | 2,522,640 | 661 | - | 661 |
| Others | 16,365,836 | - | 16,365,836 | 22,707,501 | - | 22,707,501 |
| **Total Assets** | 42,364,349 | 737,389 | 41,626,960 | 22,929,485 | 71,169 | 22,858,316 |
| **Equity** | | | | | | |
| Reserves and retained earnings | 4,350,938 | - | 4,350,938 | 2,642,185 | - | 2,642,185 |
| Consolidated net profit attributable to equity holders of EDP | 519,189 | - | 519,189 | 738,586 | - | 738,586 |
| Non-controlling Interests | 3,932,149 | - | 3,932,149 | - | - | - |
| Others | 4,098,051 | - | 4,098,051 | 4,104,146 | - | 4,104,146 |
| **Total Equity** | 12,900,327 | - | 12,900,327 | 7,484,917 | - | 7,484,917 |
| **Liabilities** | | | | | | |
| Other liabilities and other payables - Non-Current | 1,475,427 | 718,528 | 756,899 | 416,544 | 66,718 | 349,826 |
| Other liabilities and other payables - Current | 789,783 | 18,861 | 770,922 | 1,297,631 | 4,451 | 1,293,180 |
| Others | 27,198,812 | - | 27,198,812 | 13,730,393 | - | 13,730,393 |
| **Total Liabilities** | 29,464,022 | 737,389 | 28,726,633 | 15,444,568 | 71,169 | 15,373,399 |
| **Total Equity and Liabilities** | 42,364,349 | 737,389 | 41,626,960 | 22,929,485 | 71,169 | 22,858,316 |

- **Detail of right-of-use assets recognised with the adoption of IFRS 16 on 1 January 2019**

| Thousand Euros | | Group | Company |
|---|---|---|---|
| **Right-of-use assets** | | | |
| Land and natural resources | | 605,979 | - |
| Buildings and other constructions | | 208,957 | 118,961 |
| Plant and machinery | | 4,947 | - |
| Transport equipment | | 7,530 | - |
| Office equipment and IT | | 813 | - |
| | | 828,226 | 118,961 |
| **Property, plant and equipment** | | | |
| Buildings and other constructions | i) | -80,523 | -62,057 |
| **Investment property** | | | |
| Buildings and other constructions | | - | 14,265 |
| | | 747,703 | 71,169 |

- **Detail of payable amounts regarding the lease liabilities (rents due from lease contracts) recognised with the adoption of IFRS 16 on 1 January**

| Thousand Euros | | Group | Company |
|---|---|---|---|
| **Other liabilities and other payables - Non-Current** | | | |
| Lease Liabilities (Rents due from lease contracts) | | 796,488 | 144,678 |
| Lease contracts with EDP Pension and Medical and Death Subsidy Funds | i) | -77,960 | -77,960 |
| | | 718,528 | 66,718 |
| **Other liabilities and other payables - Current** | | | |
| Lease Liabilities (Rents due from lease contracts) | | 21,424 | 7,014 |
| Lease contracts with EDP Pension and Medical and Death Subsidy Funds | i) | -2,563 | -2,563 |
| | | 18,861 | 4,451 |
| | | 737,389 | 71,169 |

i) Due to the adoption of IFRS 16, the balances included in the caption Lease contracts with EDP Pension and Medical and Death Subsidy Funds regarding to the building units of Porto and Lisbon headquarters, celebrated for a period of 25 years, were reclassified to the caption Right-of-use assets - Buildings and other constructions and to the captions Lease Liabilities (Rents due from lease contracts) - Non-Current and Current.

The difference between the total of the right-of-use assets and the total of the lease liabilities (rents due from lease contracts) recognised on the adoption of IFRS 16, amounting 10,314 thousand Euros, relates to lease contracts whose payments were fully made at the inception date of that contracts. The amounts were reclassified from the caption Debtors and other assets from commercial activities - Non-Current to the caption Right-of-use assets.

- **Reconciliation of payable amounts regarding the lease liabilities (rents due from lease contracts) recognised with the adoption of IFRS 16 on 1 January 2019**

| | Group | Company |
|---|---|---|
| Operating lease commitments as at 31 December 2018 | 1,403,184 | 225,723 |
| Recognition exemptions | | |
| for leases with a lease term of 12 months or less (short-term leases) | -114,621 | -317 |
| for leases of low-value assets | - | - |
| Effect from discounting ate the incremental borrowing rate as at 1 January 2019 | -549,482 | -81,534 |
| Other | -5,589 | -76,600 |
| Lease liabilities due to initial application of IFRS 16 as at 1 January 2019 | 733,492 | 67,272 |
| Lease liabilities from finance leases (IAS 17) as at 1 January 2019 | 84,420 | 84,420 |
| Lease Liabilities (Rents due from lease contracts) as at 1 January 2019 | 817,912 | 151,692 |

- **IFRS 9 - Hedge accounting**

From its operational and financing activities, EDP Group is exposed to interest rate, foreign exchange and price risks. These risks are mitigated through the use of hedging instruments, which are designated within hedge accounting.

As permitted by IFRS 9, EDP Group decided to apply the hedge accounting requirements of IFRS 9 as at 1 January 2019. EDP Group has assessed the changes resulting from the adoption of these requirements, through a detailed analysis of the existing hedging relationships as at 31 December 2018. EDP Group decided to keep the existing hedge ratios as at 31 December 2018, while still within IAS 39. From the analysis performed, no rebalancing was necessary as at 1 January 2019.

As at 1 January 2019 there are no material quantitative impacts resulting from the adoption of IFRS 9 hedge accounting requirements by EDP Group.

Hedge accounting has been applied prospectively, without restating comparative information. The mandatory exceptions provided for the prospective application, forcing the application of hedge accounting retrospectively, do not apply to the hedge relationships designated by EDP Group. For the situations in which retrospective application is allowed but not mandatory, EDP Group opted for no retrospective application.

The EDP Group has updated the hedging documentations, as per the requirements of IFRS 9, being the main changes related to the inclusion of the hedge ratio that was defined as hedge objective by the Management, of the expected sources of inefficiency that arise from the hedges, as well as the prospective tests carried out on the economic relationship between the hedged items and the hedging items for the entire duration.

- **IFRIC 23 - Uncertainty over Income Tax Treatments**

Regarding the new interpretation to IAS 12 – Income tax, IFRIC 23, the Group has reassessed, as at 1 January 2019, all the pending litigations or disputes with tax authorities regarding income tax and no changes in the estimates made previously by management were identified.

The new standards that have been issued and that are already effective and that the Group has applied on its financial statements, with no significant impacts are the following:

- IFRS 9 (Amended) - Prepayment Features with Negative Compensation;
- IAS 28 (Amended) - Long-term Interests in Associates and Joint Ventures;
- IAS 19 (Amended) - Plan Amendment, Curtailment or Settlement; and
- "Annual Improvement Project (2015-2017)".

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

The standards, amendments and interpretations issued but not yet effective for the Group (whose effective application date has not yet occurred or, despite their effective dates of application, they have not yet been endorsed by the EU) are the following:

- IFRS 17 - Insurance Contracts;
- Amendments to References to the Conceptual Framework in IFRS;
- IFRS 3 (Amended) - Definition of a business;
- IAS 1 (Amended) and IAS 8 (Amended) - Definition of material; and
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

## 4. Critical Accounting Estimates and Judgements in Preparing the Financial Statements

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

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

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

**Financial asset related with infrastructure concession contracts in Portugal**

The caption "Amounts receivable from concessions - IFRIC 12", refers to the financial assets receivable by EDP Group companies that operate infrastructures under concession contracts, and arises from the unconditional right to receive this amount regardless of the utilisation level of the infrastructures covered by the concession. In these companies is included EDP Distribuição as the National Distribution Network's (RND) concessionaire, which comprises the medium and high voltage network (MT and HT), and low voltage distribution networks (LT), being these concessions exercised exclusively through public service concession contracts.

The RND's operation, which is part of the HT and MT, is carried out through a public service concessions' attribution, by the Portuguese State. On the other hand, the right to distribute low voltage electricity is attributed to the Portuguese mainland municipalities. The legislation that establishes the basis of each concession sets up that the ownership or possession of the goods assigned to these concessions revert to the concessionaires at the end of their respective concessions. They also establish that in return for the assets returned to grantors, whether State or municipalities, compensation corresponding to the assets' book value assigned to the concession, net of amortisations, financial contributions and non-refundable subsidies will be paid. Therefore, the assets' estimated residual value at the end of each concession constitutes a financial asset, and the remaining fair value component of the concession assets is an intangible asset to be amortised over its useful life. Hence, the end date of each concession is one of the main assumptions to determine the amount of the financial and intangible assets.

In May 2017 Law 31/2017 was approved, which lays down the principles and general rules concerning the organisation of public tendering procedures for the awarding, by contract, of the municipal LT concessions' operation in the Portuguese mainland. This Law foresees the simultaneous launch, in 2019, of public tender procedures for all municipalities that do not opt for direct management of the electricity distribution activity, as well as to all municipalities whose current concession contracts reach their end before 2019, and do not opt for direct management. In these cases, both parts shall enter into a written agreement extending the term of their respective concessions until the new concession contracts enter into force. The awarding decisions will be taken by municipalities or by the territorial area's intermunicipal entity attached to the referred proceedings.

Thus, it is expected that this legislation and the concessions renewal proceedings will have a significant impact on the amount of the financial and intangible assets determined EDP Distribuição, namely through the concessions' termination anticipation, that currently extend beyond 2019. However, at this date it is not possible to predict the end date of the concession contracts currently in force, as the process is still in an initial phase, by doing studies and legislation. With reference to 31 December 2019, financial assets and intangible assets were determined based on the end dates of each of the contracts currently in force, and do not consider any changes arising from the already mentioned legislation. The use of different assumptions could result in different amounts of financial and intangible assets, with the consequential impact in the Statement of Financial Position.

**Measurement criteria of the concession financial receivables under IFRIC 12 in Brazil**

In 2012, the Provisional Measure 579/12 was published in Brazil, meanwhile converted into Law 12.783/13, which determines that the amount of the indemnisation payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, should be determined based in the methodology of the Value of Replacement as New (VNR). The indemnisation amount variation is booked against Revenues from energy sales and services and other. This amount corresponds to the difference between the residual value determined based on the value of replacement as new and the residual value determined based on the historical cost.

ANEEL reviews the VNR, through the valuation report of the Regulatory Remuneration Base, every three years for EDP Espírito Santo and every four years for EDP São Paulo, as established in the concession contracts. Within these periods the distribution companies use their best estimate for the VNR. The use of different assumptions could result in different values of financial assets, with the consequent impact in the Statement of Financial Position.

**Impairment**

*Impairment of long term assets and Goodwill*

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

On an annual basis, the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The investments in subsidiaries, on a company basis, and in associates are reviewed when circumstances indicate the existence of impairment.

Considering the uncertainties regarding the recoverable amount of property, plant and equipment, intangible assets and goodwill as they are based on the best information available, changes in the assumptions could result in changes on the determination of the amount of impairment and, consequently, in results.

**Measurement of the 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 based on valuation methodologies, supported by discounting future cash flows techniques, considering market conditions, time value, yield curves and volatility factors. These methodologies may require the use of assumptions or judgements in determining fair values.

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

Additionally, financial instruments' classification as debt or equity requires judgement in the interpretation of contractual clauses and in the evaluation of the existence of a contractual obligation to deliver cash or other financial assets.

**Review of the useful life of the assets**

The Group reviews annually the reasonableness of the assets' useful lives that are used to determine the depreciation rates of assets assigned to the activity. When applicable, the Group changes the depreciation charge of the year, prospectively, based on such review.

**Useful lives of generation assets - Hydro independent generator in Brazil**

The hydro generation assets in Brazil for independent generators are amortised during their estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements. This includes, among other issues, EDP's best expectations of the useful lives of such assets, which are consistent with the useful lives defined by ANEEL, the respective contractual residual indemnification values at the end of each concession period, as well as related technical and legal opinions. The remaining period of amortisation and the indemnification values at the end of the concessions may be influenced by changes in the regulatory legal framework in Brazil.

**Lease Liabilities (Rents due from lease contracts)**

With the adoption of IFRS 16, the Group recognises right-of-use assets (ROU assets) and lease liabilities (rents due from lease contracts), if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: i) the contract involves the use of an identified asset; ii) it has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and iii) it has the right to direct the use of the asset. EDP Group uses judgement on its assessment, namely concerning the termination and extension contract options and the determination of the incremental borrowing rate to be applied for each portfolio of leases identified.

**Tariff adjustments**

*Portugal*

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

Decree-Law 237-B/2006 of 19 December, and Decree-Law 165/2008 of 21 August, recognised an unconditional right of the operators of the electricity sector to recover the tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations. Additionally, the legislation allows the transfer to third parties of the right to receive tariff adjustments. Therefore, under this legislation, regulated companies may provide to third parties, in whole or in part, the right to receive the tariff adjustments through the electricity tariffs. In accordance with the accounting policy in force, the EDP Group books under the caption Revenues from energy sales and services and other - Electricity and network access, the effects of the recognition of tariff adjustments in the electricity sector, against Debtors and other assets from commercial activities and Trade payables and other liabilities from commercial activities.

*Brazil*

On 25 November 2014, ANEEL made addendums to the concession contracts with brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities that existed since 2010, when the IFRS were adopted in Brazil. As a consequence, the CPC ("Comitê de Pronunciamentos Contábeis") issued on 28 November 2014, the OCPC 08 (Recognition of Certain Assets and Liabilities in Accounting and Financial Reports of Electric Distribution) which determines how to treat these regulatory assets/liabilities in the financial statements.

Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement, where it was established that, in the case of concession termination, the outstanding balances of any failure of payment or reimbursement by the tariff (assets and liabilities), will be considered on the indemnity calculation, based on the regulator pre-established regulations.

EDP Group considers, based on the issued legislation (Portugal and Brazil), that the requirements for the recognition of tariff deficits as receivables and payables against the income statement of the period have been satisfied.

**Revenue recognition**

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

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

**Income taxes**

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

There are several transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. One of the most significant judgements in this area relates to the tax treatment of the new accounting standards, namely IFRS 16. It is the Group's understanding that, in general, the tax treatment follows the accounting treatment, and therefore, no significant tax adjustments have been made to the accounting records arising from the implementation of the new standards. Different interpretations and assumptions could result in a different level of income taxes, current and deferred, recognised in the period.

**Pensions and other employee benefits**

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

**Provisions for dismantling and decommissioning of power generation units**

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

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

**Entities included in the consolidation perimeter**

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

This evaluation requires the use of judgement and assumptions in order to conclude whether the Group is in fact exposed to the variability of returns and has the ability to affect those returns through its control over the investee.

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

**Business combination**

Under IFRS 3 (Business Combination) in a business combination, the acquirer shall recognise and measure in the consolidated financial statements the assets acquired and liabilities assumed at fair value at the acquisition date. The difference between the purchase price and the fair value of the assets and liabilities acquired leads to the recognition of goodwill or a gain from a purchase at a low price (bargain purchase).

The fair value determination of the assets acquired and liabilities assumed is carried out internally or by independent external evaluators, using the discounted cash flows method, using the replacement cost or other fair value determination techniques, which rely on the use of assumptions including macroeconomic indicators such as inflation rates, interest rates, exchange rates, discount rates, sale and purchase prices of energy, cost of raw materials, production estimates and business projections. Consequently, the determination of the fair value and goodwill or gain from a purchase at a low price is subject to numerous assumptions and judgments and therefore changes could result in different impacts on results.

**Fair value measurement of contingent consideration**

Contingent consideration from a business combination or a sale of a financial investment is measured at fair value at the acquisition date as part of the business combination or at the date of the sale in the event of a sale of a financial investment. This contingent consideration is subsequently remeasured at fair value at each report date. Fair value is based on discounted cash flows. The main assumptions consider the probability of achieving each objective and the discount factor, corresponding to the best estimates of management at each report date. Changes in assumptions could have significant impact on the values of contingent assets and liabilities recognised in the financial statements.

**Contractual stability compensation - CMEC**

i) Contractual stability compensation - Initial Amount

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

In accordance with the applicable legislation, in particular Decree-Law no. 240/2004, the contractual stability compensation mechanism (CMEC) was adopted, to which EDP Group committed following the signature of the Termination Agreements on 27 January 2005. The CMEC include three types of compensation: initial compensation, annual compensation (or revisibility) and final adjustment.

The Initial compensation was acknowledged once the early termination of the PPAs occur and amounted to 833,467 thousand Euros, paid in fixed annual instalments remunerated at the interest rate established by law. This compensation constitutes an asset to be received registered by the net updated amount, having as counterpart a recording of a deferred income. In each period, the initial compensation installment is acknowledged as an operational income as a counterpart of the initial deferred income. Under the law this instalment is susceptible of securitization.

ii) Contractual stability compensation – Annual revisibility mechanism

During period 1 (2007/2017) of the contractual stability compensation mechanism and pursuant to Decree-Law no 240/2004, there was a correction on an annual basis (annual revisibility), resulting from positive or negative deviations between the estimates made for the initial stability compensation calculation and actual amounts arising from an efficient performance, as results in the simulation made using actual values parameters of the "Valorágua" model. In 2014, Order 4694/2014 has amended the procedures to follow of the annual revisibility calculation with respect to the revenues from the ancillary services market (secondary regularion band) by the power plants under CMEC.

Revisibility amounts for the years 2007 to 2014 were determined and approved by the Member of the Government responsible for the energy sector, and were contested by EDP Produção:

a) As regards the approval of the 2011 and 2012 revisibilities, the fact that it did not consider the costs incurred with the social tariff in the calculation of the revisibilities; and

b) As regards the approval of the 2014 revisibility, the fact that it did not take into account in the calculation of the revisibility the costs incurred with the social tariff and CESE.

Regarding the annual revisibilities of 2015 to 2017, it is awaited approval by the Government member responsible for the energy sector, even though, by letter of 21 April 2017 from ERSE, the transfer to EDP Produção of the annual revisability of 2015 has been authorised.

iii) Contractual stability compensation – Final Adjustment

The CMEC's Final Adjustment is calculated in accordance with number 7 of article 3 and Annex IV of Decree-Law 240/2004, of 27 December. The State budget for 2017 (Law 42/2016) determined, in its article 170, that the final adjustment amount shall be calculated and justified in a study done and presented by ERSE. This entity had the technical support of the Working Group EDP Produção/REN (Working Team), legally enforced.

Accordingly, the technical group EDP/REN has presented to ERSE its report on the CMEC final adjustment calculation, which was achieved by strictly following the calculation methodology described in Decree-Law 240/2004. This calculation, performed by the technical group EDP/REN was presented to ERSE and comes to a range of amounts between 256.5 and 271 million Euros.

At the end of September 2017, ERSE has also presented to the Government its report on the calculation of the CMEC final adjustment, reaching an amount of 154 million Euros, which was provisionally considered in the document of tariffs and prices for 2018.

In the Financial statements as at 31 December 2017, EDP Group has included its best estimate of the CMEC final adjustment, by recognising an asset in the amount of 256.5 million Euros against deferred income, based on Decrew-Law 240/2004 and on the document done jointly by EDP and REN and the legal opinions obtained on this subject.

On 3 May 2018, EDP was notified (through a DGEG's letter from 25 April 2018) that the CMEC final adjustment had been officially approved, according to ERSE's proposal, in the amount of 154 million Euros. EDP reflected this reality in its financial statements as of 31 December 2018, recognising a provision by the difference in the final adjustment amounts already recognised in the Group's revenues. On 31 December 2019 EDP maintains the provision in its accounts.

Considering that the administrative act contained in the Dispatch of approval of the SSE of 25 April 2018 lacks technical, economic and legal basis, and that, in particular, it does not apply the calculation methodology contained in Decree-Law 240/2004 and which would lead to the determination of an amount close to the one determined by the technical group, on 3 September 2018, EDP Produção has legally contested it.

**Clawback - Regulatory mechanism to ensure the competitive balance in the wholesale electricity market in Portugal**

Following some tax changes occurred in Spain, which affected electricity generators operating in this country, Decree-Law 74/2013 was approved in Portugal, which aimed to rebalance the competition between electricity generators operating in Portugal and other players operating in Europe.

Pursuant to Decree-Law no. 74/2013 and its regulations, in order to restore such balance, the power plants operating on a market regime is situated in Portugal, which were not covered by the PPA or CMEC regime, should pay an amount per MWh produced.

The amount payable should consider an estimate of the impact that the off-market events in the EU (such as the above-mentioned tax changes in Spain) would have in pool prices, as well as off-market events in Portugal that would affect the competitiveness of electricity generators operating in Portugal. Consequently, a net competition advantage would allegedly arise to generators operating in Portugal.

Under this mechanism regulation – commonly known as clawback – Social tariff and CESE were approved by Dispatch 11566-A/2015, of 3 October 2015, as off-market events that should be considered as competitive disadvantages of generators operating in Portugal.

Dispatch 7557-A/2017, of 25 August, superseded Dispatch 11566-A/2015 (which defined the variables for the computation formula of the amount to be paid by each of the power-generating plants under Decree-Law 74/2013, of 4 June, for each injected MWh) in its entirety. It states that ERSE, after consulting DGEG, shall present proposals for a new definition of the variables, as well as reference terms for the new study.

Subsequently, in the Dispatch 9371/2017, of 24 October 2017, partially nulled of Dispatch 11566-A/2015, of 3 October 2015 from the SSE, is declared, in relation to the decisions presented under its numbers 11 and 12 (the deduction of social tariff and CESE costs in the unit price). ERSE was asked to consider in 2018 UGS tariff, the recovery, in benefit of the consumers, of the amounts allegedly unproperly included in previous years' tariffs (2016 and 2017). Dispatch 9955/2017, of 17 November, defines a new amount for the estimate of the off-market events' impact in EU, which is 4.75 €/MWh, with retroactive effects as at August 24. Following these Dispatches, the document of prices and tariffs for 2018 has included a clawback amount of around 90 million Euros to be returned to tariffs, which includes power plants operating under CMEC and estimated generation.

Based on its interpretation of the Law, as well as on legal opinions obtained in the meantime, EDP Produção considers that the Decree-Law 74/2013 aims to reestablish a situation of competition balance between generators operating in Portugal and their peers operating in other European countries, which means to consider as off-market events all the taxes and contributions that fall only over generators located outside of Portugal (particularly in Spain), as well as all the taxes and contributions that fall only over generators located in Portugal. Consequently, in the Group's understanding, Dispatch 9371/2017 and 9955/2017 have completely distorted the clawback mechanism, having filed its legal action in January 2018.

In the Financial statements as at 31 December 2018, EDP Group has included the clawback amount as calculated by EDP Produção, regarding the legislation in place in each period, namely Decree-Law 74/2013, Order 225/2015, Ordinance 9371/2017 from 24 October and Dispatch 9955/2017, from 17 November. It is important to notice that this mechanism is not applicable to power plants in 2018 still operating under CMEC regime.

On 5 October 2018, the Spanish legislature, by the sixth and seventh additional lines on Article 21 of Royal Decree-Law 15/2018, suspended the 7% tax on electricity generation approved in 2012 for a period of six months, from the beginning of October 2018 to the end of March 2019. This tax suspension correspond to the suspension of the off-market event verified within the European Union, which is considered in the clawback calculation.

Following the temporary suspension of the tax on electricity production in Spain:

- Order 895/2019 of 23 January, establishing the suspension of the "Clawback" was approved for a period of 6 months as from 1 October 2018;
- The Tariff and Price Document for 2019, published on 17 December 2018, estimates a Clawback value of € 4.18/MWh, to be applied after the end of the suspension period (more specifically from 6 April 2019);
- ERSE has informed EDP Produção that any clawback invoicing relating to the referred suspension period should be deleted or canceled;
- The State Budget Law for 2019 provided that "the Government shall, until the end of the first quarter of 2019, review the regulatory mechanism designed to ensure the balance of competition in the wholesale electricity market in Portugal, provided for under DL 74/2013, of 4 June, adapting it to the new rules of the Iberian Electricity Market, with the aim of creating harmonized regulatory mechanisms that reinforce competition and protect consumers".

During 2019:

- On 1 April, the suspension of the tax on the production of electric energy in Spain was terminated, and it became effective again;
- From that moment, the "clawback" invoiced to EDP Produção was resumed, based on a value of 4.75€/MWh;
- On August 9, Decree-Law 104/2019 was published, which makes the first amendment to Decree-Law 74/2013, by changing the scope of the clawback mechanism. Previously, "ordinary producers of electricity and other producers not covered by the guaranteed remuneration regime were subject to clawback ". With the publication of this diploma, the CMEC centrals are now included in the scope of the clawback;
- The same Decree-Law introduced the possibility to define CIT (corporate income tax) – advanced payment, and on 26 September 2019 was published the Order 8521/2019, which set the amounts of advanced payment related to the clawback mechanism at 2.71€ / MWh for coal-fired power plants and 4.18€/MWh for other power plants;
- In the Tariff and Price Document for 2020, published on 16 December 2020, ERSE considered the unit values defined in Dispatch 8521/2019, correcting only the value applicable to coal to 1.23 € / MWh, due to the increase in the ISP tax percentage and CO2 addition planned for 2020;
- On 27 December 2019, Dispatch 12424-A / 2019 was published, which identifies as national extra-market events to be considered in the Study to be prepared by ERSE until April 2020 (with reference to 2019) under the Clawback, the taxation of petroleum and energy products used in the production of electricity (ISP), CESE and the Social Electricity Tariff.

**Ancillary Services**

On 3 September 2018, the Portuguese Competition Authority (AdC) notified EDP Produção with Statement of Objections, under which EDP Produção is accused of abuse of a dominant position in the secondary regulation band market (a part of the ancillary services market). AdC claims that EDP Produção has deliberately limited the participation of CMEC plants in the secondary regulation market between 2009 and 2013, benefitting its non-CMEC power plants. The alleged benefit, in detriment of consumers, would be twofold: receiving higher compensation under CMEC annual adjustment regime; profiting from higher market prices in said market. AdC estimates that the alleged practice of EDP Produção has generated damages to the national electricity system and to consumers of around 140 million Euros. AdC points out that the adoption of a Statement of Objections does not determine the result of the investigation, which began in September 2016. On 28 November 2018, EDP Produção was given the opportunity to exercise its right to be heard and defend itself in relation to the alleged unlawful act and to the penalties in which it may incur.

On 13 March 2019, the Secretary of State for Energy underlined in the National Assembly, in the scope of the Parliamentary Commission of Inquiry on the Payment of Excessive Income to Electricity Producers, that this is not an innovative feature issue but a competition issue and is being handled by the Competition Authority (AdC).

On 18 September 2019, AdC informed EDP of its decision to condemn, imposing a fine of 48 million Euros, for abuse of dominant position in the secondary regulation band market in mainland Portugal between 2009 and 2013. Within the framework of the Competition the fine could amount to 153 million Euros.

According to AdC, EDP would have manipulated its offer of tele-regulation service or secondary regulation band, limiting the capacity offer of its CMEC power plants to offer it through its market power plants, benefiting in two ways:

- Highest compensation paid to CMEC plants (annual revisability), as their lower participation in the provision of secondary regulation band service would be below what would be expected (according to competitive market criteria);
- The increase of the market price of the secondary bandwidth service, as a result of the limited supply by CMEC plants, favoring market-based power plants.

The EDP Group considers that EDP Produção has not exercised any abuse of a dominant position, having acted strictly in accordance with the legal framework in force. EDP will appeal the decision to the Competition, Regulation and Supervision Court, as provided by law (see note 35), and the case is pending pronunciation of the Competition, Regulation and Supervision Court on the prosecution of the case for trial.

**Innovative Features**

On 9 July 2018, EDP has been notified, within the scope of a stakeholder hearing promoted by the DGEG, to present its opinion on the possibility of DGEG proposing to the Secretary of State for Energy an amount associated with the alleged "innovative features" introduced in CMEC regime regardind PPA, to a maximum amount of 357.9 million Euros. According to the DGEG, this amount shall be associated with the lack of legal scope for tests on the availability of the CMEC plants (285 million Euros) and the above mentioned ancillary services (72.9 million Euros).

On 26 September 2018, EDP Produção was notified of the Order of the SEE of 29 August, which considers as an "innovative features" the topic "procedures for calculating the verified availability coefficient", quantified at 285 million Euros. This Order refers to the alleged lack of legal forecast of availability tests of CMEC plants. Considering that the Order in question lacks technical, economic and legal basis, on 8 October 2018 EDP Produção has submitted an administrative appeal.

Subsequently, on the one hand, by letter from ERSE dated 12 November 2018 EDP Produção became aware of the Order of the SEE of 4 October, which, following the Order of 29 August, declared the annulment of the annual adjustments in the part in which they considered the alleged "innovative features" concerning the procedures for calculating the coefficient of availability. On the other hand, in the Tariff and Price Document for 2019, ERSE considered the refund of an amount of 90 million Euros for a portion of the 285 million Euros referred to, expecting that the remaining portions will be paid for a number of years that allow the CMEC to have zero tariff impact by including the 86.5 million Euros in the tariffs of 2020, 86.5 million Euros in tariffs of 2021 and 21.9 million Euros in 2022.

Without having received any response to the gracious complain filed on 1 February 2019, EDP Produção challenged in court the Orders of 29 August and 4 October and the Tariff and Price Document for 2019.

Although the EDP Group considers that there were no innovative features weighted in CMEC adjustments, this aspect was reflected in these financial statements as of 31 December 2018, by recognising a provision of 285 million Euros. In 2019 EDP made the payment of92,458 thousand Euros (see note 35), using this provision, so that at 31 December 2019 this provision amount of 192,542 thousand Euros.

**Hydro power plants of Fridão and Alvito**

On 17 December 2008, EDP Produção and the Portuguese State signed the Contract for the Implementation of the National Program for High Hydroelectric Potential Power Plants (PNBEPH) regarding the Hydro Power Plants of Fridão (AHF) and Alvito (AHA), with the payment, by EDP Produção of 231.7 million Euros. Of this amount, 217,798 thousand Euros relates to the right to implement and exploit the AHF.

EDP Produção followed up on the procedures for the implementation of these projects, having, in the case of the AHF, obtained a Favorable Environmental Impact Declaration and an Environmental Compliance Report of the Execution Project (RECAPE).

On 22 October 2013, EDP Produção requested to the Minister of the Environment, Land Management and Energy, based on a change of circumstances, to postpone the signing of the concession contract for the AHF. This request was formally rejected on 2 May 2014, and the terms of the concession contract, were subsequently negotiated between EDP Produção and the Portuguese Environmental Agency (APA) and a specific date for the respective signature for 30 September 2015, which was revoked by the Government without rescheduling a new date.

In 2016, following the beginning of the XXI Constitutional Government, the Government Program provided the reassessment of the PNBEPH. In this context, it was agreed to suspend for three years the execution of the Contract for the implementation of the AHF, as well as the annulment of the implementation Contract regarding AHA, through a Memorandum of Understanding signed on 5 December 2016, concluded by an agreement between the Portuguese State and EDP Produção on 11 April 2017.

This deferral decision was taken based on public interest reasons, considering the evolution of installed power and energy demand since 2008 (conclusion date of the Implementation Contract) until 2016. It is not clear that the AHF would be an energy surplus that would offset the environmental impacts resulting from its implementation.

On 16 April 2019 EDP Produção received, by email, an official letter from the Ministry of the Environment and Energy Transition, dated 11 April 2019, informing the State's conclusion that there is no need for implementation of AHF to meet national targets for Renewable Energy Source and Greenhouse Gas Reduction, as well as "that the State does not find any reason to inhibit the construction of the Fridão Hydro Power Plant".

Simultaneously, the Minister of the Environment and Energy Transition (MATE) announced at the National Assembly, in a hearing at the Environment, Land-use Planning, Decentralization, Local Power and Housing Committee, that the State's decision was not to build the AHF and that "the State will always comply with the contract but believes there are no reasons for any repayment of the amount that was given to the State ten years ago". It acknowledged, however, that there was no agreement with EDP on this matter.

EDP Produção notified the Portuguese State to return to it all the investment already made, including the consideration paid on the provisional award, and, as well, to compensate it for other losses and damages resulting from the non-compliance, to be settled in a timely manner. As at 31 December 2019 the Group reclassified these Assets under construction to Other debtors and other assets and valued in accordance with the principles defined in IFRS 9 (see notes 26 and 35).

**Sale of real estate by EDP Distribuição**

In the 2009-2018 period, EDP Distribuição disposed a set of real estate that were unused, in the amount of approximately 52 million Euros, obtaining a total net value of gains of 33.9 million Euros (35.7 million Euros of gains and 1.7 million Euros of losses).

In the regulated accounts sent to ERSE in June 2018, EDP Distribuição identified the amount to be returned into tariffs related to the depreciation of the properties that were sold in the period 2012-2017. ERSE did not consider this amount in the 2019 rates and submitted the topic for further analysis.

In the Tariffs for 2020, ERSE recognized the principle of profit sharing with the system and assumed the return into the tariffs of approximately 16.6 million Euros referring to half of the net gains obtained from the sale of real estate by EDP Distribuição between 2009 and 2018, having mentioned that the position to be taken by the respective grantors of the Concession Contract for the National Distribution Network (RND) and the electricity distribution network concessions in BT may determine the revision of this amount.

Subsequent to the publication of the Tariffs for 2020, the Government approved an Order that stipulates that the total value of the gains generated by the sale of real estate by EDP Distribuição between 2009 and 2018, and which were subject to remuneration for the tariffs, "reverts entirely to the grantor ", and should be" fully reflected in the electricity tariffs ".

EDP Distribuição acted in a transparent manner and within the framework of regulatory efficiency standards dictated by ERSE itself, as is evident from the values that have always been evidenced in the published Reports and Accounts and in the Regulated Accounts presented.

**EDP Group Strategic Plan Update**

Following the Strategic Plan Update 2019-2022, as announced by the Executive Board of Directors in March 2019, EDP Group foreseen the sale of non current assets and/or group of assets. As at 31 December 2019, the Executive Board of Directors evaluated the status of each sale plan defined, in terms of the definition of its extension, occurrence in time, identification of the target buyers and assignment to specialised entities, to determine whether the criteria for classification under IFRS 5 are met. In this sense, the assets classified as non current assets held for sale as at 31 December 2019 reflect the sale plans that, in the opinion of the Executive Board of Directors, comply with the conditions set out in IFRS 5 (see note 40). In this valuation process, there are no assets and liabilities held for sale qualifying as "Discontinued Operations".

## 5. Financial Risk Management Policies

**Financial risk management**

The EDP Group's business is exposed to a variety of financial risks, including the effect of changes in market prices, foreign exchange and interest rates. The Group's exposure to financial risks arises essentially from its debt portfolio, its investments and from the volatility of commodity prices, resulting in interest and exchange rate exposures as well as commodity market price exposure. The status and evolution of the financial markets are analysed on an on-going basis in accordance with the Group's risk management policy.

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

As for the subsidiaries of EDP Energias do Brasil, the management of the financial risks inherent to the variation of interest rates, exchange rates and commodities is carried out locally, according to the rules set by EDP Energias do Brasil's Management and aligned with the principles/policies set by EDP Group for this geographical area.

**Exchange-rate risk management**

EDP Group operates in different geographies, therefore becoming exposed to exchange rate risk in US Dollar (USD), Brazilian Real (BRL), Polish Zloty (PLN), Romanian Leu (RON), Canadian Dollar (CAD) and Pound Sterling (GBP). Currently, these exposures result essentially from investments of EDP Group in wind parks (and solar) in the USA, Poland, Romania, Canada and United Kingdom, respectively. The exposure to Brazilian Real results essentially from investments of EDP Group in EDP Energias do Brasil and EDP Renováveis Brasil. The majority of these investments were financed with debt contracted in the respective local currency which allows to mitigate the exchange rate risk related to these assets, and such financing is complemented in certain cases with derivatives to hedge exchange-rate risk on net investment.

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

Investments in the Brazilian subsidiaries of EDP Energias do Brasil, whose net assets expressed in Brazilian Real expose EDP Group to the exchange rate risk from it's conversion to Euros, are monitored through analysis of the evolution of the BRL/EUR exchange rate.

In the hedge relationships, the main source of ineffectiveness is the effect of the counterparties' and the Group's own credit risk on the fair value of the forward foreign exchange contracts and cross currency interest rate swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates.

**Sensitivity analysis - exchange rate**

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the EUR/USD exchange rate, as at 31 December 2019 and 2018, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

| | Dec 2019 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | +10% | -10% | +10% | -10% |
| USD | -4,499 | 5,498 | -167,397 | 204,596 |
| | -4,499 | 5,498 | -167,397 | 204,596 |

| | Dec 2018 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | +10% | -10% | +10% | -10% |
| USD | 62,728 | -76,668 | -123,197 | 150,574 |
| | 62,728 | -76,668 | -123,197 | 150,574 |

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

**Interest rate risk management**

The aim of the interest rate risk management policies is to manage the impact on financial charges, from contracted debt, related to the exposure to interest rate risk from market fluctuations.

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

Long-term debt engaged at fixed rates are, when appropriate, converted into floating rate debt through interest rate derivative financial instruments designed to level them to current and expected market conditions.

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

In the hedge relationships, the main source of ineffectiveness is the effect of the counterparty's and the Group's own credit risk on the fair value of the interest rate swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates.

The EDP Group has a portfolio of interest rate derivatives with maturities up to 16 years. The Group's Financial Departments undertake sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. As at 31 December 2019, after the hedging effect of the derivatives 65% of the Group's liabilities are at fixed rate.

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

Based on the Group's debt portfolio, except for Brazil, and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 31 December 2019 and 2018 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

| | Dec 2019 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **Cash flow effect:** | | | | |
| Hedged debt | -12,302 | 12,302 | - | - |
| Unhedged debt | -6,054 | 6,054 | - | - |
| **Fair value effect:** | | | | |
| Cash flow hedging derivatives | - | - | 7,297 | -7,332 |
| Trading derivatives (accounting perspective) | -244 | 206 | - | - |
| | -18,600 | 18,562 | 7,297 | -7,332 |

| | Dec 2018 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **Cash flow effect:** | | | | |
| Hedged debt | -14,052 | 14,052 | - | - |
| Unhedged debt | -7,354 | 7,354 | - | - |
| **Fair value effect:** | | | | |
| Cash flow hedging derivatives | - | - | 6,202 | -7,544 |
| Trading derivatives (accounting perspective) | -2,222 | 1,406 | - | - |
| | -23,628 | 22,812 | 6,202 | -7,544 |

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

**Brazil - Exchange and interest rate risk management**

Stress tests and sensitivity analysis are carried out for purposes of risk management in the Brazilian subsidiaries. Through these two tools, the financial impact in different market scenarios is monitored.

For sensitivity analysis, the exposure of portfolio of operations is evaluated through 25% and 50% changes in the main risk factors, currency and interest rates. The stress test is performed on the fair value of the operations and uses as premise the interest rate curve projections of the main crises that affected the Brazilian market.

**Brazil - Sensitivity analysis - exchange rate**

The Brazilian subsidiaries were mainly exposed to the USD/BRL exchange rate, arising from USD debt for which the exposure was completely offset by cross currency interest rate swaps. As at 31 December 2019, both the debt and the hedging intruments have been liquidated at maturity.

**Brazil - Sensitivity analysis - Interest rates**

Based on the portfolio of operations, a 25% change in the interest rates, to which the Brazilian subsidiaries are exposed to, would have an impact to EDP Energias do Brasil Group, at 31 December 2019 and 2018, in the amount of:

| | Dec 2019 | |
|---|---|---|
| Thousand Euros | + 25% | - 25% |
| Financial instruments - assets | 9,905 | -9,436 |
| Financial instruments - liabilities | -132,773 | 121,285 |
| Derivative financial instruments | - | - |
| | -122,868 | 111,849 |

| | Dec 2018 | |
|---|---|---|
| Thousand Euros | + 25% | - 25% |
| Financial instruments - assets | 6,957 | -6,957 |
| Financial instruments - liabilities | -60,614 | 66,225 |
| Derivative financial instruments | -225 | 298 |
| | -53,882 | 59,566 |

**Counterparty credit risk management**

EDP Group's policy in terms of counterparty risk on financial transactions (see note 2 e)) is managed through an analysis of the technical capacity, competitiveness, credit rating and exposure to each counterparty, avoiding significant concentrations of credit risk. Counterparties in derivative financial instruments are institutions with high credit rating so the risk of counterparty default is not considered to be significant. Therefore, guarantees and other collaterals are not typically required for these transactions.

EDP Group has documented its financial operations in accordance with international standards. Derivative financial instruments are mainly contracted under ISDA Master Agreements.

The amount receivable from customers is mainly generated by operations in Portugal, Spain and Brazil, with a diversified customer base, both geographically and in terms of segments (business clients, private and public sector) and size (Supply companies, Business to Business (B2B) and Business to Consumer (B2C)). EDP is present in 19 countries and 4 continents, with more than 9.8 million customers in the electricity sector and 1.6 million customers in the gas sector, and usually the contractual relationship with the counterparty tends to be long-lasting.

The maximum exposure to customer credit risk by counterparty type is detailed as follows:

| Thousand Euros | Dec 2019 | Dec 2018 |
|---|---|---|
| **Corporate and private sector:** | | |
| Supply companies | 99,019 | 102,418 |
| B2B | 489,589 | 482,338 |
| B2C | 403,616 | 356,421 |
| Other | 114,706 | 107,818 |
| | 1,106,930 | 1,048,995 |
| **Public sector:** | | |
| Debt with payment agreement | 7,778 | 41,280 |
| Debt without payment agreement | 98,547 | 170,551 |
| | 106,325 | 211,831 |
| | 1,213,255 | 1,260,826 |

Trade receivables by geographical market for the Group EDP, is as follows:

| | Dec 2019 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Corporate and private sector | 503,135 | 89,616 | 489,013 | 10,585 | 14,581 | 1,106,930 |
| Public sector | 42,380 | 8,212 | 54,021 | - | 1,712 | 106,325 |
| | 545,515 | 97,828 | 543,034 | 10,585 | 16,293 | 1,213,255 |

| | Dec 2018 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Corporate and private sector | 441,702 | 116,806 | 447,513 | 10,662 | 32,312 | 1,048,995 |
| Public sector | 140,629 | 12,988 | 57,120 | - | 1,094 | 211,831 |
| | 582,331 | 129,794 | 504,633 | 10,662 | 33,406 | 1,260,826 |

**EDP - Energias de Portugal, S.A.**
**Notes to the Consolidated and Company Financial Statements as at and for the periods ended 31 December 2019 and 2018**

The amounts receivable from supply companies are concentrated mainly in Portugal, Brazil and EDP Renováveis Group, as follows:

- In Portugal, these counterparties present a significantly reduced days sales outstanding, about 20 days, and these entities are subject to the sector regulation that establishes collaterals to reduce credit risk. The collateral provided is updated based on the average of the last quarter monthly sales, which reinforces a low risk profile;

- In Brazil, it refers mainly to: (i) the amounts from sale of electricity to wholesale dealers and supply companies, (ii) accounts receivable relating to energy traded in the Electric Energy Trading Chamber - CCEE; and (iii) charges for the electricity network access;

- In EDPR EU, main customers are utilities and regulated entities in the different countries. Credit risk is not significant due to the limited average collection period for customer balances and the quality of its debtors. Additional counter-party risk comes from the countries with renewables incentives, which it is usually treated as regulatory risk;

- In EDPR NA, main customers are regulated utility companies and regional market agents in the US. As it occurs in Europe, credit risk is not significant due to the limited average collection period for customer balances and the quality of the debtors. However, the exposure due to the mark-to-market of long term contracts may be significant. This exposure is managed by a detailed assessment of the counter-party before signing any long term agreement and by a requirement of collaterals when financial soundness of the counterparty deteriorates.

Regarding the remaining receivables from companies and individual customers, resulting from the current activity of EDP Group, the credit risk is essentially the result of customers defaults, whose exposure is limited to the supply made until the possible date of supply disruption. A very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

Amounts receivable from public sector customers include amounts receivable from renegotiated debt with payment agreements, which, as the counterparty is a public entity and has already recognised the debt through payment protocols, present a lower risk. These amounts also include debt without payment agreements arising from the normal power supply activity similar to that described for the corporate and individual sector.

In accordance with accounting policies - note 2 e), impairment losses are determined using the simplified approach precluded in IFRS 9, based on life time expected losses.

Regarding third-party receivables generated by the Group's day-to-day business, the credit risk arises essentially from customers default, whose exposure is limited to the Low Tension Eletricity supplied with usual delays in payments. The very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

EDP Group believes that the amount that best represents the Group's exposure to credit risk corresponds to the carrying amount of customers and of Contract assets related to energy sales net of the impairment losses recognised. The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exist that have not been recognised as such and provided for.

As at 31 December 2019, in accordance with the methodology for determining impairment losses on amounts receivable from the electric sector, no impairment loss has been booked. The risk levels for amounts receivable from the electric sector have been considered to be the same as the country risk levels for Brazil, Portugal and Spain, which have high credit ratings.

The maximum exposure to credit risk of Contract assets related to energy sales and Amounts receivable from the electric sector is as follows:

| Thousand Euros | Dec 2019 | Dec 2018 |
|---|---|---|
| **Contract assets related to energy sales:** | | |
| Contract assets receivable from energy sales contracts | 1,050,707 | 1,218,307 |
| | 1,050,707 | 1,218,307 |
| **Amounts receivable from the electric sector:** | | |
| Amounts receivable from tariff adjustments - Electricity | 425,396 | 335,156 |
| Amounts receivable relating to CMEC | 777,065 | 832,424 |
| Amounts receivable from concessions - IFRIC 12 | 1,012,048 | 935,237 |
| | 2,214,509 | 2,102,817 |
| | 3,265,216 | 3,321,124 |

**Liquidity risk management**

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with international reliable financial institutions as well as term deposits, allowing immediate access to funds. These credit lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see note 33).

The table below shows the contractual undiscounted cash flows and the estimated interests due, computed using the rates available at 31 December 2019:

| Thousand Euros | Dec 2020 | Dec 2021 | Dec 2022 | Dec 2023 | Dec 2024 | Following years | Total |
|---|---|---|---|---|---|---|---|
| Bank loans | 216,887 | 153,014 | 136,145 | 584,787 | 121,153 | 441,750 | 1,653,736 |
| Bond loans | 1,707,045 | 1,445,123 | 1,315,359 | 1,487,169 | 2,475,042 | 3,702,511 | 12,132,249 |
| Hybrid Bond | 812,271 | - | - | - | - | 1,000,000 | 1,812,271 |
| Commercial paper | 721,779 | 100,000 | - | - | 288,974 | - | 1,110,753 |
| Other loans | 2,382 | 495 | 34 | 211 | - | 12,821 | 15,943 |
| Interest Payments (i) | 224,545 | 392,644 | 291,171 | 273,815 | 190,575 | 292,491 | 1,665,241 |
| | 3,684,909 | 2,091,276 | 1,742,709 | 2,345,982 | 3,075,744 | 5,449,573 | 18,390,193 |

i) The coupons of the Eur 1,000M hybrid bond was included taking into consideration the earliest possible call date; for the Eur 750M the coupons were computed using the dates of the repurchase and early redemption ocurred during 2020 1st quarter.

**Energy market risk management**

In the sphere of its operations in the Iberian market for both electricity and gas, EDP Group purchases fossil fuels to generate electric energy which is sold in organized markets (OMIE and OMIP) as well as to third parties or, in the gas business, sells natural gas to clients either through EDP Group's trading companies or directly to third parties. As a result, the Group is fully exposed to energy market risks.

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

In the hedge relationships, the main source of ineffectiveness is the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative financial derivatives, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in market prices.

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

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

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

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

The main price and volume risk indicator used is the margin at risk (P@R), which estimates the impact of the variation of the different risk factors (price of electricity and hydrological) on the next 24 month's margin, P@R corresponding to the difference between an expected margin and a margin of a pessimistic scenario with a probability to occur of 5% (confidence interval of 95%) considering a time frame of 2 years. Both the volumes which are certain and those, which although uncertain, are expected, namely production of the plants and the corresponding consumption of fuel, are considered. The P@R distribution by business segment is as follows:

| | | P@R Distribution by business segment | |
|---|---|---|---|
| Thousand Euros | | Dec 2019 | Dec 2018 |
| **Business** | **Portfolio** | | |
| Electricity | Trading | 536 | 50,559 |
| Electricity | Trading + Hedging | 87,680 | 216,655 |
| Gas | Hedging | 10,541 | 22,049 |
| Diversification effect | | -10,971 | -23,063 |
| | | 87,786 | 266,199 |

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

| | Dec 2019 | Dec 2018 |
|---|---|---|
| **Credit risk rating (S&P)** | | |
| AAA to AA- | 1.97% | 0.16% |
| A+ to A- | 28.46% | 34.87% |
| BBB+ to BBB- | 61.24% | 61.12% |
| BB+ to B- | 0,00% | 0.87% |
| No rating assigned | 8.33% | 2.98% |
| | 100.00% | 100.00% |

**Capital management**

EDP is not an entity subject to regulation in terms of capital or solvency ratios. Therefore, capital management is carried out within the financial risk management process of the entity.

Additionally, management describes this aspect of its strategic objectives, policies and processes to manage risks, including the financial risks, in the chapters of the Annual Report of 2019:

02 Strategic Approach

*2.2.2 Strategic Guidelines Compliance - Continue Financial Deleveraging; and*

*2.3 Risk Management: Key Risks - Financial; Risk Appetite - Financial.*

04 Corporate Governance

*53 The main types of economic, financial and legal risk - Financial risks.*

The Group's goal in managing capital is to safeguard the Group's capacity to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimum capital structure to reduce equity cost.

In conformity with other groups operating in this sector, the Group controls its financing structure based on several control mechanisms and ratios.

**6. Consolidation Perimeter**

During 2019, the following changes occurred in the EDP Group consolidation perimeter:

**Companies acquired:**

The following acquisitions were classified as asset purchases, out of scope of IFRS 3 – Business Combinations, due to the substance of these transactions, the type of assets acquired and the very early stage of the projects:

- EDP Renováveis, S.A. acquired, in Colombia, 100% of the companies Eolos Energías, S.A.S. E.S.P. and Vientos del Norte, S.A.S. E.S.P.
- EDP Renováveis Brasil, S.A. acquired 100% of the companies Central Eólica Boqueirão I, S.A., Central Eólica Boqueirão II, S.A., Monte Verde Holding, S.A. and Jerusalém Holding, S.A.
- EDPR Offsore España, S.A.S. acquired, directly or indirectly, 100% of the companies B-Wind Polska, Sp. z o.o., C-Wind Polska, Sp. z o.o.,Ventum Ventures III Holding, B.V., Fluctus V, B.V., Fluctus VI, B.V. and Fluctus VII, B.V.
- EDP Renewables Polska, Sp. z o.o. acquired 100% of the companies Lichnowy Windfarm, Sp. z o.o., EW Dobrzyca sp.Zo.o., Winfan sp.Zo.o., Ujazd Sp.Zo.o., Kowalewo Wind, Sp. zo.o., European Wind Power Krasin, Sp. zo.o., Nowa Energia 1, Sp. zo.o. and Farma Wiatrowa Bogoria, Sp. zo.o.
- Monte Verde Holding, S.A. acquired 100% of the company Central Eólica Monte Verde VI, S.A.
- EDP - Comercialização e Serviços de Energia, Ltda. acquired 100% of the company Litoral Sul Transmissora de Energia Ltda.
- EDP Renewables Europe, S.L.U. acquired 100% of the company Aioliko Parko Fthiotidos Erimia E.P.E.

Additionally, the following companies were also acquired:

- EDP Renewables Europe, S.L.U. acquired 32% of the company Dunkerque Éoliennes en Mer, S.A.S.
- EDPR Offsore España, S.A.S. acquired 30% of the companies Frontier Beheer Nederland, B. V. and of Frontier, C.V.
- EDP Renewables Polska, Sp. z o.o. acquired 100% of the company EDPR Polska Solar Sp. z.o.o.
- EDP Renewables Polska HoldCo, S.A. acquired 100% of the company Gudziki Wind Farm Sp. z o.o.
- EDP Renovables España acquired 25% of the companies Sistemas Eólicos Tres Cruces, S.L.U. and Desarrollos Energéticos del Val, S.L.
- EDPR Offsore España, S.A.S. acquired 61% of the company Korean Floating Wind Power Co., Ltd.
- EDP Renováveis Brasil, S.A. acquired 100% of the companies Central Eólica Catanduba I, S.A. and Central Eólica Catanduba II, S.A.
- EDP Comercial - Comercialização de Energia, S.A. acquired 17% of the company Endeco Technologies Limited.

**Sale of companies without loss of control:**

- A EDPR France Holding, S.A.S. sold 10% of its financial interest in Parc Éolien d'Entrains-sur-Nohain, S.A.S. by 46 thousand Euros.

**Companies sold and liquidated:**

- EDP Distribuição de Energia, S.A. liquidated EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.
- EDP Distribuição de Energia, S.A. liquidated EME2 - Engenharia, Manutenção e Serviços, ACE.
- EDP Renewables Europe, S.L.U. and EDPR Yield, S.A.U. sold to Beta Energy Investments S.A.R.L. and Beta II S.R.L. by 806,090 thousand Euros, which includes loans in the amount of 304,732 thousand Euros, of 51% of its direct financial interest in EDP Renewables France, S.A.S. and EDPR Participaciones, S.L.U. and indirect interests in the following companies:
  - Bon Vent de L'Ebre, S.L.U.
  - Bon Vent de Vilalba, S.L.U.
  - Centrale Eolienne Canet-Pont de Salars, S.A.S.
  - Centrale Eolienne Gueltas Noyal-Pontivy, S.A.S.
  - Centrale Eolienne Neo Truc de L'Homme, S.A.S.
  - Centrale Eolienne Patay, S.A.S.
  - Centrale Eolienne Saint Barnabé, S.A.S.
  - Centrale Eolienne Segur, S.A.S.
  - Eólica da Lajeira, S.A.
  - Eólica de Radona, S.L.U.
  - Eólica del Alfoz, S.L.U.
  - Eólica do Cachopo, S.A.
  - Eólica do Castelo, S.A.
  - Eólica do Velão, S.A.
  - Eólica Don Quijote, S.L.U.
  - Eólica Dulcinea, S.L.U.
  - Eólica La Navica, S.L.U.
  - Eolienne de Saugueuse, S.A.S.
  - GREEN WIND, S.A.
  - Neo Plouvien, S.A.S.
  - Parc Éolien de Dammarie, S.A.R.L.
  - Parc Éolien de Francourville, S.A.S.
  - Parc Éolien de Montagne Fayel, S.A.S.
  - Parc Éolien de Preuseville, S.A.R.L.
  - Parc Éolien de Roman, S.A.R.L.
  - Parc Éolien de Tarzy, S.A.R.L.
  - Parc Éolien de Varimpre, S.A.S.
  - Parc Éolien des Vatines, S.A.S.
  - Parc Éolien d'Escardes, S.A.S.
  - Parc Éolien du Clos Bataille, S.A.S.
  - SOCPE de la Mardelle, S.A.R.L.
  - SOCPE de la Vallée du Moulin, S.A.R.L.
  - SOCPE de Sauvageons, S.A.R.L.
  - SOCPE des Quinze Mines, S.A.R.L.
  - SOCPE Le Mee, S.A.R.L.
  - SOCPE Petite Pièce, S.A.R.L.

  Additionally, the Group sold the stake held by the companies Bon Vent de L'Ebre, S.L.U. and Bon Vent de Vilalba, S.L.U. in the company Aprofitament D'Energies Renovables de la Terra Alta, S.A. (9.70% and 10.42% respectively).

  This transaction has generated a gain, net of transaction costs, of 225,644 thousand Euros, which was recorded in the income statement (see note 8).
- Moray East Holdings Limited liquidated the companies Telford Offshore Windfarm Limited, MacColl Offshore Windfarm Limited and Stevenson Offshore Windfarm Limited.
- EDP Renováveis Brasil, S.A. sold in December to Allif SLP I LP by 132.227 thousand Euros (the equivalent of 597,096 thousand Brazilian Real), of 100% of its direct financial interest in Babilônia Holding, S.A. and indirect interests in the following companies:
  - Central Eólica Babilônia I, S.A.
  - Central Eólica Babilônia II, S.A.
  - Central Eólica Babilônia III, S.A.
  - Central Eólica Babilônia IV, S.A.
  - Central Eólica Babilônia V, S.A.

  This transaction has generated a gain, net of transaction costs, of 87,078 thousand Euros, which was recorded in the income statement (see note 8).
- EDP Renewables Polska, Sp. z o.o. sold 100% of the company EDP Renewables Polska OPCO, S.A.
- EDP Gestão Produção Energia, S.A. liquidated Energin - Sociedade de Produção de Electricidade e Calor, S.A.

**Companies merged:**

- ECE Participações S.A. was merged into Companhia Energética do JARI-CEJA.

**Companies incorporated:**

- Save to Compete, S.A.;
- Little Brook Solar Park LLC *;
- Bright Stalk Solar Park LLC *;
- Crossing Trails Wind Power Project II LLC *;
- EDPR Japan GK;
- Custolito, S.R.L.;
- Headwaters Wind Farm IV LLC *;
- EDPR Hellas 1 M.A.E.;
- EDPR Hellas 2 M.A.E.;
- North River Wind LLC *;
- EDPR Terral S.L.U.;
- EDPR Amaris S.L.U.;
- EDPR Suvan S.L.U.;
- Naturgas Cogeneración, S.A.;
- Black Prairie Solar Park LLC *;
- Duff Solar Park LLC *
- Eastmill Solar Park LLC *;
- Lowland Solar Park LLC *;
- Moonshine Solar Park LLC *;
- Sedge Meadow Solar Park LLC *;
- EDPR Wind Ventures XX LLC;
- 2019 Vento XX LLC;
- EDPR Wind Ventures XXI LLC;
- 2019 Vento XXI LLC *
- Esker Solar Park LLC *;
- EDPR Solar Ventures III LLC;
- 2019 SOL III LLC;
- Greenbow Solar Park LLC *;
- Holly Hill Solar Park LLC *;
- Pleasantville Solar Park LLC *;
- Mineral Springs Solar Park LLC *;
- Solar Ventures Acquisition LLC;
- EDPR Solar Ventures IV LLC;
- 2019 SOL IV LLC;
- Fotovoltaica Lote A, S.A.
- EDP Ventures España, S.A.
- Blackford County Solar Park LLC *
- Solar Ventures Purchasing LLC
- Goldfinger Ventures LLC
- Goldfinger Ventures II LLC
- Blackford County Wind Farm LLC *
- EDPR FS Offshore, S.A.
- Alabama Solar Park LLC *
- EDPR Sicilia PV, S.R.L.
- EDP Solar España, S.A.
- EDPR Sicilia Wind, S.r.l.
- 2019 SOL V LLC *;
- EDPR Solar Ventures V LLC *
- Goldfinger Ventures III LLC *

* EDP Group holds, through EDP Renováveis and its subsidiaries, a set of subsidiaries legally established in the United States without share capital and that, as at 31 December 2019, do not have any assets, liabilities or any operating activity.

**Other changes:**

- EDP Renewables Europe, S.L.U. acquired from RG Renovatio Group Limited 15% of the share capital of the companies Cernavoda Power, S.A., Pestera Wind Farm, S.A., VS Wind Farm, S.A. and Sibioara Wind Farm, S.R.L., increasing to 100% its share interest in the companies.
- EDP Renováveis, S.A. acquired 11% of the company Principle Power, Inc.
- EDP Renewables North America LLC (EDPR NA), through the company Solar Ventures Purchasing LLC (Solar VP), sold 50% of its interest in Solar Ventures Acquisition LLC (Solar VA) to Goldeneye SVA LLC (wholly owned by ConnectGen). Further, EDPR NA sold 50% of its interest in the companies Goldfinger Ventures LLC (Goldfinger I) and Goldfinger Ventures II LLC (Goldfinger II) to ConnectGen. Subsequent to EDPR NA's selling transaction referred for Solar VA, this joint venture acquired the companies Sunshine Valley Solar LLC (Sunshine Valley), Sun Streams LLC (Sun Streams) and Windhub Solar A LLC (Windhub Solar). Subsequent to EDPR NA's selling transaction referred above for Goldfinger I and Goldfinger II, the joint venture Solar VA sold the companies Sunshine Valley and Windhub Solar to a subsidiary of Goldfinger I and sold the company Sun Streams to a subsidiary of Goldfinger II.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2019 and 2018 are disclosed in Annex I.

## 7. Revenues and cost of Energy Sales and Services and Other

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

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Electricity and network access | 12,327,096 | 13,732,751 | 2,422,467 | 2,846,718 |
| Gas and network access | 757,099 | 701,529 | 24,816 | - |
| Sales of CO2 Licenses | - | - | 357,781 | 670,171 |
| Revenue from assets assigned to concessions | 918,826 | 438,920 | - | - |
| Other | 329,988 | 404,885 | 163,696 | 158,150 |
| | 14,333,009 | 15,278,085 | 2,968,760 | 3,675,039 |

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

| | Dec 2019 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Electricity and network access | 5,975,879 | 2,730,461 | 2,708,597 | 616,222 | 295,937 | 12,327,096 |
| Gas and network access | 286,337 | 470,762 | - | - | - | 757,099 |
| Revenue from assets assigned to concessions | 225,751 | - | 693,075 | - | - | 918,826 |
| Other | 137,297 | 57,373 | 129,545 | 4,200 | 1,573 | 329,988 |
| | 6,625,264 | 3,258,596 | 3,531,217 | 620,422 | 297,510 | 14,333,009 |

| | Dec 2018 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Electricity and network access | 7,106,232 | 2,856,408 | 2,942,162 | 553,137 | 274,812 | 13,732,751 |
| Gas and network access | 150,487 | 551,042 | - | - | - | 701,529 |
| Revenue from assets assigned to concessions | 196,559 | - | 242,361 | - | - | 438,920 |
| Other | 279,506 | 47,052 | 77,186 | - | 1,141 | 404,885 |
| | 7,732,784 | 3,454,502 | 3,261,709 | 553,137 | 275,953 | 15,278,085 |

The caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 1,438,399 thousand Euros (revenue in 31 December 2018: 754,648 thousand Euros) regarding tariff adjustments of the period (see notes 25 and 37). This caption also includes a net cost of 902 thousand Euros (31 December 2018: net revenue of 61,515 thousand Euros) related to recognition of tariff adjustments for the period in Brazil (see notes 25 and 37).

Additionally, the caption Electricity and network access includes, on a consolidated basis, a positive amount of 70,354 thousand Euros (31 December 2018: positive amount of 62,192 thousand Euros) related to the contractual stability compensation (CMEC) as a result of the power purchase agreements (PPA) termination, including a income of 21,156 thousand Euros related to the CMEC final adjustment (31 December 2018: positive amount of 1,015 thousand Euros), net from the recognised provision due to the final adjustment official approval (see note 4).

The caption Electricity and network access, on a company basis, includes 1,255,951 thousand Euros (31 December 2018: 1,147,717 thousand Euros) related with energy sales under the purchase and sale agreement of evolutive energy between EDP, S.A. and EDP Comercial S.A.

The breakdown of Revenues from energy sales and services and other by segment, are as follows (see note 50 - Operating Segments).

| | Dec 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Reported Operating Segments | | | | | |
| Thousand Euros | Renewables | Networks | Client Solutions & Energy Management | Total | Other Segments | Group |
| Electricity and network access | 1,371,741 | 3,476,658 | 7,478,769 | 12,327,168 | -73 | 12,327,095 |
| Gas and network access | - | 12,729 | 744,369 | 757,098 | - | 757,098 |
| Revenue from assets assigned to concessions | - | 918,813 | 14 | 918,827 | - | 918,827 |
| Other | 37,751 | 98,837 | 184,216 | 320,804 | 9,185 | 329,989 |
| | 1,409,492 | 4,507,037 | 8,407,368 | 14,323,897 | 9,112 | 14,333,009 |

| | Dec 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Reported Operating Segments | | | | | |
| Thousand Euros | Renewables | Networks | Client Solutions & Energy Management | Total | Other Segments | Group |
| Electricity and network access | 1,282,733 | 4,160,279 | 8,289,829 | 13,732,841 | -89 | 13,732,752 |
| Gas and network access | - | 15,587 | 685,943 | 701,530 | - | 701,530 |
| Revenue from assets assigned to concessions | 1,810 | 436,861 | 249 | 438,920 | - | 438,920 |
| Other | 22,663 | 41,992 | 322,474 | 387,129 | 17,754 | 404,883 |
| | 1,307,206 | 4,654,719 | 9,298,495 | 15,260,420 | 17,665 | 15,278,085 |

The segment "Client Solutions & Energy Management" includes sales of renewable energy, hydro and wind, carried out by EDP SA's energy management business unit, as part of its intermediation activity, and sales by the last resource supplying in Portugal, EDP Serviço Universal S.A.

Revenues from energy sales and services and other by segment are considered globally as "overtime" and not as "at a point in time".

Cost of energy sales and other are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| **Cost of electricity** | 6,333,955 | 7,732,715 | 2,407,172 | 2,838,289 |
| **Cost of gas** | 1,031,410 | 885,988 | - | - |
| **Expenditure with assets assigned to concessions** | 812,539 | 421,911 | - | - |
| **Changes in inventories and cost of raw materials and consumables used** | | | | |
| Fuel, steam and ashes | 371,207 | 581,994 | - | - |
| Gas | 152,192 | 36,264 | 24,816 | - |
| CO2 Licenses | 282,200 | 346,269 | 356,139 | 664,278 |
| Own work capitalised | -13,845 | -2,391 | - | - |
| Other | 146,201 | 176,153 | -49,057 | 12 |
| | 937,955 | 1,138,289 | 331,898 | 664,290 |
| | 9,115,859 | 10,178,903 | 2,739,070 | 3,502,579 |

Cost of electricity includes, on a company basis, costs of 1,184,778 thousand Euros (31 December 2018: 1,464,385 thousand Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to external specialised entities. The revenue and the expenditure with the acquisition of these assets are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| **Revenue from assets assigned to concessions** | 918,826 | 438,920 |
| **Expenditure with assets assigned to concessions** | | |
| Subcontracts and other materials | -710,793 | -335,770 |
| Personnel costs capitalised (see note 10) | -71,413 | -76,924 |
| Capitalised borrowing costs (see note 13) | -30,333 | -9,217 |
| | -812,539 | -421,911 |

Revenue from assets assigned to concessions include 372,330 thousand Euros relative to electricity distribution concessions in Portugal and in Brazil resulting from the application of the mixed model. Additionally, it also includes the revenue related to the asset to be received by EDP Group under the transmission concessions in Brazil (see note 25).

The main varations on the captions Revenues and cost of Energy Sales and Services and Other are described in the Chapter 3 - Performance mainly in 3.1 - Group's financial analysis and 3.4 - Business area analysis.

The Directive 13/2018, of 15 December 2018, on tariffs to be in force in 2019, clarified the performance of EDP Distribuição in the purchase and sale of access to the transmission network (CVART). Therefore, as EDP Distribuição is only an agent in this activity, as of 15 December 2018, the amounts associated are recorded at net value. On a consolidated basis, the change in this accounting mainly explains the variation in Revenues and cost of Energy Sales and Services and Other and afects the Segment

On an individual basis, the change in Revenues and cost of Energy Sales and Services and Other, mainly refers to the decrease in the quantities and prices related to the CO2 licenses contracted by EDP SA's energy management business unit, as part of its intermediation activity, for the Group companies.

## 8. Other Income

Other income, for the Group, are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| Income arising from institutional partnerships - EDPR NA (see note 36) | 181,570 | 185,171 |
| Gains on disposals - electricity business assets - Asset Rotation | 313,452 | 110,294 |
| Gains on disposals - electricity business assets | - | 82,865 |
| Gains from contractual indemnities and insurance companies | 26,168 | 19,404 |
| Other | 170,696 | 164,943 |
| | 691,886 | 562,677 |

Income arising from institutional partnerships - EDPR NA relates to income arising from production and investment tax credits (PTC/ITC), mostly from accelerated tax depreciation, regarding Vento I to XVIII, Sol I, Sol II and Blue Canyon I projects, in wind farms and solar plants in USA (see note 36).

The caption Gains on disposals - electricity business assets - Asset Rotation corresponds to gains from asset rotation strategy. This strategy aimed at crystallizing the value of a project by selling with loss of control, and reinvesting the proceeds in another projects, targeting greater growth. Typically, the developer may retain the role of O&M supplier. During 2019 this item refers to the gain on the sale of 51% of the financial investment in EDP Renewables France, S.A.S. and EDPR Participaciones, S.L.U., and its subsidiaries, fully owned by EDPR, in the amount of 225,644 thousand Euros (see note 6) and to the gain related to the sale of 100% of the stake in the company Babilônia Holding, S.A. and its subsidiaries in the amount of 87,078 thousand Euros (see note 6).

The caption Other includes gains on the reinsurance activity, gains in the adjustment of contingent prices of sale operations and gains on the sale of property, plant and equipment.

## 9. Supplies and Services

Supplies and services are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Consumables and communications | 30,961 | 41,586 | 7,759 | 7,968 |
| Rents and leases | 32,190 | 95,251 | 6,176 | 13,665 |
| Maintenance and repairs | 396,278 | 388,318 | 32,587 | 36,244 |
| Specialised works: | | | | |
| - Commercial activity | 156,906 | 153,698 | 631 | 655 |
| - IT services, legal and advisory fees | 96,362 | 91,487 | 43,816 | 43,831 |
| - Other services | 48,936 | 47,576 | 27,298 | 24,890 |
| Provided personnel | - | - | 9,548 | 8,072 |
| Other supplies and services | 135,910 | 139,045 | 25,136 | 25,869 |
| | 897,543 | 956,961 | 152,951 | 161,194 |

Of the decrease in Rents and leases, the amount of 62,265 thousand Euros results from the adoption of IFRS 16 on 1 January 2019 (see note 3). As at 31 December 2019 this caption includes mainly costs for variable lease payments and rental costs for short-term leases.

## 10. Personnel Costs and Employee Benefits

Personnel costs and employee benefits are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| **Personnel costs** | | | | |
| Board of Directors remuneration | 17,981 | 16,250 | 7,062 | 6,897 |
| Employees' remuneration | 471,091 | 471,650 | 38,785 | 37,809 |
| Social charges on remuneration | 115,936 | 115,174 | 10,187 | 9,741 |
| Performance, assiduity and seniority bonus | 74,944 | 80,224 | 11,741 | 13,889 |
| Other costs | 25,014 | 25,004 | 495 | 301 |
| Own work capitalised: | | | | |
| - Assigned to concessions (see note 7) | -71,413 | -76,924 | - | - |
| - Other (see note 16) | -62,465 | -60,468 | - | -4 |
| | 571,088 | 570,910 | 68,270 | 68,633 |
| **Employee benefits** | | | | |
| Pension plans costs | 22,849 | 28,886 | 1,996 | 3,211 |
| Medical plans costs and other benefits (see note 34) | 8,293 | 5,591 | 335 | 234 |
| Pension plans past service cost (Curtailment/Plan amendments) (see note 34) | 8,958 | 17,579 | - | - |
| Other benefits plans past service cost (Curtailment/Plan amendments) (see note 34) | -30,820 | 676 | - | - |
| Other | 39,828 | 27,898 | 2,199 | 2,347 |
| | 49,108 | 80,630 | 4,530 | 5,792 |
| | 620,196 | 651,540 | 72,800 | 74,425 |

Pension plans costs include 6,159 thousand Euros (31 December 2018: 13,612 thousand Euros) related to defined benefit plans (see note 34) and 16,690 thousand Euros (31 December 2018: 15,274 thousand Euros) related with defined contribution plans.

The variation in the caption Performance, assiduity and seniority bonus, for the Company, essentially results from the bonus 2018 adjustment registered in the first quarter of 2019.

As at 31 December 2019, Pension plans past service cost (Curtailment/Plan amendments) is essentially related to the increase in liabilities under the permanent employees reduction program that covered 65 portuguese employees, from which 29 were considered as a curtailment since weren´t met the pre-retirement conditions foreseen in the ACT of 2014 (see note 34).

As at 31 December 2019, Other benefits plans past service cost (Curtailment/Plan amendments) results essentially from the change in the medical plan granted to brazilian employees (new access rules to medical procedures and variety of specialities / exams) due to the change in the operator with its own medical services network and infrastrutures (see note 34).

During 2019, EDP Group distributed treasury stocks to employees (366,619 shares) totalling 1,232 thousand Euros (see note 30).

The breakdown by management positions and category of professional staff is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Executive Board of Directors | 9 | 9 | 9 | 9 |
| Senior management | 827 | 709 | 101 | 97 |
| Managers | 783 | 754 | 28 | 24 |
| Specialists | 4,528 | 4,369 | 394 | 381 |
| Support, Operational and Administrative Technicians | 5,513 | 5,790 | 67 | 87 |
| | 11,660 | 11,631 | 599 | 598 |

## 11. Other Expenses

Other Expenses are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| Concession rents paid to local authorities and others | 281,825 | 283,024 |
| Direct and indirect taxes | 230,870 | 293,504 |
| Irrecoverable debts | - | 12,058 |
| Donations | 22,489 | 21,655 |
| Write-off of tangible assets | 41,374 | 40,289 |
| Other | 75,915 | 64,849 |
| | 652,473 | 715,379 |

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

The caption Direct and indirect taxes includes the tax of 7% over electricity generation in Spain, property tax and other taxes and levies. The variation of this caption, in what relates to its homologous period amount, reflects, in a general way, the reduction of municipal tax rates in Spain and the normal activity of the Group.

In 2019, the EDP Group proceeded to the write-off of tangible assets, which mainly relate to the abandonment of ongoing projects in EDPR NA in the amount of 16,172 thousand Euros (31 December 2018: 8,914 thousand Euros) (see note 16) and with losses in materials, equipment and discontinuation of projects in EDP Brasil in the amount of 23,472 thousand Euros (31 December 2018: 30,552 thousand Euros).

The caption Other includes losses on the reinsurance activity in the amount of 16,536 thousand Euros (31 December 2018: 14,179 thousand Euros).

## 12. Amortisation and Impairment

Amortisation and impairment are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Depreciation/impairment of Property, plant and equipment (see note 16) | 1,294,059 | 1,083,264 | 6,057 | 27,667 |
| Depreciation/impairment of Right of use asset (see note 17) | 56,898 | - | 5,414 | - |
| Amortisation/impairment of Intangible assets (see note 18) | 418,678 | 363,282 | 13,410 | 1,726 |
| | 1,769,635 | 1,446,546 | 24,881 | 29,393 |
| Amortisation/impairment of Investment property | 356 | 1,894 | 3,975 | 2,570 |
| | 1,769,991 | 1,448,440 | 28,856 | 31,963 |
| Compensation of depreciation | | | | |
| Partially-funded property, plant and equipment (see note 37) | -27,003 | -24,063 | - | - |
| Amortisation of Incremental costs of obtaining contracts with customers (see note 25) | 22,142 | 20,435 | - | - |
| Impairment of Goodwill (see note 19) | 489 | - | - | - |
| | 1,765,619 | 1,444,812 | 28,856 | 31,963 |

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

The Group has booked an impairment loss in the polish Property, plant and equipment in the amount of 15,376 thousand Euros (see note 16) that result from the recoverability assessment of two wind projects in Poland.

In addition, considering recent regulatory changes in Portugal occurred in 2019 related to energy generation activities and the inversion of the merit order in the Iberian Market, as well as the unfavorable revision of other costs, namely CO2 costs, EDP Group has reviewed its future estimates for production assets.

The above-mentioned impairment tests led to an impairment loss of 136,975 thousand Euros in Sines carbon thermoelectric plant in Portugal, an impairment loss of 84,183 thousand Euros in Soto 3 carbon thermoelectric plant in Spain and an impairment loss of 75,874 thousand Euros in Aboño2 carbon thermoelectric plant in Spain (see note 16).

In the scope of impairment tests on these assets, sensitivity analyzes were performed on key variables, namely discount rates. A sensitivity analysis of +0.5% in discount rate would determine an additional impairment loss of around 0,8 million Euros in Sines, an additional impairment loss of around 1,5 million Euros in Aboño 2, whereas for Soto 3 a full impairment of the asset has been considered.

## 13. Financial Income and Expenses

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

| Thousand Euros | Group Dec 2019 | Group Dec 2018 |
|---|---|---|
| **Financial income** | | |
| Interest income from bank deposits and other investments | 49,445 | 33,901 |
| Interest from derivative financial instruments | 31,632 | 29,335 |
| Interest income on tariff deficit: | | |
| - Portugal - Electricity (see note 25) | -1,658 | 10,221 |
| - Brazil - Electricity (see notes 25 and 37) | 4,255 | 6,652 |
| Other interest income | 59,862 | 57,571 |
| Derivative financial instruments | 8,444 | 39,579 |
| Foreign exchange gains | 25,763 | 43,043 |
| CMEC: | | |
| - Interest on the initial CMEC | 33,658 | 39,616 |
| - Financial effect considered in the calculation | 11,574 | 12,333 |
| Gains on the sale of financial investments | 85 | 29,337 |
| Gains on the sale of financial investments - Asset Rotation | - | 86,153 |
| Gains on the sale of the electricity tariff deficit - Portugal (see note 25) | 3,589 | 8,425 |
| Equity instruments at fair value through other comprehensive income (see note 22) | 33,690 | 2,582 |
| Other financial income | 127,478 | 57,497 |
| | 387,817 | 456,245 |
| **Financial expenses** | | |
| Interest expense on financial debt | 648,821 | 633,653 |
| Bonds buyback | - | 34,485 |
| Capitalised borrowing costs: | | |
| - Assigned to concessions (see note 7) | -30,333 | -9,217 |
| - Other (see note 16) | -17,484 | -24,547 |
| Interest from derivative financial instruments | 29,547 | 20,691 |
| Interest expense on tariff deficit: | | |
| - Portugal - Electricity (see note 37) | 314 | 526 |
| - Brazil - Electricity (see notes 25 and 37) | 1,716 | 2,821 |
| Other interest expense | 32,059 | 43,797 |
| Derivative financial instruments | 5,126 | 14,637 |
| Foreign exchange losses | 47,717 | 72,916 |
| CMEC | 13,428 | 15,617 |
| Unwinding of discounted liabilities | 124,000 | 125,943 |
| Unwinding of lease liabilities (rents due from lease contracts) (see note 38) | 38,687 | - |
| Net interest on the net pensions plan liability (see note 34) | 10,580 | 11,117 |
| Net interest on the medical liabilities and other benefits (see note 34) | 22,072 | 28,036 |
| Other financial expenses | 131,341 | 39,915 |
| | 1,057,591 | 1,010,390 |
| **Financial income/(expenses)** | -669,774 | -554,145 |

The captions Other financial income and Other financial expenses include the amount of 93,557 thousando Euros (412,918 thousand Brazilian Reais), which net impact is null, resulting from the monetary update on the exclusion of ICMS from PIS/COFINS tax assessment in EDP Espirito Santo and EDP São Paulo, which resulted in recognizing an liability of 388,998 thousand Euros (1,756,597 thousand Brazilian Reais) in Amounts payable from tariff adjustments - Electricity - Brazil caption (see note 37), against a asset in Special taxes Brazil caption (see note 27).

Capitalised borrowing costs includes the interest capitalised in assets under construction according to Group accounting policy presented in note 2h). Regarding the rate applicable to borrowing costs related with tangible/intangible assets under construction that is used in the determination of the amount of borrowing costs eligible for capitalisation (see notes 16 and 18), it varies depending on the country and currency, since EDP Group incorporates in its scope of consolidation a significant number of subsidiaries in several geographies with different currencies. Therefore, for the most representative geographies, the weighted average funding rates, in use in 2019, ranged from 0.8% e 2.4% in Portugal, from 7% in Spain and from 1.18% to 7.75% in the United States of America, depending on related assets under construction and related financing.

The Unwinding of discounted liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 6,614 thousand Euros (31 December 2018: 6,143 thousand Euros) (see note 35); (ii) the implied financial return in institutional partnership in USA of 85,320 thousand Euros (31 December 2018: 80,684 thousand Euros) (see note 36); and (iii) the financial expenses related to the discount of the liability associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe of 20,352 thousand Euros (31 December 2018: 21,467 thousand Euros).

The caption Unwinding of lease liabilities (rents due from lease contracts) includes the financial updating inherent to the lease liabilities (rents due from lease contracts) recorded at present value, with the adoption of IFRS 16 on 1 January 2019 (see notes 3 and 38).

The Derivative financial instruments caption includes income and expenses related with financial assets and liabilities measured and fair value through profit and loss, while the remaining captions of financial income and expenses are registered at amortised cost, based on the effective interest rate method.

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

| | Company | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| **Financial income** | | |
| Interest income from loans to subsidiaries and related parties (see note 43) | 67,244 | 152,195 |
| Interest from derivative financial instruments | 155,867 | 163,284 |
| Derivative financial instruments | 65,012 | 80,196 |
| Income from equity investments (see note 43) | 686,205 | 818,342 |
| Gains on the sale of financial investments | 243,349 | - |
| Other financial income | 35,168 | 82,010 |
| | 1,252,845 | 1,296,027 |
| **Financial expenses** | | |
| Interest expense on financial debt | 293,889 | 305,981 |
| Interest from derivative financial instruments | 159,967 | 142,557 |
| Derivative financial instruments | 96,591 | 96,971 |
| Unwinding of lease liabilities (rents due from lease contracts) | 5,601 | - |
| Other financial expenses | 11,022 | 16,737 |
| | 567,070 | 562,246 |
| **Financial income/(expenses)** | 685,775 | 733,781 |

The caption Other financial results includes 37,547 thousand Euros related to nominal interests from bonds issued by EDP Finance B.V., repurchased by EDP S.A. in 2016, 2017 and 2018 (see notes 26 and 43). The effective interest of these instruments amounts to 8,658 thousand Euros (includes the recognition of premium and transaction costs associated with the buyback transaction by the effective interest rate method).

The caption Gains on financial assets includes the impact of the operation in EDP International Investment and Servicies, S.L., which generated a gain of 243,272 thousand Euros (see note 20).

## 14. Income Tax

The following note includes an analysis on the reconciliation between the theoretical and the effective income tax rate applicable at an individual level and at the level of the EDP Group, on a consolidated basis. In general terms, this analysis aims to quantify the impact of the income tax, recognised in the income statement, which includes both current and deferred tax.

As the EDP Group prepares and discloses its financial statements in accordance with IFRS, an alignment between the accounting of income tax expense or income and the corresponding cash flow is not mandatory. Accordingly, this analysis does not represent the income tax paid or received by the EDP Group for the correspondent reporting period.

The overall tax contribution borne by the EDP Group (which includes comments on the contributions paid to the respective states where the Group operates), as well as other relevant information (such as EDP Group's tax footprint, specific taxation over energy sector and procedures to control and manage adverse tax exposures), are disclosed on the annual Sustainability Report, available on EDP website (www.edp.com).

The general principles concerning EDP Group's mission and tax policy are also addressed in the same report. This document also describes the key principles with respect to transfer pricing policy applicable to the EDP Group, under which the Group's policy is to abide within the international rules, guidelines and best practises applicable in the various geographies where it operates.

It should be noted that, as a multinational group, the EDP Group fully complies with the annual obligation of communication and report, which results from the transposition to the Portuguese domestic Law of the disposals of Action 13 of the Base Erosion and Profit Shifting (named Country-by-Country Reporting), as a part of a set of measures adopted by OECED and G20 countries to enhance transparency for tax administrations. Furthermore, this obligation is fulfilled in Portugal by the parent company, within the deadlines foreseen by law.

**Main features of the tax systems of the countries in which EDP Group operates**

The statutory corporate income tax rates applicable in the main countries in which EDP Group operates are as follows:

| | Dec 2019 | Dec 2018 |
|---|---|---|
| **Europe:** | | |
| Portugal | 21% - 31.5% | 21% - 29.5% |
| Spain | 25% - 26% | 25% - 28% |
| Netherlands | 25% | 25% |
| Belgium | 29.58% | 29.58% |
| France | 28% - 34.43% | 28% - 34.43% |
| Italy | 24% - 28.8% | 24% - 28.8% |
| Poland | 19% | 19% |
| Romania | 16% | 16% |
| United Kingdom | 19% | 19% |
| **America:** | | |
| Brazil | 34% | 34% |
| United States of America | 24.91% | 24.91% |
| Canada | 27% | 27% |
| Mexico | 30% | 30% |

EDP Group companies are taxed, whenever possible, on a Group consolidated basis as allowed by the tax legislation of the respective countries.

As per the applicable legislation, in general terms, tax periods may be subject to review and reassessment by the various tax authorities during a limited number of years. Statutes of limitation differ from country to country, as follows: Portugal 4 years or, if tax losses or credits have been used, the number of years that such tax losses or credits may be carried forward; Spain 4 years; USA and The Netherlands 3 years; and Brazil 5 years. In remaining main jurisdictions, the deadline for review and reassessment by the various tax authorities ranges between 3 and 10 years.

Tax losses generated in each year are also subject to tax authorities' review and reassessment and may be used to offset yearly taxable income assessed in the subsequent periods, in the main jurisdictions in which EDP is present, as follows: in Portugal 5 years (for tax losses of 2017 and 2018); and 12 years (for tax losses of 2014, 2015 and 2016); in the Netherlands 6 years (for tax losses incurred from 2019 onwards); and 9 years (for tax losses incurred before 2018), and without term in the USA, Brazil and Spain. Moreover, in the Netherlands the tax losses of a given year may be used to recover current tax of the previous year. However, the deduction of tax losses in the USA, Portugal, Spain and Brazil may be limited to a percentage of the taxable income of each period.

EDP Group companies may, in accordance with the law, benefit from certain tax benefits or incentives in specific conditions, namely the Production Tax Credits in the USA (see note 1), which are the dominant form of wind remuneration in this country, and represent an extra source of revenue per unit of electricity, over the first 10 years of the asset's life. Wind facilities that qualify for the application of the Production Tax Credits prior to 1 January 2017, benefit from 100% of the credit ($24/MWh in 2018 and $25/MWh in 2019, being adjusted to inflaction in subsequent years). The credit amount is reduced by 20% for wind facilities qualifying in 2017, 40% in 2018 and 60% in 2019. In 20 December 2019, the Taxpayer Certainty and Disaster Tax Relief Act introduced several changes to income tax law in the USA, namely extending the aforementioned regime to wind facilities with start of construction in 2020, attributing 60% of the tax credit amount.

**Corporate income tax provision**

Income tax expense is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Current tax | -145,858 | -245,613 | 18,125 | 88,626 |
| Deferred tax | -80,043 | 145,947 | 47,033 | -2,142 |
| | -225,901 | -99,666 | 65,158 | 86,484 |

**Reconciliation between the theoretical and the effective income tax expense**

The effective income tax rate is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Profit before tax and CESE | 1,193,705 | 1,041,092 | 655,758 | 652,102 |
| Income tax expense | -225,901 | -99,666 | 65,158 | 86,484 |
| Effective income tax rate | 18.9% | 9.6% | -9.9% | -13.3% |

The difference between the theoretical and the effective income tax expense results from the application of the law provisions in the determination of the taxable base, as demonstrated below.

The reconciliation between the theoretical and the effective income tax expense for the Group, in December 2019, is as follows:

| Thousand Euros | Dec 2019 |
|---|---|
| **Profit before income tax and CESE** | 1,193,705 |
| Theoretical income tax rate * | 29.5% |
| **Theoretical income tax expense** | 352,143 |
| Different tax rates (includes state surcharge) and CIT rate changes | 51,604 |
| Tax losses and tax credits | -19,559 |
| Dividends | -16,655 |
| Tax benefits | -21,392 |
| Differences between accounting and fiscal provisions/depreciations | -26,476 |
| Accounting/fiscal differences on the recognition/derecognition of assets | -73,882 |
| Taxable differences attributable to non-controlling interests (USA) | -16,360 |
| Other adjustments and changes in estimates | -3,522 |
| **Effective income tax expense as per the Consolidated Income Statement** | 225,901 |

* Average tax rate considering the different tax rates applicable to EDP Group companies in Portugal

The reconciliation between the theoretical and the effective income tax expense for the Group, in December 2018, is as follows:

| Thousand Euros | Dec 2018 |
|---|---|
| **Profit before income tax and CESE** | 1,041,092 |
| Theoretical income tax rate * | 29.5% |
| **Theoretical income tax expense** | 307,122 |
| Different tax rates (includes state surcharge) and CIT rate changes | 15,778 |
| Tax losses and tax credits | -75,227 |
| Dividends | -28,533 |
| Tax benefits | -26,488 |
| Differences between accounting and fiscal provisions/depreciations | 22,551 |
| Accounting/fiscal differences on the recognition/derecognition of assets | -95,469 |
| Taxable differences attributable to non-controlling interests (USA) | -18,169 |
| Other adjustments and changes in estimates | -1,899 |
| **Effective income tax expense as per the Consolidated Income Statement** | 99,666 |

* Average tax rate considering the different tax rates applicable to EDP Group companies in Portugal

The caption Accounting/fiscal differences on the recognition/derecognition of assets mainly includes the impacts inherent to transactions of electricity business assets in the several geographies in which the Group operates as a result of its business activity. As at 31 December 2019, this caption mainly covers the impact associated to the differential between the accounting and tax bases after transfer of control on EDP Renewables France, S.A.S., EDPR Participaciones, S.L.U and their subsidiaries (see note 6).

The caption Different tax rates (includes state surcharge) and CIT rate changes mainly refer to the difference between the tax rates applicable in the countries in which the EDP Group operates as compared to the tax rate used as reference for the theoretical income tax expense calculation. The caption Taxable differences attributable to non-controlling interests (USA) include the effect inherent in the attribution of taxable income to non-controllable interests in EDPR Group in the USA, as determined by the tax legislation of that geography.

The reconciliation between the theoretical and the effective income tax expense for the Company, in 2019, is as follows:

| Thousand Euros | Dec 2019 |
|---|---|
| **Profit before income tax** | 655,758 |
| Nominal income tax rate (*) | 22.5% |
| **Theoretical income tax expense** | 147,546 |
| | |
| Tax losses and tax credits | 2,140 |
| Dividends | -154,396 |
| Accounting/fiscal temporary differences on the recognition / derecognition of assets | -54,749 |
| Other adjustments and changes in estimates | -5,699 |
| **Effective income tax expense as per the Company Income Statement** | -65,158 |

***** Statutory Corporate Income Tax rate applicable in Portugal (21%) and municipal surcharge (1.5%), The reconciliation between the theoretical and the effective income tax expense for the Company, in 2018, is as follows:

| Thousand Euros | Dec 2018 |
|---|---|
| **Profit before income tax** | 652,102 |
| Nominal income tax rate (*) | 22.5% |
| **Theoretical income tax expense** | 146,723 |
| | |
| Tax losses and tax credits | -46,078 |
| Dividends | -184,127 |
| Other adjustments and changes in estimates | -3,002 |
| **Effective income tax expense as per the Company Income Statement** | -86,484 |

* Statutory Corporate Income Tax rate applicable in Portugal (21%) and municipal surcharge (1.5%),

## 15. Extraordinary Contribution to the Energy Sector (CESE)

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

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

The general rate is 0.85%. However, in case of natural gas combined cycle power plants with an annual utilization equivalent of installed capacity equal or higher to 1,500 hours and lower than 3,000 hours, is expected a reduced rate of 0.565%. Nevertheless, this rate could be 0.285% in case the annual utilization of installed capacity is lower than 1,500 hours.

The CESE system has been successively extended and is now valid for 2019 through Law nº 71/2018 of 31 December. This extension presents some new themes as i) the lost of exemption for power plants which produce electricity through renewables sources and are covered by remuneration schemes and ii) the recognition of CESE as a transitory measure being this due to the evolution of National Electricity System's tariff debt and the current need to finance social and environmental policies in energy sector.

EDP Group has been paying and recognizing this contribution, which totalize, at this date, a global amount around 325 million Euros since the creation of this tax, contesting the legal basis and constitutionality of this measure and maintaining the legal challenge to this tax. For the year of 2019, EDP Group payed the total value relative to this tax on 2 January 2020 (see note 39).

As at 31 December 2019, EDP Group recorded in caption Tax Liabilities a value for this contribution of 68,477 thousand Euros.

## 16. Property, Plant and Equipment

In the context of the adoption of IFRS 16 the items of Property, Plant and Equipment have the following detail on 1 January 2019 (see note 3):

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Balance as at 31 December 2018 | Adoption of IFRS 16 (see note 3) | Balance as at 1 January 2019 | Balance as at 31 December 2018 | Adoption of IFRS 16 (see note 3) | Balance as at 1 January 2019 |
| **Cost** | | | | | | |
| Land and natural resources | 90,996 | - | 90,996 | 4,581 | - | 4,581 |
| Buildings and other constructions | 484,282 | -87,109 | 397,173 | 94,672 | -66,125 | 28,547 |
| Plant and machinery | 39,125,961 | - | 39,125,961 | 450 | - | 450 |
| Other | 484,536 | - | 484,536 | 82,840 | - | 82,840 |
| Assets under construction | 1,252,074 | - | 1,252,074 | 10,255 | - | 10,255 |
| | 41,437,849 | -87,109 | 41,350,740 | 192,798 | -66,125 | 126,673 |
| **Accumulated depreciation and impairment losses** | -18,730,338 | 6,586 | -18,723,752 | -99,628 | 4,068 | -95,560 |
| **Carrying amount** | 22,707,511 | -80,523 | 22,626,988 | 93,170 | -62,057 | 31,113 |

**EDP - Energias de Portugal, S.A.**
**Notes to the Consolidated and Company Financial Statements as at and for the periods ended 31 December 2019 and 2018**

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | 1 Jan 2019 | Dec 2019 | 1 Jan 2019 |
| **Cost** | | | | |
| Land and natural resources | 82,310 | 90,996 | 4,581 | 4,581 |
| Buildings and other constructions | 374,054 | 397,173 | 28,772 | 28,547 |
| Plant and machinery: | | | | |
| - Hydroelectric generation | 7,516,622 | 10,589,186 | 254 | 254 |
| - Thermoelectric generation | 8,390,486 | 8,453,937 | - | - |
| - Renewable generation | 17,407,729 | 18,423,748 | - | - |
| - Electricity distribution | 1,576,247 | 1,619,918 | - | - |
| - Other plant and machinery | 51,201 | 39,172 | 214 | 196 |
| Other | 432,248 | 484,536 | 79,335 | 82,840 |
| Assets under construction | 1,719,438 | 1,252,074 | 10,464 | 10,255 |
| | 37,550,335 | 41,350,740 | 123,620 | 126,673 |
| **Accumulated depreciation and impairment losses** | | | | |
| Depreciation charge of the period (see note 12) | -986,379 | -1,037,184 | -6,055 | -20,650 |
| Accumulated depreciation in previous periods | -16,203,415 | -17,287,290 | -80,120 | -66,393 |
| Impairment losses of the period (see note 12) | -307,680 | -46,080 | -3 | -7,017 |
| Impairment losses in previous periods | -376,639 | -353,198 | -8,517 | -1,500 |
| | -17,874,113 | -18,723,752 | -94,695 | -95,560 |
| **Carrying amount** | 19,676,222 | 22,626,988 | 28,925 | 31,113 |

The movements in Property, plant and equipment, for the Group, for the period ended 31 December 2019, are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Exchange Differences | Perimeter Variations/ Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Land and natural resources | 90,996 | 1,196 | -6,157 | -320 | -701 | -2,704 | 82,310 |
| Buildings and other constructions | 397,173 | 199 | -12,575 | -3,502 | -3,323 | -3,918 | 374,054 |
| Plant and machinery | 39,125,961 | 47,504 | -248,185 | -2,412,609 | 139,074 | -1,709,460 | 34,942,285 |
| Other | 484,536 | 18,789 | -15,199 | 13,381 | 1,319 | -70,578 | 432,248 |
| Assets under construction | 1,252,074 | 1,247,626 | -24,708 | -739,070 | 8,805 | -25,289 | 1,719,438 |
| | 41,350,740 | 1,315,314 | -306,824 | -3,142,120 | 145,174 | -1,811,949 | 37,550,335 |

| Thousand Euros | Balance at 1 January | Charge/ Impairment losses | Disposals/ Write-offs | Transfers | Exchange Differences | Perimeter Variations/ Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Land and natural resources | 3,929 | - | -3,929 | - | - | - | - |
| Buildings and other constructions | 164,188 | 9,866 | -6,735 | -3,724 | -952 | -3,006 | 159,637 |
| Plant and machinery | 18,093,268 | 1,248,142 | -247,713 | -1,370,997 | 36,052 | -469,892 | 17,288,860 |
| Other | 383,829 | 30,439 | -13,681 | -907 | 1,128 | -59,841 | 340,967 |
| Assets under construction | 78,538 | 5,612 | - | - | 499 | - | 84,649 |
| | 18,723,752 | 1,294,059 | -272,058 | -1,375,628 | 36,727 | -532,739 | 17,874,113 |

Assets under construction are as follows:

| Thousand Euros | Dec 2019 | Dec 2018 |
|---|---|---|
| Wind and solar farms in North America | 1,003,395 | 521,361 |
| Wind and solar farms in Europe | 345,360 | 367,247 |
| Hydric Portugal | 142,573 | 196,206 |
| Other assets under construction | 228,110 | 167,260 |
| | 1,719,438 | 1,252,074 |

The capitalised costs for Property, plant and equipment for the period, except Land and natural resources, are as follows:

| Thousand Euros | Dec 2019 | Dec 2018 |
|---|---|---|
| Subcontracts and other materials | 1,134,284 | 1,453,240 |
| Purchase price allocation | 63,575 | 104,812 |
| Dismantling and decommissioning costs (see note 35) | 36,310 | 12,937 |
| Personnel costs (see note 10) | 62,465 | 60,468 |
| Borrowing costs (see note 13) | 17,484 | 24,547 |
| | 1,314,118 | 1,656,004 |

Additions include the investment in wind and solar farms by the subgroups EDPR NA, EDPR EU and EDPR BR. Additionally, EDPR SA carried out an investment in two wind power projects in Colombia. In Portugal, the Group is carrying out hydroelectric investments in the construction of several power plants (Foz Tua, Caniçada and Ribeiradio-Ermida) and improvements and repairs in thermoelectric power plants (Lares, Ribatejo and Sines).

Disposals/Write-offs include essentially 16,172 thousand Euros related to the abandonment of ongoing projects in EDPR North America (see note 11).

Transfers refer to wind and solar farms of EDP Renováveis that become operational in United States of America, Spain, France, Portugal and Italy. Additionally, this caption includes the transfer to held for sale of Electricity generation assets (Hydro Brazil, Hydro Portugal and Offshore wind) by the net amount of 1,766,492 thousand Euros (cost in the amount of 3,142,120 thousand Euros and accumulated depreciation and impairment losses in the amount of 1,375,627 thousand Euros) (see note 40).

Perimeter Variations/Regularisations include: (i) the impact of the sale of the companies EDP Renewables France, S.A.S., EDPR Participaciones, S.L.U. and their subsidiaries by the net amount of 1,045,810 thousand Euros (see note 6); (ii) the impact of the sale of the company Babilônia Holding, S.A. and its subsidiaries by the net amount of 190,365 thousand Euros (see note 6); (iii) the impact of the reclassification of concession right of Fridão hydroelectric power plant to caption Other debtors and other assets, in the amount of 17,028 thousand Euros (see note 26); and (iv) the effect of a more detailed study carried out by the Group in 2019, which resulted in the transfer of certain items of Office Equipment to Industrial property and other rights by the net amount of 22,842 thousand Euros.

Charge/Impairment losses includes impairment in termoelectric plants Soto 3, Aboño 2 and Sines as well as in wind farms in Poland (see note 12).

The movement in Exchange differences in the period results mainly from the net effect of the appreciation of US Dollar and the depreciation of Brazilian Real, against the Euro.

The movements in Property, plant and equipment, for the Group, for the period ended 31 December 2018 are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Exchange Differences | Perimeter Variations/ Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Land and natural resources | 94,961 | 637 | -3,284 | - | -3,982 | 2,664 | 90,996 |
| Buildings and other constructions | 500,052 | -51 | -770 | 3,450 | -26,680 | 8,281 | 484,282 |
| Plant and machinery | 38,106,103 | 33,719 | -284,724 | 1,402,414 | 158,800 | -290,351 | 39,125,961 |
| Other | 1,004,888 | 25,339 | -12,404 | 71,050 | 2,204 | -606,541 | 484,536 |
| Assets under construction | 1,373,994 | 1,596,997 | -11,567 | -1,476,914 | 2,892 | -233,328 | 1,252,074 |
| | 41,079,998 | 1,656,641 | -312,749 | - | 133,234 | -1,119,275 | 41,437,849 |

| Thousand Euros | Balance at 1 January | Charge/ Impairment losses | Disposals/ Write-offs | Transfers | Exchange Differences | Perimeter Variations/ Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Land and natural resources | 4,032 | -750 | -3,282 | - | - | 3,929 | 3,929 |
| Buildings and other constructions | 156,354 | 14,623 | -496 | - | -7,022 | 7,315 | 170,774 |
| Plant and machinery | 17,378,628 | 979,269 | -278,801 | - | 48,938 | -34,766 | 18,093,268 |
| Other | 746,078 | 78,168 | -11,453 | - | 2,028 | -430,992 | 383,829 |
| Assets under construction | 64,291 | 11,954 | - | - | -1,127 | 3,420 | 78,538 |
| | 18,349,383 | 1,083,264 | -294,032 | - | 42,817 | -451,094 | 18,730,338 |

Additions include the investment in wind and solar farms by the subgroups EDPR NA, EDPR EU and EDPR BR. In Portugal, the Group is carrying out hydroelectric investments in the construction of several power plants (Foz Tua, Caniçada and Ribeiradio-Ermida) and improvements and repairs in thermoelectric power plants (Lares, Ribatejo e Sines).

Disposals/Write-offs include essentially 215,502 thousand Euros in cost and accumulated amortisations related to the write-off of two groups of Setúbal thermoelectric power plant and 8,914 thousand Euros related to the abandonment of ongoing projects in EDPR North America.

Transfers refer mainly to wind and solar farms of EDP Renováveis that become operational in United States of America, Brazil, Spain, France, Italy and Portugal.

The caption Perimeter Variations/Regularisations mainly includes: (i) a decrease amounting to 300,097 thousand Euros related to the loss of control of the Vento XIX portfolio due to the sale of 80% of shareholding in the portfolio; (ii) a decrease amounting to 11,179 thousand Euros related to the loss of control of the Nation Rise project due to the sale of 75% shareholding in the project; (iii) a decrease amounting to 73,565 thousand Euros related to the sale of 100% of financial interest in Santa-Fé Energia, S.A. and EDP Pequenas Centrais Hidroelectricas S.A; (iv) a decrease amounting to 5,055 thousand Euros related to the loss of control of the Moray West Offshore project as a consequence of the sale of 33% of the project; finally, the remaining variation refers to a more detailed study carried out by the Group in 2018, which resulted in the transfer of certain items of Property, Plant and Equipment to Intangible Assets.

Charge/Impairment losses includes impairment in termoelectric plants Soto 3 and Sines as well as in wind farms in Poland.

The movement in Exchange differences in the period results mainly from the net effect of the appreciation of US Dollar and the depreciation of Brazilian Real, against the Euro.

The movements in Property, plant and equipment, for the Company, for the period ended 31 December 2019 are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land and natural resources | 4,581 | - | - | - | - | 4,581 |
| Buildings and other constructions | 28,547 | - | -16 | 241 | - | 28,772 |
| Other | 83,290 | 6,765 | -10,426 | 1,840 | -1,666 | 79,803 |
| Assets under construction | 10,255 | 2,290 | - | -2,081 | - | 10,464 |
| | 126,673 | 9,055 | -10,442 | - | -1,666 | 123,620 |

| Thousand Euros | Balance at 1 January | Charge/ Impairment losses | Disposals/ Write-offs | Transfers | Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | | | |
| Land and natural resources | - | - | - | - | - | - |
| Buildings and other constructions | 26,751 | 73 | - | - | - | 26,824 |
| Other | 60,292 | 5,981 | -5,326 | - | -1,596 | 59,351 |
| Assets under construction | 8,517 | 3 | - | - | - | 8,520 |
| | 95,560 | 6,057 | -5,326 | - | -1,596 | 94,695 |

The movements in Property, plant and equipment, for the Company, for the period ended 31 December 2018 are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land and natural resources | 7,863 | 3 | -3,285 | - | - | 4,581 |
| Buildings and other constructions | 80,488 | 15 | -649 | 1,353 | 13,465 | 94,672 |
| Other | 173,162 | 6,489 | -972 | 15,423 | -110,812 | 83,290 |
| Assets under construction | 37,647 | 34,584 | - | -16,776 | -45,200 | 10,255 |
| | 299,160 | 41,091 | -4,906 | - | -142,547 | 192,798 |

| Thousand Euros | Balance at 1 January | Charge/ Impairment losses | Disposals/ Write-offs | Transfers | Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | |
| Land and natural resources | 4,032 | -750 | -3,282 | - | - | - |
| Buildings and other constructions | 15,090 | 1,961 | -375 | - | 14,143 | 30,819 |
| Other | 123,691 | 17,939 | -799 | - | -80,539 | 60,292 |
| Assets under construction | - | 8,517 | - | - | - | 8,517 |
| | 142,813 | 27,667 | -4,456 | - | -66,396 | 99,628 |

A more detailed study carried out by the Group in 2018 resulted in the transfer of certain items of Property, Plant and Equipment to Intangible Assets. We can see the impact of this transfer in the regularizations column.

## 17. Right of use assets

In the context of the adoption of IFRS 16, the caption Right of use asset was created, which presents the following detail on 1 January 2019 (see note 3):

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Balance as at 31 December 2018 | Adoption of IFRS 16 (see note 3) | Balance as at 1 January 2019 | Balance as at 31 December 2018 | Adoption of IFRS 16 (see note 3) | Balance as at 1 January 2019 |
| **Cost** | | | | | | |
| Land and natural resources | - | 605,979 | 605,979 | - | - | - |
| Buildings and other constructions | - | 208,957 | 208,957 | - | 118,961 | 118,961 |
| Plant and machinery | - | 4,947 | 4,947 | - | - | - |
| Other | - | 8,343 | 8,343 | - | - | - |
| | - | 828,226 | 828,226 | - | 118,961 | 118,961 |
| **Accumulated depreciation and** | - | - | - | - | - | - |
| **Carrying amount** | - | 828,226 | 828,226 | - | 118,961 | 118,961 |

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | 1 Jan 2019 | Dec 2019 | 1 Jan 2019 |
| **Cost** | | | | |
| Land and natural resources | 649,050 | 605,979 | - | - |
| Buildings and other constructions | 220,027 | 208,957 | 115,744 | 118,961 |
| Plant and machinery | 4,873 | 4,947 | - | - |
| Other | 8,750 | 8,343 | 617 | - |
| | 882,700 | 828,226 | 116,361 | 118,961 |
| **Accumulated depreciation and impairment losses** | | | | |
| 'Depreciation charge of the period (see note 12) | -56,898 | - | -5,414 | - |
| 'Exchange Differences and Others | 2,701 | - | - | - |
| | -54,197 | - | -5,414 | - |
| **Carrying amount** | 828,503 | 828,226 | 110,947 | 118,961 |

The movements in Right of use asset, for the Group, for the period ended 31 December 2019, are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers (See note 40) | Exchange Differences | Perimeter Variations/ Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Land and natural resources | 605 979 | 94,147 | - | - | 3,544 | -54,620 | 649,050 |
| Buildings and other constructions | 208 957 | 17,019 | -60 | -4,916 | -863 | -110 | 220,027 |
| Plant and machinery | 4 947 | 170 | - | - | -243 | - | 4,873 |
| Other | 8 343 | 1,785 | -805 | -331 | -242 | - | 8,750 |
| | 828,226 | 113,120 | -865 | -5,247 | 2,195 | -54,730 | 882,700 |

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| Thousand Euros | Balance at 1 January | Charge/ Impairment losses (See note 12) | Disposals/ Write-offs | Transfers (See note 40) | Exchange Differences | Perimeter Variations/ Regularisations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and** | | | | | | | |
| Land and natural resources | - | 27,133 | - | - | -47 | -1,425 | 25,661 |
| Buildings and other constructions | - | 24,530 | -26 | -621 | -79 | -10 | 23,794 |
| Plant and machinery | - | 1,262 | - | - | -28 | - | 1,234 |
| Other | - | 3,973 | -347 | -72 | -46 | - | 3,508 |
| | - | 56,898 | -373 | -694 | -199 | -1,435 | 54,197 |

Additions include, essentially, new lease contracts registered under IFRS16 in the EDPR NA subgroup.

Perimeter Variations/Regularisations include the impact of the sale of the companies EDP Renewables France, S.A.S., EDPR Participaciones, S.L.U. and their subsidiaries by the net amount of 53,295 thousand Euros (see note 6).

## 18. Intangible Assets

This caption is as follows:

| Thousand Euros | Group Dec 2019 | Group Dec 2018 |
|---|---|---|
| **Cost** | | |
| Concession rights | 12,727,969 | 12,996,364 |
| CO2 Licenses | 224,992 | 197,273 |
| Other intangibles | 1,047,336 | 906,544 |
| Intangible assets in progress | 219,004 | 469,372 |
| | 14,219,301 | 14,569,553 |
| | | |
| **Accumulated amortisation and impairment losses** | | |
| Amortisation of concession rights of the period (see note 12) | -358,142 | -359,246 |
| Amortisation of other intangibles of the period (see note 12) | -60,536 | -4,036 |
| Accumulated amortisation in previous periods | -9,550,063 | -9,442,698 |
| Impairment losses in previous periods | -26,737 | -27,043 |
| | -9,995,478 | -9,833,023 |
| **Carrying amount** | 4,223,823 | 4,736,530 |

The concession rights over the electricity distribution networks in Brazil, namely in EDP São Paulo Distribuição de Energia S.A. and in EDP Espírito Santo Distribuição de Energia S.A. are amortised on a straight-line basis over the concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the public hydric domain for hydroelectric generation (EDP Produção and Hidroeléctrica do Guadiana), which useful life does not exceed 75 years.

The concession rights over electricity generation in Brazil, namely for Lajeado Energia and Investco, are amortised over the concession period until 2032.

The movements in Intangible assets during the period ended 31 December 2019, for the Group, are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 1,007,742 | 14,467 | - | -37,402 | -5,140 | - | 979,667 |
| - Hydric Portugal | 1,418,887 | - | - | -168,381 | - | - | 1,250,506 |
| - Other | - | - | -402 | 2,289 | - | 13,295 | 15,182 |
| - Assigned to concession (IFRIC 12) | 10,569,735 | 39,998 | -200,780 | 94,114 | -23,312 | 2,859 | 10,482,614 |
| CO2 licenses | 197,273 | 268,850 | -241,131 | - | - | - | 224,992 |
| Other intangibles | 906,544 | 40,015 | -15,239 | 53,011 | -2,339 | 65,344 | 1,047,336 |
| Intangible assets in progress | 469,372 | 116,535 | -932 | -68,662 | -237 | -297,072 | 219,004 |
| | 14,569,553 | 479,865 | -458,484 | -125,031 | -31,028 | -215,574 | 14,219,301 |

| Thousand Euros | Balance at 1 January | Charge/ Impairment losses | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa- tions | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 661,535 | 32,252 | - | -26,150 | -2,400 | - | 665,237 |
| - Hydric Portugal | 430,641 | 39,426 | - | -3,020 | - | - | 467,047 |
| - Other | - | 299 | -402 | - | - | 4,544 | 4,441 |
| - Assigned to concession (IFRIC 12) | 8,235,012 | 286,165 | -190,216 | -59,279 | -17,944 | 5 | 8,253,743 |
| Other intangibles | 505,835 | 60,536 | -14,723 | -595 | -498 | 54,455 | 605,010 |
| | 9,833,023 | 418,678 | -205,341 | -89,044 | -20,842 | 59,004 | 9,995,478 |

The assets allocated to concession contracts (IFRIC 12) currently in force in EDP Group fall within the Intangible Asset Model, for the electricity special regime production concessions (PRE) in Portugal and within the Mixed Model, for the electricity distribution concessions in Portugal and in Brazil, as referred in the Group's accounting policies.

Additions of CO2 Licenses include 99,398 thousand Euros related to CO2 Licenses granted free of charge to EDP Group plants operating in Portugal and Spain and 169,452 thousand Euros of licences purchased in the market for own consumption. The Disposals/Write-offs of CO2 licences correspond, essentially, to the licences consumed during 2018 and which were delivered to regulatory authorities.

Additions of Intangible assets in progress essentially include the implementation and development of information systems projects.

Transfers refer to the intangible assets assigned to concessions that became operational, in the amount of 133,233 thousand Euros (see note 25). Additionally, this caption includes the transfer to held for sale of Electricity generation assets (Hydro Brazil and Hydro Portugal) by the net amount of 169,220 thousand Euros (cost in the amount of 258,264 thousand Euros and accumulated amortisation and impairment losses in the amount of 89,044 thousand Euros) (see note 40).

Perimeter Variations/Regularisations include: (i) the impact of the reclassification of concession right and others investment amounts of Fridão hydroelectric power plant to caption Other debtors and other assets, in the amount of 287,343 thousand Euros (see note 26); (ii) the impact of the sale of the companies EDP Renewables France, S.A.S., EDPR Participaciones, S.L.U. and their subsidiaries by the net amount of 10,927 thousand Euros (see note 6); and (iii) the impact of a more detailed study carried out by the Group in 2019 which resulted in the transfer of certain items of Industrial Property to Concession rights by the net amount of 11,558 thousand Euros and Office Equipment to Industrial property and other rights by the net amount of 22,842 thousand Euros.

The capitalised costs of the period related to construction of intangible assets are included in own work capitalised in notes 7, 10 and 13.

The movements in Intangible assets during the period ended 31 December 2018, for the Group, are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa- tions | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 1,034,556 | - | - | - | -36,063 | 9,249 | 1,007,742 |
| - Hydric Portugal | 1,418,592 | - | - | 295 | - | - | 1,418,887 |
| CO2 Licenses | 110,887 | 282,450 | -196,064 | - | - | - | 197,273 |
| Assigned to concessions (IFRIC 12): | | | | | | | |
| - Intangible assets | 10,955,399 | 36,749 | -400,451 | 140,726 | -167,538 | 4,850 | 10,569,735 |
| - Intangible assets in progress | 153,516 | 311,773 | 1,274 | -458,747 | -6,765 | -1,051 | - |
| Other intangibles | 311,679 | 19,429 | -120 | 777 | 691 | 574,088 | 906,544 |
| Other intangible in progress | 342,046 | 12,498 | -7,918 | -1,072 | -1,286 | 125,104 | 469,372 |
| | 14,326,675 | 662,899 | -603,279 | -318,021 | -210,961 | 712,240 | 14,569,553 |

| Thousand Euros | Balance at 1 January | Charge/ Impairment losses | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa- tions | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 640,294 | 37,278 | - | - | -14,886 | -1,151 | 661,535 |
| - Hydric Portugal | 391,225 | 39,416 | - | - | - | - | 430,641 |
| Assigned to concessions (IFRIC 12): | 8,468,604 | 282,552 | -390,775 | - | -125,465 | 96 | 8,235,012 |
| Other intangibles | 79,192 | 4,036 | -11 | - | -749 | 423,367 | 505,835 |
| | 9,579,315 | 363,282 | -390,786 | - | -141,100 | 422,312 | 9,833,023 |

Additions of CO2 Licenses includes 50,901 thousand Euros refers to CO2 Licenses granted free of charge to EDP Group power plants operating in Portugal and Spain and 231,549 thousand Euros of licences purchased in the market for own consumption. The Disposals/Write-offs of CO2 licences correspond, essentially, to the licences consumed during 2017 and which were delivered to regulatory authorities.

Disposals/Write-offs of intangible assets assigned to concessions (IFRIC 12) include essentially 368,654 thousand Euros in cost and accumulated amortisations related to extraordinary write-offs since the maximum technical useful life has been exceeded.

Transfers refer to the net transfers of intangible assets in progress assigned to concessions of 125,985 thousand Euros related to increases of the financial assets under IFRIC 12, transfered to Debtors and other assets from commercial activities. Additionally, as a result of the amendment to IFRIC 12 - Concessions for the adoption of IFRS 15 by the Group, the amount of 192,036 thousand Euros related to assets under construction assigned to concessions, which qualify as the new category of contractual assets, was reclassified to the caption Debtors and other assets from commercial activities - Non-Current.

A more detailed study carried out by the Group in 2018, has resulted in the transfer of certain items of Property, Plant and Equipment to Intangible Assets. We can see the impact of this transfer in the regularizations column.

## 19. Goodwill

Goodwill for the Group, resulting from the difference between the acquisition price and the fair value of the net assets acquired, at the acquisition date, is organized by corporate structure, and is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| EDP España Group | 884,574 | 884,574 |
| EDP Renováveis Group | 1,198,498 | 1,325,850 |
| EDP Brasil Group | 29,903 | 34,150 |
| Other | 6,887 | 6,887 |
| | 2,119,862 | 2,251,461 |

The movements in Goodwill, during the period ended at 31 December 2019, are analysed as follows:

| Thousand Euros | Balance at 1 January | Increases | Decreases | Impairment (see note 12) | Exchange differences | Balance at 31 December |
|---|---|---|---|---|---|---|
| EDP España Group | 884,574 | - | - | - | - | 884,574 |
| EDP Renováveis Group | 1,325,850 | - | -140,196 | - | 12,844 | 1,198,498 |
| EDP Brasil Group | 34,150 | - | -3,654 | -489 | -104 | 29,903 |
| Other | 6,887 | - | - | - | - | 6,887 |
| | 2,251,461 | - | -143,850 | -489 | 12,740 | 2,119,862 |

The movements in Goodwill, during the period ended 31 December 2018, are as follows:

| Thousand Euros | Balance at 1 January | Increases | Decreases | Impairment | Exchange differences | Balance at 31 December |
|---|---|---|---|---|---|---|
| EDP España Group | 884,574 | - | - | - | - | 884,574 |
| EDP Renováveis Group | 1,295,515 | - | - | - | 30,335 | 1,325,850 |
| EDP Brasil Group | 45,644 | - | -10,604 | - | -890 | 34,150 |
| Other | 6,935 | - | -48 | - | - | 6,887 |
| | 2,232,668 | - | -10,652 | - | 29,445 | 2,251,461 |

*EDP Renováveis Group*

The goodwill held in EDP Renováveis Group is as follows:

| | EDP Renováveis Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| Goodwill in EDPR Europe Group | 494,805 | 635,161 |
| Goodwill in EDPR North America Group | 702,817 | 689,799 |
| Other | 876 | 890 |
| | 1,198,498 | 1,325,850 |

*EDPR Europe Subgroup*

The decrease in goodwill in EDP Renováveis Group is, substantially, due to the sale of the financial investment in EDPR Participaciones S.L.U. and EDP Renewables France S.A.S. and their subsidiaries in the amount of 138,703 thousand Euros (see note 6).

*EDPR North America Subgroup*

The goodwill movement in EDPR North America relates with the appreciation of the US Dollar against the Euro.

*EDP Brasil Group*

During the year of 2019, goodwill related to Energest S.A. from EDP Brasil Group was reclassified to non-current assets held for sale in the amount of 3,654 thousand Euros (see note 40).

*Goodwill impairment test analysis – EDP Group*

The recoverable amount of the goodwill in subsidiaries is assessed annually, as at 30 September, independently of the existence of any indicators of impairment. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks. Any impairment losses are recognised in the income statement for the period.

The EDP Group is composed by a significant number of subsidiaries in several locations, as mentioned in its consolidation perimeter. Therefore, the impairment tests at subgroup level are carried out for each cash generating unit (CGU) identified in each country where the EDP Group develops its activities, namely:

- EDP Espanã - Distribution and Generation of electricity, Supply of electricity and gas;
- EDPR Europe – Renewable generation;
- EDPR North America and EDPR Brasil - Renewable generation;
- EDP Brasil - Generation, Distribution and Supply of electricity.

For the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of the main investments by each cash generating unit, being presented by aggregation in each business units after the impairment tests carried out at each subgroup/cash generating unit.

*Goodwill impairment test analysis – EDP España Group*

The discount rates after taxes used by EDP España Group in the impairment test analysis range between 3.6% and 4.6% (2018: between 3.7% and 4.8% respectively).

Regarding the generation business, the evaluation of the assets (power plants) considers a portfolio logic based in the future cash flow projection of the remaining useful life. In the electricity distribution business the cash flow projection period considers the perpetuity of the business as assets are operating under a license with no foreseen end date. For the retail segment a perpetuity of the business was also considered.

The main assumptions on which impairment tests are based are as follows:

- In the generation business, the estimated energy produced by the power plants considers the best estimate of future market demand and total installed capacity;

- Prices of electricity, gas and coal were defined considering the market expectations regarding future price curves and considering current regulation and the best expectation for the future. For gas and coal prices were also used the contracted prices for future long term purchases, namely the acquisition contracts for gas;

- Investment costs: the best available estimates of the future investments were used in order to guarantee a regular use of existing assets, as well as the estimates that resulted from legislative changes;

- Operating costs: operating costs were projected consistent with the company's historical experience and internal models;

- In the regulated business, the electricity distribution, we use the most recent proposal from CNMC regarding allowed returns, considering the regulated mechanisms for the annual remuneration updates. In generation, the elimination of generation taxes would occur in 2023 and capacity payments have been considered from 2021 onwards;

- The projections for the generation and electricity distribution businesses are based on the long-term estimates of the various assumptions used in the analysis;

- The long-term projections for the electricity and gas supply business were extrapolated through a Margin/EBITDA estimate which changes with the inflation rate;

- Discount rate: the discount rates used reflect EDP Group's best estimate regarding the specific risks associated to each CGU.

The Group has performed a series of sensitivity analyses to the results of impairment tests in respect to the discount rates. The sensitivity analysis results show that an increase of 50 bps on the discount rate do not result in any impairment indicators in Goodwill.

*Goodwill impairment test analysis – EDP Renováveis Group*

The future cash flows projection used is based in the useful life of the assets. This projection also incorporates the long-term energy sale contracts in place and long-term estimates of energy prices, for the assets with market exposure.

The main assumptions used for the impairment tests are as follows:

- Power produced: net capacity factors used for each CGU utilize the wind studies carried out, which takes into account the long-term predictability of wind output and that wind generation is supported in nearly all countries by regulatory mechanisms that allow for production and priority dispatching whenever weather conditions permit;

- Electricity remuneration: regulated or contracted remuneration has been applied where available, as for the CGUs that benefit from regulated remuneration or that have signed contracts to sell their output during all or part of their useful life; where this is not available, prices were derived using price curves projected by the company based on its experience, internal models and using external data references;

- New capacity: tests were based on the best information available on the wind farms expected to be built in coming years, adjusted by probability of success and by the growth prospects of the company based on the Business Plan Targets, its historical growth and market size projections. The tests considered the contracted and expected prices to buy turbines from various suppliers;

- Operating costs: established contracts for land leases and maintenance agreements were used. Other operating costs were projected consistent with the company's experience and internal models;

- Terminal value: considered as a 15% of the initial investment in each wind farm, considering inflation; and

- Discount rate: the discount rates used are post-tax, reflect EDPR Group's best estimate of the risks specific to each CGU and range as follows:

| | 2019 | 2018 |
|---|---|---|
| Europe | 3.1% - 6.0% | 3.3% - 6.4% |
| North America | 4.8% - 6.0% | 5.1% - 6.6% |
| Brazil | 8.8% | 9.9% |

Impairment tests were performed taking into account the regulation changes in each country, disclosed in note 1.

A series of sensitivity analysis were performed on the results of impairment tests namely in some of the key variables, such as:

- 5% reduction of Merchant Prices used in the base case. This sensitivity analyses performed for this assumption independently would not suppose any impairment for the goodwill allocated to each country;

- 50 basis points increase of the discount rate used in base case. This sensitivity analyses performed for this assumption independently would not suppose any impairment for the goodwill allocated to each country.

*Goodwill impairment test analysis – EDP Brasil Group*

For EDP Brasil Group, cash flows' projections include the assumption of the extension of concession contracts in generation and distribution businesses. These cashflows are estimated by considering production and consumption volumes, installed capacity, tariff evolution prospects in the different markets and power purchase agreements.

The discount rates used reflect the specific risks for each activities and range between 8.0% to 9.1% for the different business of the Group (2018: between 9.2% and 10.4%).

The terminal value of the distribution business corresponds to the present value of the assets at the end of the concession period (Regulatory Asset Base). In the supply business, it is considered the perpetuity of the business.

A sensitivity analysis increasing 50 basis points in the discount rate used has not determined the existence of impairment indicators for goodwill and concession rights.

For generation companies, the sensitivity analysis has been performed to 50 basis points increase over the discount rate used in base case. This sensitivity analysis has not determined any existence of impairment in goodwill or concession rights.

For distribution companies, the sensitivity analysis has also been performed to 50 basis points increase over the discount rate used in the base case. This sensitivity analysis have not determined any existence of impairment in goodwill and concession rights.

## 20. Investments in Subsidiaries (Company Basis)

This caption is as follows:

| | Company | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| Acquisition cost | 16,700,420 | 16,118,120 |
| Effect of equity method (transition to IFRS) | -785,593 | -785,593 |
| Equity investments in subsidiaries | 15,914,827 | 15,332,527 |
| Impairment losses on equity investments in subsidiaries | -230,481 | -230,481 |
| | 15,684,346 | 15,102,046 |

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

Investments in subsidiaries are as follows:

| | Company | |
|---|---|---|
| | Dec 2019 | Dec 2018 |
| Thousand Euros | Net amount | Net amount |
| **Equity investments in subsidiaries:** | | |
| EDP Renováveis, S.A. | 4,154,431 | 4,154,431 |
| EDP Gestão de Produção de Energia, S.A. | 5,756,366 | 5,756,366 |
| EDP España, S.A.U. | 2,105,002 | 2,105,002 |
| EDP Distribuição de Energia, S.A. | 1,686,158 | 1,686,158 |
| EDP Servicios Financieros España, S.A.U. | 482,695 | 482,695 |
| EDP Comercial - Comercialização de Energia, S.A. | 299,091 | 299,091 |
| EDP International Investments and Services, S.L. | 988,849 | 281,854 |
| EDP Serviço Universal, S.A. | 145,104 | - |
| EDP IS - Investimentos e Serviços, Sociedade Unipessoal, Lda. | - | 269,799 |
| Other | 66,650 | 66,650 |
| | 15,684,346 | 15,102,046 |

The variation in the caption Investments in subsidiaries on a company basis results from the acquisition of EDP Serviço Universal for an amount of 145,104 thousand Euros and the contribution in kind in the EDP International Investments and Services, S.L. of a total amount of 706,995 thousand Euros. This contribution in kind corresponds to the shares and and loans of EDP IS - Investimentos e Serviços, Sociedade Unipessoal, Lda. This transaction was made at market value and generated a gain on a company basis of EDP, SA in the amount of 243,272 thousand Euros (see note 13).

In the context of impairment tests carried out at EDP Group, the financial investments held by EDP, S.A. in subsidiaries are reviewed, based on the higher of the value in use and the fair value less costs related to the sale. The main assumptions considered in the valuation models of the main financial holdings in Portugal of EDP, S.A. (EDP Produção and EDP Comercial) are as follows:

- The discount rates used reflect the best estimate regarding the specific risks associated to each subsidiary activity within a range between 3.6% and 4.8% (2018: between 3.8% and 5.0%);

- In regulated business, officially approved asset remuneration was used, considering the regulated mechanisms for the annual remuneration updates, the concession renewals expectation and the best CAPEX and regulatory framework evolution estimates;

- The estimates for the prices of electricity, brent, gas, coal and CO2 licenses were defined considering the market expectations regarding future price curves and the application of curve prices internal models considering the regulation in force and the best estimate of its future evolution. For gas and coal prices were also used the contracted prices for future long term purchases, namely the acquisition contracts for gas. Assets from generation business were evaluated from a portfolio perspective and an individual analysis of recoverability, based on the market share development estimate.

- The long-term projections for the electricity and gas supply business were extrapolated through a Margin/EBITDA estimate which changes with the inflation rate;

- In generation business, estimates were based on an average hydrologic year over the projection period for hydro plants, estimated demand evolution, market share projections and current installed capacity, as well as the best estimate for decommissioning plants in the projection period. Additionally, it was considered other system costs such as: ISP and the surcharge over CO2, CESE, clawback, g-charge and social tariff;

- Operating costs considered were based on extrapolations of current operating costs (knowledge acquired in each activity).

Sensitivity analysis were performed, such as a 50 basis points increase in the discount rate did not determined the existence of evidence of impairment in EDP S.A.'s financial investments.

The assumptions used in the valuation models of EDP S.A.'s financial holdings in other geographies, as well as the respective sensitivity analyses are described in note 19.

## 21. Investments in Joint Ventures and Associates

This caption is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| Investments in joint ventures | 936,496 | 805,381 |
| Investments in associates | 162,016 | 146,232 |
| | 1,098,512 | 951,613 |

As at 31 December 2019, for the Group, this caption includes goodwill in investments in joint ventures of 42,226 thousand Euros (31 December 2018: 42,226 thousand Euros) and goodwill in investments in associates of 20,045 thousand Euros (31 December 2018: 11,084 thousand Euros).

The movement in Investments in joint ventures and associates, for the Group, is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| **Balance as at 1 January** | 951,613 | 843,082 |
| Acquisitions/Entries | 6,982 | 174,914 |
| Increases/Decreases of share capital | 260,298 | 7,119 |
| Disposals | - | -16,954 |
| Share of profit in joint ventures and associates | 25,011 | 10,858 |
| Dividends | -45,771 | -26,015 |
| Exchange differences | 107 | -39,676 |
| Cash flow hedging reserve | -10,334 | -17,543 |
| Transfer to Assets hel for sale (see note 40) | -90,270 | - |
| Other | 876 | 15,828 |
| **Balance as at 31 December** | 1,098,512 | 951,613 |

The movement in Investments in joint ventures and associates during 2019 is mainly explained by: (i) the capital increase in Mayflower Wind Energy LLC in the amount of 71,009 thousand Euros; (ii) the capital increase in Goldfinger Ventures LLC in the amount of 69,213 thousand Euros; (iii) the capital increase in Goldfinger Ventures II LLC in the amount of 93,124 thousand Euros; and (iv) the reclassification of the financial investment in a portfolio of EDPR Group offshore companies to non-current assets held for sale in the amount of 90,280 thousand Euros (see note 40).

In 2018, the movement in Investments in joint ventures and associates is mainly explained by: (i) the sale of the investment in EDP Produção Bioeléctrica, S.A. in the amount of 16,952 thousand Euros for the Group and in the amount of 6,595 thousand Euros for the Company, corresponding to its historical acquisition cost; (ii) the positive impact of 48,707 thousands Euros due to the sale of 80% of the financial investment of 2018 Vento XIX LLC, which began to be treated as a joint venture; (iii) the positive impact of 10,468 thousands Euros due to the sale of 75% of the financial investment of Nation Rise Wind Farm GP Inc., which began to be treated as a joint venture; and (iv) difference between the acquisition price and the variation of equity method of Centrais Elétricas de Santa Catarina, S.A. - Celesc in the amount of 111,990 thousand Euros.

The following table resumes the companies' financial information of joint ventures whose investment is included under the equity method in the Group consolidated accounts, as at 31 December 2019:

| Thousand Euros | Companhia Energética do Jari | Energia Cachoeira Caldeirão | Energia São Manoel | Flat Rock Windpower II | Flat Rock Windpower | Hydro Global Investment |
|---|---|---|---|---|---|---|
| **Companies' financial information of joint ventures** | | | | | | |
| Non-Current Assets | 360,192 | 293,592 | 827,401 | 94,214 | 231,447 | 214,741 |
| Current Assets | 33,627 | 25,649 | 49,765 | 1,465 | 1,547 | 106,022 |
| Cash and cash equivalents | 12,995 | 13,838 | 25,009 | 635 | 593 | 105,674 |
| Total Equity | 204,749 | 134,131 | 436,552 | 92,251 | 225,323 | 120,573 |
| Long term Financial debt | 119,820 | 160,808 | 388,141 | - | - | 154,324 |
| Non-Current Liabilities | 152,049 | 166,340 | 404,360 | 1,516 | 4,001 | 169,664 |
| Short term Financial debt | 13,010 | 12,727 | 25,841 | - | - | 1,855 |
| Current Liabilities | 37,021 | 18,770 | 36,254 | 1,912 | 3,670 | 30,526 |
| | | | | | | |
| Revenues | 5,273 | 31,547 | 86,665 | 3,203 | 8,378 | - |
| Property plant and equipment and intangibles amortization/impairment | -3,346 | -10,178 | -29,515 | -5,512 | -14,119 | -74 |
| Other financial expenses | -1,649 | -17,242 | -42,021 | -26 | -56 | -62,796 |
| Income tax expense | 571 | 2,757 | 1,530 | - | - | -753 |
| Net profit for the period | 21,157 | -5,386 | -2,994 | -7,534 | -18,771 | -10,477 |
| | | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | 139,593 | 67,402 | 145,520 | 46,125 | 121,606 | 48,329 |
| *Goodwill* | - | - | - | - | - | - |
| Dividends paid | 7,809 | - | - | - | 12,688 | - |

| Thousand Euros | Compañía Eólica Aragonesa | CIDE HC Energía | Grupo EDP Asia | Portfólio Vento XIX | Outras |
|---|---|---|---|---|---|
| **Companies' financial information of joint ventures** | | | | | |
| Non-Current Assets | 115,362 | 1,999 | 119,157 | 493,326 | 774,060 |
| Current Assets | 7,883 | 47,193 | 1 | 25,138 | 63,078 |
| Cash and cash equivalents | 6,263 | 820 | 1 | 16,732 | 12,860 |
| Total Equity | 100,909 | 17,630 | 119,158 | 100,274 | 394,992 |
| Long term Financial debt | - | - | - | - | 60,309 |
| Non-Current Liabilities | 19,621 | 3,889 | - | 377,751 | 347,227 |
| Short term Financial debt | - | - | - | 198 | 11,655 |
| Current Liabilities | 2,715 | 27,673 | - | 40,439 | 94,919 |
| | | | | | |
| Revenues | 19,262 | 245,031 | - | 25,063 | 32,106 |
| Property plant and equipment and intangibles amortization/impairment | -12,469 | -47 | - | -12,258 | -3,367 |
| Other financial expenses | -342 | -767 | - | -13,616 | -718 |
| Income tax expense | 1,359 | -1,775 | 1,820 | - | -4,568 |
| Net profit for the period | 1,018 | 4,464 | 22,901 | 22,701 | 46,366 |
| | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | |
| Net assets | 45,830 | 8,864 | 92,305 | 51,837 | 169,085 |
| *Goodwill* | 39,558 | - | - | - | 2,668 |
| Dividends paid | 3,086 | 1,000 | 7,178 | 3,289 | 1,473 |

The following table resumes the companies' financial information of joint ventures whose investment is included under the equity method in the Group consolidated accounts, as at 31 December 2018:

| Thousand Euros | Jari Group | Energia Cachoeira Caldeirão | Energia São Manoel | Flat Rock Windpower II | Flat Rock Windpower | Hydro Global Investment |
|---|---|---|---|---|---|---|
| **Companies' financial information of joint ventures** | | | | | | |
| Non-Current Assets | 389,451 | 310,332 | 862,799 | 97,703 | 240,383 | 141,796 |
| Current Assets | 21,872 | 27,984 | 29,982 | 2,358 | 7,537 | 88,680 |
| Cash and cash equivalents | 7,701 | 13,363 | 10,158 | 1,906 | 5,576 | 88,272 |
| Total Equity | 185,976 | 141,645 | 433,518 | 96,826 | 239,426 | 68,906 |
| Long term Financial debt | 134,088 | 169,667 | 402,905 | - | - | 121,732 |
| Non-Current Liabilities | 194,054 | 176,865 | 419,898 | 1,462 | 3,870 | 148,616 |
| Short term Financial debt | 12,308 | 10,713 | 23,783 | - | - | - |
| Current Liabilities | 31,293 | 19,806 | 39,365 | 1,773 | 4,624 | 12,954 |
| | | | | | | |
| Revenues | 59,816 | 35,951 | 73,201 | 4,820 | 12,541 | - |
| Property plant and equipment and intangibles amortization/impairment | -12,060 | -10,605 | -29,278 | -5,097 | -13,359 | -86 |
| Other financial expenses | -17,005 | -18,865 | -46,007 | -24 | -53 | -19,223 |
| Income tax expense | -1,320 | 1,609 | 11,527 | - | - | 770 |
| Net profit for the period | 9,677 | -3,135 | -22,400 | -5,618 | -14,388 | -3,160 |
| | | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | 132,320 | 71,176 | 144,509 | 48,413 | 132,198 | 34,462 |
| *Goodwill* | - | - | - | - | - | - |
| Dividends paid | 850 | - | - | - | 7,200 | - |

| Thousand Euros | Compañía Eólica Aragonesa | CIDE HC Energía | EDP Asia Group | Moray Offshore East | Portfolio Vento XIX | Others |
|---|---|---|---|---|---|---|
| **Companies' financial information of joint ventures** | | | | | | |
| Non-Current Assets | 120,245 | 2,311 | 109,650 | 534,988 | 300,878 | 217,196 |
| Current Assets | 6,203 | 46,947 | 2 | 87,152 | 27,812 | 61,455 |
| Cash and cash equivalents | 4,106 | 1,273 | 2 | 62,826 | 25,150 | 21,174 |
| Total Equity | 106,064 | 14,573 | 107,872 | -73,943 | -7,107 | 98,313 |
| Long term Financial debt | - | - | - | 412,546 | - | 23,405 |
| Non-Current Liabilities | 17,483 | 4,359 | - | 587,743 | 170,949 | 126,348 |
| Short term Financial debt | - | - | - | 294 | 95 | 6,555 |
| Current Liabilities | 2,901 | 30,326 | 1,780 | 108,340 | 164,848 | 53,989 |
| | | | | | | |
| Revenues | 19,451 | 258,638 | - | - | 1,277 | 45,502 |
| Property plant and equipment and intangibles amortization/impairment | -11,922 | -66 | - | - | - | -3,707 |
| Other financial expenses | -138 | -572 | - | -3,666 | - | -572 |
| Income tax expense | 1,057 | -1,145 | -1,724 | - | - | -714 |
| Net profit for the period | 1,922 | 2,896 | 19,737 | -1,331 | 1 | 3,376 |
| | | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | 48,408 | 7,209 | 91,179 | - | 48,643 | 46,864 |
| *Goodwill* | 39,558 | - | - | - | - | 2,668 |
| Dividends paid | 5,288 | - | 7,231 | - | - | 1,501 |

The following table resumes the companies' financial information of associates whose investment is included in the Group consolidated accounts under the equity method, as at 31 December 2019:

| Thousand Euros | Mabe Brasil | Celesc | Parque Eólico Belmonte | Parque Eólico Madero | Principle Power Inc. | Other |
|---|---|---|---|---|---|---|
| **Companies' financial information of associates** | | | | | | |
| Non-Current Assets | 2,540 | 445,094 | 20,849 | 47,410 | 19,485 | 49,244 |
| Current Assets | 17,138 | 9,239 | 6,196 | 13,810 | 3,813 | 42,473 |
| Total Equity | -4,892 | 437,046 | 7,047 | 34,419 | 15,363 | 47,253 |
| Non-Current Liabilities | 21,668 | 1,004 | 13,708 | 5,446 | 5,742 | 34,557 |
| Current Liabilities | 2,902 | 16,283 | 6,290 | 21,355 | 2,193 | 9,906 |
| | | | | | | |
| Revenues | - | - | 4,057 | 11,109 | 6,954 | 55,237 |
| Net profit for the period | -1,446 | 49,453 | 1,384 | 3,662 | -3,424 | 7,915 |
| | | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | - | 110,797 | 3,830 | 14,456 | 6,778 | 26,155 |
| *Goodwill* | - | - | 1,726 | - | 5,091 | 13,228 |
| Dividends paid | - | 4,979 | 339 | - | - | 3,930 |

Other include companies with financial statements as of 31 December 2019, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2019, since the accounts as at 31 December 2019 were not timely approved.

The following table resumes the companies' financial information of associates whose investment is included in the Group consolidated accounts under the equity method, as at 31 December 2018:

| Thousand Euros | Mabe Brasil | Celesc | Parque Eólico Belmonte | Parque Eólico Madero | Principle Power Inc. | Other |
|---|---|---|---|---|---|---|
| **Companies' financial information of associates** | | | | | | |
| Non-Current Assets | 2,402 | 448,022 | 19,417 | 50,083 | 18,858 | 54,283 |
| Current Assets | 17,744 | 8,594 | 5,462 | 18,548 | 9,448 | 28,138 |
| Total Equity | -3,536 | 452,386 | 6,798 | 30,757 | 18,571 | 42,083 |
| Non-Current Liabilities | 20,691 | 1,491 | 12,182 | 5,258 | 3,811 | 30,809 |
| Current Liabilities | 2,991 | 2,739 | 5,900 | 32,616 | 5,924 | 9,530 |
| Revenues | 220 | - | 3,870 | 11,565 | 3,714 | 38,881 |
| Net profit for the period | -1,664 | 42,323 | 925 | 3,527 | -3,012 | 8,157 |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | - | 106,573 | 3,758 | 12,918 | 2,827 | 20,156 |
| *Goodwill* | - | - | 1,726 | - | 967 | 8,391 |
| Dividends paid | - | - | - | - | - | 3,945 |

Other include companies with financial statements as of 31 December 2018, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2018, since the accounts as at 31 December 2018 were not timely approved.

As at 31 December 2019, the significant companies' financial information of joint ventures and associates presents the following reconciliation of net assets proportionally attributed to EDP Group:

| Thousand Euros | Equity | % EM | Fair Value Adjustments | Goodwill | Other | Net Assets |
|---|---|---|---|---|---|---|
| Companhia Energética do JARI | 204,749 | 50.00% | 37,218 | - | - | 139,593 |
| Empresa de Energia Cachoeira Caldeirão S.A. | 134,131 | 50.00% | 336 | - | - | 67,402 |
| Empresa de Energia São Manoel S.A. | 436,552 | 33.33% | - | - | - | 145,520 |
| Flat Rock Windpower II LLC | 92,251 | 50.00% | - | - | - | 46,125 |
| Flat Rock Windpower LLC | 225,323 | 50.00% | - | - | 8,944 | 121,606 |
| Hydro Global Investment, Ltda | 120,573 | 50.00% | - | - | -11,958 | 48,329 |
| Compañía Eólica Aragonesa, S.A. | 100,909 | 50.00% | -4,625 | - | - | 45,830 |
| CIDE HC Energía, S.A. | 17,630 | 50.00% | - | - | 49 | 8,864 |
| EDP ASIA - Investimento e Consultadoria, Lda | 119,158 | 50.00% | 32,726 | - | - | 92,305 |
| Portfolio Vento XIX | 100,274 | 20.00% | 31,782 | - | - | 51,837 |
| Mabe Construções e Administração Projetos, Lda | -4,892 | 50.00% | - | - | 2,446 | - |
| Centrais Elétricas de Santa Catarina, S.A. - Celesc | 437,046 | 25.35% | - | - | - | 110,797 |
| Parque Eólico de Belmonte, S.A. | 7,047 | 29.90% | - | 1,726 | -3 | 3,830 |
| Parque Eólico Sierra del Madero S.A. | 34,419 | 42.00% | - | - | - | 14,456 |
| Principle Power, Inc. | 15,363 | 32.51% | - | 5,091 | -3,308 | 6,778 |

As at 31 December 2018, the significant companies' financial information of joint ventures and associates presents the following reconciliation of net assets proportionally attributed to EDP Group:

| Thousand Euros | Equity | % EM | Fair Value Adjustments | Goodwill | Other | Net Assets |
|---|---|---|---|---|---|---|
| Companhia Energética do JARI | 185,976 | 50.00% | 39,332 | - | - | 132,320 |
| Empresa de Energia Cachoeira Caldeirão S.A. | 141,645 | 50.00% | 353 | - | - | 71,176 |
| Empresa de Energia São Manoel S.A. | 433,518 | 33.33% | - | - | - | 144,509 |
| Flat Rock Windpower II LLC | 96,826 | 50.00% | - | - | - | 48,413 |
| Flat Rock Windpower LLC | 239,426 | 50.00% | - | - | 12,485 | 132,198 |
| Hydro Global Investment, Ltda | 68,906 | 50.00% | - | - | 9 | 34,462 |
| Compañía Eólica Aragonesa, S.A. | 106,064 | 50.00% | -4,624 | - | - | 48,408 |
| CIDE HC Energía, S.A. | 14,573 | 50.00% | - | - | -78 | 7,209 |
| EDP ASIA - Investimento e Consultadoria, Lda | 107,872 | 50.00% | 37,243 | - | - | 91,179 |
| Moray Offshore East | -73,943 | 33.30% | 19,611 | - | 5,012 | - |
| Portfolio Vento XIX | -7,107 | 20.00% | 50,064 | - | - | 48,643 |
| Mabe Construções e Administração Projetos, Lda | -3,536 | 50.00% | - | - | 1,768 | - |
| Centrais Elétricas de Santa Catarina, S.A. - Celesc | 452,386 | 23.56% | - | - | - | 106,573 |
| Parque Eólico de Belmonte, S.A. | 6,798 | 29.90% | - | 1,726 | - | 3,758 |
| Parque Eólico Sierra del Madero S.A. | 30,757 | 42.00% | - | - | - | 12,918 |
| Principle Power, Inc. | 18,571 | 21.39% | - | 967 | -2,113 | 2,827 |

As at 31 December 2019 and 2018, commitments and contingent liabilities assumed by the Group in respect of its joint ventures and associates, including its share of commitments assumed jointly with other investors, are disclosed by maturity as follows:

| | Dec 2019 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Commitments and contingent liabilities in respect of joint ventures and associates | 126,246 | 83,257 | 14,349 | 3,242 | 25,398 |
| | 126,246 | 83,257 | 14,349 | 3,242 | 25,398 |

| | Dec 2018 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Commitments and contingent liabilities in respect of joint ventures and associates | 177,499 | 127,445 | 28,542 | 2,824 | 18,688 |
| | 177,499 | 127,445 | 28,542 | 2,824 | 18,688 |

Commitments and contingent liabilities in respect of joint ventures and associatess include EDPR commitments to provide funding to Offshore projects and to the construction of solar farms facilities in USA, and to commitments assumed by EDP Brasil related to its joint ventures operating obligations.

The summarised financial information for subsidiaries with material non-controlling interests, namely EDP Brasil and EDP Renováveis, as at 31 December 2019, are disclosed in the Annex I.

## 22. Equity Instruments at Fair Value

As at 31 December 2019, this caption is analysed as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| Equity Instruments at Fair Value through OCI (see note 22.1) | 102,814 | 93,287 |
| Equity Instruments at Fair Value through PL (see note 22.2) | 67,992 | 31,860 |
| | 170,806 | 125,147 |

Under IFRS 13 (see note 44), equity instruments at fair value are classified into three levels of fair value: level 1 includes essentially financial investments that are indexed to quoted market prices; level 2 includes the fund of stocks and bonds held by Energia RE; and level 3 covers all other equity instruments at fair value. As at 31 December 2019, there are no equity instruments at fair value within level 1.

### 22.1 Equity Instruments at Fair Value through Other Comprehensive Income (OCI)

As a result of the analysis of the applicable business model, the EDP Group classified equity instruments held for long-term strategic purposes as Equity instruments measured at fair value through other comprehensive income.

The Zephyr Fund represents the participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During 2019, Zephir had an increase in its fair value, that was booked against fair value reserves, in the amount of 5,544 thousand Euros (see note 31).

In 2019, the movements in Equity Instruments at Fair Value through OCI are as follows:

| Thousand Euros | Balance at 1 Jan | Acquisitions | Disposals | Change in fair value (See note 30) | Other variations | Balance at 31 December |
|---|---|---|---|---|---|---|
| Zephyr Fund (Energia RE portfolio) | 74,535 | - | - | 5,544 | - | 80,079 |
| Other | 18,752 | 3,425 | -369 | 958 | -31 | 22,735 |
| | 93,287 | 3,425 | -369 | 6,502 | -31 | 102,814 |

In 2018, the movements in Equity Instruments at Fair Value through OCI are as follows:

| Thousand Euros | Balance at 1 Jan | Acquisitions | Disposals | Change in fair value | Other variations | Balance at 31 December |
|---|---|---|---|---|---|---|
| Zephyr Fund (Energia RE portfolio) | 77,573 | 5,000 | -4,289 | -3,749 | - | 74,535 |
| Other | 18,717 | 697 | -940 | 129 | 149 | 18,752 |
| | 96,290 | 5,697 | -5,229 | -3,620 | 149 | 93,287 |

As at 31 December 2019, the fair value reserve attributable to the Group is as follows:

| Thousand Euros | Dec 2019 | Dec 2018 |
|---|---|---|
| Zephyr Fund (Energia RE portfolio) | 11,997 | 6,453 |
| Other | 6,458 | 5,573 |
| | 18,455 | 12,026 |

### 22.2 Equity Instruments at Fair Value through Profit or Loss (PL)

As a result of the analysis of the applicable business model, the EDP Group decided to classify the remaining equity instruments held for trading purposes as equity instruments measured at fair value through PL.

Regarding Feedzai - Consultadoria e Inovação Tecnológica, S.A., the fair value of 46,814 thousand Euros was determined according to the last transaction sales of the society EQ/sales amounting to 9,6x. The sensitivity analysis, considering a reduction or increase of 0,5x in the multiple, determines a fair value of 44,4 million Euros and 49,3 million Euros, respectively. Regarding EDA - Electricidade dos Açores, S.A., the fair value of 750 thousand Euros was determined according to the Dividend Discounted model. The sensitivity analysis, considering a reduction or increase of 50bp in the discounted rate, determines a fair value of 13,3 million Euros and 15,7 million Euros, respectively.

During 2019 a increase in the fair value in the amount of 33,690 thousand Euros was booked against Profit or Loss (see notes 13 and 44).

In 2019, the movements in Equity Instruments at Fair Value through Profit or Loss are as follows:

| Thousand Euros | Balance at 1 Jan | Acquisitions | Disposals | Change in fair value | Other variations | Balance at 31 December |
|---|---|---|---|---|---|---|
| EDA - Electricidade dos Açores, S.A. | 13,666 | - | - | 750 | - | 14,416 |
| Feedzai - Consultadoria e Inovação Tecnológica, S.A. | 15,526 | - | - | 31,288 | - | 46,814 |
| Other | 2,668 | 2,870 | - | 1,652 | -428 | 6,762 |
| | 31,860 | 2,870 | - | 33,690 | -428 | 67,992 |

In 2018, the movements in Equity Instruments at Fair Value through Profit or Loss are as follows:

| Thousand Euros | Balance at 1 Jan | Acquisitions | Disposals | Change in fair value | Other variations | Balance at 31 December |
|---|---|---|---|---|---|---|
| EDA - Electricidade dos Açores, S.A. | 13,045 | - | - | 621 | - | 13,666 |
| Feedzai - Consultadoria e Inovação Tecnológica, S.A. | 13,565 | - | - | 1,961 | - | 15,526 |
| Others | 1,097 | 1,571 | - | - | - | 2,668 |
| | 27,707 | 1,571 | - | 2,582 | - | 31,860 |

## 23. Deferred Tax Assets and Liabilities

EDP Group records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis. As at a 31 December 2019, on a consolidated basis, the movement by nature of Net Deferred Tax Assets and Liabilities are as follows:

| Net Deferred Tax Assets | | | | | |
|---|---|---|---|---|---|
| **Thousand Euros** | **Balance at 01.01.2019** | **Mov. Results** | **Mov. Reserves** | **Perimeter variations, exchange differences and others** | **Balance at 31.12.2019** |
| Tax losses and tax credits | 983,530 | 59,624 | - | 24,584 | 1,067,738 |
| Provisions for social benefits, bad debts and other risks | 698,426 | (91,176) | 63,915 | (4,399) | 666,766 |
| Financial instruments | 109,159 | (11,494) | (12,173) | (641) | 84,851 |
| Property plant and equipment | 204,030 | 80,579 | - | (5,708) | 278,901 |
| Financial and equity instruments at fair value | 438 | - | (196) | 6 | 248 |
| Tariff adjustments and tariff deficit | 39,906 | (27,449) | - | 1,991 | 14,448 |
| Allocation of fair value to assets and liabilities acquired | 24,762 | (8,832) | - | (2,681) | 13,249 |
| Fiscal revaluations | 464,070 | (56,876) | - | (14,322) | 392,872 |
| Use of public property | 24,068 | 769 | - | (400) | 24,437 |
| Other temporary differences | 44,296 | 38,384 | 3,872 | 262 | 86,814 |
| Assets/liabilities compensation of deferred taxes | (1,440,490) | (73,718) | (3,903) | (28,167) | (1,546,278) |
| | 1,152,195 | -90,189 | 51,515 | -29,475 | 1,084,046 |

| Net Deferred Tax Liabilities | | | | | |
|---|---|---|---|---|---|
| Thousand Euros | Balance at 01.01.2019 | Mov. Results | Mov. Reserves | Perimeter variations, exchange differences and others | Balance at 31.12.2019 |
| Provisions for social benefits, bad debts and other risks | 16,163 | (636) | 1,314 | (466) | 16,375 |
| Financial instruments | 36,264 | 4,636 | 81,607 | (241) | 122,266 |
| Property plant and equipment | 434,119 | 12,677 | - | (42,338) | 404,458 |
| Reinvested gains | 3,213 | (21) | - | - | 3,192 |
| Financial and equity instruments at fair value | 3,993 | 6,558 | - | - | 10,551 |
| Tariff adjustments and tariff deficit | 80,337 | 26,830 | - | 1,991 | 109,158 |
| Allocation of fair value to assets and liabilities acquired | 698,042 | 43,721 | - | (77,908) | 663,855 |
| Fiscal revaluations | 70,138 | (3,981) | - | (4,605) | 61,552 |
| Deferred income relating to CMEC | 198,055 | (20,444) | - | - | 177,611 |
| Gains from institutional partnerships in USA wind farms | 336,895 | 6,203 | 58 | 6,488 | 349,644 |
| Use of public property | 7,500 | (432) | - | (110) | 6,958 |
| Fair value of financial assets | 35,505 | 22,546 | - | (1,074) | 56,977 |
| Other temporary differences | 94,966 | (34,085) | 7,356 | (811) | 67,426 |
| Assets/liabilities compensation of deferred taxes | (1,440,490) | (73,718) | (3,903) | (28,167) | (1,546,278) |
| | 574,701 | -10,146 | 86,432 | -147,241 | 503,746 |

As at a 31 December 2018, on a consolidated basis, the movement by nature of Net Deferred Tax Assets and Liabilities are as follows:

| Net Deferred Tax Assets | | | | | |
|---|---|---|---|---|---|
| Thousand Euros | Balance at 01.01.2018 | Mov. Results | Mov. Reserves | Perimeter variations, exchange differences and others | Balance at 31.12.2018 |
| Tax losses and tax credits | 900,167 | 38,745 | - | 44,618 | 983,530 |
| Provisions for social benefits, bad debts and other risks | 635,138 | 57,429 | 10,830 | (4,971) | 698,426 |
| Financial instruments | 45,694 | 954 | 62,222 | 289 | 109,159 |
| Property plant and equipment | 207,160 | (3,533) | - | 403 | 204,030 |
| Financial and equity instruments at fair value | 595 | (101) | (53) | (3) | 438 |
| Tariff adjustments and tariff deficit | 69,788 | (29,882) | - | - | 39,906 |
| Allocation of fair value to assets and liabilities acquired | 33,684 | (8,897) | - | (25) | 24,762 |
| Fiscal revaluations | 463,086 | 425 | - | 559 | 464,070 |
| Use of public property | 25,842 | 1,065 | - | (2,839) | 24,068 |
| Other temporary differences | 33,488 | 12,984 | - | (2,176) | 44,296 |
| Assets/liabilities compensation of deferred taxes | (1,583,974) | (33,593) | (2,196) | 179,273 | (1,440,490) |
| | 830,668 | 35,596 | 70,803 | 215,128 | 1,152,195 |

| Net Deferred Tax Liabilities | | | | | |
|---|---|---|---|---|---|
| Thousand Euros | Balance at 01.01.2018 | Mov. Results | Mov. Reserves | Perimeter variations, exchange differences and others | Balance at 31.12.2018 |
| Provisions for social benefits, bad debts and other risks | 17,282 | 364 | (975) | (508) | 16,163 |
| Financial instruments | 29,626 | (2,590) | 11,344 | (2,116) | 36,264 |
| Property plant and equipment | 405,612 | 15,849 | 79 | 12,579 | 434,119 |
| Reinvested gains | 3,213 | - | - | - | 3,213 |
| Financial and equity instruments at fair value | 3,902 | 395 | (304) | - | 3,993 |
| Tariff adjustments and tariff deficit | 252,542 | (171,342) | (863) | - | 80,337 |
| Allocation of fair value to assets and liabilities acquired | 649,487 | 15,616 | - | 32,939 | 698,042 |
| Fiscal revaluations | 74,564 | (4,454) | - | 28 | 70,138 |
| Deferred income relating to CMEC | 185,631 | 12,424 | - | - | 198,055 |
| Gains from institutional partnerships in USA wind farms | 291,041 | 36,746 | (5,619) | 14,727 | 336,895 |
| Use of public property | 8,869 | (307) | - | (1,062) | 7,500 |
| Fair value of financial assets | 34,717 | 4,611 | - | (3,823) | 35,505 |
| Other temporary differences | 88,779 | 15,930 | (8,030) | (1,713) | 94,966 |
| Assets/liabilities compensation of deferred taxes | (1,583,974) | (33,593) | (2,196) | 179,273 | (1,440,490) |
| | 461,292 | -110,351 | -6,564 | 230,324 | 574,701 |

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

On a Company basis, EDP, S.A. records the tax effect arising from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis. As at a 31 December 2019, on a Company basis, the movement by nature of Net Deferred Tax Assets and Liabilities are as follows:

| Net Deferred Tax Assets | | | | | |
|---|---|---|---|---|---|
| Thousand Euros | Balance at 01.01.2019 | Mov. Results | Mov. Reserves | Perimeter variations, exchange differences and others | Balance at 31.12.2019 |
| Tax losses and tax credits | 89,383 | 44,893 | - | (17,793) | 116,483 |
| Provisions for social benefits, bad debts and other risks | 6,945 | (1,571) | 122 | 569 | 6,065 |
| Financial instruments | 21,431 | - | 26,906 | - | 48,337 |
| Property plant and equipment | 4,322 | - | - | 8 | 4,330 |
| Other temporary differences | 3,083 | - | - | 3 | 3,086 |
| Assets/liabilities compensation of deferred taxes | (32,505) | (2,889) | - | - | (35,394) |
| | 92,659 | 40,433 | 27,028 | -17,213 | 142,907 |

| Net Deferred Tax Liabilities | | | | | |
|---|---|---|---|---|---|
| Thousand Euros | Balance at 01.01.2019 | Mov. Results | Mov. Reserves | Perimeter variations, exchange differences and others | Balance at 31.12.2019 |
| Financial instruments | 21,042 | - | 6,600 | - | 27,642 |
| Allocation of fair value to assets and liabilities acquired | 3,546 | | | | 3,546 |
| Fiscal revaluations | 199 | (7) | - | - | 192 |
| Other temporary differences | 7,718 | (3,704) | - | - | 4,014 |
| Assets/liabilities compensation of deferred taxes | (32,505) | (2,889) | - | - | (35,394) |
| | - | -6,600 | 6,600 | - | - |

As at a 31 December 2018, on a Company basis, the movement by nature of Net Deferred Tax Assets and Liabilities are as follows:

| Net Deferred Tax Assets | | | | | |
|---|---|---|---|---|---|
| Thousand Euros | Balance at 01.01.2018 | Mov. Results | Mov. Reserves | Perimeter variations, exchange differences and others | Balance at 31.12.2018 |
| Tax losses and tax credits | 75,681 | (531) | - | 14,233 | 89,383 |
| Provisions for social benefits, bad debts and other risks | 7,266 | (571) | 249 | 1 | 6,945 |
| Financial instruments | 15 | - | 21,415 | 1 | 21,431 |
| Property plant and equipment | 4,188 | 134 | - | - | 4,322 |
| Other temporary differences | 3,074 | 9 | - | - | 3,083 |
| Assets/liabilities compensation of deferred taxes | (11,966) | (20,539) | - | - | (32,505) |
| | 78,258 | -21,498 | 21,664 | 14,235 | 92,659 |

| Net Deferred Tax Liabilities | | | | | |
|---|---|---|---|---|---|
| Thousand Euros | Balance at 01.01.2018 | Mov. Results | Mov. Reserves | Perimeter variations, exchange differences and others | Balance at 31.12.2018 |
| Financial instruments | 1,687 | - | 19,355 | - | 21,042 |
| Allocation of fair value to assets and liabilities acquired | 3,546 | - | - | - | 3,546 |
| Fiscal revaluations | 205 | (6) | - | - | 199 |
| Other temporary differences | 6,528 | 1,189 | - | 1 | 7,718 |
| Assets/liabilities compensation of deferred taxes | (11,966) | (20,539) | - | - | (32,505) |
| | - | -19,356 | 19,355 | 1 | - |

Taxes recorded against reserves are as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Financial instruments and fair value | -93,244 | 43,661 | 20,306 | 2,060 |
| Actuarial gains and losses | 64,139 | 19,242 | 122 | 249 |
| Changes in fair value of financial assets held for sale | -1,514 | 1,780 | - | - |
| Transactions with non-controlling interests and Others | -4,298 | 12,684 | - | - |
| | -34,917 | 77,367 | 20,428 | 2,309 |

The Group tax losses carried forward are analysed as follows:

| Thousand Euros | Group | |
|---|---|---|
| | Dec 2019 | Dec 2018 |
| **Expiry date:** | | |
| 2019 | - | 6,585 |
| 2020 | 9,131 | 15,151 |
| 2021 | 47,691 | 50,102 |
| 2022 | 17,101 | 21,698 |
| 2023 | 36,081 | 36,394 |
| 2024 | 541,209 | 40,238 |
| 2025 a 2039 | 2,288,413 | 2,234,996 |
| Without expiry date | 1,032,844 | 1,374,629 |
| | 3,972,470 | 3,779,793 |

Of the total of EDP Group's tax losses available to carry forward as at 31 December 2019, the amount of 447,248 thousand Euros does not have deferred tax asset, in accordance with the applicable accounting standards since, at the present date, there is still not sufficient visibility about the future period in which such tax losses will be used.

## 24. Inventories

This caption is as follows:

| Thousand Euros | Group | |
|---|---|---|
| | Dec 2019 | Dec 2018 |
| Merchandise | 54,368 | 48,194 |
| Finished, intermediate products and sub-products | 37,785 | 38,910 |
| Raw and subsidiary materials and consumables (coal and other fuels) | 150,465 | 132,428 |
| Nuclear fuel | 15,562 | 16,159 |
| CO2 licenses (see note 45) | - | - |
| Other | 110,154 | 106,346 |
| | 368,334 | 342,037 |

The caption CO2 Licenses, includes licenses held for trading, measured at the lower of acquisition cost and net realisable value, which corresponds to the market quote, as described in accounting policy 2 x).

## 25. Debtors and Other Assets from Commercial Activities

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| **Assets measured at amortised cost:** | | |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 254,482 | 7,691 |
| Amounts receivable from tariff adjustments - Electricity - Brazil | 29,105 | 27,551 |
| Amounts receivable relating to CMEC | 579,160 | 647,667 |
| Amounts receivable from concessions - IFRIC 12 | 954,132 | 882,087 |
| Other assets measured at amortised cost | 44,935 | 35,585 |
| Impairment losses on other assets measured at amortised cost | -2,895 | -2,895 |
| | 1,858,919 | 1,597,686 |
| **Trade receivables at amortised cost:** | | |
| Trade receivables | 49,305 | 116,479 |
| Impairment losses on trade receivables | -16,285 | -52,629 |
| | 33,020 | 63,850 |
| **Assets measured at fair value through other comprehensive income:** | | |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 6,292 | 9,743 |
| **Assets measured at fair value through profit or loss:** | | |
| Amounts receivable from concessions - IFRIC 12 | 664,489 | 519,544 |
| **Contract assets:** | | |
| Contract assets receivable from energy sales contracts | 1,355 | 2,093 |
| Incremental costs of obtaining contracts with customers | 63,752 | 66,850 |
| Contract assets receivable from concessions - IFRIC 12 | 743,111 | 192,036 |
| | 808,218 | 260,979 |
| **Other assets:** | | |
| Other assets out of scope of IFRS 9 (*) | 53,282 | 70,838 |
| | 3,424,220 | 2,522,640 |

(*) *As at 31 December 2019, the variation in Other assets out of scope of IFRS 9 - Non-current includes the reclassification, to Right of use assets, of 10,314 thousand Euros referring to prepayments of leases of land in EDP Renováveis Portugal, under the adoption of IFRS 16, in 1 of January of 2019 (see notes 3 and 17).*

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

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| **Assets measured at amortised cost:** | | | | |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 82,166 | 204,626 | - | - |
| Amounts receivable from tariff adjustments - Electricity - Brazil | 50,486 | 82,392 | - | - |
| Receivables relating to other goods and services | 32,201 | 30,864 | 26,509 | 25,081 |
| Amounts receivable relating to CMEC | 197,905 | 184,757 | - | - |
| Amounts receivable from concessions - IFRIC 12 | 57,916 | 53,150 | - | - |
| Other assets measured at amortised cost | 155,600 | 141,708 | 62,754 | 129,927 |
| Impairment losses on other assets measured at amortised cost | -2,694 | -5,897 | - | -153 |
| | 573,580 | 691,600 | 89,263 | 154,855 |
| **Trade receivables at amortised cost:** | | | | |
| Trade receivables | 1,480,280 | 1,497,576 | 237,424 | 190,047 |
| Impairment losses on trade receivables | -302,687 | -304,237 | -215 | -306 |
| | 1,177,593 | 1,193,339 | 237,209 | 189,741 |
| **Assets measured at fair value through other comprehensive income:** | | | | |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 2,865 | 3,153 | - | - |
| **Contract assets:** | | | | |
| Contract assets receivable from energy sales contracts | 1,051,994 | 1,219,851 | 252,885 | 307,087 |
| **Other assets:** | | | | |
| Other assets out of scope of IFRS 9 | 52,128 | 59,536 | 4,471 | 1,721 |
| | 2,858,160 | 3,167,479 | 583,828 | 653,404 |

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

| Thousand Euros | Non-Current | Current |
|---|---|---|
| **Balance as at 31 December 2018** | 17,434 | 207,779 |
| Receipts through the electricity tariff | - | -213,271 |
| Sale of 2019 overcosts for the special regime generators | - | -1,070,052 |
| Tariff adjustment of the period (see note 7) | 254,164 | 1,194,795 |
| Interest income (see note 13) | - | -1,658 |
| Transfer to/from tariff adjustment payable (see note 37) | 1,449 | -44,835 |
| Transfer from Non-Current to Current | -12,273 | 12,273 |
| **Balance as at 31 December 2019** | 260,774 | 85,031 |

During the second quarter of 2019, EDP Serviço Universal, S.A. sold the 2019 tariff deficit in the amount of 1,070,052 thousand Euros. This tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2019 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2017 and 2018). In this sale transaction of assets, EDP Serviço Universal, S.A. gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 1,024 million Euros and generated a gain net of transaction costs of 3,589 thousand Euros (see note 13).

As at 31 December 2019, the caption Assets measured at fair value through other comprehensive income includes the amount of the tariff deficit classified and measured at fair value through other comprehensive income. According to IFRS 13, the tariff deficit fair value is classified as level 2 (see note 44).

The following table provides details for the caption Amounts receivable from tariff adjustments - Electricity - Portugal, by nature and year of establishment, as well as presents the amounts of tariff deficit that have been sold during the period ended 31 December 2019:

| Thousand Euros | Deficit | Tariff adj. | Sales | Total |
|---|---|---|---|---|
| **Year:** | | | | |
| 2016 | 7,691 | 1,449 | - | 9,140 |
| 2017 | - | - | - | - |
| 2018 | 7,435 | -46,081 | - | -38,646 |
| 2019 | 1,071,773 | 373,590 | -1,070,052 | 375,311 |
| | 1,086,899 | 328,958 | -1,070,052 | 345,805 |

As at 31 December 2019, in accordance with the methodology for determining impairment losses on amounts receivable from regulatory assets (see note 2 e)), no impairment loss related to the amounts included in the captions Amounts receivable from tariff adjustments - Electricity, Amounts receivable relating to CMEC and Amounts receivable from concessions was recognised.

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments recognised in EDP São Paulo - Distribuição de Energia S.A. and EDP Espírito Santo - Distribuição de Energia S.A. in the accumulated amount, as at 31 December 2019, of 33,190 thousand Euros (31 December 2018: 74,099 thousand Euros) and 46,401 thousand Euros (31 December 2018: 35,844 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 47,992 thousand Euros (see note 7), transfer from tariff adjustment payable of 85,066 thousand Euros (see note 37), amounts received through the electricity tariff of 179,641 thousand Euros, unwinding in the amount of 17,316 thousand Euros (see note 13) and the exchange differences due to depreciation of Brazilian Real against Euro with a negative impact of 1,085 thousand Euros.

The caption Amounts receivable relating to CMEC amounts to 777,065 thousand Euros, and includes 579,160 thousand Euros as non-current and 197,905 thousand Euros as current. The amount receivable relating to CMEC includes 394,759 thousand Euros as non-current and 44,167 thousand Euros as current, which correspond to the initial CMEC granted to EDP Produção (833,467 thousand Euros), deducted from the annuities for the years 2007 to 2017, and 184,401 thousand Euros as non-current and 52,486 thousand Euros as current, relating with the final adjustment recognised in accordance with the result achieved by the EDP/REN working group. The remaining 101,252 thousand Euros as current correspond to the amounts receivable through the revisibility calculation from 2014 to 2017. The revisibility calculation for 2015 to 2017 is still waiting the official approval.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 1,676,537 thousand Euros (31 December 2018: 1,454,781 thousand Euros) relates to the financial asset to be received by the EDP Group regarding the electricity distribution concessions in Portugal and Brazil, resulting from the application of the mixed model, and the asset related to electricity transmission concessions in Brazil. The variation of the period includes: (i) the effect of the depreciation of Brazilian Real against Euro in the amount of 12,223 thousand Euros; (ii) transfers from Contract assets receivable from concessions in the amount of 162,369 thousand Euros; and (iii) the re-measurement of IFRIC 12 indemnity amount in Brazil concessions of 66,308 thousand Euros.

The movements in Impairment losses on other assets measured at amortised cost are as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Non-current | Current | Non-current | Current |
| **Balance as at 31 December 2017** | 3,182 | 12,416 | - | 788 |
| Impact of IFRS 9 adoption | - | 924 | - | - |
| **Balance as at 1 January 2018** | 3,182 | 13,340 | - | 788 |
| Charge of the period | - | 2,965 | - | 7 |
| Reversal of impairment losses | -264 | -1,301 | - | -68 |
| Charge-off | - | -1,314 | - | -574 |
| Exchange differences | -23 | -286 | - | - |
| Perimeter variations/Other regularisations | - | -7,507 | - | - |
| **Balance as at 31 December 2018** | 2,895 | 5,897 | - | 153 |
| Charge of the period | - | 121 | - | - |
| Reversal of impairment losses | - | -554 | - | -10 |
| Charge-off | - | -2,720 | - | -143 |
| Exchange differences | - | -3 | - | - |
| Perimeter variations/Other regularisations | - | -47 | - | - |
| **Balance as at 31 December 2019** | 2,895 | 2,694 | - | - |

The geographical market Trade receivables' breakdown and the credit risk analysis are disclosed in note 5, under the Counterparty credit risk management.

As at 31 December 2019 and 2018, on a company basis, trade receivables are from Portugal geographical market.

The movements in Impairment losses on trade receivables are as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Non-current | Current | Non-current | Current |
| **Balance as at 31 December 2017** | 61,929 | 305,909 | - | 9,699 |
| Impact of IFRS 9 adoption | - | 52,289 | - | -56 |
| **Balance as at 1 January 2018** | 61,929 | 358,198 | - | 9,643 |
| Charge of the period | 1,080 | 91,484 | - | 215 |
| Reversal of impairment losses | -4,447 | -68,667 | - | -12 |
| Charge-off | -5,456 | -64,528 | - | -9,540 |
| Exchange differences | -535 | -6,406 | - | - |
| Perimeter variations/Other regularisations | 58 | -5,844 | - | - |
| **Balance as at 31 December 2018** | 52,629 | 304,237 | - | 306 |
| Charge of the period | 929 | 95,306 | - | - |
| Reversal of impairment losses | -12,121 | -50,474 | - | - |
| Charge-off | -25,060 | -49,020 | - | -91 |
| Exchange differences | -103 | -1,809 | - | - |
| Perimeter variations/Other regularisations | 11 | 4,447 | - | - |
| **Balance as at 31 December 2019** | 16,285 | 302,687 | - | 215 |

Contract assets receivable from energy sales contracts - Current include contract assets relating to energy delivered and not yet invoiced, amounts receivable from REN regarding the CMEC Revisibility of 2016 and 2017 which are awaiting approval, and accruals from UNGE's energy management business. The impairment losses on Trade receivables includes impairment losses related to Contract assets receivable from energy sales contracts.

The caption Incremental costs of obtaining contracts with customers includes contract assets from the recognition of incremental costs of obtaining contracts with customers, which are capitalised and amortised under IFRS 15 (see note 12).

The caption Contract assets receivable from concessions - IFRIC 12 refers to the investment in assets under construction assigned to concessions, with the biggest increase, during 2019, in Brazil.The variation of the period includes the investment of the period, in the amount of 770,907 thousand Euros, and the transfer from assets assigned to concessions which began operation to intangible assets, in the amount of 133,233 thousand Euros (see note 18), and to Amounts receivable from concessions - IFRIC 12, in the amount of 162,369 thousand Euros.

## 26. Other Debtors and Other Assets

Other debtors and other assets are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| **Debtors and other assets - Non-Current** | | | | |
| **Assets measured at amortised cost:** | | | | |
| Loans to subsidiaries | - | - | 3,016,108 | 2,951,030 |
| Loans to related parties | 9,070 | 42,973 | 90 | 90 |
| Guarantees rendered to third parties | 107,744 | 64,162 | - | - |
| Other financial assets at amortised cost (i) | 46,382 | 46,244 | 46,900 | 560,358 |
| **Assets measured at fair value through profit or loss:** | | | | |
| Derivative financial instruments (see note 41) | 201,349 | 191,923 | 225,947 | 260,931 |
| Contingent price | 155,353 | 170,953 | - | - |
| **Other assets:** | | | | |
| Excess of the pension fund financing (see note 34) | 55,506 | 59,840 | 104 | 68 |
| Other debtors and sundry operations | 357,174 | 53,525 | - | - |
| | 932,578 | 629,620 | 3,289,149 | 3,772,477 |
| **Debtors and other assets - Current** | | | | |
| **Assets measured at amortised cost:** | | | | |
| Loans to subsidiaries | - | - | 297,616 | 748,855 |
| Dividends attributed by subsidiaries | - | - | 85,000 | - |
| Loans to related parties | 13,257 | 20,738 | - | - |
| Receivables from the State and concessors | 27,955 | 28,655 | - | - |
| Guarantees rendered to third parties | 70,809 | 77,580 | 43,980 | 45,198 |
| Subsidiary companies | - | - | 69,318 | 190,042 |
| Group's financial system (see note 43) | - | - | 612,063 | 675,997 |
| Other financial assets at amortised cost (i) | 23,025 | 16,457 | 526,428 | 460,956 |
| **Assets measured at fair value through profit or loss:** | | | | |
| Derivative financial instruments (see note 41) | 363,943 | 96,517 | 439,143 | 302,971 |
| Other financial investments measured at fair value | 29,938 | 39,258 | - | - |
| Contingent price | 129,161 | 290,900 | - | - |
| **Other assets:** | | | | |
| Other debtors and sundry operations | 223,691 | 24,703 | 89,656 | - |
| | 881,779 | 594,808 | 2,163,204 | 2,424,019 |
| | 1,814,357 | 1,224,428 | 5,452,353 | 6,196,496 |

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 1,369,908 thousand Euros (31 December 2018: 1,580,629 thousand Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 1,503,715 thousand Euros (31 December 2018: 1,808,458 thousand Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 43).

For the Loans to subsidiaries, EDP, S.A. performs an analysis to evaluate impairment based on the general approach. The company uses several inputs on making its assessment of the credit risk related to these assets, such as the analysis of the historical possible delays and/or impairment losses indications, rating companies (when applicable) and market and macroeconomic data that may change the probability of default and the expectation of delays in the receivable amounts. According to the analysis performed, as per 31 December 2019 there are no expected credit losses accounted for related to loans with subsidiaries.

Variation in Loans to related parties – Non current is mainly related to the reclassification of the offshore wind segment to assets held for sale (see note 40) of the loans granted to Éoliennes en Mer Dieppe - Le Tréport, S.A.S., Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S., Moray Offshore Renewable Power Ltd and Windplus S.A.

### (i) Other financial assets at amortised cost

On a consolidated basis, this caption includes the securities issued by Tagus - Sociedade de Titularização de Créditos, S.A. (a limited liability company incorporated under the laws of Portugal for the purpose of carrying out securitization transactions through the acquisition, management and transmission of credits and the issuance of securitized bonds for the payment of the acquired credits, which share capital is fully owned by Deutsche Bank Aktiengesellschaft), in the context of the transmission of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, owned by EDP Distribuição, S.A. and EDP Serviço Universal, S.A. were classified as financial assets measured at amortised cost.

In Portugal, Decree - Law 237-B/2006 of 19 December 2006 and Decree - Law 165/2008 of 21 August 2008, refer to the transfer to third parties of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, through which the EDP Group has made, since 2008, a number of transfer operations of financial assets.

Under the following operations, assets were transferred to securitisation companies, that financed their purchases through debt securities registered in the Securities Commission (CMVM):

• In August 2016, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2016 overcost of the acquisition of electricity activity from special regime production, in the amount of 598,883 thousand Euros. The transaction was performed by the amount of 599,987 thousand Euros, generating a loss of 7,417 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 381 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 3,635 thousand Euros, both maturing in 2021. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses. As at 31 December 2019, the amortised cost of these Notes corresponds to 1,386 thousand Euros.

• In December 2017, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2017 overcost of the acquisition of electricity activity from special regime production, in the amount of 583,539 thousand Euros. The transaction was performed by the amount of 600,000 thousand Euros, generating a gain of 13,004 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 372 thousand Euros, Liquidity Notes issued by Tagus at par value in the amount of 1,275 thousand Euros and Senior Notes issued by Tagus at par value in the amount of 30,000 thousand Euros, all maturing in 2021. The Liquidity and Class R Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses. As at 31 December 2019, the amortised cost of the Notes corresponds to 17,468 thousand Euros.

• In June 2018, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2018 overcost of the acquisition of electricity activity from special regime production, in the amount of 641,069 thousand Euros. The transaction was performed by the amount of 650,000 thousand Euros, generating a gain of 1,204 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 375 thousand Euros, Liquidity Notes issued by Tagus at par value in the amount of 1,788 thousand Euros and Senior Notes issued by Tagus at par value in the amount of 32,500 thousand Euros, all maturing in 2023. The Liquidity and Class R Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses. As at 31 December 2019, the amortised cost of the Notes corresponds to 27,533 thousand Euros.

• In June 2019, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2019 overcost of the acquisition of electricity activity from special regime production, in the amount of 470,052 thousand Euros. The transaction was performed by the amount of 475,000 thousand Euros, generating a gain of 516 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 490 thousand Euros, Liquidity Notes issued by Tagus at par value in the amount of 831 thousand Euros and Senior Notes issued by Tagus at par value in the amount of 23,800 thousand Euros, all maturing in 2024. The Liquidity and Class R Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses. As at 31 December 2019, the amortised cost of the Notes corresponds to 22,983 thousand Euros.

On a company basis, this caption includes the bonds issued by EDP Finance B.V. reacquired on market by EDP, S.A.

On 6 December 2016, EDP, S.A. has bought an amount of 500,000 thousand American Dollars of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 500,624 thousand Euros. This amount includes a premium paid over the nominal debt of 21,101 thousand Euros and accrued interest as at the acquisition date. On 15 December 2017, EDP, S.A. has bought an amount of 500,000 thousand Dollars of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 446,802 thousand Euros. This amount includes a premium paid over the nominal debt of 18,016 thousand Euros and accrued interest as at the acquisition date. On 11 December 2018, EDP, S.A. has bought an amount of 499,998 thousand Euros of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 541,751 thousand Euros. This amount includes a premium paid over the nominal debt of 33,705 thousand Euros and accrued interest as at the acquisition date.

During 2019 EDP Finance B.V. repaid, at maturity, in the second quarter 650 million Euros of securities issued, of which EDP, S.A. had already reacquired 98,809 thousand Euros, and 1,000 million Dollars of securities issued in the third quarter, of which EDP, S.A. had already reacquired 363,462 thousand american Dollars.

The detail of these bonds is as follows:

| Issuer | Maturity date | Currency | Interest rate | Nominal value in Currency '000 | Acquired in Currency '000 |
|---|---|---|---|---|---|
| EDP Finance B.V. | 29 Jun 2020 | EUR | 4.13% | 300,000 | 66,628 |
| EDP Finance B.V. | 14 Sep 2020 | EUR | 4.88% | 750,000 | 287,778 |
| EDP Finance B.V. | 20 Jan 2021 | EUR | 4.13% | 600,000 | 46,783 |
| | | | | | 401,189 |
| | | | | | |
| EDP Finance B.V. | 15 Jan 2020 | USD | 4.13% | 750,000 | 167,076 |
| | | | | | 167,076 |

As at 31 December 2019, these investments' fair value amounts to 577,957 thousand Euros (31 December 2018: 1,006,402 thousand Euros).

The caption Contingent prices - Non Current refers, mainly, to the fair value of the contingent price related to the Naturgás sale and to the fair value of the remaining contingent prices related to the sale of 13.5% of the companies Eoliennes en Mer Dieppe - Le Tréport, S.A.S. e Eoliennes en Mer Iles d'Yeu et de Noirmoutier, S.A.S. The caption Contingent prices - Current refers, mainly, to the fair value of contingent prices related to the sale 75% of the companies Nation Rise Wind Farm Gp II Inc. e Nation Rise Wind Farm Limited Partnership.

The caption Other debtors and sundry operations - Non Current includes 217,798 thousand Euros related to the financial consideration paid in advance for the exploitation of the hydro power plants of Fridão and other amounts invested in such hydro power plant (see note 4).

The caption Other debtors and sundry operations - Current includes 132,227 thousand Euros for the sale of Babilônia Holding, S.A. and its subsidiaries (see note 6) and the receivable of 54,506 thousand Euros related with the acquisition of the certain projects by the Joint Ventures Goldfinger Ventures and Goldfinger Ventures II (see note 6).

The caption Other debtors and sundry operations - Current, on individual basis, relates to the amount receivable resulting from the assignment of the credit right related to part of the 2016 Annual Adjustment.

**27. Tax Assets**

Current tax assets are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Income tax | 186,869 | 239,465 | 108,799 | 90,092 |
| Value added tax (VAT) | 87,431 | 78,580 | - | 7,123 |
| Special taxes Brazil | 521,829 | 85,420 | - | - |
| Other taxes | 8,643 | 4,320 | 877 | 877 |
| | 804,772 | 407,785 | 109,676 | 98,092 |

The detail of this item is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Non-Current | 389,037 | 53,728 | - | - |
| Current | 415,735 | 354,057 | 109,676 | 98,092 |
| | 804,772 | 407,785 | 109,676 | 98,092 |

The Special taxes Brazil caption relates to the following taxes: CSLL (Social Contribution on net profits), PIS (Social integration programme) and COFINS (Social Security Financing Contribution).

On 3 April 2019, EDP Espírito Santo and EDP São Paulo were granted with a favourable judicial decision, which recognises the right the non-inclusion of the amounts of VAT borne in the basis of calculation of PIS and COFINS, as well as, the right to reacquire the previously collected amounts. EDP Espírito Santo and EDP São Paulo recognised the amount to be recovered, updated based on a monetary basis, of 388,998 thousand Euros (1,756,597 thousand Brazilian Reais), based on the Consultation no. 13/2018 of the COSIT, in the Special taxes Brazil caption. On the other hand, the same amount was recognised in the Amounts payable for tariff adjustments caption (see note 37), in order to pass through this amount to the customers. Both companies are waiting for authorisation by the Brazilian Fiscal Authorities on the possibility of an alleged compensation of future tax liabilities in this regard and is also expecting a definition by the regulatory entity in what concerns the model of pass through to the costumers.

In December 2014, the distribution companies EDP São Paulo and EDP Espírito Santo began to recognise tariff adjustments as payable and receivable amounts, considering that the triggering event for the recognition of the various taxes (e.g. IRPJ, CSLL, PIS and COFINS) would only be verified when the respective energy was consumed, in accordance with the legal opinion of independent consultants. This understanding was consistent with the interpretation of Brazilian Fiscal Authorities ("Receita Federal do Brasil" - RFB), made public through the consultation no. 26/02 of the COSIT.

On 30 June 2016, RFB approved the COSIT opinion no. 101/16 where it concluded that the receivables over tariff adjustments should integrate the basis for tax calculation at the time of the accounting recognition. Thus, companies requested independent consultants to update their legal opinions, and they kept their initial understanding.

In the third quarter of 2017, considering that the new COSIT procedure is more conservative and the possibility of appealing to the Tax Regularisation Special Programme ("Programa Especial de Regularização Tributária" - PERT), created by Provisional Measure no. 783/17 and regulated by Normative Instruction RFB 1711/17, the distribution companies changed their criteria and started to recalculate all taxes since the initial recognition of payable and receivable amounts related with tariff adjustments.

Additionally, Enerpeixe identified energy sale contracts, signed before 31 December 2003, with the possibility of being integrated in the cumulative fiscal regime with the consequential application of a PIS and COFINS tax rate of 3.65% compared to the 9.25% previously considered. These contracts were submitted to the evaluation of an independent consultant, who demonstrated that the pre-determined price did not decrease, in accordance with Law 11196/05 and Normative Instruction RFB 658/06.

Following these operations, the companies recognized tax receivables totaling 159,173 thousand Euros (718,779 thousand Brazilian Reais) and tax payables totaling 113,870 thousand euros (514,203 thousand Brazilian Reais) (see note 39).

As at 31 December 2019, the captions Income tax and Special taxes Brazil include the amount of 22,796 thousand Euros (102,938 thousand Brazilian Reais), corresponding to the recognised asset of 159,173 thousand Euros net of compensations.

## 28. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| **Cash** | 298 | 258 | 41 | 33 |
| **Bank deposits** | | | | |
| Current deposits | 943,578 | 1,167,042 | 167,288 | 334,570 |
| Term deposits | 537,869 | 552,982 | - | - |
| Specific demand deposits in relation to institutional partnerships | 60,977 | 82,923 | - | - |
| | 1,542,424 | 1,802,947 | 167,288 | 334,570 |
| **Operations pending cash settlement** | | | | |
| Current deposits | - | - | 258,000 | 150,000 |
| | 1,542,722 | 1,803,205 | 425,329 | 484,603 |

Specific demand deposits in relation to institutional partnerships corresponds to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 36), under the Group accounting policy.

As at 31 December 2019, on a company basis, the caption Operations pending cash settlement represents commercial paper issued by EDP, S.A., which is booked as financial debt at the issuance trade date, under the Group accounting policy. This caption of 258,000 thousand Euros (31 December 2018: 150,000 thousand Euros) refers to commercial paper issued on 30 December 2019, acquired by EDP Finance B.V., which settlement date occurred on 2 January 2020.

## 29. Share Capital and Share Premium

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

On 11 May 2012, regarding EDP's eighth privatisation phase, the Portuguese State sold to China Three Gorges (Europe), S.A. (former - CWEI (Europe), S.A.), the ownership of 780,633,782 shares representing 21.35% of the share capital and the voting rights of EDP, S.A.

On 21 February 2013, Parpública – Participações Públicas (SGPS) S.A. (Parpública) notified EDP that, on 19 February 2013, it sold 151,517,000 shares, which correspond to 4.14% of EDP's share capital.

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

On 29 September 2017, China Three Gorges (Europe), S.A. acquired 70,143,242 shares representing around 1.92% of EDP's share capital and voting rights. After this acquisition, an off-market transaction, CTG Europe became the holder of 850,777,024 shares.

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

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2019 is as follows:

| | No. of Shares | % Capital | % Voting |
|---|---|---|---|
| China Three Gorges Corporation | 850,777,024 | 23.27% | 23.27% |
| Oppidum Capital, S.L. | 263,046,616 | 7.19% | 7.19% |
| BlackRock, Inc. | 182,979,291 | 5.00% | 5.00% |
| Alliance Bernstein | 107,505,681 | 2.94% | 2.94% |
| State Street Corporation | 94,861,715 | 2.59% | 2.45% |
| Paul Elliott Singer | 89,650,554 | 2.45% | 2.45% |
| Sonatrach | 87,007,433 | 2.38% | 2.38% |
| Qatar Investment Authority | 82,868,933 | 2.27% | 2.27% |
| Norges Bank | 81,100,067 | 2.22% | 2.22% |
| Mubadala Investment Company | 76,787,292 | 2.10% | 2.10% |
| Millennium BCP Group and Pension Funds | 75,615,918 | 2.07% | 2.07% |
| EDP (Treasury Stock) | 21,405,347 | 0.59% | |
| Remaining Shareholders | 1,642,931,844 | 44.93% | |
| | **3,732,153,633** | **100.00%** | |

This breakdown should be read together with note 46 – Relevant or subsequent events, where the changes occurred in the shareholder structure after 31 December 2019 are disclosed.

Share capital and Share premium are as follows:

| Thousand Euros | Group and Company<br>Share capital | <br>Share premium |
|---|---|---|
| **Balance as at 1 January** | 3,656,538 | 503,923 |
| Movements during the period | - | - |
| **Balance as at 31 December** | 3,656,538 | 503,923 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Net profit attributable to the equity holders of EDP (in Euros) | 511,750,938 | 519,189,303 | 720,916,031 | 738,586,257 |
| Net profit from continuing operations attributable to the equity holders of EDP (in Euros) | 511,750,938 | 519,189,303 | 720,916,031 | 738,586,257 |
| Weighted average number of ordinary shares outstanding | 3,635,010,162 | 3,634,649,659 | 3,636,523,162 | 3,636,162,660 |
| Weighted average number of diluted ordinary shares outstanding | 3,635,010,162 | 3,634,649,659 | 3,636,523,162 | 3,636,162,660 |
| Basic earnings per share attributable to equity holders of EDP (in Euros) | 0.14 | 0.14 | | |
| Diluted earnings per share attributable to equity holders of EDP (in Euros) | 0.14 | 0.14 | | |
| Basic earnings per share from continuing operations (in Euros) | 0.14 | 0.14 | | |
| Diluted earnings per share from continuing operations (in Euros) | 0.14 | 0.14 | | |

EDP Group calculates basic and diluted earnings per share attributable to equity holders of EDP using the weighted average number of ordinary shares outstanding during the period, net of changes in treasury stock during the period. Basic earnings per share and diluted earnings per share are equal because there are no dilution factors.

The average number of shares is determined as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Ordinary shares issued at the beginning of the period | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 |
| Effect of shares issued during the period | - | - | - | - |
| **Average number of realised shares** | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 |
| Effect of treasury stock | -21,527,553 | -21,888,056 | -20,014,553 | -20,375,055 |
| **Average number and diluted average number of shares during the period** | 3,635,010,162 | 3,634,649,659 | 3,636,523,162 | 3,636,162,660 |

## 30. Treasury Stock

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Book value of EDP, S.A.'s treasury stock (thousand Euros) | 61,220 | 62,410 | 55,124 | 56,315 |
| Number of shares | 21,405,347 | 21,771,966 | 19,892,347 | 20,258,966 |
| Market value per share (in Euros) | 3.864 | 3.049 | 3.864 | 3.049 |
| Market value of EDP, S.A.'s treasury stock (thousand Euros) | 82,710 | 66,383 | 76,864 | 61,770 |

Shares' transactions occurred between 1 January and 31 December 2019:

| | EDP, S.A. | Energia RE |
|---|---|---|
| Volume acquired (number of shares) | - | - |
| Average purchase price (in Euros) | - | - |
| Total purchases (thousand Euros) | - | - |
| Volume sold (number of shares) i) | -366,619 | - |
| Average selling price (in Euros) | 3.360 | - |
| Total sales (thousand Euros) i) | 1,232 | - |
| Final position (number of shares) | 19,892,347 | 1,513,000 |
| Highest market price (in Euros) | 3.902 | - |
| Lowest market price (in Euros) | 3.000 | - |
| Average market price (in Euros) | 3.415 | - |

i) Includes the distribution of treasury stocks to employees (see note 10).

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

## 31. Reserves and Retained Earnings

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Legal reserve | 739,024 | 739,024 | 739,024 | 739,024 |
| Fair value reserve (cash flow hedge) | 58,716 | -285,739 | -91,909 | -1,662 |
| Tax effect of fair value reserve (cash flow hedge) | -18,175 | 72,424 | 20,640 | 334 |
| Fair value reserve of assets measured at fair value through other comprehensive income | 18,455 | 12,026 | - | - |
| Tax effect of the fair value reserve of assets measured at fair value through other comprehensive income | -3,253 | -1,739 | - | - |
| Currency translation reserve - Exchange differences arising on consolidation | 62,094 | 35,507 | - | - |
| Currency translation reserve - Net investment hedge | -594,947 | -518,917 | - | - |
| Currency translation reserve - Net investment hedge - Cost of hedging | -21,194 | - | - | - |
| Treasury stock reserve (EDP, S.A.) | 55,124 | 56,315 | 55,124 | 56,315 |
| Other reserves and retained earnings | 3,951,351 | 4,242,037 | 1,896,365 | 1,848,174 |
| | 4,247,195 | 4,350,938 | 2,619,244 | 2,642,185 |

*Legal reserve*

In accordance with article no. 295 of "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

*Fair value reserve (cash flow hedge)*

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

*Fair value reserve (financial assets at fair value through other comprehensive income)*

The changes in this consolidated caption for the period are as follows:

| Thousand Euros | Group FV reserve |
|---|---|
| **Balance as at 31 December 2018** | 12,026 |
| Positive changes in fair value | 6,528 |
| Negative changes in fair value | -99 |
| **Balance as at 31 December 2019** | 18,455 |

Changes in fair value reserve attributable to the EDP Group during the period ended 31 December 2019 are as follows:

| Thousand Euros | Increases | Decreases |
|---|---|---|
| Zephyr Fund (Energia RE portfolio) (see note 22) | 5,544 | - |
| Other (see note 22) | 984 | -99 |
| | 6,528 | -99 |

*Currency translation reserve - Exchange differences arising on consolidation*

Exchange differences arising on consolidation corresponds to the amounts resulting from changes in the value of net assets of subsidiaries, joint ventures and associated companies resulting from changes in exchange rates. The exchange rates used in the preparation of the financial statements are as follows:

| | | Exchange rates at Dec 2019 | | Exchange rates at Dec 2018 | |
|---|---|---|---|---|---|
| Currency | | Closing | Average | Closing | Average |
| US Dollar | USD | 1.123 | 1.120 | 1.145 | 1.181 |
| Brazilian Real | BRL | 4.516 | 4.414 | 4.444 | 4.307 |
| Macao Pataca | MOP | 9.010 | 9.035 | 9.237 | 9.537 |
| Canadian Dollar | CAD | 1.460 | 1.486 | 1.561 | 1.529 |
| Polish Zloty | PLN | 4.257 | 4.298 | 4.301 | 4.261 |
| Romanian Leu | RON | 4.783 | 4.745 | 4.664 | 4.654 |
| Pound Sterling | GBP | 0.851 | 0.878 | 0.895 | 0.885 |
| South African Rand | ZAR | 15.777 | 16.177 | 16.459 | 15.615 |
| Mexican Peso | MXN | 21.220 | 21.560 | 22.492 | 22.709 |
| Colombian peso | COP | 3,685.713 | 3,673.675 | 3,749.886 | 3,482.922 |
| Chinese Yuan | CNY | 7.821 | 7.736 | 7.875 | 7.808 |
| Corean Won | WON | 1,296.280 | 1,305.210 | n.a. | n.a |
| Japanese Yen | JPY | 121.940 | 122.021 | n.a. | n.a. |

*Currency translation reserve - Net investment hedge and Cost of hedging*

The changes in these captions, net of income tax, for the period are as follows:

| Thousand Euros | Net investment hedge | Cost of hedging |
|---|---|---|
| **Balance as at 31 December 2018** | -518,917 | - |
| Changes in fair value | -76,030 | -21,194 |
| **Balance as at 31 December 2019** | -594,947 | -21,194 |

The caption Net investment hedge corresponds to the amounts resulting from the application of hedge accounting to investments in subsidiaries in foreign currencies, mainly in the subsidiary EDPR North America, through financial derivative instruments (see note 41) and debt in foreign currency. The caption Cost of hedging corresponds to the amounts determined in accordance with accounting policies - note 2 d).

*Treasury stock reserve (EDP, S.A.)*

In accordance with the article 324º of "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code), EDP, S.A. has created an unavailable reserve with an amount equal to the book value amount of treasury stock held in the company statements.

*Dividends*

On 24 April 2019, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2018 in the amount of 694,742 thousand Euros, corresponding to a dividend of 0.19 Euros per share (including the treasury stock dividend owned by EDP, S.A. and Energia RE in the amount of 3,780 thousand Euros and 287 thousand Euros, respectively). This distribution occurred on 15 May 2019.

## 32. Non-Controlling Interests

This caption is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| Non-controlling interests in income statement | 387,576 | 356,892 |
| Non-controlling interests in equity and reserves | 3,386,250 | 3,575,257 |
| | 3,773,826 | 3,932,149 |

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| EDP Renováveis Group | 2,547,411 | 2,738,878 |
| EDP Brasil Group | 1,266,635 | 1,225,164 |
| Other | -40,220 | -31,893 |
| | 3,773,826 | 3,932,149 |

The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits attributable to non-controlling interests of 217,945 thousand Euros; (ii) a negative impact of 55,355 thousand Euros related to dividends attributable to non-controlling interests; (iii) a positive impact of 15,198 thousand Euros resulting from exchange differences; (iv) a negative impact of 58,231 thousand Euros resulting from share capital increases/decreases and other acquisitions/sales without change of control; (v) a negative impact of 289,358 thousand Euros resulting from the sale, with loss of control, of EDPR EU subsidiaries (see note 6); and (vi) a negative impact of 19,307 thousand Euros resulting from the acquisition of the remaining 15% of EDPR subsidiaries in Romania (see note 6).

The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 177,469 thousand Euros of profits attributable to non-controlling interests; (ii) an decrease of 18,791 thousand Euros resulting from exchange differences; (iii) a negative impact of 81,160 thousand Euros related to dividends attributable to non-controlling interests; (iv) a negative impact of 12,340 thousand Euros from share capital increases/decreases and other acquisitions/sales without change of control; and (v) a negative impact of 20,146 thousand Euros from recognised actuarial losses (net of taxes).

## 33. Financial Debt

This caption is as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| **Debt and borrowings - Non-current** | | | | |
| Bank loans: | | | | |
| - EDP, S.A | - | 225,704 | - | 225,704 |
| - EDP Finance B.V. | 439,261 | 381,030 | - | - |
| - EDP Brasil Group | 285,520 | 331,722 | - | - |
| - EDP Renováveis Group | 688,708 | 767,821 | - | - |
| | 1,413,489 | 1,706,277 | - | 225,704 |
| Non-convertible bond loans: | | | | |
| - EDP, S.A | - | - | 7,400,000 | 8,850,000 |
| - EDP Finance B.V. | 9,190,998 | 9,724,157 | - | - |
| - EDP Brasil Group | 1,060,453 | 969,699 | - | - |
| | 10,251,451 | 10,693,856 | 7,400,000 | 8,850,000 |
| Hybrid bonds: | | | | |
| - EDP, S.A. | 994,071 | 739,168 | 994,071 | 739,168 |
| | 994,071 | 739,168 | 994,071 | 739,168 |
| Commercial paper: | | | | |
| - EDP, S.A. | 100,000 | 200,000 | 100,000 | 200,000 |
| - EDP Finance B.V. ** | 222,539 | - | - | - |
| - EDP Brasil Group | 66,435 | 45,005 | - | - |
| | 388,974 | 245,005 | 100,000 | 200,000 |
| Other loans | 13,557 | 13,890 | - | - |
| | 13,061,542 | 13,398,196 | 8,494,071 | 10,014,872 |
| Accrued interest | 8,528 | 5,195 | - | - |
| Other liabilities: | | | | |
| - Fair value of the issued debt hedged risk | 54,545 | 58,999 | - | - |
| **Total Debt and Borrowings** | 13,124,615 | 13,462,390 | 8,494,071 | 10,014,872 |
| **Collateral Deposits - Non-current *** | -21,690 | -25,466 | - | - |
| | 13,102,925 | 13,436,924 | 8,494,071 | 10,014,872 |

* Deposits constituted as collateral for financial guarantee

** Issued under EDP S.A./EDP Finance B.V. 5-Year Commercial Paper Programe, which will be repaid by EDP Finance B.V. and drawn by EDP S.A. in January 2020.

**EDP - Energias de Portugal, S.A.**
**Notes to the Consolidated and Company Financial Statements as at and for the periods ended 31 December 2019 and 2018**

| Thousand Euros | Group Dec 2019 | Group Dec 2018 | Company Dec 2019 | Company Dec 2018 |
|---|---|---|---|---|
| **Debt and borrowings - Current** | | | | |
| Bank loans: | | | | |
| - EDP, S.A | - | 64,973 | - | 64,973 |
| - EDP Brasil Group | 125,956 | 126,592 | - | - |
| - EDP Renováveis Group | 79,825 | 113,705 | - | - |
| - Other | 17 | 2,325 | - | - |
| | 205,798 | 307,595 | - | 64,973 |
| Non-convertible bond loans: | | | | |
| - EDP, S.A. | - | - | 850,000 | - |
| - EDP Finance B.V. | 1,213,181 | 1,272,547 | - | - |
| - EDP Brasil Group | 282,301 | 117,385 | - | - |
| | 1,495,482 | 1,389,932 | 850,000 | - |
| Hybrid bonds: | | | | |
| - EDP, S.A. | 739,258 | - | 739,258 | - |
| | 739,258 | - | 739,258 | - |
| Commercial paper: | | | | |
| - EDP, S.A | 100,000 | 218,341 | 2,582,000 | 2,658,341 |
| - EDP Finance B.V. | 618,750 | 400,000 | - | - |
| - EDP Brasil Group | - | 49,505 | - | - |
| | 718,750 | 667,846 | 2,582,000 | 2,658,341 |
| Other loans | 1,198 | 2,544 | - | - |
| | 2,421,228 | 2,367,917 | 3,432,000 | 2,723,314 |
| Accrued interest | 279,568 | 252,952 | 96,964 | 72,295 |
| Other liabilities: | | | | |
| - Fair value of the issued debt hedged risk | 6,800 | 1,640 | - | - |
| **Total Debt and Borrowings** | 3,446,854 | 2,622,509 | 4,268,222 | 2,795,609 |
| **Collateral Deposits - Current *** | -39,786 | -167,425 | - | - |
| | 3,407,068 | 2,455,084 | 4,268,222 | 2,795,609 |

* Deposits constituted as collateral for financial guarantee

Commercial Paper non-current refers to a Commercial Paper program with firm underwriting commitment for a period of over one year, in the amount of 100,000 thousand Euros, 250,000 thousand US Dollars and 300,000 thousand Brazilian Reais.

Main events of the period:

In January 2019, EDP issued a non-callable up to 5 years subordinated hybrid greenbond in the amount of 1,000 millions of Euros, with final maturity date in April 2079.

In September 2019, under the "Debt Issuance Program (MTN)", EDP issued a green bond of 600 million Euros maturing in September 2026.

In December 2019, EDP SA early repaid three bilateral loans contracted with BEI, with the total amount of 226 millions of Euros.

The nominal value of outstanding Bond loans placed with external counterparties, as at 31 December 2019, is as follows:

| Issuer | Issue date | Interest rate | Type of hedge | Conditions / Redemption | Nominal Value in Million Currency | Thousand Euros | |
|---|---|---|---|---|---|---|---|
| | | | | | | Group | Company |
| **Hybrids by EDP S.A.** | | | | | | | |
| EDP, S.A. (iv) | Sep-15 | Fixed rate EUR 5.375% | n.a. | Mar/20 | 750 EUR | 750,000 | 750,000 |
| EDP, S.A. (v) | Jan-19 | Fixed rate EUR 4.496% (vi) | n.a. | Apr-79 | 1,000 EUR | 1,000,000 | 1,000,000 |
| | | | | | | 1,750,000 | 1,750,000 |
| **Issued under the Euro Medium Term Notes program (EMTN)** | | | | | | | |
| EDP Finance B.V. | Dec-02 | Fixed rate EUR (iii) | n.a. | Dec-22 | 93 EUR | 93,357 | - |
| EDP Finance B.V.(i)(ii) | Jun-05 | Fixed rate EUR 4.125% | n.a. | Jun-20 | 233 EUR | 233,372 | - |
| EDP Finance B.V.(i) | Nov-08 | Fixed rate GBP 8.625% | Fair Value | Jan-24 | 325 GBP | 410,314 | - |
| EDP Finance B.V. | Nov-08 | Zero coupon EUR (iii) | n.a. | Nov-23 | 160 EUR | 160,000 | - |
| EDP Finance B.V.(i)(ii) | Sep-13 | Fixed rate EUR 4.875% | Fair Value | Sep-20 | 462 EUR | 462,222 | - |
| EDP Finance B.V.(ii) | Nov-13 | Fixed rate EUR 4.125% | n.a. | Jan-21 | 553 EUR | 553,217 | - |
| EDP Finance B.V. | Jan-14 | Fixed rate USD 5.25% | Net Investment | Jan-21 | 750 USD | 667,616 | - |
| EDP Finance B.V.(i) | Sep-14 | Fixed rate EUR 2.625% | Fair Value | Jan-22 | 1,000 EUR | 1,000,000 | - |
| EDP Finance B.V.(ii) | Nov-14 | Fixed rate USD 4.125% | Net Investment | Jan-20 | 583 USD | 518,893 | - |
| EDP Finance B.V.(i) | Apr-15 | Fixed rate EUR 2.00% | Fair Value | Apr-25 | 750 EUR | 750,000 | - |
| EDP Finance B.V. | Mar-16 | Fixed rate EUR 2.375% | n.a. | Mar-23 | 600 EUR | 600,000 | - |
| EDP Finance B.V.(i) | Aug-16 | Fixed rate EUR 1.125% | n.a. | Feb-24 | 1,000 EUR | 1,000,000 | - |
| EDP Finance B.V. | Jan-17 | Fixed rate EUR 1.875% | n.a. | Sep-23 | 600 EUR | 600,000 | - |
| EDP Finance B.V. | Jun-17 | Fixed rate USD 3.625% | Net Investment | Jul-24 | 1,000 USD | 890,155 | - |
| EDP Finance B.V. | Nov-17 | Fixed rate EUR 1.50% | n.a. | Nov-27 | 500 EUR | 500,000 | - |
| EDP Finance B.V. | Jun-18 | Fixed rate EUR 1.625% | n.a. | Jan-26 | 750 EUR | 750,000 | - |
| EDP Finance B.V. | Oct/18 | Fixed rate EUR 1.875% | n.a. | Oct/25 | 600 EUR | 600,000 | - |
| EDP Finance B.V. | Sep/19 | Fixed rate EUR 0.375% | n.a. | Sep/26 | 600 EUR | 600,000 | - |
| | | | | | | 10,389,146 | - |

(i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.
(ii) Consolidated nominal value after the repurchase of securities by EDP - Energias de Portugal, S.A.
(iii) These issues correspond to private placements.
(iv) EDP decided to early repay this issue in March 2020 (see note 46).
(v) There is a call option exercisable at par by EDP at January 2024 and subsequently, on each interest payment date.
(vi) Fixed rate in the first 5,25 years, subsequently updated every 5 years.

| Issuer | Issue date | Interest rate | Type of hedge | Conditions / Redemption | Nominal Value in Million Currency | Thousand Euros | |
|---|---|---|---|---|---|---|---|
| | | | | | | Group | Company |
| **Issued by the EDP Energias do Brasil Group in the Brazilian domestic market** | | | | | | | |
| EDP Espírito Santo | Aug-14 | CDI + 1.80% | n.a. | Aug-20 | 71 BRL | 15,661 | - |
| Energias do Brasil | Sep/15 | IPCA + 8.8201% | n.a. | Sep-21 | 144 BRL | 31,795 | - |
| Energias do Brasil | Sep/15 | IPCA + 8.7608% | n.a. | Sep-24 | 58 BRL | 12,746 | - |
| Energias do Brasil | Apr-16 | IPCA + 8.3479% | n.a. | Apr-22 | 285 BRL | 63,103 | - |
| Enerpeixe | Nov-16 | 100% * CDI + 0.43% | n.a. | May/20 | 88 BRL | 19,377 | - |
| Pecém | Dec-16 | CDI + 2.95% | n.a. | Nov-21 | 330 BRL | 73,078 | - |
| EDP São Paulo | Apr-17 | 108.75% * CDI | n.a. | Apr-22 | 150 BRL | 33,217 | - |
| EDP Espírito Santo | Apr-17 | 108.75% * CDI | n.a. | Apr-22 | 190 BRL | 42,075 | - |
| Enerpeixe | Nov-17 | 116.00% * CDI | n.a. | Dec-22 | 320 BRL | 70,864 | - |
| EDP São Paulo | Dec-17 | 107.50% * CDI | n.a. | Jan-21 | 100 BRL | 22,145 | - |
| EDP Espírito Santo | Dec-17 | 107.50% * CDI | n.a. | Jan-21 | 120 BRL | 26,574 | - |
| Lajeado Energia | Dec-17 | 109.00% * CDI | n.a. | Dec-20 | 100 BRL | 22,145 | - |
| Lajeado Energia | Dec-17 | 113.70% * CDI | n.a. | Dec-22 | 200 BRL | 44,290 | - |
| EDP São Paulo | Jan-18 | 107.50% * CDI | n.a. | Jan-21 | 100 BRL | 22,145 | - |
| EDP Espírito Santo | Jan-18 | 107.50% * CDI | n.a. | Jan-21 | 100 BRL | 22,145 | - |
| EDP Transmissão | May-18 | IPCA + 7.0267% | n.a. | May/33 | 122 BRL | 26,938 | - |
| EDP Espírito Santo | Aug/18 | IPCA + 5.91% | n.a. | Jul/25 | 197 BRL | 43,638 | - |
| EDP São Paulo | Aug/18 | IPCA + 5.91% | n.a. | Aug/25 | 269 BRL | 59,533 | - |
| EDP Transmissão | Oct/18 | IPCA + 6.72% | n.a. | Oct/28 | 1,238 BRL | 274,251 | - |
| Lajeado Energia | Nov/18 | 109.25% * CDI | n.a. | Oct/22 | 100 BRL | 22,145 | - |
| Enerpeixe | Dec/18 | 112.48% * CDI | n.a. | Nov/23 | 255 BRL | 56,470 | - |
| EDP Transmissão | Jan/19 | CDI + 0.02% | n.a. | Jun/20 | 250 BRL | 55,362 | - |
| EDP São Paulo | Apr/19 | 106.58% * CDI | n.a. | Mar-24 | 200 BRL | 44,290 | - |
| EDP Espírito Santo | Apr/19 | 106.90% * CDI | n.a. | Mar/24 | 300 BRL | 66,435 | - |
| EDP Transmissão | Aug/19 | IPCA + 4.45% | n.a. | Jul/39 | 802 BRL | 177,644 | - |
| Lajeado Energia | Nov/19 | CDI + 0.20% | n.a. | Nov/20 | 100 BRL | 22,145 | - |
| | | | | | | 1,370,211 | - |
| | | | | | | 13,509,357 | 1,750,000 |

Some of the loans contracted by the EDP Group, mainly debt issued under the EMTN, include some usual clauses in this type of operations, namely, "change-of-control", "negative pledge", "pari-passu" and "cross-default" clauses, each one only applicable under a restricted set of circumstances.

The Group has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2019, these loans amounted to 771,854 thousand Euros (31 December 2018: 891,475 thousand Euros).

EDP Group has several credit facilities it uses for liquidity management. EDP Group has short-term credit facilities of 256 million Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, all with a firm underwriting commitment, which as at 31 December 2019 were totally available. EDP Group also has a Commercial Paper program of 50 million Euros with guaranteed placement, which as at 31 December 2019 was totally available. Regarding medium-term credit facilities with a firm underwriting commitment, EDP Group has three Revolving Credit Facilities, namely (i) 75 million Euros, maturing in 2021 and totally available as at 31 December 2019; (ii) 3,300 million Euros, of which 3,295 million Euros mature in 2024 while the remaining amount matures in 2023, and totally available as at 31 December 2019; and (iii) 2,240 million Euros, of which 2,095 million Euros mature in 2025 while the remaining amount matures in 2023, which as at 31 December 2019 is available in 1,790 million Euros.

As at 31 December 2019, future debt and interest payments and origination fees, by type of loan and currency, are as follows:

| Thousand Euros | Dez 2020 | Dec 2021 | Dec 2022 | Dec 2023 | Dec 2024 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Bank loans:** | | | | | | | |
| Euro | 40,840 | 43,687 | 43,997 | 492,832 | 39,302 | 117,166 | 777,824 |
| Brazilian Real | 149,710 | 86,692 | 65,750 | 61,580 | 47,558 | 140,975 | 552,265 |
| US Dollar | 12,472 | 12,605 | 12,348 | 12,612 | 12,720 | 150,836 | 213,593 |
| Other | 13,859 | 10,033 | 14,049 | 17,763 | 21,572 | 32,778 | 110,054 |
| | 216,881 | 153,017 | 136,144 | 584,787 | 121,152 | 441,755 | 1,653,736 |
| **Bond loans:** | | | | | | | |
| Euro | 842,859 | 553,217 | 1,203,888 | 1,375,147 | 1,414,671 | 3,227,070 | 8,616,852 |
| Brazilian Real | 304,290 | 224,285 | 111,472 | 112,022 | 170,217 | 475,439 | 1,397,725 |
| US Dollar | 559,901 | 667,616 | - | - | 890,155 | - | 2,117,672 |
| | 1,707,050 | 1,445,118 | 1,315,360 | 1,487,169 | 2,475,043 | 3,702,509 | 12,132,249 |
| **Hybrid Bonds:** | | | | | | | |
| Euro | 812,271 | - | - | - | - | 1,000,000 | 1,812,271 |
| | 812,271 | - | - | - | - | 1,000,000 | 1,812,271 |
| **Commercial paper:** | | | | | | | |
| Euro | 719,089 | 100,000 | - | - | - | - | 819,089 |
| Brazilian Real | - | - | - | - | 66,435 | - | 66,435 |
| US Dollar | 2,690 | - | - | - | 222,539 | - | 225,229 |
| | 721,779 | 100,000 | - | - | 288,974 | - | 1,110,753 |
| **Other loans:** | | | | | | | |
| Euro | 1,333 | 104 | 34 | 211 | - | - | 1,682 |
| Brazilian Real | 1,050 | 393 | - | - | - | 12,818 | 14,261 |
| | 2,383 | 497 | 34 | 211 | - | 12,818 | 15,943 |
| ***Origination Fees:*** | -13,510 | -3,221 | -9,908 | -50,555 | -12,068 | -64,221 | -153,483 |
| | 3,446,854 | 1,695,411 | 1,441,630 | 2,021,612 | 2,873,101 | 5,092,861 | 16,571,469 |

As at 31 December 2018, future debt and interest payments and origination fees, by type of loan and currency, are as follows:

| Thousand Euros | Dec 2019 | Dec 2020 | Dec 2021 | Dec 2022 | Dec 2023 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Bank loans:** | | | | | | | |
| Euro | 117,636 | 97,363 | 89,216 | 248,898 | 131,563 | 152,720 | 837,396 |
| Brazilian Real | 151,765 | 79,717 | 76,947 | 73,171 | 64,049 | 254,979 | 700,628 |
| US Dollar | 12,495 | 12,175 | 12,368 | 12,115 | 191,889 | 160,471 | 401,513 |
| Other | 36,931 | 11,151 | 12,236 | 12,651 | 12,929 | 27,866 | 113,764 |
| | 318,827 | 200,406 | 190,767 | 346,835 | 400,430 | 596,036 | 2,053,301 |
| **Bond loans:** | | | | | | | |
| Euro | 696,005 | 710,984 | 553,217 | 1,199,620 | 1,360,000 | 4,027,221 | 8,547,047 |
| Brazilian Real | 132,232 | 195,549 | 222,048 | 110,867 | 107,390 | 353,896 | 1,121,982 |
| US Dollar | 769,916 | 509,104 | 655,022 | - | - | 873,362 | 2,807,404 |
| | 1,598,153 | 1,415,637 | 1,430,287 | 1,310,487 | 1,467,390 | 5,254,479 | 12,476,433 |
| **Hybrid Bond:** | | | | | | | |
| Euro | 32,140 | - | - | - | - | 750,000 | 782,140 |
| | 32,140 | - | - | - | - | 750,000 | 782,140 |
| **Commercial paper:** | | | | | | | |
| Euro | 400,070 | - | 200,000 | - | - | - | 600,070 |
| Brazilian Real | 49,505 | 45,723 | - | - | - | - | 95,228 |
| US Dollar | 222,539 | - | - | - | - | - | 222,539 |
| | 672,114 | 45,723 | 200,000 | - | - | - | 917,837 |
| **Other loans:** | | | | | | | |
| Euro | 1,335 | 109 | 64 | - | - | - | 1,508 |
| Brazilian Real | 2,396 | 705 | 383 | - | - | 12,629 | 16,113 |
| | 3,731 | 814 | 447 | - | - | 12,629 | 17,621 |
| ***Origination Fees:*** | -2,456 | -4,284 | -6,025 | -13,070 | -61,772 | -74,826 | -162,433 |
| | 2,622,509 | 1,658,296 | 1,815,476 | 1,644,252 | 1,806,048 | 6,538,318 | 16,084,899 |

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

| | Dec 2019 | | Dec 2018 | |
|---|---|---|---|---|
| Thousand Euros | Carrying amount | Market value | Carrying amount | Market value |
| Debt and borrowings - Non-Current | 13,124,615 | 13,844,538 | 13,462,390 | 14,046,767 |
| Debt and borrowings - Current | 3,446,854 | 3,475,279 | 2,622,509 | 2,646,263 |
| | 16,571,469 | 17,319,817 | 16,084,899 | 16,693,030 |

In accordance with the Group's accounting policies, the financial liabilities whose risks are being hedged by derivative financial instruments and that comply with hedge accounting requirements of IFRS 9, are accounted at fair value. The financial liabilities are booked at amortised cost.

For fair value of debt purposes, the 1,000 million Euros Hybrid bond issued in 2019 was valued considering the maturity of the first call date (January 2024).

## 34. Employee Benefits

Employee benefits are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Provisions for pension liabilities | 630,790 | 759,376 | 2,243 | 5,225 |
| Provisions for medical liabilities and other benefits | 680,879 | 647,926 | 4,522 | 1,900 |
| | 1,311,669 | 1,407,302 | 6,765 | 7,125 |

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Non-Current | 1,128,155 | 1,099,049 | 6,696 | 5,683 |
| Current | 183,514 | 308,253 | 69 | 1,442 |
| | 1,311,669 | 1,407,302 | 6,765 | 7,125 |

The movement in Provisions for employee benefits liabilities for EDP Group is as follows:

| | Pensions | | Medical and Other Benefits | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| **Balance at the beginning of the period** | 759,376 | 763,249 | 647,926 | 759,004 |
| Charge for the period | 16,739 | 24,729 | 30,365 | 33,627 |
| Past service cost (Curtailment/Plan amendments) | 8,958 | 17,579 | -30,820 | 676 |
| Actuarial (gains)/losses | 86,498 | 98,411 | 114,391 | -32,980 |
| Charge-off | -137,461 | -144,479 | -35,104 | -22,951 |
| Fund contributions | - | - | -141,660 | -69,006 |
| Surplus/(Deficit) pension funding (see note 26) | -4,334 | 888 | - | - |
| Transfers, reclassifications and exchange differences | -98,986 | -1,001 | 95,781 | -20,444 |
| **Balance at the end of the period** | 630,790 | 759,376 | 680,879 | 647,926 |

A more detailed analysis has been carried out by the EDP Group in 2019, which has resulted in the transfer of the amount of liabilities with employee benefits in Spain from Provisions for pension liabilities to Provisions for medical liabilities and other benefits. We can see the impact of this transfer along the several details presented.

The breakdown of actuarial gains and losses is as follows:

| | Pensions | | Medical and Other Benefits | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Actuarial gains and losses arising from: | | | | |
| - changes in financial assumptions | 136,357 | -28,304 | 137,855 | -8,341 |
| - experience adjustments | 51,967 | 97,665 | -1,277 | -36,508 |
| Actuarial gains and losses arising from return on plan assets | -101,950 | 29,385 | -22,187 | 11,869 |
| Actuarial gains and losses of asset ceiling | 124 | -335 | - | - |
| | 86,498 | 98,411 | 114,391 | -32,980 |

The components of the consolidated net cost of the pension plans recognised during the period are as follows:

| | Dec 2019 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| Current service cost (see note 10) | 6,564 | - | -405 | 6,159 |
| Past service cost (Curtailment/Plan amendments) (see note 10) | 8,958 | - | - | 8,958 |
| **Operational component** | 15,522 | - | -405 | 15,117 |
| Net interest on the net pensions plan liability | 9,238 | - | 1,342 | 10,580 |
| **Financial component (see note 13)** | 9,238 | - | 1,342 | 10,580 |
| | 24,760 | - | 937 | 25,697 |

| | Dec 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| Current service cost (see note 10) | 7,234 | 6,905 | -527 | 13,612 |
| Past service cost (Curtailment/Plan amendments) (see note 10) | 17,579 | - | - | 17,579 |
| **Operational component** | 24,813 | 6,905 | -527 | 31,191 |
| Net interest on the net pensions plan liability | 9,381 | 1,146 | 590 | 11,117 |
| **Financial component (see note 13)** | 9,381 | 1,146 | 590 | 11,117 |
| | 34,194 | 8,051 | 63 | 42,308 |

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

| | Dec 2019 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Espanha | Brazil | Group |
| Current service cost (see note 10) | 5,163 | 2,426 | 704 | 8,293 |
| Past service cost (Curtailment/Plan amendments) (see note 10) | 260 | - | -31,080 | -30,820 |
| **Operational component** | 5,423 | 2,426 | -30,376 | -22,527 |
| Net interest on the net medical liabilities and other benefits | 6,902 | 1,398 | 13,772 | 22,072 |
| **Financial component (see note 13)** | 6,902 | 1,398 | 13,772 | 22,072 |
| **Net cost for the period** | 12,325 | 3,824 | -16,604 | -455 |

| | Dec 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Espanha | Brazil | Group |
| Current service cost (see note 10) | 4,765 | - | 826 | 5,591 |
| Past service cost (Curtailment/Plan amendments) (see note 10) | 676 | - | - | 676 |
| **Operational component** | 5,441 | - | 826 | 6,267 |
| Net interest on the net medical liabilities and other benefits | 9,529 | - | 18,507 | 28,036 |
| **Financial component (see note 13)** | 9,529 | - | 18,507 | 28,036 |
| **Net cost for the period** | 14,970 | - | 19,333 | 34,303 |

In accordance with accounting policies - note 2 m), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefits plans. The impact in reserves at 31 December 2004 amounted to 1,162,000 thousand Euros. In the following periods, actuarial gains and losses were recognised directly in reserves. As at 31 December 2019 losses of 200,889 thousand Euros (31 December 2018: losses of 65,431 thousand Euros).

During 2019, under the employees' reduction program, EDP Group entered into early retirement and anticipation of retirement agreements with 29 portuguese employees. This increase in liabilities with employee benefits was measured and recognised in the income statement in the amount of 9,218 thousand Euros.

The weighted average duration of the defined benefit liabilities in Portugal is 10 years.

**Assumptions used to determine EDP Group liabilities related to employee benefits**

The following financial and actuarial assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2019 and 2018, respectively:

| | Dec 2019 | | | Dec 2018 | | |
|---|---|---|---|---|---|---|
| | Portugal | Spain | Brazil | Portugal | Spain | Brazil |
| **Assumptions** | | | | | | |
| Discount rate | 0.95% | 1.00% | 7.56% | 1.75% | 1.75% | 9.83% |
| Salary increase rate | 1.75% | not applicable | 4.90% | 1.50% until 2020 // 1.75% after 2021 | not applicable | 5.40% |
| Pension increase rate | 1.50% | not applicable | 4.03% | 1.50% | not applicable | 4.52% |
| Social Security salary appreciation | 1.50% | not applicable | 4.03% | 2019 - 1.40% // after 2019 - 1.50% | not applicable | 4.52% |
| Inflation rate | 1.50% | 3.00% | 4.03% | 1.50% | 2.00% | 4.52% |
| Annual increase rate of medical service costs | 1.50% | not applicable | 10.27% (b) | 1.50% | not applicable | 10.79% (d) |
| Estimated administrative expenses per beneficiary per year (Euros) | 297 €/ano (c) | not applicable | not applicable | 209 €/year (e) | not applicable | not applicable |
| Mortality table | Nasc.< 1950 -- TV99/01 (+1) // Nasc.>= 1950 -- TV99/01 | PERM/F-2000P | AT-2000 / RP-2000 Geracional | Born< 1950 -- TV99/01 (+1) // Born>= 1950 -- TV99/01 | PERM/F-2000P | AT-2000 / RP-2000 Geracional |
| Disability table | 50%EKV 80 | not applicable | Muller / TASA 1927 | 50%EKV 80 | not applicable | Muller / TASA 1927 |
| Expected % of eligible employees accepting early retirement | (a) | not applicable | not applicable | (a) | not applicable | not applicable |

(a) 45% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).
(b) 10.27% in the first year, decreasing to 6.11% in 8 years.
(c) Decrease of 2.7% for 2021, decrease of 2.4% for 2024, decrease of 0.4% for 2023 and an increase after that date.
(d) 10.79% in the first year, decreasing to 6.61% in 9 years.
(e) Decrease of 10% for 2020, decrease of 2.3% for 2021 and an increase after that date.

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

As at 31 December 2019 the amount of future benefits expected to be paid, related to the activity in Portugal, Spain and Brazil, is as follows:

| Thousand Euros | Portugal | | | Spain | Brazil | | |
|---|---|---|---|---|---|---|---|
| Years | Pensions | Medical and other benefits | Total | Other Benefits | Pensions | Medical and Other Benefits | Total |
| **2020** | 191,485 | 35,051 | 226,536 | 8,748 | 16,901 | 8,379 | 25,280 |
| **2021** | 170,149 | 33,774 | 203,923 | 6,094 | 17,567 | 8,864 | 26,431 |
| **2022** | 145,955 | 33,267 | 179,222 | 6,094 | 18,272 | 9,502 | 27,774 |
| **2023** | 124,322 | 33,081 | 157,403 | 6,094 | 18,971 | 10,073 | 29,044 |
| **2024** | 102,656 | 33,182 | 135,838 | 6,094 | 19,681 | 10,703 | 30,384 |
| **2025 and following** | 273,798 | 164,237 | 438,035 | 71,241 | 110,336 | 63,780 | 174,116 |

In 2019, the pensions paid by the funds in Portugal amounted 79,938 thousand Euros (31 December 2018: 81,721 thousand Euros) and in Brazil amounted to 16,368 thousand Euros (31 December 2018: 15,943 thousand Euros). The contributions made to the Pension funds in Brazil amounted to 1,447 thousand Euros (31 December 2018: 1,144 thousand Euros), which were fully paid in cash.

Following the decision and implementation of the autonomisation of the Medical Plan and Death Subsidy Plan in Portugal, EDP Group has made contributions of 141,660 thousand Euros in 2019 ((31 December 2018: 69,006 thousand Euros). In the following years, until the end of 2027, the Group estimates to make additional contributions in the approximate total amount of 172,801 thousand Euros, of which approximate 23,040 thousand Euros in 2020, in line with the financing plan approved by Insurance and Pension Funds Supervisory Authority (ASF).

The Pension Plans in Portugal and in Brazil are subject to several risks, in which are included the risk of changes in market rates (which impacts the discount rate and the fixed rate of return rate on assets), the risk of changes on the expected lifetime of plan participants, the risk of changes on the pension increase rate and the risk of changes on the social security pension increase, to which are made the following sensitivity analysis for the liabilities at the end of the period:

| | Portugal | | Brazil | |
|---|---|---|---|---|
| Thousand Euros | Increase | Decrease | Increase | Decrease |
| Discount rate (0.5% movement) | -49,444 | 53,558 | -18,128 | 20,115 |
| Pension increase (0.5% movement) | 340,656 | -134,899 | - | - |
| Social Security Pension increase (0.5% movement) | -102,335 | 233,540 | - | - |
| Mortality (increase of 1 year in expected lifetime of plan participants) | 46,672 | | 3,855 | |

The solvency level of the fund for the financing of pension plan liabilities in Portugal may vary not only from the risks described above, but also from the performance of the different classes of assets that comprise it. Considering the nature of the defined benefit of the plan and despite the fund's low risk profile (mostly composed of fixed income assets), the joint materialization of adverse risks (including those above referred) may lead to the need for additional contributions to the fund.

The medical care and other benefits Plans in Portugal and in Brazil are subject to several risks, in which are included the risk of changes in market rates (which impacts the discount rate and the fixed rate of return rate on assets), the risk of changes in the health care costs and the risk of changes on the expected lifetime of plan participants, to which are made the following sensitivity analysis for the liabilities at the end of the period:

| | Portugal | | Brazil | |
|---|---|---|---|---|
| Thousand Euros | Increase | Decrease | Increase | Decrease |
| Discount rate (0.5% movement) | -59,257 | 66,699 | -9,929 | 11,073 |
| Health care cost trend (0.5% movement) | 14,207 | -12,898 | - | - |
| Mortality (increase of 1 year in expected lifetime of plan participants) | 25,531 | | 7,838 | |

The level of solvency of the fund for the financing of post-employment medical care liabilities in Portugal may vary not only from the risks described above, but also from the performance of the different classes of assets that comprise it. Considering the nature of the defined benefit of the plan and despite the fund's low risk profile (mostly composed of fixed income assets), the joint materialization of adverse risks (including those above referred) may lead to changes in the financing plan approved by ASF.

**Composition of the assets portfolio funds**

The assets of the pension funds, medical care and death subsidy in Portugal are as follows:

| | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2019 | -3,357 | 538,441 | 466,278 | 198,285 | 91,268 | 1,290,915 |
| 31 December 2018 | -5,605 | 454,242 | 391,824 | 199,448 | 85,651 | 1,125,560 |

| | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| % | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2019 | -0.26% | 41.71% | 36.12% | 15.36% | 7.07% | 100.00% |
| 31 December 2018 | -0.50% | 40.35% | 34.81% | 17.72% | 7.62% | 100.00% |

The portfolio of shares and bonds have a quoted market price in an active market.

Properties included in the fund, that are being used by the Group amount to 183,708 thousand Euros as at 31 December 2019 (31 December 2018: 182,905 thousand Euros). Bonds includes 3,018 thousand Euros (31 December 2018: 5,573 thousand Euros) relating to bonds issued by EDP Finance B.V. and EDP, S.A.

As at 31 December 2018, Shares included securities issued by Group companies, namely by EDP Renováveis, in the amount of 10,551 thousand Euros.

The real return rate on assets of the pension Fund in 2019 was positive in 9.71% (2018: negative in 2.45%).

The assets of the pension fund in Brazil are as follows:

| | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2019 | - | 315,397 | 12,879 | 2,420 | - | 330,696 |
| 31 December 2018 | - | 274,051 | 10,207 | 2,717 | - | 286,975 |

| | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| % | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2019 | - | 95.37% | 3.90% | 0.73% | - | 100.00% |
| 31 December 2018 | - | 95.50% | 3.55% | 0.95% | - | 100.00% |

The portfolio of shares and bonds have a quoted market price in an active market.

**Employee benefit plans**

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

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

**I. Defined benefit pension plans**

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

This Pension Fund covers the liability for retirement pension complementary benefits for age. The responsibilities for early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

EDP São Paulo in Brazil has two defined benefit plans managed by a closed complementary welfare entity, sponsored by companies of EDP Brasil Group, in order to manage a set of benefit plans for employees and ex-employees of the company:

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

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

EDP Espírito Santo, EDP São Paulo and Energest have Defined Benefit Plans that grant complementary pensions for retirement and early retirement.

In the pension plans in Portugal, and according with the Pension Funds regulation, the surplus amount of the assets fund, under certain conditions, can be reimbursed to the company.

In the pension plans in Brazil, the surplus amount of the assets fund generally can not be reimbursed to the company, since there are very strict rules on the amount that can be recovered, therefore the asset amount to be recognised is greatly reduced.

The number of participants covered by the pension plans and similar obligations is as follows:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Portugal | Spain | Brazil | Portugal | Spain | Brazil |
| Retirees and pensioners | 18,003 | - | 1,632 | 17,974 | 1,242 | 1,790 |
| Active workers | 3,044 | - | 720 | 3,468 | 1,456 | 820 |
| | 21,047 | - | 2,352 | 21,442 | 2,698 | 2,610 |

The liability for retirement pensions and related coverage for the Group is as follows:

| | Dec 2019 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| Liability at the end of the period | 1,404,188 | - | 315,247 | 1,719,435 |
| Plan assets at the end of the period | -864,350 | - | -330,696 | -1,195,046 |
| Surplus/(Deficit) pension funding (see note 26) | 55,506 | - | - | 55,506 |
| Asset ceiling | - | - | 50,895 | 50,895 |
| **Provision at the end of the period** | 595,344 | - | 35,446 | 630,790 |

| | Dec 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| Liability at the end of the period | 1,436,616 | 98,481 | 249,424 | 1,784,521 |
| Plan assets at the end of the period | -849,606 | - | -286,975 | -1,136,581 |
| Surplus/(Deficit) pension funding (see note 26) | 59,840 | - | - | 59,840 |
| Asset ceiling | - | - | 51,596 | 51,596 |
| **Provision at the end of the period** | 646,850 | 98,481 | 14,045 | 759,376 |

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

| Thousand Euros | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Liability at the end of the period | 1,719,435 | 1,784,521 | 1,882,891 | 1,948,791 | 1,979,411 |
| Plan assets at the end of the period | -1,195,046 | -1,136,581 | -1,236,791 | -1,248,017 | -1,182,979 |
| Surplus / (Deficit) pension funding | 55,506 | 59,840 | 58,952 | 57,585 | 58,724 |
| Asset ceiling | 50,895 | 51,596 | 58,197 | 56,905 | 27,113 |
| **Provision at the end of the period** | 630,790 | 759,376 | 763,249 | 815,264 | 882,269 |

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

| Thousand Euros | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Experience adjustments for the Plan liabilities | -46,993 | -91,575 | -55,281 | -51,686 | -16,902 |
| Experience adjustments for the Plan assets | 60,914 | -37,567 | 64,044 | -2,061 | 16,025 |

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Pension Funds are as follows:

| Thousand Euros | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Experience adjustments for the Plan liabilities | -4,974 | -6,090 | 15,354 | -8,941 | -2,271 |
| Experience adjustments for the Plan assets | 41,036 | 8,182 | 6,278 | 30,772 | -9,465 |

The past service liability of the pension plans for the Group is as follows:

| | Dec 2019 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| **Liability at the beginning of the period** | 1,436,616 | 98,481 | 249,424 | 1,784,521 |
| Current service cost | 6,564 | - | -405 | 6,159 |
| Net interest on the pensions plan liability | 23,543 | - | 23,946 | 47,489 |
| Benefits paid | -196,095 | -81 | -18,127 | -214,303 |
| Past service cost (Curtailment/Plan amendments) (see note 10) | 8,958 | - | - | 8,958 |
| Actuarial (gains)/losses | 124,467 | - | 63,042 | 187,509 |
| Exchange differences | - | - | -5,582 | -5,582 |
| Other | 135 | -98,400 | 2,949 | -95,316 |
| **Liability at the end of the period** | 1,404,188 | - | 315,247 | 1,719,435 |

| | Dec 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| **Liability at the beginning of the period** | 1,541,225 | 89,208 | 252,458 | 1,882,891 |
| Current service cost | 7,234 | 6,905 | -527 | 13,612 |
| Net interest on the pensions plan liability | 24,691 | 1,146 | 23,235 | 49,072 |
| Benefits paid | -193,517 | -10,763 | -15,878 | -220,158 |
| Past service cost (Curtailment/Plan amendments) | 17,579 | - | - | 17,579 |
| Actuarial (gains)/losses | 39,382 | 11,984 | 17,400 | 68,766 |
| Exchange differences | - | - | -27,511 | -27,511 |
| Other | 22 | 1 | 247 | 270 |
| **Liability at the end of the period** | 1,436,616 | 98,481 | 249,424 | 1,784,521 |

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

| Thousand Euros | Dec 2019 Portugal | Spain | Brazil | Group |
|---|---|---|---|---|
| **Assets value at the beginning of the period** | 849,606 | - | 286,975 | 1,136,581 |
| Group contribution | - | - | 1,447 | 1,447 |
| Plan participants contributions | - | - | 676 | 676 |
| Benefits paid | -60,474 | - | -16,368 | -76,842 |
| Interest on the pensions plan assets | 14,305 | - | 22,604 | 36,909 |
| Actuarial gains/(losses) | 60,914 | - | 40,221 | 101,135 |
| Exchange differences | - | - | -4,859 | -4,859 |
| Other variations | -1 | - | - | -1 |
| **Assets value at the end of the period** | 864,350 | - | 330,696 | 1,195,046 |

| Thousand Euros | Dec 2018 Portugal | Spain | Brazil | Group |
|---|---|---|---|---|
| **Assets value at the beginning of the period** | 933,337 | - | 303,454 | 1,236,791 |
| Group contribution | - | - | 1,144 | 1,144 |
| Plan participants contributions | - | - | 588 | 588 |
| Benefits paid | -61,468 | - | -15,943 | -77,411 |
| Interest on the pensions plan assets | 15,310 | - | 22,645 | 37,955 |
| Actuarial gains/(losses) | -37,573 | - | 7,593 | -29,980 |
| Exchange differences | - | - | -32,668 | -32,668 |
| Other variations | - | - | 162 | 162 |
| **Assets value at the end of the period** | 849,606 | - | 286,975 | 1,136,581 |

The caption Asset ceiling refers to the unrecognised assets in the respective accounting periods. The reconciliation between the opening balance and the closing balance is as follows:

| Thousand Euros | Group Dec 2019 | Dec 2018 |
|---|---|---|
| **Asset ceiling at the beginning of the period** | 51,596 | 58,197 |
| Effect of changes in restricted net assets of benefits to the asset ceiling | 124 | -335 |
| Exchange differences | -825 | -6,266 |
| **Asset ceiling at the end of the period** | 50,895 | 51,596 |

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 50,895 thousand Euros (229,829 thousand Reais). As at 31 December 2018, the asset ceiling amounted to 51,596 thousand Euros (229,294 thousand Reais).

The actuarial gains/losses in Brazil include the positive amount of 124 thousand Euros (550 thousand Reais) related to actuarial gains and losses of the asset ceiling not recognised in reserves (31 December 2018: negative in 335 thousand Euros).

**II. Defined Contribution Pension Plan**

EDPR Europe and EDP España in Spain, EDP São Paulo in Brazil and several subsidiaries in Portugal, have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

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

The EDP Group companies in Portugal resulting from the EDP spin-off in 1994 have a Medical Care and Death Subsidy Plans partially funded by a closed Pension Fund, complemented by a specific provision. The responsibilities regarding the remaining defined benefit plans are fully covered by a provision.

In Brazil, EDP Espírito Santo, Energest and Investco also have Medical and other benefits plans for retired employees which are also fully covered by provisions.

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, survival benefits, life insurance, antiquity and retirement benefits, power and gas tariff discounts, among others.

The number of participants covered by the medical and other benefits plans is as follows:

| | 2019 Portugal | 2019 Spain | 2019 Brazil | 2018 Portugal | 2018 Spain | 2018 Brazil |
|---|---|---|---|---|---|---|
| Retirees and pensioners | 18,013 | - | 2,755 | 17,962 | - | 1,366 |
| Active workers | 5,819 | 1,417 | 845 | 5,903 | - | 747 |
| | 23,832 | 1,417 | 3,600 | 23,865 | - | 2,113 |

The provision for medical liabilities and other benefits and related coverage for the Group is as follows:

| | Dec 2019 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| Liability at the end of the period | 835,882 | 104,364 | 167,198 | 1,107,444 |
| Plan assets at the end of the period | -426,565 | - | - | -426,565 |
| **Provision at the end of the period** | 409,317 | 104,364 | 167,198 | 680,879 |

| | Dec 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| Liability at the end of the period | 763,960 | - | 159,920 | 923,880 |
| Plan assets at the end of the period | -275,954 | - | - | -275,954 |
| **Provision at the end of the period** | 488,006 | - | 159,920 | 647,926 |

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

| Thousand Euros | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Liability at the end of the period | 1,107,444 | 923,880 | 994,273 | 993,506 | 940,046 |
| Plan assets at the end of the period | -426,565 | -275,954 | -235,269 | -81,925 | - |
| **Provision at the end of the period** | 680,879 | 647,926 | 759,004 | 911,581 | 940,046 |

The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Portugal medical and other benefits Liabilities are as follows:

| Thousand Euros | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Experience adjustments for the Plan liabilities | 3,214 | -1,265 | -452 | -5,816 | 1,087 |
| Experience adjustments for the Plan assets | 22,187 | -11,869 | 8,368 | -8 | - |

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

| Thousand Euros | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Experience adjustments for the Medical Plan liabilities | -1,937 | 37,773 | -2,565 | -6,245 | -24,833 |

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

| | Dec 2019 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| **Liability at the beginning of the period** | 763,960 | - | 159,920 | 923,880 |
| Current service cost | 5,163 | 2,426 | 704 | 8,293 |
| Net interest on the net medical liabilities and other benefits | 13,130 | 1,398 | 13,772 | 28,300 |
| Benefits paid | -34,825 | -9,859 | -9,884 | -54,568 |
| Past service cost (Curtailment/Plan amendments) (see note 10) | 260 | - | -31,080 | -30,820 |
| Actuarial (gains)/losses | 88,068 | 8,717 | 39,793 | 136,578 |
| Exchange differences | - | - | -6,028 | -6,028 |
| Other | 126 | 101,682 | 1 | 101,809 |
| **Liability at the end of the period** | 835,882 | 104,364 | 167,198 | 1,107,444 |

| | Dec 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| **Liability at the beginning of the period** | 796,501 | - | 197,772 | 994,273 |
| Current service cost | 4,765 | - | 826 | 5,591 |
| Net interest on the net medical liabilities and other benefits | 13,327 | - | 18,507 | 31,834 |
| Benefits paid | -33,826 | - | -9,378 | -43,204 |
| Past service cost (Curtailment/Plan amendments) | 676 | - | - | 676 |
| Actuarial (gains)/losses | -17,483 | - | -27,366 | -44,849 |
| Exchange differences | - | - | -20,428 | -20,428 |
| Other | - | - | -13 | -13 |
| **Liability at the end of the period** | 763,960 | - | 159,920 | 923,880 |

The evolution of the consolidated assets of the Medical care and Death subsidy Funds is as follows:

| | Portugal | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| **Assets value at the beginning of the period** | 275,954 | 235,269 |
| Group contribution | 141,660 | 69,009 |
| Benefits paid | -19,464 | -20,253 |
| Interest on the pensions plan assets | 6,228 | 3,798 |
| Actuarial gains/(losses) | 22,187 | -11,869 |
| **Assets value at the end of the period** | 426,565 | 275,954 |

## 35. Provisions

Provisions are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Provision for legal and labour matters and other contingencies | 110,034 | 92,034 | 2 | - |
| Provision for customer guarantees under current operation | 1,029 | 15,686 | - | - |
| Provision for dismantling and decommissioning | 485,990 | 480,508 | - | - |
| Provision for other liabilities and charges | 455,464 | 430,217 | 2,718 | 2,980 |
| | 1,052,517 | 1,018,445 | 2,720 | 2,980 |

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Non-Current | 926,426 | 982,515 | 1,794 | 1,808 |
| Current | 126,091 | 35,930 | 926 | 1,172 |
| | 1,052,517 | 1,018,445 | 2,720 | 2,980 |

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| **Balance at the beginning of the period** | 92,034 | 85,049 |
| Charge for the period | 22,365 | 18,257 |
| Reversals | -8,588 | -8,300 |
| Charge-off for the period | -18,601 | -14,155 |
| Exchange differences and other | 24,100 | 11,183 |
| Reclassification to Liabilities Held for Sale (see note 40) | -1,276 | - |
| **Balance at the end of the period** | 110,034 | 92,034 |

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

Provision for legal and labour matters and other contingencies includes provisions for litigation in progress and other labour contingencies, which are related essentially with:

i) Requests for the refund of tariff increases paid by industrial consumers of the brazilian subsidiaries EDP São Paulo and EDP Espírito Santo in the amount of 13,102 thousand Euros (31 December 2018: 12,112 thousand Euros). These requests result from the application of Administrative Orders DNAEE no. 38 of 27 February 1986 and no. 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;

ii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousand Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, as at 31 December 2016, the estimated liability amounted to 5,836 thousand Euros, corresponding to the indemnity discounted amount. The appeal presented by EDP Produção was denied, and confirmed the court sentence that determined the legitimacy for Terriminas to collect the amount in which EDP Produção was condemned. EDP Produção paid 6,371 thousand Euros and appeal for the payment of the remaining amount of 1,629 thousand Euros (interest from 2 February 2013 to 30 September 2017) for lack of an enforceable instrument. On February 2019, a decision was delivered regarding EDP's claim, considering it as an undue payment. On May 2019, the court decided in favour of EDP Group claim. As at 31 December 2019 this process is closed. Also in May 2019, Terriminas filed a new claim against EDP Produção, asking for the payment of interests. This contingency was assessed in the amount of 1,154 thousand Euros with a possible risk of loss;

iii) The remaining legal litigations correspond mainly to indemnities for damages allegally suffered in consequence of interruption of electricity supply, power accidents and fires.

In accordance with IFRS 3, during an acquisition, the acquiring company shall recognise, at the acquisition date, a contingent liability for the present obligations resulting from past events which fair value can be reliably measured. Within the process of acquisition of control of Porto do Pecém in 2015, the Board of Directors identified a contingency, which estimated responsibility amounts to 4,815 thousand Euros (31 December 2018: 4,893 thousand Euros).

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| **Balance at the beginning of the period** | 15,686 | 6,235 |
| Charge for the year | 400 | - |
| Charge-off for the period | -11,496 | -4,988 |
| Exchange differences and other | -3,561 | 14,439 |
| **Balance at the end of the period** | 1,029 | 15,686 |

Provisions for customer guarantees under current operations include essentially provisions for commercial losses.

The movement in Provision for dismantling and decommissioning is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| **Balance at the beginning of the period** | 480,508 | 463,556 |
| Perimeter variations (see note 6) | -35,865 | -3,725 |
| Unwinding (see note 13) | 6,614 | 6,143 |
| Increase of the responsibility (see note 16) | 36,310 | 12,937 |
| Reversals | - | -537 |
| Exchange differences and other | -1,577 | 2,134 |
| **Balance at the end of the period** | 485,990 | 480,508 |

As at 31 December 2019, Provision for dismantling and decommissioning includes the following situations:

i) The Group has recognised a provision of 44,375 thousand Euros (31 December 2018: 44,205 thousand Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. The assumptions used in the calculation of the provision include an inflation rate of 1.87% and a discount rate of 0.76%. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;

ii) Provisions for dismantling wind farms and solar parks of 270,353 thousand Euros (31 December 2018: 288,503 thousand Euros) to cover the costs of bringing the sites to their original conditions, of which 128,615 thousand Euros refer to the wind farms and solar parks in North America, 139,475 thousand Euros refer to the wind farms and solar parks in Europe and 2,263 thousand Euros refer to the wind farms in Brazil.

Discount and Inflation rates used for 2019 are:

| | Europe | North America | Brazil |
|---|---|---|---|
| Discount Rate | [0.00% - 4.53%] | [1.56% - 2.32%] | [4.46% - 6.61%] |
| Inflation Rate | [0.85% - 3.90%] | [2.00% - 3.75%] | [4.37% - 5.72%] |

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the Group recognises provisions to cover the costs with the decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 31 December 2019, the provision amounts to 83,972 thousand Euros and 85,244 thousand Euros for the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 n), these provisions are calculated at the present value of the future liability and are accounted against an increase in property, plant and equipment and are depreciated on a straight line basis over the useful life of the assets. The calculation of these provisions was based on an inflation rate between 1.60% and 1.87% and discount rates between 0% and 1.31%.

iv) The caption Perimeter Variations during 2019 mainly represents the impact of the sale of the companies EDP Renewables France, S.A.S., EDPR Participaciones, S.L.U., Central Eólica Babilônia I, S.A. and their subsidiaries (see note 6).

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

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| **Balance at the beginning of the period** | 430,217 | 180,364 | 2,980 | 10,455 |
| Charge for the period | 7,179 | 297,499 | 940 | 618 |
| Reversals | -6,015 | -18,981 | -1,075 | -8,093 |
| Charge-off for the period | -10,246 | -3,217 | -127 | - |
| CESE Charge-off | - | -131,053 | - | - |
| CESE | - | 65,446 | - | - |
| Innovative Features Charge-off (see note 4) | -92,458 | - | - | - |
| Hydro power plants of Fridão (see note 4) | 86,189 | - | - | - |
| CMEC | 15,977 | 36,090 | - | - |
| "Lesividad" | 12,020 | 12,020 | - | - |
| Reclassification to Assets and Liabilities Held for Sale (see note 40) | -176 | - | - | |
| Exchange differences and other | 12,777 | -7,951 | - | - |
| **Balance at the end of the period** | 455,464 | 430,217 | 2,718 | 2,980 |

The BOE 223/2017 published during the third quarter of 2017 opened the hearing process of the Order of the Minister of Energy, Tourism and Digital Agenda of 13 September, introducing a "lesividad" declaration procedure for the public interest Order IET/980/2016, which established a remuneration for electricity distribution companies until 2016. Thus, the remuneration that was determined was allegedly higher than it should be for 2016. Due to the fact that the remuneration for the distribution activity in 2017, 2018 and 2019 was not yet fixed, EDP España has been calculating the remuneration based on the remuneration of 2016. As at 31 December 2019, EDP España recorded a provision in the amount of 12,020 thousand Euros (31 December 2018: 12,020 thousand Euros) and the total value of this contingency at this point is 48,080 thousand Euros related to the potential "lesividad" effect for 2016, 2017, 2018 and 2019.

On 3 May 2018, it has come to EDP's knowledge (through a DGEG's letter) that the CMEC final adjustment had been officially approved, according to ERSE's proposal, in the amount of 154 million Euros. EDP reflected this reality in its financial statements as of 31 December 2018, recognising a provision by the difference in the final adjustment amounts already recognised in the Group's revenues. On 31 December 2019 EDP maintains the provision in its accounts (see note 4).

On 26 September 2018, DGEG notified EDP about a dispatch issued by the Secretary of State for Energy (SSE) on 29 August 2018, which quantifies at 285 million Euros the alleged overcompensation of EDP related to the calculation of the real availability factor of the plants under the CMEC regime. Considering that the Order in question lacks technical, economic and legal basis, on 8 October 2018 EDP Produção has submitted an administrative appeal, and on 1 February 2019, EDP Produção challenged in court these Orders .Although the EDP Group considers that there were no innovative features weighted in CMEC adjustments, this has been reflected in the financial statements as at 31 December 2018, through a provision of the same amount. During 2019, EDP made payments of 92,458 thousand Euros, using this provision. As at 31 December 2019, the value of this provision is 192,542 thousand Euros (see note 4).

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

The processes whose losses were considered as possible, do not require the recognition of provisions and are periodically reassessed. The detail of possible contingencies is analised as follows:

| | Dec 2019 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Total |
| Administrative and Civil | 34,447 | 7,133 | 198,331 | 239,911 |
| Fiscal | 48,571 | 6,017 | 434,375 | 488,963 |
| Other | 94,025 | 2,676 | 29,771 | 126,472 |
| | 177,043 | 15,826 | 662,477 | 855,346 |

| | Dec 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Total |
| Administrative and Civil | 39,653 | 5,304 | 197,240 | 242,197 |
| Fiscal | 4,763 | 1,294 | 422,226 | 428,283 |
| Other | 29,700 | 1,021 | 28,352 | 59,073 |
| | 74,116 | 7,619 | 647,818 | 729,553 |

The possible contingencies more relevant in Portugal, are as follows:

respect to the urbanistic reconversion and intervention area in Parque Expo 98. In this context, Parque Expo 98 claims that, between 1996 and 2014, it supported the costs that are responsibility of EDP Distribuição. In November 2015, Parque Expo 98 in liquidation addressed EDP Distribuição a separate judicial notice, in order to interrupt the limitation period (which would occur 20 years from the date of the referred agreement). Meanwhile Parque Expo 98, in liquidation, claims a reimbursement from EDP Distribuição of those costs in the amount of 15,811 thousand Euros. EDP Distribuição contested this claim on 28 June 2017 and is still waiting for further developments.

ii) On 29 July 2016, the Portuguese Competition Authority (AdC) has notified EDP, S.A. and EDP Comercial, S.A. with a notice for alleged violation of competition laws, regarding the process about the commercial campaign done in partnership with Modelo Continente, designated as "Plano EDP Continente". This was an occasional campaign, limited to two years, which was one of several campaigns usually performed by several other market agents. On 5 May 2017, EDP, S.A. and EDP Comercial, S.A. received AdC final decision which applied a fee of 2,900 thousand Euros to EDP,S.A. and 25,800 thousand Euros to EDP Comercial. EDP Group is convinced that this campaign has brought real benefits to consumers and competition in markets and that no transgression has been committed. The companies filed their appeal on 19 June 2017 and are still awainting sentence. Subsequently, a dispatch was delivered by Competing, Regulation and Supervision Court (TCRS) that considered unconstitutional the law from AdC which demanded a fine payment or a security before a decision about the case. This view was confirmed with a Constitutional Court judgment on 4 October 2018. The Public Prossecuters as well as AdC presented a new appeal about this judgement for Constitutional Court, with EDP, S.A and EDP Comercial presenting its counter-allegations. On 17 December 2019, EDP S.A. and EDP Comercial were notified of the Constitutional Court Judgment, which reversed the previous Judgment of the same Court, concluding that the aforementioned Competition Law rule was not unconstitutional. The case records will be sent from the Constitutional Court to the TCRS, for scheduling the trial hearing. EDP and EDP Comercial will submit a request to the TCRS to provide a security deposit, pending a decision.

iii) Within EDP Distribuição there is a contingency established by Gás Natural Comercializador, S.A. (GNC), for the undue payment of tariffs for access to networks charged by EDP Distribuição and surplus consumption by Repsol Polimeros, S.A. The situation is related with the attribution of a proper consumption producer status to Repsol Polimeros, S.A. in June 2014, being this energy invoiced only from October 2015 onwards. Regarding the year 2015, GNC was reimbursed for the over paid amounts, therefore the claim is only on payments about the second half of 2014, in the amount of 5,724 thousand Euros. As at 31 December 2019, the value of this contingency is divided between a probable risk of loss in the amount of 2,308 thousand Euros and the remain value with a classification of risk as possible.

iv) On 3 September 2018, the Portuguese Competition Authority (AdC) notified EDP Produção with Statement of Objections, under which EDP Produção is accused of abuse of a dominant position in the secondary regulation band market (a part of the ancillary services market). AdC claims that EDP Produção has deliberately limited the participation of CMEC plants in the secondary regulation market between 2009 and 2013, benefitting its non-CMEC power plants. The alleged benefit, in detriment of consumers, would be twofold: receiving higher compensation under CMEC annual adjustment regime; profiting from higher market prices in said market. AdC has estimated that the alleged practice of EDP Produção has generated damages to the national electricity system and to consumers of around 140 million Euros. AdC pointed out that the adoption of a Statement of Objections did not determine the result of the investigation, which began in September 2016 and is still in course. On 28 November 2018, EDP Produção presented to AdC its facts about the accusation, awaiting a final decision from AdC. On 18 September 2019, AdC has notified EDP Produção for an alleged infraction to competition rules. This contingency was estimated with a value of 48 million Euros and it graduation was assessed as possible (see note 4). On 30 October 2019, EDP Produção presented an appeal against this decision to the TCRS and it is waiting the counter-allegations of AdC. As at 31 December 2019, the value and the risk of loss about this contingency remain unchanged.

The possible contingencies more relevant in Brazil, are as follows:

i) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 24,879 thousand Euros (31 December 2018: 21,720 thousand Euros);

ii) There is a public civil action filed against EDP São Paulo and EDP Espírito Santo by ADIC – Associação de Defesa dos Interesses Colectivos, claiming a compensation arising from a tariff readjustment on part A from 43 concessionaires. The estimated value attributable to EDP São Paulo and EDP Espirito Santo amounts to 52,668 thousand Euros (31 December 2018: 45,939 thousand Euros);

iii) EDP São Paulo is a party to a lawsuit related to the COFINS (Contribution for social security financing) from 1993 to 1995 in joinder with AES Eletropaulo, where is discussed the application of the tax amnesty introduced by the Provisional Measures paragraphs 1858-6 and 1858-8, granted to taxpayers who did not collect COFINS, considering it improper. In the trial of 2nd Instance, was partially confirmed the right to amnesty, and applied the Decree-Law 1,025/69, which established the payment of procedural costs in favor of the National Treasury. From this decision, an appeal was presented, which holds trial. The updated amount as at 31 December 2019 is 16,905 thousand Euros (31 December 2018: 16,957 thousand Euros)

iv) EDP São Paulo and EDP Espírito Santo have administrative and judicial actions regarding tax compensations not ratified by the Brazilian Federal Revenue Bureau, which: (i) are protected by judicially recognised credits (IRPJ - Corporate tax income and CSLL - Social Contribution on net profits) and (ii) that result from tax contributions in 2001 of IRPJ, CSLL, PIS (Social integration programme) and COFINS considered to be excessive as a consequence of the application of "Parecer COSIT 26/2002" (Extraordinary Tariff Adjustment - RTE) published by the Brazilian Tax Authorities. According to this opinion, the amounts resulting from tariffs updated under RTE should be recognised and taxed only as of 2002. As at 31 December 2019, the updated values amount to 86,023 thousand Euros (31 December 2018: 83,758 thousand Euros);

v) Lajeado has a judicial tax action initiated by the Brazilian Tax Authorities in 2014 aimed at collecting tax contributions (IRPJ and CSLL) resulting from the disallowance of expenses regarding goodwill arising from a business combination (acquisition). As at 31 December 2019, this contingency amounts to 28,918 thousand Euros (31 December 2018: 24,799 thousand Euros);

vi) Porto do Pecém was subject to a tax execution procedure in the amount of 19,995 thousand Euros, related to an alleged non-taxation under IRPJ and CSLL of prior years' financial income and exchange rate gains (31 December 2018: 18,688 thousand Euros);

vii) The companies of EDP Group – Energias do Brasil (Energest, Lajeado, Investco, Enerpeixe, Santa Fé, Porto do Pecém and Costa Rica), through the Brazilian Association of Independent Power Producers - APINE and the Brazilian Association of Power Generation - ABRAGEL, filed a lawsuit seeking to suspend the effects of CNPE Resolution 03/13, which established the apportionment among all agents of the electricity market of part of the costs incurred with the excessive use of energy from thermic sources (oil, coal and gas), due to the scarcity of the rainfall regime (ancillary service Charge - ESS). As at 31 December 2018, the value associated to this contingency was 37,295 thousand Euros. On 3 June 2019 EDP Group companies were notified with a favorable decision. For this reason, as at 31 December 2019 this process is closed.

viii) Following a period of drought in the State of Ceará, the local government, through Decree 32,044 of 16 September 2016, introduced an extraordinary rate called the Emergency Water Charge (EHE) over the actual water consumption of thermoelectric power plants, and in particular the Porto do Pecém. On 13 October 2016, the Porto do Pecém submitted an administrative request to ANEEL for the purpose of transferring this additional cost to the Unit Variable Cost (CVU), in order to restore the economic-financial balance of the contract (CCEAR). ANEEL, through Order 3,293 of 16 December 2016, denied the request of the Porto do Pecém, which initiated proceedings against ANEEL.

As at 31 December 2019, the lawsuit against ANEEL requiring the guarantee of the economic-financial balance of the CCEARs by transferring the EHE to the CVU awaits judgment, and the likelihood of the contingency associated with the eventual need to return the now classified amount graduated as possible and the estimated total amount of 23,738 thousand Euros (31 December 2018: 14,966 thousand euros), referring to the estimate of EHE values during the period of validity of the first decree (1 October 2016 until 31 August 2017). The variation ocurred during this period is related with the revision of assumptions used to calculate the contingency which previously was considering the estimative of the value of EHE to be paid following the historical average. The new calculation is based on the claim effective risk considering the transference of CVU.

Finally, even EDP Group classifies its risk as remote, it is important to identify the following litigation:

i) On 27 October 2009 and 5 January 2010, the EDP Group received two tax settlements regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely EDP Espírito Santo and Enersul. As at 31 December 2019, the amount of this tax contingency amounts to 290 million Euros (31 December 2018: 282 million Euros).

Considering the analysis made, the technical advice received and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes as established in article 75 no. 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at that date (existing article 81).

Given the above, and considering that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional settlements. Thus, following the implied rejection of the hierarchical appeal, EDP presented a judicial claim, on 6 June 2012. In November 2018, EDP Group was notified with a decision in favour. The Treasuary filed an appeal on that decision.

ii) EDP São Paulo through the Power Industry Union of the State of São Paulo - SindiEnergia, filed two claims against the Treasury Department of the State of São Paulo, seeking the suspension of the effects of Decrees 55.421/2010 and 55.867/2010. Both claims deal with VAT incidence on energy technical losses (theft, deviation or fraud) and obtained a favourable decision. These decisions are still subject of appeal to higher courts, however, given that the higher courts jurisprudence supports the thesis discussed in this process, the EDP Group classifies as remote the risk of losing this action. The estimated value at 31 December 2019 amounts to 133,613 thousand Euros (31 December 2018: 120,488 thousand Euros).

## 36. Institutional Partnerships in USA

The caption Institutional partnerships in USA is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| Deferred income related to benefits provided | 1,002,871 | 961,783 |
| Liabilities arising from institutional partnerships in USA | 1,286,913 | 1,269,466 |
| | 2,289,784 | 2,231,249 |

EDPR North America recognises under this caption the receipts of institutional investors associated with wind and solar projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, and recognised over the useful life of the related projects (see note 8). Additionally, this liability is increased by the estimated interest based on the liability outstanding and the expected rate of return of the institutional investors (see note 13).

The movements in Institutional partnerships in USA are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| **Balance at the beginning of the period** | 2,231,249 | 2,163,722 |
| Proceeds received from institutional investors | 188,490 | 402,046 |
| Cash paid for deferred transaction costs | -2,087 | -3,011 |
| Cash paid to institutional investors | -80,776 | -173,682 |
| Other Income (see note 8) | -181,570 | -185,171 |
| Unwinding (see note 13) | 85,320 | 80,684 |
| Exchange differences | 42,848 | 101,530 |
| Loss of control of companies with institutional partnerships | - | -162,123 |
| Other | 6,310 | 7,254 |
| **Balance at the end of the period** | 2,289,784 | 2,231,249 |

During 2019, EDPR NA, has secured and received proceeds amounting to 188,490 thousand Euros related to institutional equity financing from Bank of America, in exchange for an interest in the 405 MW onshore wind projects located in the state of Illinois.

During 2018, EDPR NA has received proceeds amounting to 228,537 thousand Euros (269,908 thousand US Dollars) related to institutional equity financing from a leading financial institution, in exchange for an interest in the Arkwright and Tutle Creek projects, both located in the state of New York. Additionally, EDPR NA has secured and received proceeds amounting to 163,860 thousand Euros (193,522 thousand US Dollars) related to institutional equity financing from a leading financial institution, in exchange for an interest in the Meadow Lake VI project that is located in the state of Indiana. After this funding being executed, EDPR NA has lost control over this project upon the completion of the sale of 80% of equity shareholding.

Under these partnerships, EDP Group provides operating guarantees to institutional investors in wind and solar projects in USA, which are typical of this type of structure. As at 31 December 2019 and 2018, the liabilities associated with these guarantees are not expected to exceed the amounts already recognized under the caption Liabilities arising from institutional partnerships in USA.

## 37. Trade payables and other liabilities from commercial activities

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| **Contract liabilities:** | | |
| Energy sales contracts - EDPR NA | 9,148 | 11 496 |
| Deferred income - CMEC | 208,535 | 283,530 |
| | 217,683 | 295,026 |
| **Other liabilities:** | | |
| Investment government grants | 566,450 | 583,603 |
| Amounts payable for tariff adjustments - Electricity - Portugal | - | 77,447 |
| Amounts payable for tariff adjustments - Electricity - Brazil | 464,823 | 38,678 |
| Amounts payable for concessions | 199,772 | 201,527 |
| Property, plant and equipment suppliers | 5,101 | 8,233 |
| Other creditors and sundry operations | 190,478 | 151,731 |
| | 1,426,624 | 1,061,219 |
| | 1,644,307 | 1,356,245 |

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

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| **Contract liabilities:** | | | | |
| Deferred income - CMEC | 74,995 | 80 897 | - | - |
| Amounts received from the Fund for systemic sustainability of the energy sector | | 155,594 | - | - |
| | 74,995 | 236,491 | - | - |
| **Other liabilities:** | | | | |
| Suppliers | 919,745 | 956,608 | 412,388 | 412,960 |
| Accrued costs related with commercial activities | 633,664 | 704,975 | 253,650 | 314,433 |
| Property, plant and equipment suppliers | 1,196,186 | 1,028,188 | 961 | 837 |
| Holiday pay, bonus and other charges with employees | 151,917 | 160,847 | 30,370 | 30,201 |
| CO2 emission Licenses | 203,085 | 137,746 | - | - |
| Amounts payable for tariff adjustments - Electricity - Portugal | 43,626 | 8,840 | - | - |
| Amounts payable for tariff adjustments - Electricity - Brazil | - | 253 | - | - |
| Amounts payable - securitisations | 136,933 | 134,841 | - | - |
| Amounts payable - CMEC | 221,955 | 222,245 | - | - |
| Other creditors and sundry operations | 277,517 | 271,211 | 17,945 | 30,452 |
| | 3,784,628 | 3,625,754 | 715,314 | 788,883 |
| | 3,859,623 | 3,862,245 | 715,314 | 788,883 |

At the moment of EDPR NA acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousand US Dollars, being booked as a non-current liability under Energy sales contract - EDPR NA, and amortised over the useful life of the contracts in Other operating income - Other.

Deferred income - CMEC Non-current and Current, in the amount of 283,530 thousand Euros (31 December 2018: 364,427 thousand Euros) includes the amount of 119,792 thousand Euros corresponding to the initial CMEC amount (833,467 thousand Euros) deducted from the amortisation of initial CMEC during the years 2007 to 2017 and accrued with unwinding (see note 13), and the amount of 163,738 thousand Euros relating with the final adjustment recognised in accordance with the result achieved by EDP/REN working group (256,539 thousand Euros), deducted from amortisation charges of the period and accrued with corresponding unwinding (see note 13).

The Amounts received from the Fund for Systemic Sustainability of the Energy Sector referred, as at 31 December 2018, to amounts transferred to EDP SU related with the electricity tariffs for 2019, which represented CESE amounts intended to reduce the National Electric System's tariff debt. During 2019, these amounts were settled through the tariff.

Investment government grants are amortised through the recognition of a revenue in the income statement over the useful life of the related assets, which amounts to 27,003 thousand Euros as at 31 December 2019 (see note 12). This caption includes grants received by EDPR NA subgroup under the "American Recovery and Reinvestment Act" promoted by the United States of America Government.

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

| Thousand Euros | Non-Current | Current |
|---|---|---|
| **Balance at the beginning of the period** | 77,447 | 8,840 |
| Payment through the electricity tariff | - | -8,841 |
| Tariff adjustment of 2018 | - | -1,309 |
| Tariff adjustment of the period (see note 7) | - | 10,560 |
| Interest expense (see note 13) | - | 314 |
| Transfer to/from tariff adjustment receivable (see note 25) | 1,449 | -44,835 |
| Transfer from Non-Current to Current | -78,896 | 78,897 |
| **Balance at the end of the period** | - | 43,626 |

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments recognised in EDP São Paulo - Distribuição de Energia S.A. and EDP Espírito Santo - Distribuição de Energia S.A. in the accumulated amount of 276,341 thousand Euros (31 December 2018: 28,681 thousand Euros) and 188,482 thousand Euros (31 December 2018: 10,250 thousand Euros), respectively. The variation occurred includes the tariff deficit of the period with a positive impact of 48,894 thousand Euros (see note 7), the transfer to tariff adjustment receivable of 85,066 thousand Euros (see note 25), the unwinding in the amount of 14,776 thousand Euros (see note 13), the recognition of 388,998 thousand Euros (1,756,597 thousand Brazilian Real), against tax receivable as a result of the non-inclusion of the amounts of VAT borne in the basis of calculation of PIS and COFINS (see note 27), the decrease of the amount returned through the tariff of 110,354 thousand Euros and the exchange differences due to depreciation of Brazilian Real against Euro with a negative impact of 1,488 thousand Euros.

The caption Amounts payable for concessions includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA in the amount of 134,496 thousand Euros (31 December 2018: 137,237 thousand Euros) and the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil in the amount of 65,276 thousand Euros (31 December 2018: 64,291 thousand Euros).

The caption Property, plant and equipment suppliers - Current refers mainly to the amounts due related with the construction of windfarms and solar parks in USA in the amount of 968,998 thousand Euros (31 December 2018: 701,846 thousand Euros), in Canada in the amount of 34,566 thousand Euros (31 December 2018: 924 thousand Euros), and in Italy in the amount of 28,902 thousand Euros (31 December 2018: 39,155 thousand Euros) .

The caption CO2 emission licenses includes the CO2 consumptions during 2019 in Portugal and Spain, in the amount of 116,752 thousand Euros and 86,333 thousand Euros, respectively (31 December 2018: 81,701 thousand Euros and 56,045 thousand Euros). The variation includes the consumptions of 2019 and the delivery in 2019 of the 2018 consumption licenses, which are returned to regulatory authorities until April of the year following its consumption.

In the energy distribution activity, the subsidiaries of EDP Group in Portugal and Spain recover the deficits and tariff adjustment assets through the tariffs charged to their customers. The caption Amounts payable - securitizations includes the amounts payable to entities that have acquired the right to receive these assets in securitisation or direct sales operations in Portugal, and the caption Other creditors and sundry operations - Current included, as at 31 December 2018, the settlements to be made to the regulatory entity in Spain , which amounted to 9,538 thousand Euros. These liabilities refer to the assets recovered through the tariffs that will be transferred to these entities. During the second quarter of 2019, settlements were made to the regulatory entity in Spain.

The caption Amounts payable - CMEC refers to amounts received by EDP Distribuição, through the tariff, regarding the CMEC Revisibility of 2016 and 2017, which delivery to REN is awating approval (see note 4).

The caption Other creditors and sundry operations - Non-current includes the amount of 62,258 thousand Euros related with the reinsurance activity (31 December 2018: 69,178 thousand Euros). The caption Other creditors and sundry operations - Current includes the amount of 14,317 thousand Euros related to tariff adjustment payable (31 December 2018: 14,317 thousand Euros).

## 38. Other Liabilities and Other Payables

Other liabilities and other payables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| **Other liabilities and other payables - Non-Current** | | | | |
| Loans from non-controlling interests | 215,023 | 401,257 | - | - |
| Derivative financial instruments (see note 41) | 169,008 | 196,496 | 215,510 | 205,570 |
| Group companies | - | - | - | 66,297 |
| Amounts payable and contingent prices for acquisitions/sales | 18,303 | 75,234 | - | - |
| Lease contracts with EDP Pension and Medical and Death Subsidy Funds (a) | - | 77,959 | - | 77,959 |
| Lease Liabilities (Rents due from lease contracts) (a) | 762,725 | - | 133,378 | - |
| Other creditors and sundry operations | 12,060 | 5,953 | 2 | - |
| | 1,177,119 | 756,899 | 348,890 | 349,826 |
| **Other liabilities and other payables - Current** | | | | |
| Loans from non-controlling interests | 117,327 | 241,617 | - | - |
| Dividends attributed to related companies | 58,749 | 57,752 | - | - |
| Derivative financial instruments (see note 41) | 213,363 | 155,848 | 547,312 | 188,502 |
| Group companies | - | - | 70,288 | 31,339 |
| Group's financial system (see note 43) | - | - | 711,835 | 1,030,481 |
| Amounts payable and contingent prices for acquisitions/sales | 151,975 | 303,459 | - | - |
| Lease contracts with EDP Pension and Medical and Death Subsidy Funds (a) | - | 6,496 | - | 6,496 |
| Lease Liabilities (Rents due from lease contracts) (a) | 75,004 | - | 12,390 | - |
| Other creditors and sundry operations | 7,353 | 5,750 | 51,290 | 36,362 |
| | 623,771 | 770,922 | 1,393,115 | 1,293,180 |
| | 1,800,890 | 1,527,821 | 1,742,005 | 1,643,006 |

(a) *Due to the adoption of IFRS 16, the balances included in the caption Lease contracts with EDP Pension and Medical and Death Subsidy Funds are now included in the new item Lease Liabilities (Rents due from lease contracts) (see note 3).*

The caption Loans from non-controlling interests Current and Non-Current mainly includes:

i) loans granted by ACE Portugal (CTG Group) due to the sale in 2017 of 49% of shareholding in EDPR PT – Parques Eólicos S.A and subsidiaries for a total amount of 32,302 thousand Euros, including accrued interests (31 December 2018: 31,108 thousand Euros), bearing interest at a fixed rate of 3.75% (see note 43);

ii) loans granted by ACE Poland (CTG Group) due to the sale in 2016 of 49% of shareholding in EDP Renewables Polska HoldCo, S.A. and subsidiaries for a total amount of 109,245 thousand Euros, including accrued interests (31 December 2018: 119,826 thousand Euros), bearing interest at a fixed rate of a range between 1.33% and 7.23% (see note 43);

iii) loans granted by ACE Italy (CTG Group) due to the sale in 2016 of 49% of shareholding in EDP Renewables Italia, S.r.l. and subsidiaries for a total amount of 55,474 thousand Euros, including accrued interests (31 December 2018: 63,304 thousand Euros), bearing interest at a fixed rate of 4.5% (see note 43);

iv) loans granted by CITIC CWEI Renewables (CTG Group) due to the sale in 2013 of 49% of shareholding in EDP Renováveis Portugal, S.A. for a total amount of 38,696 thousand Euros, including accrued interests (31 December 2018: 50,202 thousand Euros), bearing interest at a fixed rate of 5.5% (see note 43); and

v) loans from Sonatrach to Central Térmica Ciclo Combinado Grupo 4 in the amount of 58,220 thousand Euros (31 December 2018: 58,220 thousand Euros).

The significant decrease in the caption loans from non-controlling interests Non-Current and Current is mainly related to the sale of EDPR Participaciones S.L.U., EDP Renewables France S.A.S. and its subsidiaries (see note 6). As at 31 December 2018, loans granted by Vortex Energy Investments II due to the sale in 2016 of 49% of shareholding in EDPR Participaciones S.L.U. and subsidiaries amounted to 215,620 thousand Euros. Additionally, loans granted by Vortex Energy Investments I due to the sale in 2014 of 49% of shareholding in EDP Renewables France S.A.S. and subsidiaries amounted to 52,258 thousand Euros as at 31 December 2018.

The variation of the caption Amounts payable and contingent prices for acquisitions/sales Non-Current and Current mainly relates from costs actually incurred in the construction of the windfarm projects as foreseen in the context of the sale, in December 2018, of 80% of the shareholding in the company 2018 XIX Wind LLC and its subsidiaries (decrease of 142.193 thousand Euros) and the sale of 75% of the shareholding in the companies Nation Rise Wind Farm Gp II Inc. and Nation Rise Wind Farm Limited Partnership (decrease of 45,626 thousand Euros), as well as the update of the contingent prices related to the sale of the gas distribution business in Spain and Portugal in 2017 (decrease of 8,905 thousand Euros and decrease of 8,093 thousand Euros, respectively).

The caption Lease Liabilities (Rents due from lease contracts) - Non-Current and Current, includes the amount of 718,528 thousand Euros and 18,861 thousand Euros, respectively, as a result of the adoption of IFRS 16 on 1 January 2019 (see note 3). As at 31 December 2019, the variation includes: (i) 113,928 thousand Euros corresponding to lease liabilities (rents due from lease contracts) starting after 1 January 2019; (ii) negative 53,128 thousand Euros related to the sale of EDPR Participaciones S.L.U., EDP Renewables France S.A.S. and its subsidiaries (see note 6); (iii) negative 69,555 thousand Euros corresponding to payments rents made; and (iv) 38,687 thousand Euros corresponding to the financial update of the liability (see note 13).

As at 31 December 2019, the nominal value of the lease liabilities (rents due from lease contracts) is detailed as follows: (i) less than 5 years: 327,166 thousand Euros; (ii) from 5 to 10 years: 280,719 thousand Euros; (iii) from 10 to 15 years: 280,857 thousand Euros; and (iv) more than 15 years: 564,647 thousand Euros.

The caption Lease Liabilities (Rents due from lease contracts), on a Company basis, includes lease contracts with EDP Pension and Medical and Death Subsidy Funds regarding to the building units of Porto headquarters acquired by EDP Pension Fund in December 2015 and the Lisbon headquarters building given as an in-kind contribution to EDP Medical and Death Subsidy Fund in September 2017. These contracts were celebrated for a period of 25 years (see note 43).

## 39. Tax Liabilities

Tax liabilities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Income tax | 47,100 | 162,835 | 1,456 | 114,820 |
| Withholding tax | 36,785 | 41,465 | 1,801 | 1,150 |
| Value Added Tax (VAT) | 116,799 | 130,588 | 24,725 | 1,655 |
| Special taxes Brazil | 228,312 | 188,899 | - | - |
| CESE (see note 15) | 63,775 | - | - | - |
| Other taxes | 124,035 | 139,939 | 1,053 | 1,021 |
| | 616,806 | 663,726 | 29,035 | 118,646 |

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Non-Current | 138,212 | 97,637 | - | - |
| Current | 478,594 | 566,089 | 29,035 | 118,646 |
| | 616,806 | 663,726 | 29,035 | 118,646 |

As at 31 December 2019, the captions Income tax and Special taxes Brazil include the amount of 82,552 thousand Euros (372,778 thousand Brazilian Reais), corresponding to the recognised liability value of 113,870 thousand Euros (514,917 thousand Brazilian Reais) net of payments (see note 27).

With regard to 31 December 2019, the main variation to highlight are the record of CESE (note 15). This amount was fully paid on 2 January 2020 (see note 15).

## 40. Non-Current Assets and Liabilities Held for Sale

The criteria for classifying assets and liabilities as held for sale, as well as their presentation in EDP Group's consolidated financial statements, are described in the Group's accounting policies.

This caption is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| **Assets held for sale** | | |
| Electricity generation assets - Hydro Brazil | 90,517 | - |
| Electricity generation assets - Hydro Portugal | 1,951,176 | - |
| Electricity generation assets - Offshore wind | 214,194 | 7,546 |
| Other assets | - | 3,519 |
| | 2,255,887 | 11,065 |
| **Liabilities held for sale** | | |
| Electricity generation assets - Hydro Brazil | 16,924 | - |
| Electricity generation assets - Hydro Portugal | 35,147 | - |
| Electricity generation assets - Offshore wind | 26,751 | - |
| | 78,822 | - |
| | 2,177,065 | 11,065 |

In 2017, EDPR Group committed to the plan of selling and consequent loss of control of Moray Offshore Windfarm (East) Limited, so, according to the analysis performed under IFRS 5, this sale was considered highly probable, and as at 30 June 2017, its assets and liabilities were classified as held for sale. During 2017 and 2018, EDPR Group finished the following sales of the equity shareholding and shareholder loans: 23.3% to Engie, 33.4% to Diamond Generation Europe Limited and 10% to China Three Gorges (Europe) S.A. As at 31 December 2018, 10% of the assets attributable to the remaining capital shares and respective loans that will be disposed were recognised in non-current assets held for sale in the amount of 7,546 thousand Euros.

In May 2019, EDPR Group signed a strategic memorandum of understanding with ENGIE to create a co-controlled 50/50 joint venture in fixed and floating offshore wind segment. The new entity will be the exclusive vehicle of investment of EDPR and ENGIE for offshore wind opportunities worldwide. As at 31 December 2019, the assets and liabilities associated with the companies included in this segment were presented in non-current assets and liabilities held for sale.

During the first semester of 2019, the EDP Brasil Group started the process of selling Energest, S.A. Assets and liabilities associated with this company were presented in non-current assets and liabilities held for sale.

In the last quarter of 2019, the EDP Group agreed to sell a portfolio of 6 large hydro plants in Portugal to a consortium of investors formed by Engie, Crédit Agricole Assurances and Mirova – Natixis Group. The disposed hydro portfolio comprises 1,689 MW of installed capacity in the Douro river basin (Miranda, Picote, Bemposta, Foz Tua, Baixo Sabor and Feiticeiro). Assets and liabilities associated with this transaction were presented in non-current assets and liabilities held for sale. This transaction is based on a set of potential price adjustments and it fair value will be determined on the date of the transaction.

As at 31 December 2019 the following reclassifications were made to held for sale:

| | Dec 2019 | | | |
|---|---|---|---|---|
| Thousand Euros | Hydro Brazil | Hydro Portugal | Offshore wind | Total |
| **Assets** | | | | |
| Property, plant and equipment (see note 16) | -44,991 | -1,710,427 | -11,074 | -1,766,492 |
| Right-of-use assets (see note 17) | -174 | - | -4,379 | -4,553 |
| Intangible assets (see note 18) | -12,075 | -157,145 | - | -169,220 |
| Goodwill (see note 19) | -3,654 | - | -1,507 | -5,161 |
| Investments in joint ventures and associates (see note 21) | - | - | -90,270 | -90,270 |
| Other assets | -22,007 | -83,604 | -89,172 | -194,783 |
| Cash and cash equivalents | -7,616 | - | -10,246 | -17,862 |
| Assets Held for Sale | 90,517 | 1,951,176 | 206,648 | 2,248,341 |
| | - | - | - | - |
| **Liabilities** | | | | |
| Employee Benefits | -3,188 | - | - | -3,188 |
| Provisions (see note 35) | -1,341 | - | -111 | -1,452 |
| Other liabilities | -12,395 | -35,147 | -26,640 | -74,182 |
| Liabilities Held for Sale | 16,924 | 35,147 | 26,751 | 78,822 |
| | - | - | - | - |

All assets and liabilities held for sale are part of the Renewables segment.

These reclassifications were made only for financial statement presentation purposes, without impact on the measurement of these assets and liabilities, as it is expected that the fair value less costs to sell is higher than its book value, in accordance with IFRS 5.

## 41. Derivative Financial Instruments

In accordance with IFRS 9, the Group classifies derivative financial instruments as fair value hedge of a recognised asset or liability (Fair value hedge), as cash flow hedge of recognised liabilities and highly probable future transactions (Cash flow hedge), as net investment hedge in foreign operations (Net investment hedge), or as held for trading, if or when they are not eligible for hedge accounting.

The fair value of the derivative financial instruments in EDP Group is as follows:

| | Dec 2019 | | Dec 2018 | |
|---|---|---|---|---|
| Thousand Euros | Assets | Liabilities | Assets | Liabilities |
| **Net Investment hedge** | | | | |
| Cross-currency interest rate swaps | 9,343 | -54,085 | 35,466 | -34,818 |
| Currency forwards | 5,026 | - | 2,696 | -15 |
| **Fair value hedge** | | | | |
| Interest rate swaps | 84,762 | - | 90,091 | - |
| Cross-currency interest rate swaps | 50,213 | - | 27,354 | -1,593 |
| **Cash flow hedge** | | | | |
| Interest rate swaps | 122 | -15,383 | 3,626 | -19,530 |
| Swaps related to gas commodity | 131,719 | -148,416 | 406 | -189,011 |
| Electricity swaps | 25,213 | -30,132 | 13,020 | -89,642 |
| Currency forwards for commodities | 95,434 | -5,240 | 67,507 | -2,001 |
| **Trading** | | | | |
| Interest rate swaps | 7,682 | -1,958 | 10,758 | -724 |
| Cross-currency interest rate swaps | - | -55 | 5,168 | -421 |
| Commodity swaps | 123,013 | -116,937 | 28,752 | -10,946 |
| Currency forwards | 1,573 | -1,233 | 1,553 | -442 |
| Commodity forwards | 28,583 | -8,932 | 2,043 | - |
| Commodity options | 2,609 | - | - | -3,201 |
| | 565,292 | -382,371 | 288,440 | -352,344 |

As at 31 December 2019, EDP Group holds contracts for the purchase and sale of commodities traded on futures exchange market, namely Chicago Mercantile Exchange, Intercontinental Exchange, European Energy Exchange and OMIP, whose fair value of the contracted operations is settled on a daily basis, and therefore it is not included in the Statement of Financial Position. The notional amount of these futures contracts amount to 3,394,113 thousand Euros with maturities ranged between 2019 and 2024 (31 December 2018: 1,950,088 thousand Euros, with maturity in 2019 and 2024), and the fair value held in EDP Group cash flow hedge reserves related to these operations is a positive amount of 27,453 thousand Euros (31 December 2018: negative amount of 76,482 thousand Euros).

The management of financial risk of EDP, S.A. and other EDP Group companies, is carried out centrally by EDP, S.A. (note 5). On this basis, EDP, S.A. negotiates derivative financial instruments with external entities to hedge its own individual business risks, as well as for other companies of the Group, performing for these entities' as an intermediate in their contracting.

The fair value of the derivative financial instruments at Company level is as follows:

| | Dec 2019 | | Dec 2018 | |
|---|---|---|---|---|
| Thousand Euros | Assets | Liabilities | Assets | Liabilities |
| **Cash flow hedge** | | | | |
| Swaps related to gas commodity | 7,392 | -82,537 | - | -95,180 |
| Electricity swaps | 4,157 | -95,770 | 31,921 | - |
| Currency forwards for commodities | 86,380 | - | 59,890 | -3 |
| **Trading** | | | | |
| Interest rate swaps | 91,067 | -86,739 | 99,066 | -91,357 |
| Cross-currency interest rate swaps | 53,946 | -57,922 | 94,298 | -30,003 |
| Commodity swaps | 369,978 | -405,701 | 233,550 | -129,685 |
| Currency forwards | 2,806 | -5,296 | 10,931 | -9,415 |
| Commodity forwards | 46,757 | -26,358 | 30,826 | -35,225 |
| Commodity options | 2,607 | -2,499 | 3,420 | -3,204 |
| | 665,090 | -762,822 | 563,902 | -394,072 |

The fair value of derivative financial instruments is booked in Other debtors and other assets (see note 26) and Other liabilities and other payables (see note 38), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities, which are compared in each date of report to fair values available in common financial information platforms. Therefore, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of level 2 (see note 44) and no changes of level were made during this period. These entities use generally accepted discounted cash flow techniques and data from public markets.

Derivative financial instruments classified as trading are financial hedging instruments contracted for economic hedging at EDP Group level (see note 5), however such instruments are not eligible for hedge accounting under IFRS.

In 2019, the notional amounts per measurement unit of the derivative financial instruments in EDP Group, are as follows:

| Thousand Units | Unit | 2020 | 2021 | 2022 | 2023 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Net Investment hedge** | | | | | | | |
| Cross-currency interest rate swaps | Euros | 77,093 | 75,416 | 49,558 | 75,720 | 1,183,694 | 1,461,481 |
| Currency forwards | Euros | 772,434 | - | - | - | - | 772,434 |
| **Fair value hedge** | | | | | | | |
| Interest rate swaps | Euros | 450,000 | - | 1,000,000 | - | 600,000 | 2,050,000 |
| Cross-currency interest rate swaps | Euros | - | - | - | - | 410,314 | 410,314 |
| **Cash flow hedge** | | | | | | | |
| Interest rate swaps | Euros | 108,087 | 112,905 | 146,423 | 74,511 | 217,539 | 659,465 |
| Swaps related to gas commodity | MWh | 46,792 | 27,269 | 22,738 | 18,956 | 18,956 | 134,711 |
| Electricity swaps | MWh | 10,087 | 7,171 | 5,212 | 3,645 | 5,600 | 31,715 |
| Currency forwards for commodities | Euros | 195,566 | 166,997 | 155,983 | 130,374 | 129,372 | 778,292 |
| **Trading** | | | | | | | |
| Interest rate swaps | Euros | 600,000 | - | - | - | 300,000 | 900,000 |
| Cross-currency interest rate swaps | Euros | - | 6,075 | - | - | - | 6,075 |
| Swaps related to gas commodity | MWh | 63,822 | 975 | - | - | - | 64,797 |
| Electricity swaps | MWh | 5,232 | 1,897 | 1,160 | 515 | 2,630 | 11,434 |
| Currency forwards | Euros | 87,848 | 22,887 | - | - | - | 110,735 |
| CO2 forwards | MT | 1,194 | - | - | - | - | 1,194 |
| Currency forwards for commodities | Euros | 612,462 | 3,686 | - | - | - | 616,148 |
| Options purchased and sold | MWh | 439 | - | - | - | - | 439 |

In 2018, the notional amounts per measurement unit of the derivative financial instruments in EDP Group, were as follows:

| Thousand Units | Unit | 2019 | 2020 | 2021 | 2022 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Net Investment hedge** | | | | | | | |
| Cross-currency interest rate swaps | Euros | 108,272 | 77,093 | 77,505 | 49,558 | 816,321 | 1,128,749 |
| Currency forwards | Euros | 567,352 | - | - | - | - | 567,352 |
| **Fair value hedge** | | | | | | | |
| Interest rate swaps | Euros | 350,000 | 450,000 | - | 1,000,000 | 600,000 | 2,400,000 |
| Cross-currency interest rate swaps | Euros | - | - | - | - | 410,314 | 410,314 |
| **Cash flow hedge** | | | | | | | |
| Interest rate swaps | Euros | 109,678 | 118,326 | 120,560 | 151,091 | 288,992 | 788,647 |
| Swaps related to gas commodity | MWh | 32,850 | 40,262 | 24,482 | 22,713 | 37,913 | 158,220 |
| Electricity swaps | MWh | 10,870 | 5,018 | 1,831 | 772 | 585 | 19,076 |
| Currency forwards for commodities | Euros | 432,906 | 290,214 | 180,144 | 155,983 | 259,746 | 1,318,993 |
| **Trading** | | | | | | | |
| Interest rate swaps | Euros | - | 600,000 | - | - | 300,000 | 900,000 |
| Cross-currency interest rate swaps | Euros | 192,191 | - | - | - | - | 192,191 |
| Swaps related to gas commodity | MWh | 5,911 | 3,182 | - | - | - | 9,093 |
| Electricity swaps | MWh | 3,584 | 2,332 | 718 | 530 | 3,145 | 10,309 |
| Currency forwards | Euros | 79,438 | 10,744 | - | - | - | 90,182 |
| CO2 forwards | MT | 1,956 | - | - | - | - | 1,956 |
| Options purchased and sold | MWh | 438 | 439 | - | - | - | 877 |

In 2019, the notional amounts per measurement unit of the derivative financial instruments at Company level, are as follows:

| Thousand Units | Unit | 2020 | 2021 | 2022 | 2023 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Cash flow hedge** | | | | | | | |
| Swaps related to gas commodity | MWh | 2,247 | 22,706 | 22,713 | 18,956 | 18,956 | 85,578 |
| Electricity swaps | MWh | 13,520 | 403 | 192 | 139 | 1,287 | 15,541 |
| Currency forwards for commodities | Euros | - | 165,069 | 155,983 | 130,374 | 129,372 | 580,798 |
| **Trading** | | | | | | | |
| Interest rate swaps | Euros | 1,500,000 | - | 2,000,000 | - | 1,500,000 | 5,000,000 |
| Cross-currency interest rate swaps | Euros | 154,189 | 126,932 | 135,164 | 151,440 | 1,867,388 | 2,435,113 |
| Swaps related to gas commodity | MWh | 162,834 | 11,905 | 79 | - | - | 174,818 |
| Coal swaps | MT | 4,314 | - | - | - | - | 4,314 |
| Electricity swaps | MWh | 15,635 | 3,276 | 1,396 | 792 | 7,138 | 28,237 |
| Currency forwards | Euros | 508,883 | 45,774 | - | - | - | 554,657 |
| CO2 forwards | MT | 10,624 | - | - | - | - | 10,624 |
| Currency forwards for commodities | Euros | 1,182,484 | 3,686 | - | - | - | 1,186,170 |
| Options purchased and sold | MWh | 878 | - | - | - | - | 878 |

In 2018, the notional amounts per measurement unit of the derivative financial instruments at Company level, were as follows:

| Thousand Units | Unit | 2019 | 2020 | 2021 | 2022 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Cash flow hedge** | | | | | | | |
| Swaps related to gas commodity | MWh | - | 22,698 | 22,706 | 22,713 | 37,913 | 106,030 |
| Electricity swaps | MWh | 15,785 | 659 | - | - | - | 16,444 |
| Currency forwards for commodities | Euros | 2,623 | 174,117 | 165,069 | 155,983 | 259,746 | 757,538 |
| **Trading** | | | | | | | |
| Interest rate swaps | Euros | 700,000 | 1,550,000 | - | 2,000,000 | 1,500,000 | 5,750,000 |
| Cross-currency interest rate swaps | Euros | 541,869 | 154,187 | 155,010 | 99,116 | 1,132,641 | 2,082,823 |
| Swaps related to gas commodity | MWh | 76,722 | 41,514 | 3,849 | - | - | 122,085 |
| Coal swaps | MT | 2,889 | - | - | - | - | 2,889 |
| Electricity swaps | MWh | 13,148 | 6,579 | 876 | 438 | 3,068 | 24,109 |
| Currency forwards | Euros | 1,898,520 | 224,036 | - | - | - | 2,122,556 |
| CO2 forwards | MT | 14,246 | - | - | - | - | 14,246 |
| Options purchased and sold | MWh | 876 | 878 | - | - | - | 1,754 |

In 2019, the future undiscounted cash flows of the derivative financial instruments in EDP Group, are as follows:

| Thousand Euros | 2020 | 2021 | 2022 | 2023 | Following years | Total |
|---|---|---|---|---|---|---|
| **Net Investment hedge** | | | | | | |
| Cross-currency interest rate swaps | -34,570 | -35,122 | -29,961 | -30,078 | -62,614 | -192,345 |
| Currency forwards | 5,026 | 904 | - | - | - | 5,930 |
| | -29,544 | -34,218 | -29,961 | -30,078 | -62,614 | -186,415 |
| **Fair value hedge** | | | | | | |
| Interest rate swaps | 28,940 | 17,868 | 27,379 | 6,105 | 11,228 | 91,520 |
| Cross-currency interest rate swaps | 17,487 | 17,569 | 17,527 | 17,527 | 740 | 70,850 |
| | 46,427 | 35,437 | 44,906 | 23,632 | 11,968 | 162,370 |
| **Cash flow hedge** | | | | | | |
| Interest rate swaps | -5,299 | -4,376 | -2,851 | -1,751 | -2,102 | -16,379 |
| Swaps related to gas commodity | 54,580 | -12,046 | -24,728 | -16,897 | -19,847 | -18,938 |
| Electricity swaps | 2,241 | -2,830 | -1,200 | -462 | -419 | -2,670 |
| Currency forwards for commodities | 7,509 | 19,738 | 24,551 | 19,385 | 19,010 | 90,193 |
| | 59,031 | 486 | -4,228 | 275 | -3,358 | 52,206 |
| **Trading** | | | | | | |
| Interest rate swaps | 7,198 | -357 | -359 | -356 | -535 | 5,591 |
| Cross-currency interest rate swaps | -83 | -99 | - | - | - | -182 |
| Commodity swaps | -7,511 | 2,556 | 446 | -43 | 8,246 | 3,694 |
| Commodity forwards | -2,027 | - | - | - | - | -2,027 |
| Currency forwards | -563 | - | - | - | - | -563 |
| Currency forwards for commodities | 21,759 | -67 | -10 | - | - | 21,682 |
| Options purchased and sold | 3,083 | - | - | - | - | 3,083 |
| | 21,856 | 2,033 | 77 | -399 | 7,711 | 31,278 |
| | 97,770 | 3,738 | 10,794 | -6,570 | -46,293 | 59,439 |

In 2018, the future undiscounted cash flows of the derivative financial instruments in EDP Group, are as follows:

| Thousand Euros | 2019 | 2020 | 2021 | 2022 | Following years | Total |
|---|---|---|---|---|---|---|
| **Net Investment hedge** | | | | | | |
| Cross-currency interest rate swaps | -33,469 | -21,016 | -20,018 | -17,344 | -53,959 | -145,806 |
| Currency forwards | 2,681 | - | - | - | - | 2,681 |
| | -30,788 | -21,016 | -20,018 | -17,344 | -53,959 | -143,125 |
| **Fair value hedge** | | | | | | |
| Interest rate swaps | 32,263 | 27,032 | 16,538 | 26,557 | 16,011 | 118,401 |
| Cross-currency interest rate swaps | 15,847 | 15,741 | 15,867 | 15,825 | -6,158 | 57,122 |
| | 48,110 | 42,773 | 32,405 | 42,382 | 9,853 | 175,523 |
| **Cash flow hedge** | | | | | | |
| Interest rate swaps | -6,606 | -5,495 | -4,426 | -2,799 | -224 | -19,550 |
| Swaps related to gas commodity | -72,592 | -57,701 | -30,197 | -17,948 | -14,124 | -192,562 |
| Electricity swaps | -48,899 | -21,641 | -6,327 | -477 | -726 | -78,070 |
| Currency forwards for commodities | 3,160 | 15,215 | 16,968 | 13,337 | 18,223 | 66,903 |
| | -124,937 | -69,622 | -23,982 | -7,887 | 3,149 | -223,279 |
| **Trading** | | | | | | |
| Interest rate swaps | 2,687 | 7,508 | -89 | -90 | -223 | 9,793 |
| Cross-currency interest rate swaps | 3,022 | - | - | - | - | 3,022 |
| Commodity swaps | -1,582 | 6,773 | 2,785 | 1,437 | 12,234 | 21,647 |
| Currency forwards | 835 | 466 | 80 | - | - | 1,381 |
| Options purchased and sold | -2,538 | -664 | - | - | - | -3,202 |
| | 2,424 | 14,083 | 2,776 | 1,347 | 12,011 | 32,641 |
| | -105,191 | -33,782 | -8,819 | 18,498 | -28,946 | -158,240 |

In 2019, the future undiscounted cash flows of the derivative financial instruments at Company level, are as follows:

| Thousand Euros | 2020 | 2021 | 2022 | 2023 | Following Years | Total |
|---|---|---|---|---|---|---|
| **Cash flow hedge** | | | | | | |
| Swaps related to gas commodity | -190 | -16,053 | -24,716 | -16,897 | -19,847 | -77,703 |
| Electricity swaps | -92,161 | -657 | 484 | 486 | 382 | -91,466 |
| Currency forwards for commodities | - | 25,406 | 24,484 | 18,947 | 17,543 | 86,380 |
| | -92,351 | 8,696 | 252 | 2,536 | -1,922 | -82,789 |
| **Trading** | | | | | | |
| Interest rate swaps | 5,804 | -357 | -359 | -356 | -535 | 4,197 |
| Cross-currency interest rate swaps | -10,723 | -11,132 | -11,080 | -11,324 | 2,798 | -41,461 |
| Commodity swaps | -38,158 | -5,104 | -1,416 | 88 | 8,939 | -35,651 |
| Currency forwards | -3,054 | 904 | - | - | - | -2,150 |
| Commodity forwards | -2,422 | - | - | - | - | -2,422 |
| Currency forwards for commodities | 30,279 | -67 | -10 | - | - | 30,202 |
| Commodity options purchased and sold | 110 | - | - | - | - | 110 |
| | -18,164 | -15,756 | -12,865 | -11,592 | 11,202 | -47,175 |
| | -110,515 | -7,060 | -12,613 | -9,056 | 9,280 | -129,964 |

In 2018, the future undiscounted cash flows of the derivative financial instruments at Company level, are as follows:

| Thousand Euros | 2019 | 2020 | 2021 | 2022 | Following Years | Total |
|---|---|---|---|---|---|---|
| **Cash flow hedge** | | | | | | |
| Swaps related to gas commodity | - | -35,186 | -30,281 | -17,948 | -14,124 | -97,539 |
| Electricity swaps | 26,193 | 5,677 | - | - | - | 31,870 |
| Currency forwards for commodities | -3 | 13,820 | 14,509 | 13,337 | 18,223 | 59,886 |
| | 26,190 | -15,689 | -15,772 | -4,611 | 4,099 | -5,783 |
| **Trading** | | | | | | |
| Interest rate swaps | 1,691 | 6,144 | -89 | -90 | -223 | 7,433 |
| Cross-currency interest rate swaps | 32,398 | -10,177 | -10,167 | -10,177 | -81 | 1,796 |
| Commodity swaps | 49,491 | 38,447 | 3,058 | 1,437 | 12,234 | 104,667 |
| Currency forwards | 1,240 | 466 | 80 | - | - | 1,786 |
| Commodity forwards | -4,397 | - | - | - | - | -4,397 |
| Commodity options purchased and sold | 110 | 110 | - | - | - | 220 |
| | 80,533 | 34,990 | -7,118 | -8,830 | 11,930 | 111,505 |
| | 106,723 | 19,301 | -22,890 | -13,441 | 16,029 | 105,722 |

The changes in the fair value, including accrued interest, of hedging instruments and risks being hedged are as follows:

| Thousand Euros | Hedging instrument | Hedged risk | 2019 Changes in fair value Instrument | 2019 Changes in fair value Risk | 2018 Changes in fair value Instrument | 2018 Changes in fair value Risk |
|---|---|---|---|---|---|---|
| Net investment (i) | Cross-curr. int. rate swaps | Subsidiaries in PLN, BRL, GBP, USD and CAD | -45,390 | 17,970 | -41,540 | 49,430 |
| Net investment | Currency forwards | Subsidiaries in USD | 2,345 | -2,345 | 2,681 | -2,681 |
| Fair value | Interest rate swap | Interest rate | -5,329 | 5,311 | -4,320 | 4,347 |
| Fair value | Cross-curr. int. rate swaps | Exchange and interest rate | 24,452 | -18,190 | -21,205 | 19,739 |
| Cash flow | Interest rate swap | Interest rate | 643 | -643 | 4,776 | -4,776 |
| Cash flow | Currency forwards | Exchange rate | 24,688 | -24,688 | 73,693 | -73,693 |
| Cash flow (ii) | Commodity swaps | Commodity prices | 243,611 | -276,212 | -227,460 | 227,460 |
| | | | 245,020 | -298,797 | -213,375 | 219,826 |

(i) Fair value variation of the hedging instrument on Cross currency interest rate swaps for Net investment includes a negative amount of 27,124 thousand Euros related to the cost of hedging (21,194 thousand Euros net of tax effect), recorded in reserves (see note 31), and ineffectiveness of a negative amount of 296 thousand Euros.

(ii) Fair value variation of the hedging instrument on Commodity swaps for Cash flow includes a negative amount of 32,601 thousand Euros related to ineffectiveness, and in the company level a negative amount of 11,682 thousand Euros.

Considering that hedging derivative financial instruments are contracted with a high correlation of critical terms, namely in the same currency and at the same indexes, the hedge ratio between the hedging instruments and the hedged instruments is 1:1.

As at 31 December 2019 and 2018, the following market inputs were considered for the fair value calculation:

| Instrument | Fair value indexed to the following market inputs |
|---|---|
| Cross-curr. int. rate swaps | Euribor 3M, Euribor 6M, Libor 3M, Libor 6M, Daily CDI, Wibor 3M and Robor 3M; and exchange rates: EUR/GBP, EUR/BRL, EUR/PLN, EUR/CAD, USD/BRL, USD/JPY, EUR/RON and EUR/USD. |
| Interest rate swaps | Euribor 3M, Euribor 6M, Wibor 6M, US Libor 3M and CAD Libor 3M. |
| Currency forwards | EUR/USD, EUR/PLN, EUR/BRL, EUR/GBP and USD/BRL. |
| Commodity swaps | Brent, NBP Natural Gas, Electricity, Henry Hub, TTF, Coal and CO2. |

The changes in the fair value reserve related to cash flow hedges in 2019 and 2018 by nature of derivative financial instruments in EDP Group, were as follows:

| Thousand Euros | Interest rate swaps | Commodity swaps | Currency forwards for commodities | Gross Amount | Deferred Tax | Total |
|---|---|---|---|---|---|---|
| **Balance as at 31 December 2017** | -33,494 | -60,694 | -9,390 | -103,578 | 27,436 | -76,142 |
| Fair value changes | 16,220 | -167,554 | 70,290 | -81,044 | 22,206 | -58,838 |
| Transfer to results from hedging | 6,409 | -125,832 | 1,503 | -117,920 | 30,217 | -87,703 |
| Transfers included in the initial cost of inventories from hedging of commodity prices | - | 34,262 | -7 | 34,255 | -10,403 | 23,852 |
| Comprehensive Income changes in associates | -17,452 | - | - | -17,452 | 2,968 | -14,484 |
| **Balance as at 31 December 2018** | -28,317 | -319,818 | 62,396 | -285,739 | 72,424 | -213,315 |
| Fair value changes | 11,765 | 385,329 | 26,590 | 423,684 | -111,094 | 312,590 |
| Transfer to results from hedging | -39 | 3,453 | - | 3,414 | -1,577 | 1,837 |
| Transfers included in the initial cost of inventories from hedging of commodity prices | - | -60,442 | 5,710 | -54,732 | 17,174 | -37,558 |
| Comprehensive Income changes in associates | -27,911 | - | - | -27,911 | 4,898 | -23,013 |
| **Balance as at 31 December 2019** | -44,502 | 8,522 | 94,696 | 58,716 | -18,175 | 40,541 |

The changes in the fair value reserve related to cash flow hedges in 2019 and 2018 by nature of derivative financial instruments at Company level, were as follows:

| Thousand Euros | Commodity swaps | Currency forwards for commodities | Gross Amount | Deferred Tax | Total |
|---|---|---|---|---|---|
| **Balance as at 31 December 2017** | 7,496 | - | 7,496 | -1,726 | 5,770 |
| Fair value changes | 13,251 | 59 886 | 73,137 | -16,456 | 56,681 |
| Transfer to results from hedging | -82,295 | - | -82,295 | 18,516 | -63,779 |
| **Balance as at 31 December 2018** | -61,548 | 59 886 | -1,662 | 334 | -1,328 |
| Fair value changes | -362,506 | 26,493 | -336,013 | 75,604 | -260,409 |
| Transfer to results from hedging | 245,765 | - | 245,765 | -55,297 | 190,468 |
| **Balance as at 31 December 2019** | -178,289 | 86,379 | -91,910 | 20,641 | -71,269 |

Changes in fair value for the period, on consolidated and individual basis, in the fair value reserve include: (i) contracts for the purchase and sale of commodities traded on futures exchange market whose fair values are settled on a daily basis, and therefor are not in the statement of financial position; and (ii) fair value variation of derivative financial instruments contracted and settled within the same period.

The gains and losses on the financial instruments portfolio, excluding accrued interest, booked in the Income Statement in 2019 and 2018 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Commodity derivatives held for trading | 43,061 | 10,055 | 49,078 | -1,816 |
| Debt derivatives held for trading | 32,832 | 10,390 | - | -16,774 |
| Net investment hedge - ineffectiveness | -296 | 9,583 | - | - |
| Fair value hedges: | | | | |
| -Derivatives | 21,802 | -25,525 | - | 8,033 |
| -Hedged liabilities | -15,540 | 24,086 | - | -8,033 |
| Cash flow hedges: | | | | |
| -Transfer to results from hedging of financial liabilities | -39 | 6,409 | - | - |
| -Transfer to results from hedging of commodity prices | -23,071 | -75,443 | -245,765 | 82,295 |
| | 58,749 | -40,445 | -196,687 | 63,705 |

The amount transferred to the Income Statement related to the hedging of commodity derivatives is included in the caption of Revenues and cost of Energy Sales and Services and Other.

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2019 are as follows:

| | Group | | | |
|---|---|---|---|---|
| | Notional Euro'000 | Currency | EDP Pays | EDP Receives |
| **Interest rate contracts:** | | | | |
| Interest rate swaps | 3,486,543 | EUR | [ 3.67% - -0.92% ] | [ 4.88% - -0.83% ] |
| Interest rate swaps | 42,760 | PLN | [ 2.78% - 2.48% ] | -1.79% |
| Interest rate swaps | 47,925 | USD | 1.86% | -2.10% |
| Interest rate swaps | 12,253 | CAD | 2.59% | -1.97% |
| **Currency and interest rate contracts:** | | | | |
| CIRS (currency interest rate swaps) | 434,798 | EUR/GBP | [ 3.67% - 0.98% ] | [ 8.63% - -0.41% ] |
| CIRS (currency interest rate swaps) | 199,422 | EUR/PLN | [ 4.69% - -0.40% ] | [ 2.03% - -0.40% ] |
| CIRS (currency interest rate swaps) | 29,345 | EUR/BRL | [ 5.95% - 5.94% ] | [ -0.40% - -0.44% ] |
| CIRS (currency interest rate swaps) | 44,307 | EUR/CAD | [ 2.45% - -0.40% ] | [ -0.31% - -0.41% ] |
| CIRS (currency interest rate swaps) | 1,169,997 | USD/EUR | [ 3.81% - 2.43% ] | [ 1.50% - 0.38% ] |

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2018 were as follows:

| | Group | | | |
|---|---|---|---|---|
| | Notional Euro'000 | Currency | EDP Pays | EDP Receives |
| **Interest rate contracts:** | | | | |
| Interest rate swaps | 3,974,360 | EUR | [ 4.45% - -0.83% ] | [ 4.88% - -0.83% ] |
| Interest rate swaps | 50,189 | PLN | [ 2.78% - 2.48% ] | 1.81% |
| Interest rate swaps | 50,311 | USD | 1.86% | 1.00% |
| Interest rate swaps | 13,788 | CAD | 2.59% | 2.02% |
| **Currency and interest rate contracts:** | | | | |
| CIRS (currency interest rate swaps) | 428,723 | EUR/GBP | 3.67% | 8.63% |
| CIRS (currency interest rate swaps) | 79,460 | USD/JPY | 6.80% | 3.11% |
| CIRS (currency interest rate swaps) | 214,560 | EUR/PLN | [ 4.69% - 1.60% ] | [ 2.13% - -0.37% ] |
| CIRS (currency interest rate swaps) | 150,000 | EUR/RON | [ 3.79% - 3.34% ] | [ -0.31% - -0.32% ] |
| CIRS (currency interest rate swaps) | 32,724 | EUR/BRL | [ 6.01% - 5.94% ] | -0.31% |
| CIRS (currency interest rate swaps) | 42,192 | BRL/USD | [ 9.13% - 7.60% ] | [ 5.38% - 4.72% ] |
| CIRS (currency interest rate swaps) | 33,595 | EUR/CAD | [ 2.7% - 2.39% ] | [ -0.31% - -0.37% ] |
| CIRS (currency interest rate swaps) | 750,000 | USD/EUR | [ 3.68% - 3.20% ] | [ 1.5% - 1.130% ] |

The contracted prices of the derivative financial instruments relating to commodities at 31 December 2019 were as follows:

| | Unit | 2020 | 2021 | 2022 | 2023 | Following Years |
|---|---|---|---|---|---|---|
| Electricity swaps | Euros/MWh | [6.74 - 26.21] | [8.69 - 25.36] | [8.16 - 21.25] | [8.33 - 16.90] | [8.56 - 16.80] |
| Swaps related to gas commodity | Euros/MWh | [44.00 - 59.25] | [44.00 - 53.00] | [44.00 - 45.25] | [44.00 - 45.25] | [37.00 - 45.25] |
| CO2 forwards | Euros/MT | [23.64 - 28.95] | n.a. | n.a. | n.a. | n.a. |

## 42. Commitments

Operating guarantees granted by EDP Group, not included in the consolidated statement of financial position nor in the Notes, are as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| **Operating guarantees** | | | | |
| EDP, S.A. | 453,005 | 420,194 | 453,295 | 420,194 |
| EDP España Group | 105,283 | 77,770 | - | - |
| EDP Brasil Group | 270,421 | 226,070 | - | - |
| EDP Renováveis Group | 1,435,821 | 998,308 | - | - |
| | 2,264,530 | 1,722,342 | 453,295 | 420,194 |

The operating guarantees which are not included in the consolidated statement of financial position or in the Notes, as at 31 December 2019 and 2018, mainly refer to Power Purchase Agreements (PPA), interconnection, permits and market participation guarantees.

Additionally to the above guarantees, there are guarantees of operational nature related to the companies EDPR Participaciones S.L.U., EDP Renewables France S.A.S. and subsidiaries, whose sale occured in June 2019, and to the companies Babilônia Holding, S.A. and its subsidiaries, whose sale occured in December 2019 (see note 6), in the amount of 5,274 thousand Euros and 199 thousand Euros, respectively, for which EDPR temporarily assumes responsibility until they are effectively replaced.

In addition to the guarantees identified above, EDP Group provides financial and operating guarantees related to liabilities assumed by joint ventures and associates in the amount of 604,590 thousand Euros and 341,301 thousand Euros, respectively (31 December 2018: 459,889 thousand Euros and 220,988 thousand Euros).

The remaining financial and operating guarantees granted by EDP Group have underlying liabilities that are already reflected in its consolidated statement of financial position and/or disclosed in the Notes.

In the Group, the commitments relating to future cash outflows not reflected in the measurement of the lease liabilities (rents due from lease contracts) and purchase obligations are disclosed, by maturity, as follows:

| | Dec 2019 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Future cash outflows not reflected in the measurement of the lease liabilities (rents due from lease contracts) | 300,347 | 22,773 | 65,895 | 58,665 | 153,014 |
| Purchase obligations | 23,762,667 | 4,772,858 | 5,354,099 | 2,824,157 | 10,811,553 |
| | 24,063,014 | 4,795,631 | 5,419,994 | 2,882,822 | 10,964,567 |

| | Dec 2018 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Operating lease commitments | 1,403,184 | 77,800 | 134,956 | 125,572 | 1,064,856 |
| Purchase obligations | 22,489,188 | 4,293,287 | 4,732,110 | 2,910,149 | 10,553,642 |
| | 23,892,372 | 4,371,087 | 4,867,066 | 3,035,721 | 11,618,498 |

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

With the adoption of IFRS 16 - Leases, as at 1 January 2019, the EDP Group recognised in the consolidated statement of financial position the operating lease commitments (see note 3), unless the lease term is 12 months or less, or the lease is for a low-value asset. Additionally, as at 31 December 2019, there are commitments from future cash outflows not reflected in the measurement of the lease liabilities (rents due from lease contracts) which refer to future rents of lease contracts already signed but not yet commenced.

The commitments related to the joint ventures are disclosed in note 21.

Purchase obligations include 12,328,055 thousand Euros essentially related with very long-term contracts for energy acquisition in the brazilian market (by regulatory imposition) which are updated with the respective projected rates and discounted at present value by a rate that represents the weighted average cost of capital (WACC) of the EDP Brasil Group, as follows:

| Thousand Euros | Dec 2019 | Dec 2018 |
|---|---|---|
| Purchase obligation - Present value | 12,328,055 | 12,451,745 |
| Purchase obligation - Nominal amount | 17,121,883 | 17,630,575 |

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

The nature of purchase obligations breaks down as follows:

| Thousand Euros | Dec 2019 | Dec 2018 |
|---|---|---|
| Fuel acquisition | 6,994,412 | 7,000,047 |
| Electricity acquisition | 11,294,873 | 11,387,475 |
| O&M contracts | 902,040 | 1,085,743 |
| Fixed assets, equipment and miscellaneous materials acquisition | 2,159,439 | 1,814,828 |
| Supply and assembly contract | 1,340,568 | 377,339 |
| Other supplies and services | 1,071,335 | 823,756 |
| | 23,762,667 | 22,489,188 |

The commitments for fuel and electricity acquisition are disclosed, by maturity, as follows:

| | Dec 2019 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Fuel acquisition | 6,994,412 | 657,713 | 1,071,616 | 734,854 | 4,530,229 |
| Electricity acquisition | 11,294,873 | 1,431,081 | 2,207,412 | 1,904,441 | 5,751,939 |
| | 18,289,285 | 2,088,794 | 3,279,028 | 2,639,295 | 10,282,168 |

| | Dec 2018 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Fuel acquisition | 7,000,047 | 1,037,552 | 1,280,406 | 883,382 | 3,798,707 |
| Electricity acquisition | 11,387,475 | 1,275,773 | 2,112,075 | 1,817,071 | 6,182,556 |
| | 18,387,522 | 2,313,325 | 3,392,481 | 2,700,453 | 9,981,263 |

Some of the transactions related to the disposal of non-controlling interests while retaining control, carried out in previous years, incorporate contingent assets and liabilities according to the terms of the corresponding agreements. Additionally, some of the assets acquisition transactions foresee contingent liabilities which depend on certain milestones and, although EDP Group has recognized the fair value of these liabilities in the consolidated financial statements, changes in the assumptions could change these liabilities.

At Company level, the commitments relating to future cash outflows not reflected in the measurement of the lease liabilities (rents due from lease contracts) and purchase obligations are disclosed, by maturity, as follows:

| | Dec 2019 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Future cash outflows not reflected in the measurement of the lease liabilities (rents due from lease contracts) | 362 | 362 | - | - | - |
| Purchase obligations | 5,645,372 | 310,741 | 603,311 | 525,902 | 4,205,418 |
| | 5,645,734 | 311,103 | 603,311 | 525,902 | 4,205,418 |

| | Dec 2018 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Operating lease commitments | 225,723 | 11,966 | 18,615 | 18,645 | 176,497 |
| Purchase obligations | 4,469,958 | 62,003 | 523,792 | 474,556 | 3,409,607 |
| | 4,695,681 | 73,969 | 542,407 | 493,201 | 3,586,104 |

The caption Purchase obligations relates mainly to gas purchase contracts.

## 43. Related Parties

### Shares held by company officers

The number of shares of EDP S.A. held or attributable to company officers as at 31 December 2019 and 2018 are as follows:

| | 2019<br>Nr. of shares | 2018<br>Nr. of shares |
|---|---|---|
| **General and Supervisory Board** | | |
| China Three Gorges Corporation (represented by Dingming Zhang) | 850,777,024 | 850,777,024 |
| China Three Gorges International Corp. (represented by Shengliang Wu) | 850,777,024 | 850,777,024 |
| China Three Gorges (Europe), S.A. (represented by Ignacio Herrero Ruiz) | 850,777,024 | 850,777,024 |
| Draursa, S.A. (represented by Felipe Fernández Fernández) | 1,350 | 1,350 |
| Fernando Maria Masaveu Herrero | 265,065,136 | 265,065,136 |
| Mubadala Investment Company (represented by Mohammed Issa Khalfan Alhuraimel Alshamsi) | 76,787,292 | 115,236,553 |
| Sonatrach (represented by Karim Djebbour) | 87,007,433 | 87,007,433 |
| Vasco Joaquim Rocha Vieira | 3,203 | 3,203 |
| Banco Comercial Português, S.A. (represented by Nuno Manuel da Silva Amado) | 75,615,918 | 88,989,949 |
| João Carvalho das Neves | 7,429 | 7,429 |
| Luís Maria Viana Palha da Silva[1] | 5,050 | - |
| **Executive Board of Directors** | | |
| António Luís Guerra Nunes Mexia | 91,000 | 91,000 |
| António Fernando Melo Martins da Costa | 54,299 | 54,299 |
| João Manuel Manso Neto | 1,268 | 1,268 |
| João Manuel Veríssimo Marques da Cruz | - | 79,578 |
| Miguel Nuno Simões Nunes Ferreira Setas | 7,382 | 7,382 |
| Miguel Stilwell de Andrade | 140,000 | 140,000 |
| Maria Teresa Isabel Pereira | 71,281 | 71,281 |
| Rui Manuel Rodrigues Lopes Teixeira | 31,733 | 31,733 |

[1] Representative after 24 April 2019 therefore no information was reported related to 2018.

EDP, S.A bonds and the number of shares of other EDP group companies held or attributable to company officers are disclosed in part I section X - Ownership structure of chapter X - Corporate governance.

During 2019, João Manuel Veríssimo Marques da Cruz, member of the Executive Board of Directors (EBD), sold 79,578 shares representative of EDP - Energias de Portugal, S.A. share capital.

### Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remunerations Committee appointed by the Shareholders' General Meeting, except for the remuneration of the members of the Executive Board of Directors (EBD), which is set by a Remunerations Committee appointed by the General and Supervisory Board (GSB).

*Short-term employee benefits*

During 2019, the annual fixed and variable remuneration cost accounted for the members of the EBD and the fixed remuneration of the GSB, was as follows:

| Thousand Euros | EBD | GSB |
|---|---|---|
| President | 1,340 | 515 |
| Members | 5,687 | 1,326 |
| | **7,027** | **1,841** |

The remuneration costs accounted with the EBD includes the amount of 2,688 thousand Euros related to the annual variable remuneration. This amount was calculated considering the best estimation of the variable remuneration for the year of 2019, in accordance with Remunerations Committee policy of the GSB, deducted from the correction of the accrual from the previous year compared with the amount paid.

Additionally, the Remunerations Committee policy of the GSB foresees, in certain circumstances, a variable multi-annual remuneration to the EBD members, corresponding to the current mandate (2019-2021). On this basis, an estimated amount of 12,745 thousand Euros was accrued (31 December 2018: 12,835 thousand Euros).

During 2019, the remuneration costs of the members of the Remunerations Committee of the General Assembly and Sustainability Committee amounted to 35,000 Euros and 7,000 Euros, respectively.

*Post-employment benefits*

EDP has no specific retirement benefits system in place for its directors. The remuneration fixed by the Remuneration Committee of the General and Supervisory Board provides for a retirement savings plan-type standard financial product for the members of the Executive Board of Directors, who contribute 10% (ten percent) of their net fixed annual remuneration. It was granted by decision of the General Meeting of 24 April 2019 as part of the remuneration policy statement. This financial product does not entail any cost to EDP in the future, as it is merely a subscription to a financial product while the members of the managing body hold their positions and is not covered by Article 402 (1) of the "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code).

**Audit and non audit fees**

In 2019, PwC fees relating to external audit and statutory audit of all subsidiaries of EDP Group, except EDP Brasil Group, amounted to 5,703,337 Euros. Additionally, the total fees charged by PwC for other assurance services, which include quarterly reviews, and other non audit services amounted to 1,119,028 Euros and 47,444 Euros, respectively.

In 2019, PwC Portugal fees relating to external audit and statutory audit of all subsidiaries of EDP Group in Portugal, amounted to 2,586,892 Euros. The total fees charged by PwC Portugal for other assurance of reliability services, which include quarterly reviews and other non audit services to subsidiaries of EDP Group in Portugal amounted to 785,923 Euros and 6,000 Euros, respectively.

**Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP**

In the course of its activity and regardless of their relevance, EDP concludes businesses and operations under normal market conditions for similar transactions with different entities, namely financial institutions, including holders of qualified shareholdings in EDP's share capital and those related parties.

On 11 May 2012, after the Strategic Partnership Agreement concluded with China Three Gorges Corporation (CTG) came into effect in December 2011, this company (and three other group companies) became part of EDP's General and Supervisory Board.

Under the Strategic Partnership Agreement with China Three Gorges Corporation, on 28 June 2013, EDP Renováveis, S.A. sold for a total final price of 368 million Euros to a CTG Group company (CITIC CWEI Renewables S.C.A.) a 49% shareholding in EDP Renováveis Portugal and 25% of the shareholder loans capital and supplementary capital contributions under the applicable rules for additional contributions granted to this company.

Also under this partnership, on 6 December 2013, EDP Brasil signed a Memorandum of Understanding with CWE Investment Corporation (CWEI), currently designated as China Three Gorges Corporation, a wholly owned subsidiary of CTG, setting out the main guidelines for a future partnership in joint investments between EDP Brasil and CWEI and that governs parties' participation in joint projects in Brazil. These investments by CWEI Brasil were considered for purposes of fulfilment of the Strategic Partnership Agreement in relation to the total investment of 2 billion Euros made by CTG up to 2015 (including co-funding of operating investments) in ready-to-build and operational renewable energy generation projects.

On 19 May 2015, EDP Renováveis, S.A. completed the sale to CTG, of a 49% equity shareholding in selected wind farms in Brazil. This transaction was recognised as a sale without loss of control, having the Group recognised non-controlling interests of 50,943 thousand Euros and an impact in reserves attributable to the Group of 10,337 thousand Euros in 2015.

On 27 October 2016, the transaction relating with the sale of the minority interest in the wind generation assets of EDP Renováveis in Italy and Poland to CTG, which purchase and sale agreement was signed on 28 December 2015 was concluded. CTG, through ACE Poland S.A.R.L. and ACE Italy S.A.R.L., both owned in 100% by ACE Investment Fund LP, an entity owned by China Three Gorges Hong Kong Ltd, subsidiary of CTG, formalised the payment of approximately 363 million Euros corresponding to the final price agreed between the parties.

On 30 June 2017, EDP Renewables, SGPS, S.A. completed the sale to ACE Portugal S.A.R.L. (CTG Group), of a 49% equity shareholding in EDPR PT-PE. This transaction was recognised as a sale without loss of control, having the Group recognised non-controlling interests of 135,679 thousand Euros and an impact in reserves attributable to the Group of 74,419 thousand Euros in 2017.

On 28 December 2018, EDP Renováveis S.A. completed the sale to CTG, of a 10% equity stake and respective shareholder loans on Moray Offshore Windfarm (East) Limited, for the total amount of 37.6 million Pounds.

**Balances and transactions with companies of China Three Gorges Group**

In accordance with the EDP/CTG strategic partnership, EDPR Group completed the sale of 49% of EDPR Portugal, EDPR Brasil, EDPR PT-PE, EDPR Italia and EDPR Polska to CTG Group.

Following these transactions, CTG Group granted shareholders loans to the EDPR Group in the amount of 235,717 thousand Euros including accrued interests (31 December 2018: 264,440 thousand Euros) (see note 38).

During 2019, EDPR Portugal distributed dividends to CTG in the amount of 22,050 thousand Euros.

**Balances with EDP Pension and Medical and Death Subsidy Funds**

In December 2015, EDP, S.A. signed a lease contract related with the building units of the Porto headquarters (sold to the EDP Pension Fund in December 2015) for a period of 25 years. As at 31 December 2019, the present value of the lease liability (rents due from lease contracts), as a result of the adoption of IFRS 16 on 1 January 2019, amounts to 48,232 thousand Euros (31 December 2018: 30,221 thousand Euros) (see note 38).

In September 2017, EDP, S.A. signed a lease contract related with the building of the Lisbon headquarters (given as an in-kind contribution to the EDP Medical and Death Subsidy Funds) for a period of 25 years. As at 31 December 2019, the present value of the lease liability (rents due from lease contracts), as a result of the adoption of IFRS 16 on 1 January 2019, amounts to 89,280 thousand Euros (31 December 2018: 54,198 thousand Euros) (see note 38).

Following the decision and implementation of the autonomisation of the Medical Plan and Death Subsidy Plan in Portugal, EDP Group has made contributions of 141,660 thousand Euros in 2019 (see note 34). In the following years, until the end of 2027, the Group estimates to make additional contributions in the approximate total amount of 173 million Euros, in line with the financing plan approved by Insurance and Pension Funds Supervisory Authority (ASF).

**Balances and transactions with subsidiaries, joint ventures and associates**

In their ordinary course of business, EDP Group companies establish commercial transactions and operations with other Group companies, whose terms reflect current market conditions.

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

**Credits held**

| | 31 December 2019 | | | |
|---|---|---|---|---|
| Thousand Euros | Intra-Group Financial Mov. | Loans and Interests receivable | Other Credits | Total |
| EDP Comercial, S.A. | 56,945 | 75,831 | 275,210 | 407,986 |
| EDP Distribuição, S.A. | - | 1,503,715 | 25,434 | 1,529,149 |
| EDP España, S.A.U. | - | - | 107,479 | 107,479 |
| EDP Finance, B.V. | - | 560,077 | 39,458 | 599,535 |
| EDP Produção, S.A. | - | 1,369,908 | 188,855 | 1,558,763 |
| Hidrocantábrico Distribucion Eléctrica, S.A.U. | - | - | 31,823 | 31,823 |
| EDP Renováveis, S.A. | - | - | 5,257 | 5,257 |
| EDP Servicios Financieros España, S.A.U. | 523,825 | - | 1,522 | 525,347 |
| EDP Serviço Universal, S.A. | - | 300,157 | 5,595 | 305,752 |
| EDP Renewables Europe, S.L.U. | - | - | 15,237 | 15,237 |
| EDP Comercializadora, S.A.U. | - | - | 40,429 | 40,429 |
| EDP GÁS.COM - Comércio de Gás Natural, S.A. | 7,807 | 10,038 | 7,177 | 25,022 |
| Other | 23,486 | 54,165 | 45,060 | 122,711 |
| | 612,063 | 3,873,891 | 788,536 | 5,274,490 |

The amount of 560,077 thousand Euros refers to the repurchase in market by EDP, S.A. of four bond issues issued by EDP Finance B.V.

| | 31 December 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Intra-Group Financial Mov. | Loans and Interests receivable | Other Credits | Total |
| EDP Comercial, S.A. | - | 75,479 | 240,528 | 316,007 |
| EDP Distribuição, S.A. | - | 1,808,458 | 35,446 | 1,843,904 |
| EDP España, S.A.U. | - | - | 7,153 | 7,153 |
| EDP Finance, B.V. | - | 979,173 | 59,306 | 1,038,479 |
| EDP Produção, S.A. | - | 1,580,629 | 302,922 | 1,883,551 |
| EDP Real State Global Solutions, S.A. | 753 | - | 1,490 | 2,243 |
| EDP IS, Lda. | - | 192,714 | 3,925 | 196,639 |
| EDP Renováveis, S.A. | - | - | 6,214 | 6,214 |
| EDP Servicios Financieros España, S.A.U. | 634,299 | - | 2,464 | 636,763 |
| EDP Serviço Universal, S.A. | - | - | 132,655 | 132,655 |
| EDP Renewables Europe, S.L.U. | - | - | 64,444 | 64,444 |
| EDP Comercializadora, S.A.U. | - | - | 77,693 | 77,693 |
| EDP GÁS.COM - Comércio de Gás Natural, S.A. | 9,827 | 10,038 | 7,277 | 27,142 |
| Other | 31,118 | 32,657 | 53,966 | 117,741 |
| | 675,997 | 4,679,148 | 995,483 | 6,350,628 |

**Debits held**

| Thousand Euros | 31 December 2019 Intra-Group Financial Mov. | Loans and Interests payable | Other Debits | Total |
|---|---|---|---|---|
| EDP Distribuição, S.A. | 225,055 | - | 5,712 | 230,767 |
| EDP Comercial, S.A. | - | - | 459 | 459 |
| EDP Finance, B.V. | - | 10,836,891 | 87,808 | 10,924,699 |
| EDP Renováveis Servicios Financieros, S.A. | - | - | 1,311 | 1,311 |
| EDP Produção, S.A. | 289,981 | - | 614,484 | 904,465 |
| EDP Renováveis, S.A. | - | - | 4,099 | 4,099 |
| EDP Serviço Universal, S.A. | 157,645 | - | 36,920 | 194,565 |
| EDP España, S.A.U. | - | - | 20,428 | 20,428 |
| EDP Comercializadora, S.A.U | - | - | 127,524 | 127,524 |
| Other | 39,154 | - | 77,807 | 116,961 |
| | 711,835 | 10,836,891 | 976,552 | 12,525,278 |

The amount of 10,836,891 thousand Euros includes 8,284,603 thousand Euros related to six intragroup bonds issued by EDP Finance BV and acquired by EDP S.A., with fixed and variable rate at medium-long term (3, 5, 7 and 10 years).

| Thousand Euros | 31 December 2018 Intra-Group Financial Mov. | Loans and Interests payable | Other Debits | Total |
|---|---|---|---|---|
| EDP Distribuição, S.A. | 596,126 | - | 11,195 | 607,321 |
| EDP Comercial, S.A. | 32,669 | - | 939 | 33,608 |
| EDP Finance, B.V. | - | 11,423,451 | 106,359 | 11,529,810 |
| EDP Produção, S.A. | 355,986 | - | 463,736 | 819,722 |
| EDP Renováveis, S.A. | - | - | 6,261 | 6,261 |
| EDP Serviço Universal, S.A. | - | - | 9,976 | 9,976 |
| EDP España, S.A.U. | - | - | 6,359 | 6,359 |
| EDP Comercializadora, S.A.U | - | - | 4,441 | 4,441 |
| Other | 45,700 | - | 46,611 | 92,311 |
| | 1,030,481 | 11,423,451 | 655,877 | 13,109,809 |

Expenses and income related to Subsidiaries, Joint Ventures and Associates, at Company level, are as follows:

**Expenses**

| Thousand Euros | 31 December 2019 Interest on Intra-Group Financial Mov. | Interest on Loans Obtained | Other Losses | Total |
|---|---|---|---|---|
| EDP Finance, B.V. | - | 152,228 | 130,808 | 283,036 |
| EDP Produção, S.A. | - | - | 1,190,204 | 1,190,204 |
| EDP España, S.A.U. | - | - | 152,442 | 152,442 |
| EDP Comercializadora, S.A.U. | - | - | 278,097 | 278,097 |
| Other | 8 | - | 132,489 | 132,497 |
| | 8 | 152,228 | 1,884,040 | 2,036,276 |

| Thousand Euros | 31 December 2018 Interest on Intra-Group Financial Mov. | Interest on Loans Obtained | Other Losses | Total |
|---|---|---|---|---|
| EDP Finance, B.V. | - | 251,060 | 98,812 | 349,872 |
| EDP Produção, S.A. | - | - | 1,845,253 | 1,845,253 |
| EDP España, S.A.U. | - | - | 195,031 | 195,031 |
| EDP Comercializadora, S.A.U. | - | - | 22,189 | 22,189 |
| Other | 65 | 2 | 62,393 | 62,460 |
| | 65 | 251,062 | 2,223,678 | 2,474,805 |

**Income**

| Thousand Euros | 31 December 2019 Interest on Intra-Group Financial Mov. | Interest on Loans Granted | Other Gains | Total |
|---|---|---|---|---|
| EDP Comercial, S.A. | 82 | 2,225 | 1,296,096 | 1,298,403 |
| EDP Distribuição, S.A. | - | 33,459 | 106,878 | 140,337 |
| EDP España, S.A.U. | - | - | 684,450 | 684,450 |
| EDP Produção, S.A. | 8 | 24,959 | 578,889 | 603,856 |
| EDP Soluções Comerciais, S.A. | 75 | - | 11,929 | 12,004 |
| EDP Finance, B.V. | - | 37,547 | 58,527 | 96,074 |
| Hidrocantábrico Distribución Eléctrica S.A.U. | - | - | 22,791 | 22,791 |
| EDP Comercializadora, S.A.U | - | - | 78,952 | 78,952 |
| EDP Renováveis, S.A. | - | 314 | 69,857 | 70,171 |
| EDP Renewables Europe, S.L.U. | - | - | 27,726 | 27,726 |
| Other | 94 | 6,028 | 176,441 | 182,563 |
| | 259 | 104,532 | 3,112,536 | 3,217,327 |

Other gains include income from equity investments of 686,205 thousand Euros (see note 13).

| Thousand Euros | 31 December 2018 Interest on Intra-Group Financial Mov. | Interest on Loans Granted | Other Gains | Total |
|---|---|---|---|---|
| EDP Comercial, S.A. | 26 | 2,471 | 1,172,184 | 1,174,681 |
| EDP Distribuição, S.A. | 61 | 59,876 | 121,186 | 181,123 |
| EDP España, S.A.U. | - | - | 918,145 | 918,145 |
| EDP Produção, S.A. | 141 | 74,760 | 515,936 | 590,837 |
| EDP Soluções Comerciais, S.A. | 128 | - | 23,907 | 24,035 |
| EDP Finance, B.V. | - | 24,060 | 97,721 | 121,781 |
| Hidrocantábrico Distribución Eléctrica S.A.U. | - | - | 19,707 | 19,707 |
| EDP Comercializadora, S.A.U | - | - | 127,631 | 127,631 |
| EDP Renováveis, S.A. | - | - | 93,301 | 93,301 |
| EDP Renewables Europe, S.L.U. | - | - | 53,608 | 53,608 |
| Other | 191 | 14,541 | 73,958 | 88,690 |
| | 547 | 175,708 | 3,217,284 | 3,393,539 |

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

**Assets and Liabilities**

| Thousand Euros | 31 December 2019 Assets | Liabilities | Net Value |
|---|---|---|---|
| **Joint Ventures** | | | |
| Companhia Energética do JARI - CEJA | 3,522 | 467 | 3,055 |
| Porto do Pecém Transportadora de Minérios S.A. | 1,418 | 343 | 1,075 |
| Cide HC Energía, S.A. | 3,275 | 6,470 | -3,195 |
| SCNET - Sino-Portuguese Centre | - | 1,080 | -1,080 |
| HC Tudela Cogeneración, S.L. | 2,298 | 1,294 | 1,004 |
| Other | 2,943 | 954 | 1,989 |
| | 13,456 | 10,608 | 2,848 |
| **Associates** | | | |
| MABE Construção e Administração de Projectos, Ltda. | 5,407 | - | 5,407 |
| Parque Eólico Sierra del Madero, S.A. | 8,150 | - | 8,150 |
| Other | 6,983 | 2,426 | 4,557 |
| | 20,540 | 2,426 | 18,114 |
| | 33,996 | 13,034 | 20,962 |

| Thousand Euros | 31 December 2018 Assets | Liabilities | Net Value |
|---|---|---|---|
| **Joint Ventures** | | | |
| Hydro Global Investment, Ltda. | 12,891 | - | 12,891 |
| Empresa de Energia Cachoeira Caldeirão, S.A. | 755 | 58 | 697 |
| Empresa de Energia São Manoel, S.A. | 451 | 605 | -154 |
| Cide HC Energía, S.A. | 3,752 | 2,094 | 1,658 |
| Éoliennes en Mer Dieppe - Le Tréport, S.A.S. | 8,131 | - | 8,131 |
| Moray West Holdings Limited | 5,149 | - | 5,149 |
| Windplus, S.A. | 5,652 | - | 5,652 |
| HC Tudela Cogeneración, S.L. | 1,970 | 1,716 | 254 |
| Other | 12,880 | 1,691 | 11,189 |
| | 51,631 | 6,164 | 45,467 |
| **Associates** | | | |
| MABE Construção e Administração de Projectos | 5,126 | - | 5,126 |
| Parque Eólico Sierra del Madero | 12,785 | - | 12,785 |
| Other | 7,259 | 1,660 | 5,599 |
| | 25,170 | 1,660 | 23,510 |
| | 76,801 | 7,824 | 68,977 |

**Transactions**

| Thousand Euros | 31 December 2019 Operating Income | Financial Income | Operating Expenses | Financial Expenses |
|---|---|---|---|---|
| ***Joint Ventures*** | | | | |
| Cide HC Energía, S.A. | 90,553 | 12 | 113 | - |
| HC Tudela Cogeneración, S.L. | 5,192 | 28 | 3,146 | - |
| Empresa de Energia São Manoel, S.A. | 35 | - | 8,559 | - |
| Comercializador de Referencia Energético, S.L.U. | 5,949 | - | 17 | - |
| Porto do Pecém Transportadora de Minérios S.A. | 259 | - | 5,294 | - |
| Other | 9,694 | 991 | 1,569 | - |
| | 111,682 | 1,031 | 18,698 | - |
| **Associates** | | | | |
| MABE Construção e Administração de Projectos, Ltda. | - | 304 | - | - |
| Desarrollos Eólicos de Canarias, S.A. | 227 | - | 18 | - |
| Parque Eólico Sierra del Madero | 8 | 345 | - | - |
| Parque Eólico Belmonte, S.A. | 695 | 34 | - | - |
| Other | 48 | 217 | 120 | - |
| | 978 | 900 | 138 | - |
| | 112,660 | 1,931 | 18,836 | - |

| Thousand Euros | 31 December 2018 Operating Income | Financial Income | Operating Expenses | Financial Expenses |
|---|---|---|---|---|
| ***Joint Ventures*** | | | | |
| Cide HC Energía, S.A. | 101,547 | 19 | 131 | - |
| Empresa de Energia Cachoeira Caldeirão, S.A. | 4,970 | - | - | - |
| Empresa de Energia São Manoel, S.A. | 2,620 | - | 11,696 | - |
| Moray East Holdings Limited | - | 1,564 | - | - |
| Porto do Pecém Transportadora de Minérios S.A. | 305 | - | 6,610 | - |
| Other | 19,789 | 1,077 | 9,332 | - |
| | 129,231 | 2,660 | 27,769 | - |
| **Associates** | | | | |
| MABE Construção e Administração de Projectos, Ltda. | 110 | 312 | - | - |
| Desarrollos Eólicos de Canarias, S.A. | 139 | - | 34 | - |
| Parque Eólico Sierra del Madero | 9 | 456 | - | - |
| Parque Eólico Belmonte, S.A. | 667 | 31 | - | - |
| Other | - | 255 | 34 | 34 |
| | 925 | 1,054 | 68 | 34 |
| | 130,156 | 3,714 | 27,837 | 34 |

### 44. Fair Value of Financial Assets and Liabilities

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through quotations supplied by third parties or through internal models, which are based on cash flow discounting techniques and option valuation models. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors, including credit risk.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg).

As at 31 December 2019 and 2018, the following table presents the interest rate curves of the major currencies to which the Group is exposed used for cash flow discount (in addition to the rates listed below, the Group adjusts discount rates for credit risk):

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Currency | | Currency | |
| | EUR | USD | EUR | USD |
| 3 months | -0.38% | 1.91% | -0.31% | 2.81% |
| 6 months | -0.32% | 1.91% | -0.24% | 2.88% |
| 1 year | -0.25% | 2.00% | -0.12% | 3.01% |
| 2 years | -0.29% | 1.70% | -0.17% | 2.66% |
| 3 years | -0.24% | 1.69% | -0.07% | 2.59% |
| 4 years | -0.18% | 1.70% | 0.06% | 2.57% |
| 5 years | -0.11% | 1.73% | 0.20% | 2.57% |
| 6 years | -0.05% | 1.76% | 0.34% | 2.60% |
| 7 years | 0.02% | 1.80% | 0.47% | 2.62% |
| 8 years | 0.08% | 1.83% | 0.59% | 2.65% |
| 9 years | 0.15% | 1.86% | 0.71% | 2.68% |
| 10 years | 0.21% | 1.90% | 0.81% | 2.71% |

The fair value of financial assets and liabilities is as follows:

| | Dec 2019 | | | Dec 2018 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Carrying amount | Fair value | Difference | Carrying amount | Fair value | Difference |
| **Assets** | | | | | | |
| Equity instruments at fair value | 170,806 | 170,806 | - | 125,147 | 125,147 | - |
| Debtors/other assets from commercial activities | 6,282,380 | 6,282,380 | - | 5,690,119 | 5,690,119 | - |
| Other debtors and other assets | 1,249,065 | 1,249,065 | - | 935,988 | 935,988 | - |
| Derivative financial instruments | 565,292 | 565,292 | - | 288,440 | 288,440 | - |
| Collateral deposits/financial debt | 61,476 | 61,476 | - | 192,891 | 192,891 | - |
| Cash and cash equivalents | 1,542,722 | 1,542,722 | - | 1,803,205 | 1,803,205 | - |
| | 9,871,741 | 9,871,741 | - | 9,035,790 | 9,035,790 | - |
| **Liabilities** | | | | | | |
| Financial debt | 16,571,469 | 17,319,817 | 748,348 | 16,084,899 | 16,693,030 | 608,131 |
| Suppliers and accruals | 2,115,931 | 2,115,931 | - | 1,984,796 | 1,984,796 | - |
| Institutional partnerships in USA | 2,289,784 | 2,289,784 | - | 2,231,249 | 2,231,249 | - |
| Trade payables and other liabilities from commercial activities | 2,821,549 | 2,821,549 | - | 2,650,091 | 2,650,091 | - |
| Other liabilities and other payables | 1,418,519 | 1,418,519 | - | 1,175,477 | 1,175,477 | - |
| Derivative financial instruments | 382,371 | 382,371 | - | 352,344 | 352,344 | - |
| | 25,599,623 | 26,347,971 | 748,348 | 24,478,856 | 25,086,987 | 608,131 |

Given that EDP Group's financial assets and liabilities, recognised at amortised cost, are predominantly short-term and level 2, changes in fair value were not considered. Fair value of EDP Group's loans was determined considering current market interest rates.

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

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

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

| | Dec 2019 | | | Dec 2018 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | | |
| Equity instruments at fair value through | | | | | | |
| other comprehensive income (note 22.1) | - | 80,079 | 22,735 | - | 74,535 | 18,752 |
| profit or loss (note 22.2) | - | - | 67,992 | - | - | 31,860 |
| Tariff deficit at fair value through other comprehensive income (see note 25) | - | 9,157 | - | - | 12,896 | - |
| Amounts receivable from concessions-IFRIC 12 at fair value through profit or loss (see note 25) | - | 664,489 | - | - | 519,544 | - |
| Derivative financial instruments (see note 41) | - | 565,292 | - | - | 288,440 | - |
| | - | 1,319,017 | 90,727 | - | 895,415 | 50,612 |
| **Financial liabilities** | | | | | | |
| Derivative financial instruments (see note 41) | - | 382,371 | - | - | 352,344 | - |
| | - | 382,371 | - | - | 352,344 | - |

The market value of the amounts of tariff deficit at fair value through other comprehensive income is calculated based on the cash flows associated with these assets, discounted at rates which, at the balance sheet date, better reflect the assets risk considering the average term of the assets.

The amounts receivable from concessions - IFRIC 12 at fair value through profit or loss are valued based in the methodology of the Value of Replacement as New (VNR). This method requires that each asset is valued, at current prices, for all the expenses needed for its replacement by equivalent asset that performs the same services and has the same capacity as the existing asset. The valuation for each asset is based on (i) Data Bank of Referential Prices - which is defined in the Tariff Adjustment Procedures - PRORET; or (ii) Data Bank of Prices from the Distribution company - which is formed based on the company's own information; or (iii) Referential Budget – that corresponds to the calculation by comparison of market data, relating to other assets with similar characteristics. ANEEL reviews the VNR, through the valuation report of the Regulatory Remuneration Base, every three years for EDP Espírito Santo and every four years for EDP São Paulo, as established in the concession contracts.

The movement in financial assets and liabilities included in Level 3 is as follows:

| | At fair value through | |
|---|---|---|
| Thousand Euros | other comprehen-sive income | profit or loss |
| **Balance at beginning of period** | 18,752 | 31,860 |
| Change in fair value (see note 22) | 958 | 33,690 |
| Acquisitions | 3,425 | 2,870 |
| Disposals | -369 | - |
| Other changes | -31 | -428 |
| **Balance at the end of the period** | 22,735 | 67,992 |

The assumptions used in the determination of Equity Instruments at Fair Value are described in note 22, as required by IFRS 13.

## 45. CO2 Licenses

The movements in the portfolio of CO2 Licenses held for trading and classified as inventories are as follows:

| | Group | |
|---|---|---|
| CO2 (Ton) | Dec 2019 | Dec 2018 |
| CO2 Licenses held for trading on 1 January | - | - |
| Licenses negotiated in the market | 7,677,267 | 15,967,000 |
| Emission Licenses transferred from trading portfolio to intangibles | -7,677,267 | -15,967,000 |
| CO2 Licenses held for trading on 31 December | - | - |
| CO2 Licenses for trading on 31 December (in thousand Euros) | - | - |

Purchases and sales of Licenses are booked based on the listed price on the transaction date. Emission Licenses transferred to the trading portfolios are classified as Inventories (see note 24), in accordance with Accounting policy - note 2 x).

Fair value corresponds to the spot price (closing price) at the end of December in each period.

## 46. Relevant or Subsequent Events

**EDP secures a 66 MW PPA for a solar project in Brazil**

On 13 January 2020, EDP disclosed that, through its subsidiary EDP Renováveis, it had secured a 19-year private PPA to sell the energy to be produced by Lagoa solar

Lagoa solar power plant is located in the Brazilian State of Paraíba and has a total capacity of 66 MW while the start of operations is expected for 2022.

**EDP issues green hybrid of 750 million Euros and repurchases green hybrid in the same amount**

On 13 January 2020, EDP - Energias de Portugal S.A. issued 750 million Euros of subordinated notes, with an early redemption option exercisable 5,25 years after the issue date, final maturity date in July 2080 and a yield of 1.75% (cupon 1.7%) up to the first reset date to happen 5 years and 6 months after issuance. At that same date, the company launched a cash tender offer for outstanding 750 million Euros of subordinated notes with final maturity date in 2075, of which 680,8 million Euros were repurchased and 69,2 million Euros will be early redeemed.

**EDP and ENGIE sign a an agreement to create a co-controlled joint venture for offshore wind**

On 23 January 2020, EDP announced, through its subsidiary EDP Renováveis, the signing of an agreement with ENGIE to create a co-controlled 50/50 joint-venture focused in fixed and floating offshore wind.

As agreed, EDP and ENGIE, are combining their offshore wind assets and project pipeline in this new entity, starting with a total of 1.5 GW under construction and 3.7 GW under development, and working together to become a global top leader in the sector.

**EDPR awarded 109 MW in Italy**

EDP Renováveis secured 20-year Contract-for-Difference at the Italian energy auction to sell electricity produced by 109 MW of the 3 wind farms, located in that country. The expected beginning of commercial operations is set for 2021.

**Amendment of qualified shareholding - BlackRock**

On 6 February 2020, BlackRock notified EDP that it had surpased the qualifying shareholding of 5% of EDP's share capital on 31 January 2020.

## 47. EDP Branch in Spain

The aim of EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, interests in EDP Servicios Financieros (España), S.A.U. and EDP España, S.A.U. are directly allocated to the assets of EDP Sucursal, as well as the majority interest in EDP Renováveis, S.A.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed by an Executive Committee, a Management Committee and by direct representation on iberian scope EDP Management Committees.

The Executive Committee is composed essentially by five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP in Spain, namely the Department of M&A ("Direcção de Projectos e Novos Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Administration and Finance ("Direcção de Administração e Finanças"), Department of Human Resources ("Direcção de Recursos Humanos"), Department of EDP Spain Foundation ("Direcção da Fundação EDP Espanha"), Department of Regulation ("Direcção de Regulação"), IT Department ("Direcção de Sistemas de Informação") and Department of Environment, Sustainability, Innovation and Quality ("Direcção de Ambiente, Sustentabilidade, Inovação e Qualidade") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory, being provided with 214 human resources as at 31 December 2019, including 114 in its own payroll. Lastly, the Spanish branch of EDP has direct representation on iberian scope EDP Management Committees, particularly the Energy Planning, Price and Volume, Markets, Distribution Networks, Commercial and Production Committees.

The consolidated Statement of Financial Position of the Branch is as follows:

| | EDP Branch | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| Investments in subsidiaries: | | |
| - EDP Renováveis, S.A. | 4,154,431 | 4,154,431 |
| - EDP España, S.A.U. | 2,105,002 | 2,105,002 |
| - EDP Servicios Financieros (España), S.A.U. | 482,695 | 482,695 |
| - EDP International Investments and Services, S.L. | 988,849 | 281,854 |
| Deferred tax assets | 66,972 | 86,314 |
| Other debtors and others assets | 9,702 | 9,693 |
| Total Non-Current Assets | 7,807,651 | 7,119,989 |
| Other debtors and others assets | 656,576 | 666,695 |
| Tax receivable | 79,517 | 84,972 |
| Cash and cash equivalents | 136 | 67 |
| Total Current Assets | 736,229 | 751,734 |
| **Total Assets** | 8,543,880 | 7,871,723 |
| Equity | 8,442,024 | 7,724,853 |
| Employee benefits | 2,225 | 2,258 |
| Other liabilities and other payables | 1,501 | 67,351 |
| Total Non-Current Liabilities | 3,726 | 69,609 |
| Employee benefits | 17 | 1,299 |
| Other liabilities and other payables | 96,521 | 74,021 |
| Tax payable | 1,592 | 1,941 |
| Total Current Liabilities | 98,130 | 77,261 |
| **Total Liabilities** | 101,856 | 146,870 |
| **Total Equity and Liabilities** | 8,543,880 | 7,871,723 |

## 48. Environmental Matters

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are booked as expenses for the period, except if they qualify to be recognised as an asset according with IAS 16.

Investments of an environmental nature booked as Property, plant and equipment and intangible assets during 2019 and 2018, in the Group, are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| Air and climate protection | 777 | 2,056 |
| Water management | 376 | 116 |
| Waste management | 118 | 346 |
| Soil, subterranean and surface water protection | 1,290 | 1,966 |
| Noise and vibration reduction | 735 | 262 |
| Biodiversity protection | 13,499 | 12,283 |
| Landscape protection | 14,784 | 15,687 |
| Energetic efficiency | 21,643 | 19,259 |
| Radiations management | - | 6 |
| Research and development in the environmental area | 17 | 105 |
| Other environmental management and protection activities | 35,078 | 16,901 |
| | 88,317 | 68,987 |

The variation of the caption Other environmental management and protection activities corresponds essentially to investment in construction and license of transmission lots in Brazil.

During 2019 and 2018, the Group recognised expenses that are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2019 | Dec 2018 |
| Air and climate protection | 205,589 | 144,146 |
| Water management | 13,186 | 13,987 |
| Waste management | 13,487 | 12,493 |
| Soil, subterranean and surface water protection | 1,910 | 1,182 |
| Noise and vibration reduction | 225 | 224 |
| Biodiversity protection | 4,973 | 4,188 |
| Landscape protection | 13 | 38 |
| Energetic efficiency | 13,877 | 7,703 |
| Radiations management | 66 | 10 |
| Research and development in the environmental area | 547 | 668 |
| Other environmental management and protection activities | 12,006 | 10,857 |
| | 265,879 | 195,496 |

Under current and future socioeconomic trends and practices followed by the EDP Group regarding to environmental sustainability, the group accounts for provisions to cover the costs of dismantling, decommissioning, restoring and decontaminating land where electric power plants are located, of 83,972 thousand Euros and 85,244 thousand Euros for thermoelectric power plants located in Portugal and Spain, respectively. Regarding the liability to dismantle and restore the land where wind farms are located to its original condition, as at 31 December 2019, the provisions amount to 270,353 thousand Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 44,375 thousand Euros (see notes 2 n) and 35).

Environmental income recognised in 2019 relates to the sale of environmental waste of 4,535 thousand Euros (31 December 2018: 6,606 thousand Euros) and the sale of by-products of 127 thousand Euros (31 December 2018: 248 thousand Euros).

## 49. Investigation process about CMEC and DPH

In 2012, the European Commission (EC) and the Portuguese authorities (Public Prosecution Services) received complaints concerning the early termination of the Power Purchase Agreements (PPAs) and the methodology of the costs for the contractual stability compensation mechanism (CMEC), as well as in respect of EDP's rights to use the Public Hydro Domain (DPH).

In 2003, changes in European Union legislation occurred aiming to deepen the liberalization of the energy sector. In parallel, the Government of Portugal and Spain assumed the commitment for the implementation of MIBEL. Aiming to achieve such objectives, Decree-Law no. 240/2004 was published, which provided for the early termination of PPAs that were signed in 1996. As a result of this required early termination, EDP and REN - Rede Eléctrica Nacional, S.A. (REN) agreed in 2005 (and with amendments in 2007) to the early termination of their long-term PPAs, with effect from 1 July 2007. The methodology which was used to determine the amount of the compensation that EDP was entitled to receive in connection with such early termination, the CMEC, was approved by the EC in 2004 (Decision N161/2004) which considered the compensation as effectively and strictly necessary.

On 8 March 2008, following the provision of Decree-Law no. 226-A/2007 that aimed to the regularization of historic rights regarding the use of DPH, the Government, REN and EDP Produção signed several service concession arrangements for which EDP Produção paid approximately 759 million Euros as consideration of the economic and financial balance for the use of the DPH. The additional payment obligation did not exist within the 2004 legal framework that granted to hydroelectric power centers holders the option to continue to exploit such centers until the end of the respective service life.

Following the complaint received, the EC requested clarifications from the Portuguese State in relation to the early termination of the PPAs and its replacement for the CMEC, having concluded in September 2013 that the compensation payments received for early termination did not exceed what was necessary to repay the shortfall in investment costs repayable over the asset's lifetime, and determined that the implementation of the CMEC remains in keeping with the terms notified to and approved by the EC in 2004. Thus, the EC decided that no in-depth investigation into the CMEC process was require. Nevertheless, in the same document, the EC considered relevant to perform in-depth investigation regarding the concession rights of DPH by EDP plants.

On 15 May 2017, the EC formally concluded its in-depth investigation into the DPH concession rights having concluded that the compensation paid by EDP was compatible with market conditions. The EC concluded that the financial methodology used to assess the price of the concessions was appropriate and resulted in a fair market price, and therefore, no state aid had been granted to EDP.

On 2 June 2017, EDP became aware of Portugal's Public Prosecution Services investigation in relation to the amounts due to EDP for the termination of the PPAs and compensation paid by EDP for the DPH concessions. Portugal's Public Prosecution Services stated that the investigations continue and the facts may relate to active and passive corruption and economic participation in business and searches were conducted at the offices of EDP, grid operator REN and the local division of a consulting group. In the context of the Investigation, the Portuguese Public Prosecution Services stated that certain members of EDP's Executive Board of Directors, as well as former EDP directors, that had signed the relevant contracts were named as targets of the Investigation.

EDP does not accept any accusations of wrongdoing on its part nor on the part of any member of the EDP Group and believes that the amounts due for the termination of PPAs under the CMEC and the amount paid for the DPH concession rights were fair and in compliance with market conditions and based on arm's length transactions. However, it is difficult to predict any outcome at this early stage in the process as well as any potential impacts in the financial statements.

## 50. Operating Segments

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

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

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

The management of financial activities of all EDP Group entities (except Brazil) is undertaken centrally by the Financial Department at holding level, in accordance with policies approved by the Executive Board of Directors. As a result of this management, all financial operations and financial results are disclosed only at Group level.

Following the Strategic Plan Update 2019-2022, annouced in the last 12 March 2019, the Executive Board of Directors reorganized the business segments in order to be aligned with this new view, with effect from 1 January 2019.

For comparability purposes and regarding the changes occurred in the segments composition, a corresponding restatement of the previous year information was made.

The segments defined by the Group are the following:
• Renewables;
• Networks;
• Client Solutions & Energy Management.

The Renewables segment corresponds to the activity of generation of electricity from renewable sources, mainly hydro, wind and solar. This segment includes, but not limited to, the following companies:
• EDP - Gestão da Produção de Energia, S.A. (hydro activity);
• EDP España, S.A.U. (hydro activity);
• EDP Renováveis, S.A. and all subsidiaries of the EDPR Group;
• Enerpeixe, S.A.;
• Investco, S.A.;
• Lajeado Energia, S.A.

The Networks segment corresponds to the activities of electricity distribution and transmission, including last resort suppliers. This segment includes, but not limited to, the following companies:
• EDP Distribuição - Energia, S.A.;
• EDP Serviço Universal, S.A.;
• Electra de Llobregat Energía, S.L.;
• Hidrocantábrico Distribucion Eléctrica, S.A.U.;
• EDP Gás Serviço Universal, S.A.;
• EDP Espírito Santo Distribuição de Energia S.A.;
• EDP São Paulo Distribuição de Energia S.A.;
• EDP Transmissão, S.A.;
• EDP Transmissão Aliança SC, S.A.;
• EDP Transmissão SP-MG, S.A.

The Client Solutions & Energy Management segment includes the following activities: generation of electricity from non-renewable sources, mainly coal and gas; electricity and gas supply and related energy solutions services to clients; and energy management businesses responsible for management of purchases and sales of energy in iberian and brazilian markets, and also for the related hedging transactions. This segment includes, but not limited to, the following companies:
• EDP - Gestão da Produção de Energia, S.A. (thermal activity);
• EDP España, S.A.U. (thermal and intermediation activities);
• UNGE - Unidade de Negócio de Gestão de Energia Ibérica (EDP, S.A.);
• Porto do Pecém Geração de Energia, S.A.;
• EDP Comercial - Comercialização de Energia, S.A.;
• EDP - Comercialização e Serviços de Energia, Ltda.

### Segment Definition

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

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

In each business segment, Assets include the Property, Plant and Equipment, Right-of-use assets, Intangible Assets and Goodwill. The remaining assets are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

Under IFRS 8, the EDP Group discloses as Operating investment, additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore, in each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment; Intangible Assets; and Amounts receivable from concessions - IFRIC 12 under the financial asset model, excluding CO2 licenses and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period. Goodwill is disclosed in note 19.

In consolidated financial statements, Joint Ventures and associated companies are accounted under the equity method, in accordance with the Group accounting policy disclose in note 2. These equity accounted investees are disclosed by business segment under IFRS 8 and presented in the business segment correspondent to its operating activity.

**Geographic information**

The Group manages its activity based on business segments mentioned above, however has business in several geographical locations, being its main office located in Portugal.

Revenues from energy sales and services and other by geographic market, for EDP Group, are presented in note 7. Additionally, the geographical information bellow, details the Non-current assets excluding Financial instruments, Deferred tax assets and Employee benefits. In the disclosure of this information, the Revenues from energy sales and services and other, as well as the Non-current assets, are based on companies' geographical location where the Assets are booked.

Non-current assets by geographical market for the Group EDP, are as follows:

| | Dec 2019 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Property, plant and equipment | 4,149,543 | 3,787,643 | 1,701,371 | 7,880,618 | 2,157,047 | 19,676,222 |
| Right-of-use assets | 244,002 | 87,505 | 24,188 | 418,736 | 54,072 | 828,503 |
| Intangible assets | 3,194,391 | 149,498 | 677,804 | 65,162 | 136,968 | 4,223,823 |
| Goodwill | 49,889 | 1,246,112 | 30,780 | 702,818 | 90,263 | 2,119,862 |
| | 7,637,825 | 5,270,758 | 2,434,143 | 9,067,334 | 2,438,350 | 26,848,410 |

| | Dec 2018 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Property, plant and equipment | 6,515,345 | 4,356,962 | 2,005,096 | 7,280,402 | 2,549,706 | 22,707,511 |
| Intangible assets | 3,742,535 | 96,980 | 720,645 | 60,233 | 116,137 | 4,736,530 |
| Goodwill | 49,889 | 1,348,317 | 35,040 | 689,799 | 128,416 | 2,251,461 |
| | 10,307,769 | 5,802,259 | 2,760,781 | 8,030,434 | 2,794,259 | 29,695,502 |

**EDP Group Operating Segments Information as at 31 December 2019**

| Thousand Euros | Renewables | Networks | Client Solutions & Energy Management | Total Segments |
|---|---|---|---|---|
| **Revenues from energy sales and services and other** | 2,782,845 | 6,195,333 | 8,639,171 | 17,617,349 |
| Revenues inter-segments | 1,373,353 | 1,688,296 | 231,803 | 3,293,452 |
| Revenues from third parties | 1,409,492 | 4,507,037 | 8,407,368 | 14,323,897 |
| **Gross Profit** | 2,408,761 | 1,816,351 | 1,001,334 | 5,226,446 |
| Other income | 604,286 | 43,932 | 30,106 | 678,324 |
| Supplies and services | -364,884 | -351,632 | -285,495 | -1,002,011 |
| Personnel costs and employee benefits | -181,836 | -199,583 | -128,897 | -510,316 |
| Other costs | -179,158 | -305,805 | -122,931 | -607,894 |
| Impairment losses on trade receivables and debtors | -1,505 | -11,875 | -19,904 | -33,284 |
| **Gross Operating Profit** | 2,285,664 | 991,388 | 474,213 | 3,751,265 |
| Provisions | -82,141 | -14,132 | -5,628 | -101,901 |
| Amortisation and impairment | -815,631 | -356,184 | -538,923 | -1,710,738 |
| **Operating Profit** | 1,387,892 | 621,072 | -70,338 | 1,938,626 |
| **Equity method in joint ventures and associates** | 11,377 | 5,580 | 5,679 | 22,636 |
| **Assets** | 20,532,246 | 3,654,007 | 3,124,385 | 27,310,638 |
| **Financial assets - Investments in joint ventures and associates** | 812,696 | 110,846 | 20,401 | 943,943 |
| **Operating Investment** | 1,167,576 | 911,972 | 123,683 | 2,203,231 |

**Reconciliation of information between Operating Segments and Financial Statements for 31 December 2019**

| Thousand Euros | |
|---|---|
| **Total Revenues from energy sales and services and other of Reported Segments** | **17,617,349** |
| Revenues from energy sales and services and others from Other Segments | 258,560 |
| Adjustments and Inter-segments eliminations* | -3,542,900 |
| **Total Revenues from energy sales and services and other of EDP Group** | **14,333,009** |
| | |
| **Total Gross Profit of Reported Segments** | **5,226,446** |
| Gross Profit from Other Segments | 251,546 |
| Adjustments and Inter-segments eliminations* | -260,842 |
| **Total Gross Profit of EDP Group** | **5,217,150** |
| | |
| **Total Gross Operating Profit of Reported Segments** | **3,751,265** |
| Gross Operating Profit from Other Segments | -43,945 |
| Adjustments and Inter-segments eliminations* | -1,703 |
| **Total Gross Operating Profit of EDP Group** | **3,705,617** |
| | |
| **Total Operating Profit of Reported Segments** | **1,938,626** |
| Operating Profit from Other Segments | -83,386 |
| Adjustments and Inter-segments eliminations* | -16,772 |
| **Total Operating Profit of EDP Group** | **1,838,468** |
| | |
| **Total Assets of Reported Segments** | **27,310,638** |
| Assets Not Allocated | 14,414,724 |
| Financial Assets | 4,030,891 |
| Trade Receivables and Other Debtors | 6,282,380 |
| Inventories | 368,334 |
| Tax Assets | 1,888,818 |
| Other Assets | 1,844,301 |
| Assets from Other Segments | 531,633 |
| Inter-segments assets eliminations* | 104,651 |
| **Total Assets of EDP Group** | **42,361,646** |
| | |
| **Total Equity accounted Investments in joint ventures and associates of Reported Segments** | **943,943** |
| Equity accounted Investments in joint ventures and associates from Other Segments | 154,569 |
| **Total Equity accounted Investments in joint ventures and associates of EDP Group** | **1,098,512** |
| | |
| **Total Operating Investment of Reported Segments** | **2,203,231** |
| Operating Investment from Other Segments | 55,155 |
| **Total Operating Investment of EDP Group** | **2,258,386** |
| Dismantling/discomission of PP&E | 36,310 |
| CO2 Emission Licenses and Green Certificates | 295,676 |
| Concession Rights - IFRIC 12 ** | -770,907 |
| Investment Grants | -1,633 |
| Other Investments | -22,653 |
| **Total Fixed Assets additions of EDP Group (Notes 16 and 18)** | **1,795,179** |

| | Total of Reported Segments | Other Segments | Adjustments and Inter-segments eliminations* | Total of EDP Group |
|---|---|---|---|---|
| **Other income** | **678,324** | 40,238 | -26,676 | **691,886** |
| **Supplies and services** | **-1,002,011** | -178,477 | 282,945 | **-897,543** |
| **Personnel costs and employee benefits** | **-510,316** | -116,706 | 6,826 | **-620,196** |
| **Other costs** | **-607,894** | -40,621 | -3,958 | **-652,473** |
| **Impairment losses on trade receivables and debtors** | **-33,284** | 76 | 1 | **-33,207** |
| | | | | |
| **Provisions** | **-101,901** | 371 | - | **-101,530** |
| **Amortisation and impairment** | **-1,710,738** | -39,813 | -15,068 | **-1,765,619** |
| | | | | |
| **Equity method in joint ventures and associates** | **22,636** | 2,137 | 238 | **25,011** |

* Mainly related with intragroup balances and transactions eliminations.
** See Note 25 - Debtors and Other Assets from Commercial Activities

**EDP - Energias de Portugal, S.A.**
**Notes to the Consolidated and Company Financial Statements**
**for the periods ended at 31 December 2019 and 2018**

**EDP Group Operating Segments Information as at 31 December 2018**

| Thousand Euros | Renewables | Networks | Client Solutions & Energy Management | Total Segments |
|---|---|---|---|---|
| **Revenues from energy sales and services and other** | 2,775,169 | 6,637,136 | 9,873,652 | 19,285,957 |
| Revenues inter-segments | 1,467,963 | 1,982,417 | 575,157 | 4,025,537 |
| Revenues from third parties | 1,307,206 | 4,654,719 | 9,298,495 | 15,260,420 |
| **Gross Profit** | 2,494,707 | 1,714,742 | 897,051 | 5,106,500 |
| Other income | 472,824 | 32,165 | 23,905 | 528,894 |
| Supplies and services | -407,461 | -383,392 | -272,596 | -1,063,449 |
| Personnel costs and employee benefits | -178,767 | -213,897 | -132,744 | -525,408 |
| Other costs | -185,212 | -304,285 | -171,518 | -661,015 |
| Impairment losses on trade receivables and debtors | 530 | -14,284 | -31,827 | -45,581 |
| **Gross Operating Profit** | 2,196,621 | 831,049 | 312,271 | 3,339,941 |
| Provisions | -187,492 | -13,836 | -91,795 | -293,123 |
| Amortisation and impairment | -791,323 | -334,372 | -263,555 | -1,389,250 |
| **Operating Profit** | 1,217,806 | 482,841 | -43,079 | 1,657,568 |
| **Equity method in joint ventures and associates** | -3,779 | 6,716 | 4,311 | 7,248 |
| **Assets** | 22,913,774 | 3,707,830 | 3,486,273 | 30,107,877 |
| **Financial assets - Investments in joint ventures and associates** | 697,643 | 106,636 | 11,523 | 815,802 |
| **Operating Investment** | 1,354,551 | 502,492 | 124,319 | 1,981,362 |

**Reconciliation of information between Operating Segments and Financial Statements for 31 December 2018**

| Thousand Euros | |
|---|---|
| **Total Revenues from energy sales and services and others of Reported Segments** | **19,285,957** |
| Revenues from energy sales and services and others from Other Segments | 325,506 |
| Adjustments and Inter-segments eliminations* | -4,333,378 |
| **Total Revenues from energy sales and services and others of EDP Group** | **15,278,085** |
| **Total Gross Profit of Reported Segments** | **5,106,500** |
| Gross Profit from Other Segments | 323,766 |
| Adjustments and Inter-segments eliminations* | -331,084 |
| **Total Gross Profit of EDP Group** | **5,099,182** |
| **Total Gross Operating Profit of Reported Segments** | **3,339,941** |
| Gross Operating Profit from Other Segments * | -8,020 |
| Adjustments and Inter-segments eliminations* | -14,792 |
| **Total Gross Operating Profit of EDP Group** | **3,317,129** |
| **Total Operating Profit of Reported Segments** | **1,657,568** |
| Operating Profit from Other Segments | -42,909 |
| Adjustments and Inter-segments eliminations* | -30,280 |
| **Total Operating Profit of EDP Group** | **1,584,379** |
| **Total Assets of Reported Segments (31 December 2018)** | **30,107,877** |
| Assets Not Allocated | 10,979,847 |
| Financial Assets | 2,132,308 |
| Trade Receivables and Other Debtors | 5,690,119 |
| Inventories | 342,037 |
| Tax Assets | 1,559,980 |
| Other Assets | 1,255,401 |
| Assets from Other Segments | 422,949 |
| Inter-segments assets eliminations* | 116,287 |
| **Total Assets of EDP Group (31 December 2018)** | **41,626,960** |
| **Total Equity accounted Investments in joint ventures and associates of Reported Segments (31 December 2018)** | **815,802** |
| Equity accounted Investments in joint ventures and associates from Other Segments | 135,811 |
| **Total Equity accounted Investments in joint ventures and associates of EDP Group (31 December 2018)** | **951,613** |
| **Total Operating Investment of Reported Segments** | **1,981,362** |
| Operating Investment from Other Segments | 49,805 |
| **Total Operating Investment of EDP Group** | **2,031,167** |
| Discomission of Property, plant and equipment | 12,937 |
| CO2 Licenses and Green Certificates | 301,393 |
| Investment Grants | -62,660 |
| Other Investments | 36,703 |
| **Total Fixed Assets additions of EDP Group** | **2,319,540** |

| | Total of Reported Segments | Other Segments | Adjustments and Inter-segments eliminations* | Total of EDP Group |
|---|---|---|---|---|
| **Other income** | **528,894** | 69,035 | -35,252 | **562,677** |
| **Supplies and services** | **-1,063,449** | -234,089 | 340,577 | **-956,961** |
| **Personnel costs and employee benefits** | **-525,408** | -139,262 | 13,130 | **-651,540** |
| **Other costs** | **-661,015** | -43,369 | -10,995 | **-715,379** |
| **Other costs** | **-45,581** | 15,899 | 8,832 | **-20,850** |
| **Provisions** | **-293,123** | 5,185 | - | **-287,938** |
| **Amortisation and impairment** | **-1,389,250** | -40,074 | -15,488 | **-1,444,812** |
| **Equity method in joint ventures and associates** | **7,248** | 3,610 | - | **10,858** |

* Mainly related with intragroup balances and transactions eliminations

### 51. Reconciliation of Changes in the responsibilities of Financing activities at 31 December 2019

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Financial debt and Derivative financial instruments (including Collateral Deposits) | | | | | |
| Thousand Euros | Loans obtained (Note 33) | Collateral Deposits (Note 33) | Derivative financial instruments (Note 41)* | Institutional partnerships in USA (Note 36) | Lease Liabilities (Rents due) (Note 38) | Loans from non-controlling interests (Note 38) |
| **Balance as at 31 de December 2017** | **16,917,765** | **-45,255** | **-111,376** | **2,163,722** | **-** | **712,802** |
| **Cash flows:** | | | | | | |
| Receipts relating to financial debt (including Collateral Deposits) | 2,695,774 | 8,644 | - | - | - | - |
| (Payments) relating to financial debt (including Collateral Deposits) | -3,471,386 | -163,114 | - | - | - | - |
| Interest and similar costs of financial debt including hedge derivatives | -635,329 | - | 11,885 | - | - | - |
| Receipts/(payments) relating to loans from non-controlling interests | - | - | - | - | - | -61,907 |
| Interest and similar costs relating to loans from non-controlling interests | - | - | - | - | - | -32,458 |
| Receipts/(payments) relating to derivative financial instruments | - | - | 17,796 | - | - | - |
| Receipts/(payments) from institutional partnerships - USA | - | - | - | 225,353 | - | - |
| Perimeter variations | -32,197 | - | -254 | -162,123 | - | -4,649 |
| Exchange differences | -2,157 | 6,834 | -318 | 101,530 | - | -2,903 |
| Fair value changes | -21,747 | - | -28,258 | - | - | - |
| Interests and accrued and deferred costs | 634,176 | - | -8,644 | 7,254 | - | 31,989 |
| Unwinding | - | - | - | 80,684 | - | - |
| ITC/PTC recognition | - | - | - | -185,171 | - | - |
| **Balance as at 31 de December 2018** | **16,084,899** | **-192,891** | **-119,169** | **2,231,249** | **-** | **642,874** |
| **Cash flows:** | | | | | | |
| Receipts relating to financial debt (including Collateral Deposits) | 3,974,474 | 125,418 | - | - | - | - |
| (Payments) relating to financial debt (including Collateral Deposits) | -3,436,259 | -7,104 | - | - | - | - |
| Interest and similar costs of financial debt including hedge derivatives | -564,876 | - | 7,606 | - | - | - |
| Receipts/(payments) relating to loans from non-controlling interests | - | - | - | - | - | -29,922 |
| Interest and similar costs relating to loans from non-controlling interests | - | - | - | - | - | -21,177 |
| Receipts/(payments) relating to derivative financial instruments | - | - | -4,946 | - | - | - |
| Receipts/(payments) from institutional partnerships - USA | - | - | - | 105,627 | - | - |
| Lease (payments) | - | - | - | - | -75,754 | - |
| Perimeter variations | -190,675 | 13,009 | -1,489 | - | -53,128 | -283,427 |
| Exchange differences | 109,730 | 92 | -109 | 42,848 | -1,890 | 1,260 |
| Fair value changes | -6,561 | - | 34,184 | - | - | - |
| Interests and accrued and deferred costs | 600,737 | - | -2,084 | 6,310 | - | 22,742 |
| Unwinding | - | - | - | 85,320 | 39,061 | - |
| ITC/PTC recognition | - | - | - | -181,570 | - | - |
| New lease contracts/Increments in rent values | - | - | - | - | 112,254 | - |
| Transition IFRS 16 | - | - | - | - | 822,001 | - |
| Reclassification to Liabilities held for sale | - | - | - | - | -4,815 | - |
| **Balance as at 31 December 2019** | **16,571,469** | **-61,476** | **-86,007** | **2,289,784** | **837,729** | **332,350** |

* The Group considers as financing activities all derivative financial instruments excluding derivatives related with commodities.

| | Company | | | | |
|---|---|---|---|---|---|
| | Financial debt and Derivative financial instruments | | | | |
| Thousand Euros | Loans obtained (Note 33) | Derivative financial instruments (Note 41)* | Group's financial system (Notes 26 and 38) | Lease Liabilities (Rents due) (Note 38) | Group companies (Note 38) |
| **Balance as at 31 de December 2017** | **13,488,297** | **-408,886** | **-490,904** | **-** | **1,790,390** |
| **Cash flows:** | | | | | |
| Receipts relating to financial debt (including Collateral Deposits) | 817,971 | - | - | - | - |
| (Payments) relating to financial debt (including Collateral Deposits) | -1,451,929 | - | - | - | - |
| Interest and similar costs of financial debt including hedge derivatives | -309,874 | -2,125 | - | - | - |
| Receipts/(payments) relating to loans from related parties | - | - | 845 951 | - | -1,675,615 |
| Interest and similar costs of loans from related parties including hedge derivatives | - | 22,524 | - | - | -63,496 |
| Receipts/(payments) relating to derivative financial instruments | - | 312,433 | - | - | - |
| Perimeter variations | - | - | - 563 | - | - |
| Exchange differences | 9,879 | - | - | - | 8,032 |
| Fair value changes | - | 23,262 | - | - | - |
| Interests and accrued and deferred costs | 256,137 | -20,728 | - | - | 38,325 |
| **Balance as at 31 December 2018** | **12,810,481** | **-73,520** | **354,484** | **-** | **97,636** |
| **Cash flows:** | | | | | |
| Receipts relating to financial debt (including Collateral Deposits) | 1,657,992 | - | - | - | - |
| (Payments) relating to financial debt (including Collateral Deposits) | -1,729,425 | - | - | - | - |
| Interest and similar costs of financial debt including hedge derivatives | -266,094 | -50 | - | - | - |
| Receipts/(payments) relating to loans from related parties | - | - | - 254 712 | - | -42,773 |
| Interest and similar costs of loans from related parties including hedge derivatives | - | - | - | - | -4,988 |
| Receipts/(payments) relating to derivative financial instruments | - | 35,365 | - | - | - |
| Lease (payments) | - | - | - | -12,533 | - |
| Exchange differences | 4,416 | - | - | - | - |
| Fair value changes | - | 36,241 | - | - | - |
| Unwinding | - | - | - | 5 601 | - |
| Interests and accrued and deferred costs | 284,923 | 4,102 | - | | 20,413 |
| New lease contracts/Increments in rent values | - | - | - | 1,008 | - |
| Transition IFRS 16 | - | - | - | 151,692 | - |
| **Balance as at 31 December 2019** | **12,762,293** | **2,138** | **99,772** | **145,768** | **70,288** |

* The Group considers as financing activities all derivative financial instruments excluding derivatives related with commodities.

**ENERGY**

## Annex I. Companies in the Consolidation Perimeter

The subsidiary companies where the Group exercises control as at 31 December 2019 are as follows:

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-19 Euro'000 | Liabilities 31-Dec-19 Euro'000 | Equity 31-Dec-19 Euro'000 | Revenues 31-Dec-19 Euro'000 | Net Profit/(Loss) 31-Dec-19 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **Group's parent holding company and Related Activities:** | | | | | | | | | |
| **Portugal:** | | | | | | | | | |
| EDP - Energias de Portugal, S.A. (Empresa-Matriz do Grupo EDP) | Lisbon | 3,656,537,715 EUR | 21,017,376 | 15,211,834 | 5,805,542 | 109,564 | 57,084 | 100.00% | - |
| CEO - Companhia de Energia Oceânica, S.A. | Póvoa do Varzim | 65,435 EUR | 1,347 | 653 | 695 | - | -242 | 52.07% | - |
| EDP Estudos e Consultoria, S.A | Lisbon | 50,000 EUR | 4,939 | 1,235 | 3,703 | 4,190 | -101 | 100.00% | 100.00% |
| EDP Real Estate Global Solutions - Imobiliária e Gestão de Participações, S.A. | Lisbon | 10,000,000 EUR | 23,693 | 8,571 | 15,122 | 7,223 | 2,915 | 100.00% | 100.00% |
| EDP Inovação, S.A. | Lisbon | 50,000 EUR | 55,167 | 50,749 | 4,419 | 4,876 | -1,550 | 100.00% | 100.00% |
| EDP Internacional, S.A. | Lisbon | 50,000 EUR | 13,958 | 1,992 | 11,966 | 2,214 | -970 | 100.00% | 100.00% |
| EDP IS – Investimentos e Serviços, Sociedade Unipessoal, Lda | Lisbon | 140,309,500 EUR | 444,041 | 197,186 | 246,855 | - | 12,867 | 100.00% | - |
| EDP Ventures, S.G.P.S., S.A. | Lisbon | 50,000 EUR | 74,966 | 36,685 | 38,281 | 25 | 24,006 | 100.00% | - |
| ENAGÁS - S.G.P.S., S.A. | Lisbon | 299,400 EUR | 6,687 | 960 | 5,727 | - | -23 | 60.00% | - |
| Fundo EDP CleanTech FCR | Lisbon | 23,096,705 EUR | 22,184 | 764 | 21,420 | - | -1,013 | 60.00% | - |
| Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A. | Sacavém | 2,200,000 EUR | 18,229 | 9,407 | 8,822 | 15,754 | 1,299 | 100.00% | 100.00% |
| Sãvida - Medicina Apoiada, S.A | Lisbon | 450,000 EUR | 15,454 | 9,161 | 6,293 | 24,460 | 839 | 100.00% | 100.00% |
| **Other Countries:** | | | | | | | | | |
| EDP - Ásia Soluções Energéticas Limitada | Macao | 1,500,000 MOP | 2,452 | 22 | 2,430 | 571 | -1 | 100.00% | 5.00% |
| EDP Finance, B.V. | Amsterdam | 2,000,000 EUR | 13,708,511 | 13,596,827 | 111,684 | - | -14,749 | 100.00% | 100.00% |
| EDP International Investments and Services, S.L. | Oviedo | 6,979 EUR | 1,258,850 | 156,063 | 1,102,787 | - | 18,905 | 100.00% | 36.07% |
| EDP Servicios Financieros España, S.A.U. | Oviedo | 10,300,058 EUR | 2,770,449 | 2,272,873 | 497,576 | - | 5,361 | 100.00% | 100.00% |
| Energia RE - Sociedade Cativa de Resseguro, S.A. | Luxembourg | 3,000,000 EUR | 146,486 | 92,346 | 54,139 | 8 | 82 | 100.00% | 100.00% |
| **Electricity and Gas Activity - Portugal:** | | | | | | | | | |
| **Electricity Generation:** | | | | | | | | | |
| EDP - Gestão da Produção de Energia, S.A. | Lisbon | 1,650,000,000 EUR | 8,610,096 | 3,242,033 | 5,368,063 | 871,451 | -298,449 | 100.00% | 100.00% |
| Empresa Hidroeléctrica do Guadiana, S.A. | Lisbon | 72,047,035 EUR | 409,486 | 237,741 | 171,745 | 33,077 | -24,439 | 100.00% | - |
| FISIGEN - Empresa de Cogeração, S.A. | Lisbon | 50,000 EUR | 23,025 | 20,703 | 2,322 | 23,970 | 2,064 | 51.00% | - |
| Greenvouga - Soc. Gest. do Aproveit. Hidroel. de Ribeiradio-Ermida, S.A. | Lisbon | 1,000,000 EUR | 240,773 | 181,320 | 59,453 | 8,597 | -3,474 | 100.00% | - |
| Tergen - Operação e Manutenção de Centrais Termoeléctricas, S.A. | Carregado | 250,000 EUR | 3,798 | 2,492 | 1,306 | 6,703 | 167 | 100.00% | - |
| **Electricity Distribution:** | | | | | | | | | |
| EDP Distribuição de Energia, S.A. | Lisbon | 200,013,000 EUR | 4,396,451 | 3,254,493 | 1,141,958 | 1,249,697 | 78,377 | 100.00% | 100.00% |
| **Electricity Supply:** | | | | | | | | | |
| EDP Comercial - Comercialização de Energia, S.A. | Lisbon | 20,842,695 EUR | 798,192 | 682,022 | 116,170 | 3,174,977 | 28,250 | 100.00% | 100.00% |
| EDP Serviço Universal, S.A. | Lisbon | 10,104,000 EUR | 808,439 | 793,590 | 14,849 | 2,880,541 | -17,988 | 100.00% | 100.00% |
| **Gas Distribution:** | | | | | | | | | |
| EDP Gás Serviço Universal, S.A. | Oporto | 1,050,996 EUR | 16,671 | 7,407 | 9,264 | 12,738 | -520 | 100.00% | 100.00% |
| **Gas Supply:** | | | | | | | | | |
| EDP GÁS.Com - Comércio de Gás Natural, S.A. | Lisbon | 50,000 EUR | 101,674 | 73,451 | 28,222 | 400,535 | 5,451 | 100.00% | 100.00% |
| **Shared Services:** | | | | | | | | | |
| EDP - Soluções Comerciais, S.A. | Lisbon | 50,000 EUR | 34,353 | 32,374 | 1,978 | 42,342 | 1,181 | 100.00% | 100.00% |
| EDP Global Solutions - Gestão Integrada de Serviços, S.A. | Lisbon | 4,550,000 EUR | 82,810 | 74,654 | 8,156 | 44,932 | 999 | 100.00% | 100.00% |
| **Other Activities:** | | | | | | | | | |
| CNET - Centre for New Energy Technologies, S.A. | Sacavém | 300,000 EUR | 1,985 | 1,522 | 463 | 246 | 72 | 60.00% | - |
| EDP Mediadora, S.A. | Lisbon | 50,000 EUR | 7,485 | 2,147 | 5,338 | 4,165 | 2,424 | 100.00% | - |
| EDP Ventures - Sociedade de Capital de Risco, S.A. | Lisbon | 125,000 EUR | 971 | 101 | 869 | 384 | 239 | 100.00% | - |
| SGORME – Soc. Gestora de Operações da Rede de Mobilidade Eléctrica, S.A. | Lisbon | 500,000 EUR | 145 | 848 | -703 | - | -11 | 91.00% | - |
| Save to Compete, S.A. | Lisbon | 60,714 EUR | 912 | 346 | 566 | 480 | 211 | 94.61% | - |
| **Electricity and Gas Activity - Spain:** | | | | | | | | | |
| **Electricity Generation:** | | | | | | | | | |
| EDP España, S.A.U. (EDP España Subgroup Parent Company) | Oviedo | 421,739,790 EUR | 3,015,404 | 950,896 | 2,064,508 | 1,388,500 | 151,493 | 100.00% | 100.00% |
| Central Termica Ciclo Combinado Grupo 4, S.L. | Oviedo | 2,117,000 EUR | 146,231 | 361,483 | -215,252 | 48,707 | -33,836 | 75.00% | - |
| EDP Iberia, S.L. | Bilbao | 130,260,000 EUR | 2,374,894 | 75,057 | 2,299,837 | 1,851 | -73,613 | 100.00% | - |
| Iberenergia, S.A.U. | Oviedo | 60,200 EUR | 199,680 | 173,569 | 26,111 | 58,378 | 1,809 | 100.00% | - |
| Naturgas Cogeneración, S.A. | Oviedo | 1,000,000 EUR | 9,175 | 8,726 | 449 | 6,477 | -551 | 100.00% | - |
| **Electricity Distribution:** | | | | | | | | | |
| Electra Llobregat Energía, S.L. | Barcelona | 90,000 EUR | 4,723 | 3,190 | 1,533 | 393 | 75 | 75.00% | - |
| **Electricity Supply:** | | | | | | | | | |
| EDP Comercializadora de Ultimo Recurso, S.A. | Oviedo | 240,000 EUR | 24,639 | 27,022 | -2,384 | 102,760 | -5,181 | 100.00% | - |
| EDP Energia Ibérica, S.A. | Oviedo | 60,200 EUR | 62 | 12,987 | -12,925 | 71 | -9 | 100.00% | - |
| EDP Energía, S.A.U. | Oviedo | 1,000,000 EUR | 210,180 | 147,576 | 62,605 | 589,929 | 2,544 | 100.00% | - |
| EDP Solar España, S.A. | Oviedo | 1,000,000 EUR | 1,868 | 2,099 | -231 | 53 | -1,231 | 100.00% | - |
| Hidrocantábrico Distribucion Eléctrica, S.A.U. | Oviedo | 44,002,000 EUR | 1,041,689 | 603,395 | 438,294 | 223,705 | 87,648 | 100.00% | - |
| **Gas Supply:** | | | | | | | | | |
| EDP Comercializadora, S.A.U. | Bilbau | 1,487,895 EUR | 594,806 | 421,224 | 173,581 | 1,599,721 | 10,777 | 100.00% | - |
| **Other activities:** | | | | | | | | | |
| EDP Ventures España, S.A. | Oviedo | 60,000 EUR | 59 | 0 | 59 | - | -1 | 100.00% | - |
| **Electricity and Gas Activity - Other Countries:** | | | | | | | | | |
| **Electricity Supply:** | | | | | | | | | |
| EDP Energia Italia S.R.L. | Milan | 10,000 EUR | 683 | 941 | -257 | 103 | -259 | 100.00% | - |
| EDP Energie France | Paris | 10,000 EUR | 22 | 50 | -28 | - | -27 | 100.00% | - |
| EDP Energia Polska | Warsaw | 8,505,000 EUR | 2,617 | 30 | 2,587 | - | -376 | 100.00% | - |
| **Electricity Activity - Brazil:** | | | | | | | | | |
| **Parent company and Related Activities:** | | | | | | | | | |
| EDP Energias do Brasil, S.A. (EDP Brasil Subgroup Parent Company) | Sao Paulo | 4,682,715,947 BRL | 2,328,268 | 275,657 | 2,052,611 | 1,050 | 301,806 | 51.38% | - |
| **Electricity Generation:** | | | | | | | | | |
| Energest, S.A. | Sao Paulo | 48,204,770 BRL | 74,687 | 21,526 | 53,161 | 105,822 | 25,196 | 51.38% | - |
| Enerpeixe, S.A. | Sao Paulo | 219,735,967 BRL | 449,837 | 309,066 | 140,771 | 92,344 | 27,248 | 30.83% | - |
| Investco, S.A. | Tocantins | 804,458,842 BRL | 253,049 | 49,393 | 203,655 | 42,608 | 16,331 | 20.95% | - |
| Lajeado Energia, S.A. | Sao Paulo | 6,867,541 BRL | 273,492 | 148,269 | 125,223 | 189,892 | 39,721 | 28.70% | - |
| Porto do Pecém Geração de Energia, S.A. | Ceará | 2,368,998,621 BRL | 926,701 | 378,473 | 548,228 | 449,506 | 42,314 | 51.38% | - |
| Resende Engenharia e Assessoria, Ltda. | Sao Paulo | 21,553,318 BRL | 4,698 | 4 | 4,693 | - | -3 | 51.38% | - |
| **Electricity Distribution:** | | | | | | | | | |
| EDP Espírito Santo Distribuição de Energia S.A. | Espírito Santo | 650,572,403 BRL | 1,132,010 | 895,545 | 236,465 | 868,901 | 89,005 | 51.38% | - |
| EDP São Paulo Distribuição de Energia S.A. | Sao Paulo | 596,669,107 BRL | 1,225,678 | 945,626 | 280,051 | 997,727 | 77,199 | 51.38% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-19 Euro'000 | Liabilities 31-Dec-19 Euro'000 | Equity 31-Dec-19 Euro'000 | Revenues 31-Dec-19 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **Electricity Supply:** | | | | | | | | | |
| EDP - Soluções em Energia, S.A. | Rio Grande do Sul | 84,822,773 BRL | 30,025 | 12,470 | 17,556 | 9,223 | 117 | 51.38% | - |
| EDP - Comercialização e Serviços de Energia, LTDA. | Sao Paulo | 32,606,383 BRL | 185,848 | 136,954 | 48,894 | 881,397 | 14,081 | 51.38% | - |
| EDP Comercialização Varejista, Ltda | Sao Paulo | 4,531,000 BRL | 1,640 | 564 | 1,076 | 1,326 | -132 | 51.38% | - |
| **Transmission of Electricity:** | | | | | | | | | |
| EDP Transmissão, S.A. | Espírito Santo | 8,630,148 BRL | 53,376 | 45,011 | 8,365 | 19,353 | 8,562 | 51.38% | - |
| EDP Transmissão Aliança SC, S.A. | Espírito Santo | 26,500,999 BRL | 364,441 | 353,237 | 11,204 | 170,881 | 6,323 | 46.25% | - |
| EDP Transmissão SP-MG, S.A. | Espírito Santo | 33,000,999 BRL | 339,167 | 320,878 | 18,289 | 214,022 | 14,506 | 51.38% | - |
| EDP Transmissão MA I, S.A. | Espírito Santo | 37,300,999 BRL | 58,922 | 48,256 | 10,666 | 50,410 | 3,152 | 51.38% | - |
| EDP Transmissão MA II, S.A. | Espírito Santo | 29,727,420 BRL | 42,860 | 35,570 | 7,290 | 35,891 | 1,185 | 51.38% | - |
| Litoral Sul Transmissora de Energia Ltda. | Sao Paulo | 14,609,356 BRL | 11,231 | 10,114 | 1,117 | 5,306 | -1,527 | 51.38% | - |
| **Other Activities:** | | | | | | | | | |
| EDP Grid Gestão de Redes Inteligentes de Distribuição, S.A. | Espírito Santo | 83,086,011 BRL | 58,056 | 39,639 | 18,417 | 5,696 | -374 | 51.38% | - |
| EDP Ventures Brasil S.A. | Sao Paulo | 3,000,999 BRL | 1,320 | 808 | 512 | - | -141 | 51.38% | - |
| **Renewable Energy Activity:** | | | | | | | | | |
| **Parent company and Related Activities:** | | | | | | | | | |
| EDP Renováveis, S.A. (EDP Renováveis Subgroup Parent Company) | Oviedo | 4,361,540,810 EUR | 7,239,937 | 1,881,214 | 5,358,723 | 49,222 | -9,098 | 82.56% | 82.56% |
| EDP Renováveis Servicios Financieros, S.A. | Oviedo | 84,691,368 EUR | 2,985,438 | 2,564,042 | 421,396 | 51 | 16,616 | 82.56% | - |
| **Europe Geography / Platform:** | | | | | | | | | |
| **Spain:** | | | | | | | | | |
| EDP Renewables Europe, S.L.U. (EDPR EU Subgroup Parent Company) | Oviedo | 249,498,800 EUR | 2,829,329 | 129,878 | 2,699,451 | 63,650 | 336,688 | 82.56% | - |
| Acampo Arias, S.L. | Zaragoza | 3,314,300 EUR | 47,408 | 40,923 | 6,485 | 8,648 | 2,621 | 78.43% | - |
| Aplicaciones Industriales de Energías Limpias, S.L. | Zaragoza | 131,288 EUR | 1,413 | 0 | 1,413 | - | 847 | 50.78% | - |
| Aprofitament D'Energies Renovables de la Terra Alta, S.A. | Barcelona | 1,994,350 EUR | 29 | 0 | 29 | - | 16 | 36.40% | - |
| Bon Vent de Corbera, S.L.U. | Barcelona | 7,255,000 EUR | 55,718 | 32,014 | 23,703 | 12,223 | 3,543 | 82.56% | - |
| Desarrollos Eólicos de Teruel, S.L. | Zaragoza | 60,100 EUR | 1,303 | 1,243 | 60 | - | - | 42.11% | - |
| EDP Renovables España, S.L.U. | Oviedo | 46,128,100 EUR | 1,384,613 | 591,583 | 793,030 | 169,969 | 86,310 | 82.56% | - |
| EDPR Amaris S.L.U. | Madrid | 3,000 EUR | 2 | 0 | 2 | - | -1 | 82.56% | - |
| EDPR FS Offshore, S.A. | Oviedo | 3,500,000 EUR | 7,095 | 3,592 | 3,503 | - | 5 | 82.56% | - |
| EDPR Offshore España, S.L. | Oviedo | 1,865,500 EUR | 23,002 | 9,093 | 13,909 | 190 | -2,978 | 82.56% | - |
| EDPR Suvan S.L.U. | Madrid | 3,000 EUR | 2 | 0 | 2 | - | -1 | 82.56% | - |
| EDPR Terral S.L.U. | Madrid | 3,000 EUR | 2 | 0 | 2 | - | -1 | 82.56% | - |
| EDPR Yield, S.A.U. | Oviedo | 99,405,403 EUR | 274,286 | 4,766 | 269,520 | - | 116,752 | 82.56% | - |
| Eólica Arlanzón, S.A. | Madrid | 4,508,980 EUR | 16,983 | 5,294 | 11,689 | 3,544 | 436 | 70.18% | - |
| Eólica Campollano, S.A. | Madrid | 6,559,994 EUR | 65,963 | 40,293 | 25,670 | 13,495 | 2,910 | 61.92% | - |
| Eólica Fontesilva, S.L.U. | La Coruña | 6,860,000 EUR | 42,202 | 26,691 | 15,511 | 7,393 | 1,571 | 82.56% | - |
| Eólica La Brújula, S.A. | Madrid | 3,294,000 EUR | 44,637 | 23,457 | 21,179 | 9,541 | 2,301 | 82.56% | - |
| Eólica La Janda, S.L.U. | Madrid | 4,525,000 EUR | 160,778 | 135,750 | 25,029 | 34,043 | 9,799 | 82.56% | - |
| Eólica Sierra de Ávila, S.L. | Madrid | 12,977,466 EUR | 96,530 | 55,884 | 40,646 | 15,928 | 3,368 | 82.56% | - |
| Iberia Aprovechamientos Eólicos, S.A. | Zaragoza | 1,918,728 EUR | 20,220 | 15,171 | 5,049 | 4,892 | 1,172 | 77.61% | - |
| Parc Eòlic de Coll de Moro, S.L.U. | Barcelona | 7,808,920 EUR | 77,453 | 66,318 | 11,136 | 11,669 | 2,552 | 82.56% | - |
| Parc Eòlic de Torre Madrina, S.L.U. | Barcelona | 7,754,897 EUR | 70,702 | 54,542 | 16,160 | 12,607 | 3,718 | 82.56% | - |
| Parc Eòlic de Vilalba dels Arcs, S.L.U. | Barcelona | 3,065,739 EUR | 32,488 | 23,183 | 9,305 | 6,837 | 2,255 | 82.56% | - |
| Parc Eòlic Serra Voltorera, S.L.U. | Barcelona | 3,458,010 EUR | 21,873 | 10,809 | 11,064 | 3,926 | 890 | 82.56% | - |
| Parque Eólico Altos del Voltoya, S.A. | Madrid | 6,434,349 EUR | 23,466 | 4,841 | 18,625 | 5,588 | 1,150 | 76.37% | - |
| Parque Eólico la Sotonera, S.L. | Zaragoza | 2,000,000 EUR | 12,809 | 5,200 | 7,609 | 3,095 | 1,071 | 57.66% | - |
| Parque Eólico Los Cantales, S.L.U. | Zaragoza | 1,963,050 EUR | 18,739 | 13,838 | 4,901 | 4,889 | 1,693 | 82.56% | - |
| Parque Eólico Santa Quiteria, S.L. | Zaragoza | 63,006 EUR | 18,488 | 5,028 | 13,461 | 4,176 | 1,033 | 69.32% | - |
| Renovables Castilla la Mancha, S.A. | Madrid | 60,102 EUR | 25,286 | 20,633 | 4,653 | 5,904 | 1,807 | 74.31% | - |
| Tébar Eólica, S.A. | Madrid | 4,720,400 EUR | 14,968 | 5,355 | 9,613 | 5,961 | 2,332 | 82.56% | - |
| **Portugal:** | | | | | | | | | |
| EDP Renováveis Portugal, S.A. | Oporto | 7,500,000 EUR | 484,635 | 340,055 | 144,580 | 148,449 | 60,673 | 42.11% | - |
| EDP Renewables, SGPS, S.A. | Oporto | 50,000 EUR | 174,396 | 43,581 | 130,815 | - | 9,849 | 82.56% | - |
| EDPR PT - Parques Eólicos, S.A. | Oporto | 50,000 EUR | 121,997 | 68,272 | 53,725 | 0 | 2,800 | 42.11% | - |
| EDPR PT - Promoção e Operação, S.A. | Oporto | 57,500 EUR | 17,925 | 10,966 | 6,959 | 14,682 | -501 | 82.56% | - |
| Eólica do Alto da Teixosa, S.A. | Cinfães | 50,000 EUR | 27,148 | 18,826 | 8,322 | 5,432 | 1,990 | 42.11% | - |
| Eólica da Alagoa, S.A. | Arcos de Valdevez | 50,000 EUR | 8,352 | 2,804 | 5,547 | 3,511 | 1,911 | 25.26% | - |
| Eólica da Coutada, S.A. | Vila Pouca de Aguiar | 50,000 EUR | 159,857 | 116,962 | 42,895 | 29,430 | 10,779 | 42.11% | - |
| Eólica da Serra das Alturas, S.A. | Boticas | 50,000 EUR | 12,444 | 5,085 | 7,359 | 3,216 | 1,428 | 21.10% | - |
| Eólica das Serras das Beiras, S.A. | Arganil | 50,000 EUR | 99,229 | 68,789 | 30,440 | 18,822 | 6,710 | 42.11% | - |
| Eólica da Terra do Mato, S.A. | Oporto | 50,000 EUR | 46,372 | 36,969 | 9,403 | 8,339 | 2,639 | 42.11% | - |
| Eólica de Montenegrelo, S.A. | Vila Pouca de Aguiar | 50,000 EUR | 20,183 | 8,622 | 11,560 | 5,907 | 2,756 | 21.10% | - |
| Eólica do Alto da Lagoa, S.A. | Oporto | 50,000 EUR | 23,670 | 12,628 | 11,042 | 5,298 | 2,189 | 42.11% | - |
| Eólica do Alto do Mourisco, S.A. | Boticas | 50,000 EUR | 23,868 | 16,498 | 7,370 | 4,837 | 1,960 | 42.11% | - |
| Eólica do Espigão, S.A. | Miranda do Corvo | 50,000 EUR | 27,136 | 14,120 | 13,016 | 6,429 | 2,705 | 42.11% | - |
| Eólica do Sincelo, S.A. | Oporto | 150,000 EUR | 7,108 | 3,324 | 3,784 | - | -171 | 82.56% | - |
| Eólica dos Altos de Salgueiros-Guilhado, S.A. | Vila Pouca de Aguiar | 50,000 EUR | 12,033 | 8,810 | 3,222 | 2,420 | 949 | 42.11% | - |
| Eólica da Linha, S.A. | Oporto | 100,000 EUR | 106,772 | 103,029 | 3,743 | 14,603 | 5,937 | 82.56% | - |
| Fotovoltaica Lote A, S.A. | Oporto | 50,000 EUR | 557 | 529 | 28 | - | -22 | 82.56% | - |
| Malhadizes - Energia Eólica, S.A. | Oporto | 50,000 EUR | 18,953 | 9,497 | 9,457 | 5,660 | 2,376 | 42.11% | - |
| **France:** | | | | | | | | | |
| Bourbriac II, S.A.S. | Paris | 1,000 EUR | 71 | 99 | -28 | - | -11 | 82.56% | - |
| EDPR France Holding, S.A.S. | Paris | 19,900,000 EUR | 164,219 | 106,393 | 57,826 | - | -7,698 | 82.56% | - |
| EDPR Offshore France, S.A.S. | Paris | 1,307,527 EUR | 2,025 | 866 | 1,159 | - | -599 | 82.56% | - |
| Parc Eolien de Dionay, S.A.S. | Paris | 37,004 EUR | 5 | 46 | -41 | - | -28 | 82.56% | - |
| Parc Eolien Louvières, S.A.R.L. | Paris | 1,000 EUR | 2,126 | 2,193 | -67 | - | -5 | 82.56% | - |
| La Plaine de Nouaille, S.A.S. | Paris | 8,000 EUR | 443 | 460 | -16 | - | -4 | 82.56% | - |
| Le Chemin de la Corvée, S.A.S. | Paris | 123,000 EUR | 1,151 | 1,089 | 62 | - | -2 | 82.56% | - |
| Le Chemin de Saint Druon, S.A.S. | Paris | 92,000 EUR | 268 | 191 | 78 | - | -3 | 82.56% | - |
| Monts de la Madeleine Energie, S.A.S. | Paris | 37,000 EUR | 1,215 | 1,199 | 16 | - | -12 | 82.56% | - |
| Monts du Forez Energie, S.A.S. | Paris | 37,000 EUR | 917 | 949 | -32 | - | -33 | 82.56% | - |
| Parc Éolien de Boqueho-Plouagat, S.A.S. | Paris | 1,000 EUR | 11,857 | 10,453 | 1,405 | 1,812 | 299 | 82.56% | - |
| Parc Éolien d'Entrains-sur-Nohain, S.A.S. | Paris | 451,000 EUR | 516 | 82 | 434 | - | -9 | 74.31% | - |
| Parc Éolien de Flavin, S.A.S. | Paris | 2,501,000 EUR | 16,159 | 12,398 | 3,761 | 2,098 | 753 | 82.56% | - |
| Parc Éolien de la Champagne Berrichonne, S.A.R.L. | Paris | 3,700 EUR | 19,035 | 16,750 | 2,285 | 2,526 | 255 | 82.56% | - |
| Parc Éolien de la Côte du Cerisat, S.A.S. | Paris | 27,448 EUR | 35,332 | 35,413 | -81 | - | -94 | 82.56% | - |
| Parc Éolien de La Hetroye, S.A.S. | Paris | 37,004 EUR | 1 | 20 | -19 | - | -4 | 82.56% | - |
| Parc Éolien de Marchéville, S.A.S. | Paris | 1,000 EUR | 5,932 | 6,057 | -125 | - | -119 | 82.56% | - |
| Parc Éolien de Mancheville, S.A.R.L. | Paris | 1,000 EUR | 6,276 | 6,056 | 220 | 766 | -94 | 82.56% | - |
| Parc Éolien de Prouville, S.A.S. | Paris | 1,000 EUR | 1 | 20 | -20 | - | -14 | 82.56% | - |
| Parc Éolien des 7 Domaines, S.A.S. | Paris | 5,000 EUR | 210 | 221 | -10 | - | -5 | 82.56% | - |
| Parc Éolien des Longs Champs, S.A.R.L. | Paris | 1,201,000 EUR | 8,266 | 6,927 | 1,339 | 515 | -11 | 82.56% | - |
| Parc Éolien de Paudy, S.A.S. | Paris | 3,537,000 EUR | 23,629 | 19,192 | 4,437 | 2,302 | 368 | 82.56% | - |

## ENERGY

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-19 Euro'000 | Liabilities 31-Dec-19 Euro'000 | Equity 31-Dec-19 Euro'000 | Revenues 31-Dec-19 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **Poland:** | | | | | | | | | |
| EDP Renewables Polska, Sp. z o.o. | Warsaw | 435,045,000 PLN | 252,060 | 59,844 | 192,215 | 9,624 | 172 | 82.56% | - |
| B-Wind Polska, Sp. z o.o. | Gdynia | 60,000 PLN | 1,047 | 1,139 | -92 | - | -34 | 82.56% | - |
| C-Wind Polska, Sp. z o.o. | Gdynia | 1,850,000 PLN | 2,587 | 2,724 | -137 | - | -56 | 82.56% | - |
| EDP Renewables Polska HoldCo, S.A. | Warsaw | 100,100 PLN | 256,425 | 87,658 | 168,766 | - | -16,318 | 42.11% | - |
| EDP Renewables Polska Solar, Sp. Zo.o. | Warsaw | 5,000 PLN | 15 | 108 | -94 | - | -94 | 82.56% | - |
| Elektrownia Wiatrowa Kresy I, Sp. z o.o. | Warsaw | 70,210 PLN | 116,214 | 36,660 | 79,554 | 16,271 | 5,840 | 42.11% | - |
| European Wind Power Krasin, Sp. zo.o. | Warsaw | 7,190,000 PLN | 1,675 | 99 | 1,577 | - | - | 82.56% | - |
| EW Dobrzyca, sp.z o.o. | Warsaw | 674,000 PLN | 8,277 | 710 | 7,566 | - | -7 | 82.56% | - |
| Farma Wiatrowa Bogoria, Sp. zo.o. | Warsaw | 2,395,300 PLN | 2,921 | 305 | 2,616 | - | - | 82.56% | - |
| Farma Wiatrowa Starozreby, Sp. z o.o. | Warsaw | 466,000 PLN | 342 | 3 | 340 | - | -21 | 82.56% | - |
| Gudziki Wind Farm sp. z o.o. | Warsaw | 5,000 PLN | 1 | 3 | -2 | - | -3 | 42.11% | - |
| Rowy-Karpacka Mala Energetyka, Sp. z o.o. | Warsaw | 50,000 PLN | 178 | 591 | -413 | - | -33 | 82.56% | - |
| Korsze Wind Farm, Sp. z o.o. | Warsaw | 38,855,000 PLN | 107,455 | 78,022 | 29,433 | 14,917 | 6,232 | 42.11% | - |
| Kowalewo Wind, Sp. zo.o. | Warsaw | 89,900 PLN | 929 | 382 | 547 | - | - | 82.56% | - |
| Lichnowy Windfarm, Sp. z o.o. | Warsaw | 865,500 PLN | 8,414 | 7,399 | 1,016 | - | -206 | 82.56% | - |
| Masovia Wind Farm I, Sp. z o.o. | Warsaw | 1,258,000 PLN | 335 | 280 | 55 | - | -9,917 | 82.56% | - |
| Miramit Investments, Sp. z o.o. | Warsaw | 55,000 PLN | 515 | 321 | 194 | - | -1 | 82.56% | - |
| Molen Wind II, Sp. z o.o. | Warsaw | 14,600 PLN | 64,029 | 53,325 | 10,704 | 9,780 | 2,513 | 42.11% | - |
| Morska Farma Wiatrowa Neptun, Sp. z o.o. | Warsaw | 220,000 PLN | 6 | 8 | -2 | - | -11 | 82.56% | - |
| Nowa Energia 1, Sp. zo.o. | Warsaw | 83,300 PLN | 10,443 | 10,062 | 381 | - | - | 82.56% | - |
| Radziejów Wind Farm, Sp. z o.o. | Warsaw | 27,605,000 PLN | 31,254 | 28,821 | 2,433 | 3,531 | 81 | 42.11% | - |
| Relax Wind Park I, Sp. z o.o. | Warsaw | 46,540,000 PLN | 129,449 | 110,593 | 18,856 | 21,579 | 6,706 | 42.11% | - |
| Relax Wind Park III, Sp. z o.o. | Warsaw | 59,603,000 PLN | 128,387 | 112,599 | 15,788 | 11,909 | -750 | 42.11% | - |
| Relax Wind Park IV, Sp. z o.o. | Warsaw | 4,490,000 PLN | 100 | 8 | 92 | - | -12 | 82.56% | - |
| Rampton, Sp. z o.o. | Warsaw | 1,005,000 PLN | 312 | 117 | 195 | -34 | -40 | 82.56% | - |
| Ujazd Sp.Zo.o. | Warsaw | 4,648,016 PLN | 202 | 5 | 197 | - | - | 82.56% | - |
| Winfan sp.Zo.o. | Warsaw | 20,000 PLN | 279 | 99 | 180 | - | - | 82.56% | - |
| **Romania:** | | | | | | | | | |
| EDPR RO PV, S.r.l. | Bucharest | 225,000,000 RON | 47,603 | 3,826 | 43,777 | - | -242 | 82.56% | - |
| Cernavoda Power, S.A. | Bucharest | 335,692,400 RON | 164,334 | 109,098 | 55,236 | 15,450 | 1,291 | 82.56% | - |
| Cujmir Solar, S.A. | Bucharest | 41,806,000 RON | 20,282 | 1,688 | 18,594 | 1,405 | 2,188 | 82.56% | - |
| EDPR România, S.R.L. | Bucharest | 840,007,180 RON | 241,837 | 37,686 | 204,151 | 24,967 | 9,392 | 82.56% | - |
| Foton Delta, S.A. | Bucharest | 14,304,000 RON | 7,406 | 1,583 | 5,823 | 508 | 316 | 82.56% | - |
| Foton Epsilon, S.A. | Bucharest | 17,304,840 RON | 11,442 | 1,133 | 10,309 | 938 | 1,169 | 82.56% | - |
| Pestera Wind Farm, S.A. | Bucharest | 269,955,070 RON | 97,103 | 56,644 | 40,459 | 9,475 | 2,636 | 82.56% | - |
| Potelu Solar, S.A. | Bucharest | 30,468,040 RON | 13,915 | 1,189 | 12,725 | 918 | 1,269 | 82.56% | - |
| Sibioara Wind Farm, S.r.l. | Bucharest | 81,900,600 RON | 39,412 | 32,883 | 6,529 | 3,792 | 7 | 82.56% | - |
| Studina Solar, S.A. | Bucharest | 32,130,000 RON | 16,241 | 1,440 | 14,801 | 1,120 | 1,791 | 82.56% | - |
| Vanju Mare Solar, S.A. | Bucharest | 38,660,000 RON | 15,810 | 1,382 | 14,428 | 1,067 | 1,551 | 82.56% | - |
| VS Wind Farm, S.A. | Bucharest | 216,170,000 RON | 76,133 | 28,659 | 47,474 | 8,000 | 1,782 | 82.56% | - |
| **Great Britain:** | | | | | | | | | |
| EDPR UK Limited | London | 9,578,002 GBP | 43,726 | 42,082 | 1,644 | 832 | -2,902 | 82.56% | - |
| Moray Offshore Renewable Power Limited | London | 23,027,589 GBP | 64,501 | 10,768 | 53,733 | - | 611 | 82.56% | - |
| **Italy:** | | | | | | | | | |
| EDP Renewables Italia Holding, S.r.l. | Milan | 347,000 EUR | 94,375 | 40,807 | 53,568 | 18 | -3,330 | 82.56% | - |
| EDP Renewables Italia, S.r.l. | Milan | 34,439,343 EUR | 190,236 | 130,048 | 60,188 | 16,445 | 11,203 | 42.11% | - |
| AW 2, S.r.l. | Milan | 100,000 EUR | 26,977 | 23,179 | 3,799 | 827 | -98 | 82.56% | - |
| Breva Wind S.R.L. | Milan | 7,100,000 EUR | 8,751 | 2,475 | 6,276 | - | -28 | 82.56% | - |
| Conza Energia, S.r.l. | Milan | 456,000 EUR | 41,390 | 37,343 | 4,048 | 1,659 | 441 | 82.56% | - |
| Custolito, S.R.L. | Milan | 10,000 EUR | 96 | 100 | -5 | - | -15 | 82.56% | - |
| EDPR Sicilia PV, S.R.L. | Milan | 10,000 EUR | 10 | 3 | 7 | - | -3 | 82.56% | - |
| EDPR Sicilia Wind, S.r.l. | Milan | 10,000 EUR | 10 | 3 | 7 | - | -3 | 82.56% | - |
| EDPR Villa Galla, S.R.L. | Milan | 9,000,000 EUR | 102,807 | 34,741 | 68,066 | 20,769 | 8,364 | 42.11% | - |
| Lucus Power, S.r.l. | Milan | 10,000 EUR | 27,457 | 22,990 | 4,467 | 2,682 | 496 | 82.56% | - |
| Re Plus, S.r.l. | Milan | 100,000 EUR | 696 | 641 | 55 | - | -45 | 82.56% | - |
| San Mauro, S.r.l. | Milan | 70,000 EUR | 20,499 | 17,139 | 3,360 | 2,022 | 102 | 82.56% | - |
| Sarve, S.r.l. | Milan | 10,000 EUR | 255 | 262 | -6 | - | -14 | 82.56% | - |
| T Power, S.p.A. | Milan | 1,000,000 EUR | 2,964 | 94 | 2,871 | - | -15 | 82.56% | - |
| TACA Wind, S.r.l. | Milan | 1,160,000 EUR | 29,924 | 23,125 | 6,799 | 3,213 | 435 | 82.56% | - |
| Tivano, S.r.l. | Milan | 100,000 EUR | 21,669 | 19,628 | 2,042 | 2,888 | 899 | 82.56% | - |
| WinCap, S.r.l. | Milan | 2,550,000 EUR | 35,234 | 27,694 | 7,540 | 2,436 | 154 | 82.56% | - |
| **Greece:** | | | | | | | | | |
| Aioliko Parko Fthiotidos Erimia E.P.E. | Agia Paraskevi | 4,500 EUR | 9 | 13 | -4 | - | -0 | 82.56% | - |
| EDPR Hellas 1 M.A.E. | Attica | 1,150,000 EUR | 1,241 | 198 | 1,043 | - | -107 | 82.56% | - |
| EDPR Hellas 2 M.A.E. | Attica | 240,000 EUR | 335 | 195 | 139 | - | -101 | 82.56% | - |
| Energiaki Arvanikou E.P.E. | Athens | 772,380 EUR | 505 | 221 | 284 | - | -213 | 82.56% | - |
| Wind Park Aerorrachi M.A.E. | Athens | 210,000 EUR | 316 | 270 | 46 | - | -119 | 82.56% | - |
| **Other Countries:** | | | | | | | | | |
| EDP Renewables Belgium, S.A. | Brussels | 286,500 EUR | 6,641 | 5,952 | 689 | - | -297 | 82.56% | - |
| EDPR International Investments, B.V. | Amsterdam | 20,000 EUR | 12,382 | 36 | 12,346 | - | 2,995 | 82.56% | - |
| Fluctus V, B.V. | Zwolle | 100 EUR | 0 | - | 0 | - | - | 82.56% | - |
| Fluctus VI, B.V. | Zwolle | 100 EUR | 0 | - | 0 | - | - | 82.56% | - |
| Fluctus VII, B.V. | Zwolle | 100 EUR | 0 | 0 | 0 | - | - | 82.56% | - |
| Ventum Ventures III Holding, B.V. | Zwolle | 100 EUR | 0 | 0 | 0 | - | - | 82.56% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-19 Euro'000 | Liabilities 31-Dec-19 Euro'000 | Equity 31-Dec-19 Euro'000 | Revenues 31-Dec-19 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **North America Geography / Platform:** | | | | | | | | | |
| **United States of America:** | | | | | | | | | |
| EDP Renewables North America LLC (EUA Subgroup Parent Company) | Delaware | 4,335,869,033 USD | 4,586,155 | 847,692 | 3,738,464 | 41,628 | -42,787 | 82.56% | - |
| 17th Star Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| 2007 Vento I LLC | Delaware | 593,070,220 USD | 575,796 | 2,306 | 573,491 | 8,343 | 3,586 | 82.56% | - |
| 2007 Vento II LLC | Delaware | 416,139,854 USD | 366,099 | 413 | 365,686 | - | -155 | 42.11% | - |
| 2008 Vento III LLC | Delaware | 515,448,780 USD | 452,890 | 188 | 452,702 | - | -539 | 42.11% | - |
| 2009 Vento IV LLC | Delaware | 203,973,285 USD | 180,454 | 157 | 180,298 | - | -125 | 82.56% | - |
| 2009 Vento V LLC | Delaware | 43,161,288 USD | 37,314 | 46 | 37,268 | - | -31 | 42.11% | - |
| 2009 Vento VI LLC | Delaware | 126,437,244 USD | 111,524 | 50 | 111,474 | - | -117 | 82.56% | - |
| 2010 Vento VII LLC | Delaware | 149,844,776 USD | 132,398 | 27 | 132,371 | - | -125 | 82.56% | - |
| 2010 Vento VIII LLC | Delaware | 146,753,179 USD | 129,524 | 47 | 129,477 | - | -124 | 82.56% | - |
| 2011 Vento IX LLC | Delaware | 91,587,880 USD | 80,730 | 126 | 80,604 | - | -122 | 42.11% | - |
| 2011 Vento X LLC | Delaware | 98,475,026 USD | 86,852 | 70 | 86,782 | - | -122 | 82.56% | - |
| 2014 Sol I LLC | Delaware | 70,076,868 USD | 62,001 | 29 | 61,972 | - | -83 | 42.11% | - |
| 2014 Vento XI LLC | Delaware | 263,436,094 USD | 234,620 | 188 | 234,431 | - | -25 | 42.11% | - |
| 2014 Vento XII LLC | Delaware | 147,419,741 USD | 131,164 | 15 | 131,150 | - | -13 | 42.11% | - |
| 2015 Vento XIII LLC | Delaware | 308,114,895 USD | 273,683 | 54 | 273,629 | - | -106 | 42.11% | - |
| 2015 Vento XIV LLC | Delaware | 268,375,840 USD | 239,024 | 548 | 238,476 | - | -120 | 42.11% | - |
| 2016 Vento XV LLC | Delaware | 490,100,206 USD | 435,956 | 44 | 435,912 | - | -138 | 82.56% | - |
| 2016 Vento XVI LLC | Delaware | 184,176,386 USD | 163,732 | 113 | 163,619 | - | -124 | 82.56% | - |
| 2017 Sol II LLC | Delaware | 106,334,045 USD | 95,110 | 542 | 94,569 | - | -69 | 82.56% | - |
| 2017 Vento XVII LLC | Delaware | 567,703,694 USD | 505,244 | 148 | 505,096 | - | -123 | 82.56% | - |
| 2018 Vento XVIII LLC | Delaware | 506,012,205 USD | 453,029 | 2,814 | 450,215 | - | -189 | 82.56% | - |
| 2019 SOL V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| 2019 Vento XX LLC | Delaware | 37,373,408 USD | 33,268 | - | 33,268 | - | 0 | 82.56% | - |
| 2019 Vento XXI LLC | Delaware | - USD | -0 | 0 | -1 | - | -1 | 82.56% | - |
| Alabama Ledge Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Alabama Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Antelope Ridge Wind Power Project LLC | Delaware | 12,828,809 USD | - | - | - | - | 1 | 82.56% | - |
| Arbuckle Mountain Wind Farm LLC | Delaware | 152,443,207 USD | 140,801 | 9,585 | 131,215 | 7,585 | -1,763 | 42.11% | - |
| Arkwright Summit Wind Farm LLC | Delaware | 192,035,760 USD | 195,449 | 20,690 | 174,759 | 13,978 | 5,985 | 82.56% | - |
| Arlington Wind Power Project LLC | Delaware | 86,856,358 USD | 107,929 | 7,845 | 100,084 | 13,166 | 2,855 | 42.11% | - |
| Aroostook Wind Energy LLC | Delaware | 45,721,058 USD | 36,027 | 168 | 35,859 | - | -31 | 82.56% | - |
| Ashford Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Athena-Weston Wind Power Project II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Athena-Weston Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Avondale Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| AZ Solar LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Bayou Bend Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| BC2 Maple Ridge Holdings LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| BC2 Maple Ridge Wind LLC | Delaware | 281,815,105 USD | 213,996 | - | 213,996 | - | -9,385 | 82.56% | - |
| Big River Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Black Prairie Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Black Prairie Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Black Prairie Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Black Prairie Wind Farm LLC | Delaware | 1,177,368 USD | 1,046 | 1 | 1,046 | - | -0 | 82.56% | - |
| Blackford County Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blackford County Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blackstone Wind Farm II LLC | Delaware | 212,286,838 USD | 291,209 | 101,307 | 189,902 | 19,844 | 1,137 | 82.56% | - |
| Blackstone Wind Farm III LLC | Delaware | 6,275,439 USD | - | - | - | - | 8 | 82.56% | - |
| Blackstone Wind Farm IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blackstone Wind Farm LLC | Delaware | 97,123,207 USD | 133,383 | 46,072 | 87,311 | 10,440 | 911 | 82.56% | - |
| Blackstone Wind Farm V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Canyon Wind Power VII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Canyon Windpower II LLC | Texas | 113,839,510 USD | 113,324 | 6,942 | 106,381 | 5,656 | -2,273 | 82.56% | - |
| Blue Canyon Windpower III LLC | Texas | - USD | - | - | - | - | - | 82.56% | - |
| Blue Canyon Windpower IV LLC | Texas | - USD | - | - | - | - | - | 82.56% | - |
| Blue Canyon Windpower V LLC | Texas | 41,894,711 USD | 118,569 | 8,419 | 110,150 | 19,192 | 9,318 | 42.11% | - |
| Blue Canyon Windpower VI LLC | Delaware | 95,856,860 USD | 110,131 | 8,451 | 101,680 | 11,678 | 1,950 | 82.56% | - |
| Blue Harvest Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot IX LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot VI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot VII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot VIII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot XI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Bright Stalk Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Broadlands Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Broadlands Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Broadlands Wind Farm LLC | Delaware | 42,998,618 USD | 80,034 | 41,776 | 38,258 | - | -17 | 82.56% | - |
| Buffalo Bluff Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Cameron Solar LLC | Delaware | 34,044,121 USD | 37,281 | 6,737 | 30,544 | 1,914 | 1,021 | 82.56% | - |
| Casa Grande Carmel Solar LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Castle Valley Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Chateaugay River Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Cielo Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Clinton County Wind Farm LLC | Delaware | 222,308,688 USD | 197,882 | - | 197,882 | - | - | 82.56% | - |
| Cloud County Wind Farm LLC | Delaware | 173,082,807 USD | 200,418 | 13,813 | 186,605 | 21,888 | 5,524 | 42.11% | - |
| Crossing Trails Wind Power Project II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Duff Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Eastmill Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR Solar Ventures IV LLC | Delaware | 105,812,085 USD | 94,147 | - | 94,147 | - | -42 | 82.56% | - |
| EDPR Wind Ventures XX LLC | Delaware | - USD | 33,268 | 187,414 | -154,145 | - | 129 | 82.56% | - |
| EDPR Wind Ventures XXI LLC | Delaware | 36,045 USD | - | -32 | 32 | - | - | 82.56% | - |
| Lowland Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Moonshine Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Sedge Meadow Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Plum Nellie Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Coldwater Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Coos Curry Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Crittenden Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Cropsey Ridge Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Crossing Trails Wind Power Project LLC | Delaware | 1 USD | 3,783 | 3,783 | - | - | -0 | 82.56% | - |
| Dairy Hills Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Diamond Power Partners LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Drake Peak Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Dry Creek Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| East Klickitat Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |

## ENERGY

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-19 Euro'000 | Liabilities 31-Dec-19 Euro'000 | Equity 31-Dec-19 Euro'000 | Revenues 31-Dec-19 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| EDPR CA Solar Park III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park VI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR Offshore North America LLC | Delaware | 73,225,540 USD | 75,124 | 10,316 | 64,808 | - | -376 | 82.56% | - |
| EDPR Solar Ventures I LLC | Delaware | 41,885,982 USD | 65,925 | 24,436 | 41,489 | - | 906 | 42.11% | - |
| EDPR Solar Ventures II LLC | Delaware | 44,142,274 USD | 94,654 | 54,023 | 40,631 | - | 959 | 82.56% | - |
| EDPR Solar Ventures III LLC | Delaware | 82,280,079 USD | 73,180 | - | 73,180 | - | -62 | 82.56% | - |
| EDPR Solar Ventures V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR South Table LLC | Nebraska | - USD | - | - | - | - | - | 82.56% | - |
| EDPR Vento I Holding LLC | Delaware | 298,040,549 USD | 265,302 | - | 265,302 | - | - | 82.56% | - |
| EDPR Vento IV Holding LLC | Delaware | 68,995,105 USD | 61,416 | - | 61,416 | - | - | 82.56% | - |
| EDPR WF LLC | Delaware | 49,317,020 USD | 43,900 | - | 43,900 | - | - | 82.56% | - |
| EDPR Wind Ventures X LLC | Delaware | 27,882,950 USD | 89,839 | 12,400 | 77,439 | - | 9,011 | 82.56% | - |
| EDPR Wind Ventures XI LLC | Delaware | 72,512,452 USD | 234,499 | 133,153 | 101,346 | - | 10,272 | 42.11% | - |
| EDPR Wind Ventures XII LLC | Delaware | 39,315,134 USD | 131,226 | 91,648 | 39,578 | - | 2,115 | 42.11% | - |
| EDPR Wind Ventures XIII LLC | Delaware | 79,282,689 USD | 274,270 | 181,937 | 92,333 | - | 6,882 | 42.11% | - |
| EDPR Wind Ventures XIV LLC | Delaware | 33,804,061 USD | 238,896 | 186,592 | 52,304 | - | 7,327 | 42.11% | - |
| EDPR Wind Ventures XV LLC | Delaware | 149,951,188 USD | 436,265 | 262,470 | 173,795 | - | 14,410 | 82.56% | - |
| EDPR Wind Ventures XVI LLC | Delaware | 71,664,499 USD | 163,946 | 95,064 | 68,881 | - | 2,394 | 82.56% | - |
| EDPR Wind Ventures XVII LLC | Delaware | 131,410,378 USD | 505,344 | 344,540 | 160,804 | - | 18,887 | 82.56% | - |
| EDPR Wind Ventures XVIII LLC | Delaware | 238,401,621 USD | 450,429 | 229,505 | 220,924 | - | 7,081 | 82.56% | - |
| EDPR Wind Ventures XIX LLC | Delaware | - USD | 20,055 | - | 20,055 | - | -78,577 | 82.56% | - |
| Esker Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Estill Solar I LLC | Delaware | 37,257,070 USD | 38,768 | 5,534 | 33,234 | 1,725 | 1,036 | 82.56% | - |
| Five-Spot LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Ford Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Franklin Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Goldfinger Ventures III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Greenbow Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Green Country Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Green Power Offsets LLC | Delaware | 10,515 USD | - | - | - | - | - | 82.56% | - |
| Gulf Coast Windpower Management Company LLC | Delaware | - USD | - | - | - | - | - | 61.92% | - |
| Hampton Solar II LLC | Delaware | 35,539,478 USD | 36,819 | 3,949 | 32,871 | 1,837 | 1,775 | 82.56% | - |
| Headwaters Wind Farm LLC | Delaware | 263,571,553 USD | 303,321 | 26,357 | 276,964 | 27,677 | 7,439 | 42.11% | - |
| Headwaters Wind Farm II LLC | Delaware | 151 USD | 14,385 | 14,385 | - | - | -0 | 82.56% | - |
| Headwaters Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Headwaters Wind Farm IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Helena Harbor Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Hidalgo Wind Farm II LLC | Delaware | 151 USD | 45,255 | 45,257 | -3 | - | -3 | 82.56% | - |
| Hidalgo Wind Farm LLC | Delaware | 350,762,397 USD | 341,849 | 20,830 | 321,019 | 19,824 | -2,038 | 82.56% | - |
| High Prairie Wind Farm II LLC | Delaware | 69,747,032 USD | 102,616 | 16,440 | 86,176 | 12,228 | 4,311 | 42.11% | - |
| High Trail Wind Farm LLC | Delaware | 159,180,253 USD | 231,301 | 16,244 | 215,057 | 18,008 | -3,181 | 82.56% | - |
| Hog Creek Wind Project LLC | Delaware | 100,676,508 USD | 102,898 | 8,949 | 93,949 | 8,367 | 2,007 | 82.56% | - |
| Holly Hill Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Chocolate Bayou I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Midwest IX LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest VII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest X LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest XI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Panhandle I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Southwest I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Southwest II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Southwest III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Southwest IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Valley I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind MREC Iowa Partners LLC | Delaware | - USD | - | - | - | - | - | 61.92% | - |
| Horizon Wind Ventures I LLC | Delaware | 172,744,556 USD | 745,915 | 165,360 | 580,554 | - | -3,356 | 82.56% | - |
| Horizon Wind Ventures IB LLC | Delaware | - USD | 370,429 | 229,020 | 141,408 | - | -24,785 | 42.11% | - |
| Horizon Wind Ventures IC LLC | Delaware | 276,091,659 USD | 458,829 | 47,237 | 411,592 | - | 2,220 | 42.11% | - |
| Horizon Wind Ventures II LLC | Delaware | 140,598,296 USD | 181,568 | 40,576 | 140,992 | - | 2,456 | 82.56% | - |
| Horizon Wind Ventures III LLC | Delaware | - USD | 38,420 | 10,392 | 28,028 | - | 4,391 | 42.11% | - |
| Horizon Wind Ventures IX LLC | Delaware | 50,262,850 USD | 81,527 | 39,420 | 42,108 | - | 1,596 | 42.11% | - |
| Horizon Wind Ventures VI LLC | Delaware | 71,513,246 USD | 112,549 | 37,034 | 75,514 | - | 1,871 | 82.56% | - |
| Horizon Wind Ventures VII LLC | Delaware | 92,531,870 USD | 133,385 | 38,646 | 94,739 | - | 1,854 | 82.56% | - |
| Horizon Wind Ventures VIII LLC | Delaware | 98,007,111 USD | 130,633 | 35,979 | 94,654 | - | 1,729 | 82.56% | - |
| Horizon Wind Freeport Windpower I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wyoming Transmission LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horse Mountain Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Indiana Crossroads Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Meadow Lake Wind Farm VIII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Indiana Crossroads Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Jericho Rise Wind Farm LLC | Delaware | 138,693,829 USD | 141,506 | 8,344 | 133,162 | 9,350 | -1,106 | 82.56% | - |
| Juniper Wind Power Partners LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Leprechaun Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Lexington Chenoa Wind Farm II LLC | Delaware | 799,166 USD | 285 | 109 | 176 | - | -0 | 82.56% | - |
| Lexington Chenoa Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Lexington Chenoa Wind Farm LLC | Delaware | 158,255,660 USD | 310,954 | 169,790 | 141,164 | 596 | 366 | 82.56% | - |
| Little Brook Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Loblolly Hill Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Loki Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Loma de la Gloria Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Lone Valley Solar Park I LLC | Delaware | 25,333,660 USD | 25,521 | 1,801 | 23,721 | 1,664 | 249 | 42.11% | - |
| Lone Valley Solar Park II LLC | Delaware | 44,104,670 USD | 47,499 | 3,550 | 43,949 | 3,162 | 823 | 42.11% | - |
| Long Hollow wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Lost Lakes Wind Farm LLC | Delaware | 125,285,966 USD | 124,985 | 12,576 | 112,409 | 16,584 | 2,535 | 82.56% | - |
| Loyal Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Machias Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Madison Windpower LLC | Delaware | 16,745,879 USD | 4,455 | 491 | 3,964 | 1,045 | -776 | 82.56% | - |
| Marathon Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Marble River LLC | Delaware | 222,300,933 USD | 333,749 | 104,063 | 229,686 | 18,324 | 3,366 | 82.56% | - |
| Martinsdale Wind Farm LLC | Delaware | 4,721,258 USD | 4,265 | 87 | 4,178 | - | - | 82.56% | - |
| Meadow Lake Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Meadow Lake Wind Farm II LLC | Delaware | 148,735,841 USD | 132,083 | 13,240 | 118,843 | 10,023 | -1,171 | 82.56% | - |
| Meadow Lake Wind Farm III LLC | Delaware | 97,996,500 USD | 142,128 | 48,874 | 93,253 | 9,818 | 1,422 | 82.56% | - |
| Meadow Lake Wind Farm IV LLC | Delaware | 89,950,033 USD | 114,537 | 39,384 | 75,152 | 7,263 | 130 | 82.56% | - |
| Meadow Lake Wind Farm LLC | Delaware | 198,780,613 USD | 244,419 | 84,364 | 160,056 | 17,503 | 388 | 82.56% | - |
| Meadow Lake Wind Farm V LLC | Delaware | 158,584,571 USD | 160,180 | 12,752 | 147,429 | 10,920 | 3,226 | 82.56% | - |
| Mesquite Wind LLC | Delaware | 125,720,256 USD | 184,821 | 10,564 | 174,257 | 20,329 | 2,472 | 82.56% | - |
| Mineral Springs Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| New Trail Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Nine Kings Transco LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-19 Euro'000 | Liabilities 31-Dec-19 Euro'000 | Equity 31-Dec-19 Euro'000 | Revenues 31-Dec-19 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| North River Wind LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| North Slope Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Number Nine Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Old Trail Wind Farm LLC | Delaware | 166,252,489 USD | 242,528 | 16,146 | 226,382 | 35,058 | 13,726 | 42.11% | - |
| OPQ Property LLC | Delaware | -28,865 USD | 155 | - | 155 | - | - | 82.56% | - |
| Pacific Southwest Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Paulding Wind Farm II LLC | Delaware | 90,691,229 USD | 145,743 | 19,672 | 126,071 | 18,598 | 5,960 | 42.11% | - |
| Paulding Wind Farm III LLC | Delaware | 183,199,714 USD | 189,826 | 17,776 | 172,050 | 14,184 | 1,540 | 82.56% | - |
| Paulding Wind Farm IV LLC | Delaware | 25,979,139 USD | 168,990 | 145,539 | 23,452 | 382 | 343 | 82.56% | - |
| Paulding Wind Farm LLC | Delaware | 29,067 USD | 0 | 1 | -0 | - | - | 82.56% | - |
| Paulding Wind Farm V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Paulding Wind Farm VI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Peterson Power Partners LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Pioneer Prairie Wind Farm I LLC | Delaware | 248,837,422 USD | 363,117 | 32,931 | 330,186 | 49,784 | 14,170 | 42.11% | - |
| Pleasantville Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Poplar Camp Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Post Oak Wind LLC | Delaware | 144,438,977 USD | 207,445 | 8,164 | 199,281 | 23,009 | 1,849 | 42.11% | - |
| Prospector Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Quilt Block Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Quilt Block Wind Farm LLC | Delaware | 147,998,130 USD | 156,298 | 13,532 | 142,766 | 11,987 | 4,429 | 82.56% | - |
| Rail Splitter Wind Farm LLC | Delaware | 202,722,482 USD | 144,709 | 15,417 | 129,292 | 8,340 | -4,218 | 82.56% | - |
| Redbed Plains Wind Farm LLC | Delaware | 158,262,389 USD | 148,993 | 9,600 | 139,393 | 7,511 | -1,665 | 82.56% | - |
| Reloj del Sol Wind Farm LLC | Delaware | 5,983,341 USD | 9,289 | 3,974 | 5,315 | - | -11 | 82.56% | - |
| Renville County Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Rio Blanco Wind Farm LLC | Delaware | 3,037,930 USD | 2,706 | 3 | 2,703 | - | -1 | 82.56% | - |
| Rising Tree Wind Farm II LLC | Delaware | 27,937,305 USD | 31,373 | 2,199 | 29,174 | 3,013 | 866 | 42.11% | - |
| Rising Tree Wind Farm III LLC | Delaware | 154,761,255 USD | 165,377 | 3,055 | 162,321 | 20,993 | 5,440 | 42.11% | - |
| Rising Tree Wind Farm LLC | Delaware | 118,922,647 USD | 135,268 | 3,329 | 131,939 | 18,812 | 7,667 | 42.11% | - |
| Riverstart Solar Park II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Riverstart Solar Park III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Riverstart Solar Park IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Riverstart Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Riverstart Solar Park V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Rolling Upland Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Rosewater Wind Farm LLC | Delaware | - USD | 14,476 | 14,476 | - | - | - | 82.56% | - |
| Rush County Wind Farm LLC | Delaware | 2,710,533 USD | 2,443 | 31 | 2,413 | - | - | 82.56% | - |
| Rye Patch Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Saddleback Wind Power Project LLC | Delaware | 1,349,914 USD | - | - | - | - | -0 | 82.56% | - |
| Sagebrush Power Partners LLC | Delaware | 145,507,051 USD | 120,632 | 8,928 | 111,704 | 12,295 | 1,161 | 82.56% | - |
| San Clemente Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Sardinia Windpower LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Shullsburg Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Signal Hill Wind Power Project LLC | Delaware | 4,502 USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Solar Ventures Purchasing LLC | Delaware | - USD | 1,216 | 40,830 | -39,614 | - | 23,408 | 82.56% | - |
| Spruce Ridge Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Stinson Mills Wind Farm LLC | Delaware | 4,461,465 USD | 3,968 | 85 | 3,883 | - | - | 82.56% | - |
| Sustaining Power Solutions LLC | Delaware | 84,124,079 USD | 14,946 | 10,707 | 4,239 | 40,258 | -10,834 | 82.56% | - |
| Sweet Stream Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Telocaset Wind Power Partners LLC | Delaware | 28,886,993 USD | 104,239 | 9,189 | 95,051 | 17,742 | 7,730 | 42.11% | - |
| Timber Road Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Tug Hill Windpower LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Tumbleweed Wind Power Project LLC | Delaware | 4,003 USD | - | - | - | - | - | 82.56% | - |
| Turtle Creek Wind Farm LLC | Delaware | 287,793,223 USD | 291,675 | 30,593 | 261,082 | 14,799 | 4,645 | 82.56% | - |
| Waverly Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Waverly Wind Farm LLC | Delaware | 268,519,531 USD | 274,122 | 15,065 | 259,057 | 20,275 | 4,030 | 42.11% | - |
| Western Trail Wind Project I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Wheat Field Holding LLC | Delaware | 2,992,806 USD | 2,582 | 14 | 2,568 | - | -26 | 42.11% | - |
| Wheat Field Wind Power Project LLC | Delaware | 2,901,172 USD | 93,329 | 29,388 | 63,941 | 12,841 | 5,532 | 42.11% | - |
| Whiskey Ridge Power Partners LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Whistling Wind WI Energy Center LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| White Stone Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Whitestone Wind Purchasing LLC | Delaware | 3,981,575 USD | 2,765 | 541 | 2,224 | - | -264 | 82.56% | - |
| Wildcat Creek Wind Farm LLC | Delaware | 250,255 USD | 4,156 | 3,988 | 168 | - | -55 | 82.56% | - |
| Wilson Creek Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Wind Turbine Prometheus LP | Delaware | 5,990 USD | - | - | - | - | - | 82.56% | - |
| Wrangler Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| WTP Management Company LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| **Canada:** | | | | | | | | | |
| EDP Renewables Canada, Ltd. (Canada Subgroup Parent Company) | British Columbia | 67,247,170 CAD | 76,973 | 3,186 | 73,787 | - | 4,334 | 82.56% | - |
| Blue Bridge Solar Park GP Ltd | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| Blue Bridge Solar Park LP | British Columbia | - CAD | 0 | 199 | -199 | - | -63 | 82.56% | - |
| Bromhead Solar Park GP Ltd | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| Bromhead Solar Park LP | Saskatchewan | - CAD | 0 | 199 | -199 | - | -63 | 82.56% | - |
| EDP Renewables Canada Management Services Ltd | British Columbia | - CAD | 3,437 | 6,044 | -2,607 | - | - | 82.56% | - |
| EDP Renewables Sask SE GP Ltd | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| EDP Renewables Sask SE Limited Partnership | Ontario | - CAD | 0 | 371 | -371 | - | -232 | 82.56% | - |
| EDP Renewables SH II Project GP Ltd | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| EDP Renewables SH II Project LP | Alberta | - CAD | - | - | - | - | - | 82.56% | - |
| EDP Renewables Sharp Hills Project GP, Ltd. | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| EDP Renewables Sharp Hills Project LP | Alberta | 196,380 CAD | 17,570 | 17,909 | -339 | - | -188 | 82.56% | - |
| Halbrite Solar Park GP Ltd | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| Halbrite Solar Park LP | Saskatchewan | - CAD | 0 | 199 | -199 | - | -63 | 82.56% | - |
| Kennedy Wind Farm GP Ltd | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| Kennedy Wind Farm LP | Saskatchewan | - CAD | 0 | 199 | -199 | - | -63 | 82.56% | - |
| Nation Rise Wind Farm GP II Inc. | British Columbia | 4,910 CAD | 1 | - | 1 | - | -2 | 82.56% | - |
| Quatro Limited Partnership | Ontario | 49,097,174 CAD | 10,493 | 1 | 10,492 | - | -22,737 | 82.56% | - |
| SBWF GP, Inc. | British Columbia | 887 CAD | 2 | 0 | 2 | - | -0 | 42.11% | - |
| South Branch Wind Farm II GP Inc. | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| South Branch Wind Farm II LP | Ontario | 272,651 CAD | 1,248 | 1,462 | -213 | - | -186 | 82.56% | - |
| South Dundas Wind Farm LP | Ontario | 21,413,563 CAD | 51,227 | 20,005 | 31,222 | 6,907 | 3,377 | 42.11% | - |
| **Mexico:** | | | | | | | | | |
| EDPR Servicios de México, S. de R.L. de C.V. | Mexico City | 81,187,656 MXN | 2,339 | 644 | 1,695 | - | -151 | 82.56% | - |
| Eólica de Coahuila, S.A. de C.V. | Mexico City | 7,189,723 USD | 274,932 | 249,142 | 25,791 | 42,422 | 4,190 | 42.11% | - |
| Vientos de Coahuila, S.A. de C.V. | Mexico City | 2,421 USD | 7,462 | 7,667 | -205 | - | -105 | 82.56% | - |

## ENERGY

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-19 Euro'000 | Liabilities 31-Dec-19 Euro'000 | Equity 31-Dec-19 Euro'000 | Revenues 31-Dec-19 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **South America Geography / Platform:** | | | | | | | | | |
| **Brazil:** | | | | | | | | | |
| EDP Renovaveis Brasil, SA (Empresa-Matriz de Subgrupo EDPR BR) | Sao Paulo | 861,804,658 BRL | 332,707 | 63,092 | 269,615 | 1,522 | 75,563 | 82.56% | - |
| Aventura Holding, S.A. | Sao Paulo | 500 BRL | 8,147 | 8,245 | -98 | - | -81 | 82.56% | - |
| Central Eólica Aventura I, S.A. | Sao Paulo | 81,678,829 BRL | 31,886 | 13,481 | 18,405 | 3,584 | -180 | 42.10% | - |
| Central Eólica Aventura II, S.A. | Sao Paulo | 371,500 BRL | 2,348 | 2,394 | -46 | - | -24 | 82.56% | - |
| Central Eólica Aventura III, S.A. | Sao Paulo | 1,050 BRL | 2,798 | 2,913 | -114 | - | -17 | 82.56% | - |
| Central Eólica Aventura IV, S.A. | Sao Paulo | 10,000 BRL | 2,983 | 3,113 | -130 | - | -18 | 82.56% | - |
| Central Eólica Aventura V, S.A. | Sao Paulo | 10,000 BRL | 2,830 | 2,960 | -130 | - | -18 | 82.56% | - |
| Central Eólica Baixa do Feijão I, S.A. | Sao Paulo | 39,216,713 BRL | 28,356 | 17,175 | 11,181 | 3,805 | -191 | 42.11% | - |
| Central Eólica Baixa do Feijão II, S.A. | Sao Paulo | 40,551,200 BRL | 27,708 | 16,070 | 11,639 | 3,433 | -246 | 42.11% | - |
| Central Eólica Baixa do Feijão III, S.A. | Sao Paulo | 67,416,713 BRL | 33,368 | 17,623 | 15,744 | 3,358 | -926 | 42.11% | - |
| Central Eólica Baixa do Feijão IV, S.A. | Sao Paulo | 44,433,110 BRL | 27,596 | 15,959 | 11,637 | 3,107 | -540 | 42.11% | - |
| Central Eólica Boqueirão I, S.A. | Sao Paulo | 50 BRL | 0 | - | 0 | - | - | 82.56% | - |
| Central Eólica Boqueirão II, S.A. | Sao Paulo | 50 BRL | 0 | - | 0 | - | - | 82.56% | - |
| Central Eólica Catanduba I, S.A. | Sao Paulo | 500 BRL | 0 | - | 0 | - | - | 82.56% | - |
| Central Eólica Catanduba II, S.A. | Sao Paulo | 500 BRL | 0 | - | 0 | - | - | 82.56% | - |
| Central Eólica Jerusalém I, S.A. | Sao Paulo | 50 USD | 357 | 598 | -241 | - | -2 | 82.56% | - |
| Central Eólica Jerusalém II, S.A. | Sao Paulo | 50 USD | 335 | 576 | -241 | - | -2 | 82.56% | - |
| Central Eólica Jerusalém III, S.A. | Sao Paulo | 50 USD | 394 | 635 | -241 | - | -2 | 82.56% | - |
| Central Eólica Jerusalém IV, S.A. | Sao Paulo | 50 USD | 335 | 576 | -241 | - | -2 | 82.56% | - |
| Central Eólica Jerusalém V, S.A. | Sao Paulo | 50 USD | 334 | 575 | -241 | - | -2 | 82.56% | - |
| Central Eólica Jerusalém VI, S.A. | Sao Paulo | 50 USD | 379 | 655 | -276 | - | -2 | 82.56% | - |
| Central Eólica Monte Verde I, S.A. | Lagoa Nova | 10,000 BRL | 737 | 1,284 | -547 | - | -2 | 82.56% | - |
| Central Eólica Monte Verde II, S.A. | Lagoa Nova | 10,000 BRL | 733 | 1,280 | -547 | - | -2 | 82.56% | - |
| Central Eólica Monte Verde III, S.A. | Lagoa Nova | 10,000 BRL | 677 | 1,156 | -479 | - | -2 | 82.56% | - |
| Central Eólica Monte Verde IV, S.A. | Lagoa Nova | 10,000 BRL | 585 | 961 | -376 | - | -2 | 82.56% | - |
| Central Eólica Monte Verde V, S.A. | Lagoa Nova | 10,000 BRL | 390 | 663 | -273 | - | -1 | 82.56% | - |
| Central Eólica Monte Verde VI, S.A. | Lagoa Nova | 10,000 BRL | 69 | 69 | -0 | - | -2 | 82.56% | - |
| Central Eólica SRMN I, S.A. | Sao Paulo | 1,050 BRL | 1,723 | 1,880 | -157 | - | -28 | 82.56% | - |
| Central Eólica SRMN II, S.A. | Sao Paulo | 1,050 BRL | 2,277 | 2,409 | -132 | - | -18 | 82.56% | - |
| Central Eólica SRMN III, S.A. | Sao Paulo | 1,050 BRL | 1,518 | 1,668 | -149 | - | -19 | 82.56% | - |
| Central Eólica SRMN IV, S.A. | Sao Paulo | 1,050 BRL | 1,596 | 1,746 | -150 | - | -20 | 82.56% | - |
| Central Eólica SRMN V, S.A. | Sao Paulo | 500 BRL | 1,035 | 1,150 | -115 | - | -17 | 82.56% | - |
| Central Eólica Jau, S.A. | Sao Paulo | 174,051,904 BRL | 93,523 | 44,576 | 48,947 | 10,493 | 512 | 42.11% | - |
| Central Nacional de Energia Eólica, S.A. | Sao Paulo | 12,396,000 BRL | 5,183 | 836 | 4,347 | 2,459 | 1,263 | 42.11% | - |
| Central Solar Pereira Barreto I, S.A. | Pereira Barreto | 1,000,000 USD | 272 | 61 | 211 | - | -11 | 82.56% | - |
| Central Solar Pereira Barreto II, S.A. | Pereira Barreto | 1,010,000 USD | 274 | 61 | 213 | - | -11 | 82.56% | - |
| Central Solar Pereira Barreto III, S.A. | Pereira Barreto | 1,010,000 USD | 275 | 62 | 213 | - | -11 | 82.56% | - |
| Central Solar Pereira Barreto IV, S.A. | Pereira Barreto | 1,010,000 USD | 274 | 61 | 213 | - | -11 | 82.56% | - |
| Central Solar Pereira Barreto V, S.A. | Pereira Barreto | 1,010,000 USD | 274 | 60 | 215 | - | -9 | 82.56% | - |
| Elebrás Projetos, S.A. | Sao Paulo | 103,779,268 BRL | 53,086 | 20,911 | 32,174 | 19,400 | 7,358 | 42.11% | - |
| Jerusalém Holding, S.A. | Sao Paulo | 500 BRL | 1,899 | 1,910 | -11 | - | -11 | 82.56% | - |
| Monte Verde Holding, S.A. | Sao Paulo | 500 BRL | 2,172 | 2,183 | -11 | - | -11 | 82.56% | - |
| SRMN Holding, S.A. | Sao Paulo | 500 BRL | 3,847 | 3,951 | -104 | - | -106 | 82.56% | - |
| **Colombia:** | | | | | | | | | |
| Eolos Energías, S.A.S. E.S.P. | Bogota | 34,214,100 COP | 376 | 479 | -103 | - | -199 | 82.56% | - |
| Vientos del Norte, S.A.S. E.S.P. | Bogota | 47,510,000 COP | 297 | 413 | -116 | - | -245 | 82.56% | - |
| **Other Geographies:** | | | | | | | | | |
| EDPR Japan GK | Tokyo | 24,400,001 JPY | 95 | 12 | 83 | - | -117 | 82.56% | - |
| Korean Floating Wind Power Co., Ltd. | Seoul | 10,000,000 KRW | 254 | 1,082 | -828 | - | -813 | 50.57% | - |

The companies main financial data of joint ventures as at 31 December 2019 are as follows:

| Joint Ventures entities * | Head Office | Share Capital / Currency | % Group | % Company |
|---|---|---|---|---|
| **Electricity Generation:** | | | | |
| Bioastur, A.I.E. | Serin | 60,101 EUR | 50.00% | - |
| Ceprastur, A.I.E. | Oviedo | 360,607 EUR | 46.86% | - |
| Companhia Energética do JARI - CEJA | Sao Paulo | 850,823,746 BRL | 25.69% | - |
| Empresa de Energia Cachoeira Caldeirão, S.A. | Amapá | 728,600,000 BRL | 25.69% | - |
| Empresa de Energia São Manoel, S.A. | Rio de Janeiro | 2,409,974,102 BRL | 17.13% | - |
| HC Tudela Cogeneración, S.L. | Aboño - Carreño | 306,030 EUR | 50.10% | - |
| Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A | Ceará | 1,527,000 BRL | 25.69% | - |
| Pecém Transportadora de Minérios, S.A. | Ceará | 3,364,018 BRL | 25.69% | - |
| **Electricity Supply:** | | | | |
| CHC Comercializador de Referencia, S.L.U. | Madrid | 72,000 EUR | 50.00% | - |
| CIDE HC Energía, S.A. | Madrid | 500,000 EUR | 50.00% | - |
| **Renewable Energy Activity:** | | | | |
| 2018 Vento XIX LLC | Delaware | 483,122,053 USD | 16.51% | - |
| 2019 SOL III LLC | Delaware | 246,422,986 USD | 41.28% | - |
| 2019 SOL IV LLC | Delaware | 333,609,989 USD | 41.28% | - |
| Compañía Eólica Aragonesa, S.A. | Zaragoza | 6,701,165 EUR | 41.28% | - |
| Desarrollos Energéticos Canarios, S.A. | Las Palmas | 15,025 EUR | 41.20% | - |
| Desarrollos Energéticos del Val, S.L. | Soria | 137,070 EUR | 20.64% | - |
| Dunkerque Éoliennes en Mer, S.A.S. | Montpellier | 10,000 EUR | 26.42% | - |
| Éoliennes en Mer Dieppe - Le Tréport, S.A.S. | Bois Guillaume | 31,436,000 EUR | 24.36% | - |
| Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S. | Nantes | 36,376,000 EUR | 24.36% | - |
| Evolución 2000, S.L. | Albacete | 117,994 EUR | 40.58% | - |
| Flat Rock Windpower II LLC | Delaware | 211,171,187 USD | 41.28% | - |
| Flat Rock Windpower LLC | Delaware | 536,426,287 USD | 41.28% | - |
| Frontier Beheer Nederland, B. V. | Zwolle | 1,000 EUR | 24.77% | - |
| Frontier, C.V. | Zwolle | 1,000 EUR | 24.77% | - |
| Goldfinger Ventures LLC | Delaware | 154,978,239 USD | 41.28% | - |
| Goldfinger Ventures II LLC | Delaware | 208,565,999 USD | 41.28% | - |
| Les Eoliennes en Mer Services, S.A.S. | Courbevoie | 40,000 EUR | 24.36% | - |
| Les Eoliennes Flottantes du Golfe du Lion, S.A.S. | Montpellier | 40,000 EUR | 28.90% | - |
| Mayflower Wind Energy LLC | Delaware | 159,000,000 USD | 41.28% | - |
| Meadow Lake Wind Farm VI LLC | Delaware | 273,341,071 USD | 16.51% | - |
| Moray East Holdings Limited | London | 10,000,000 GBP | 27.49% | - |
| Moray Offshore Windfarm (East) Limited | London | 10,000,000 GBP | 27.49% | - |
| Moray Offshore Windfarm (West) Limited | London | 1,000 GBP | 55.32% | - |
| Moray West Holdings Limited | London | 1,000 GBP | 55.32% | - |
| Nation Rise Wind Farm GP, Inc. | British Columbia | 1,276 CAD | 20.64% | - |
| Nation Rise Wind Farm LP | Ontario | 62,024,174 CAD | 20.64% | - |
| Prairie Queen Wind Farm LLC | Delaware | 191,095,968 USD | 16.51% | - |
| Sistemas Eólicos Tres Cruces, S.L.U. | Soria | 50,000 EUR | 20.64% | - |
| Solar Ventures Acquisition LLC | Delaware | - USD | 41.28% | - |

| Joint Ventures entities * | Head Office | Share Capital / Currency | % Group | % Company |
|---|---|---|---|---|
| Sun Streams LLC | Delaware | 333,609,989 USD | 41.28% | - |
| Sunshine Valley Solar LLC | Delaware | 208,520,098 USD | 41.28% | - |
| Windhub Solar A LLC | Delaware | 37,902,128 USD | 41.28% | - |
| Windplus, S.A. | Lisbon | 1,250,000 EUR | 44.91% | - |
| **Other Activities:** | | | | |
| ARQUILED Group | Mora | 231,000 EUR | 49.91% | - |
| Energia Ásia Consultoria, Limitada | Macao | 200,000 MOP | 50.00% | 49.00% |
| Hydro Global Investment, Ltda. | Hong Kong | 136,066,000 USD | 50.00% | - |
| Sino - Portuguese Centre for New Technologies (Shangai) CO., Ltd | Shanghai | 21,600,000 CNY | 40.00% | - |

The companies main financial data of joint ventures as at 31 December 2018 are as follows:

| Joint Ventures entities * | Head Office | Share Capital / Currency | % Group | % Company |
|---|---|---|---|---|
| **Electricity Generation:** | | | | |
| Bioastur, A.I.E. | Serin | 60,101 EUR | 50.00% | - |
| Ceprastur, A.I.E. | Oviedo | 360,607 EUR | 46.86% | - |
| Companhia Energética do JARI - CEJA | Sao Paulo | 778,823,746 BRL | 25.63% | - |
| Empresa de Energia Cachoeira Caldeirão, S.A. | Amapá | 728,600,000 BRL | 25.63% | - |
| Empresa de Energia São Manoel, S.A. | Rio de Janeiro | 2,351,974,102 BRL | 17.09% | - |
| HC Tudela Cogeneración, S.L. | Oviedo | 306,030 EUR | 50.10% | - |
| Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A. | Ceará | 1,527,000 BRL | 25.63% | - |
| Pecém Transportadora de Minérios, S.A. | Ceará | 3,364,018 BRL | 25.63% | - |
| **Electricity Distribution:** | | | | |
| EME2 - Engenharia, Manutenção e Serviços, ACE | Lisbon | - EUR | 60.00% | - |
| **Electricity Supply:** | | | | |
| CHC Comercializador de Referencia, S.L.U. | Madrid | 72,000 EUR | 50.00% | - |
| CIDE HC Energía, S.A. | Madrid | 500,000 EUR | 50.00% | - |
| **Renewable Energy Activity:** | | | | |
| 2018 Vento XIX LLC | Delaware | 182,057,308 USD | 16.51% | - |
| Compañía Eólica Aragonesa, S.A. | Zaragoza | 6,701,165 EUR | 41.28% | - |
| Éoliennes en Mer Dieppe - Le Tréport, S.A.S. | Dieppe | 31,436,000 EUR | 24.36% | - |
| Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S. | Nantes | 36,376,000 EUR | 24.36% | - |
| Evolución 2000, S.L. | Albacete | 117,994 EUR | 40.58% | - |
| Desarrollos Energéticos Canarios, S.A. | Las Palmas | 15,025 EUR | 41.20% | - |
| Flat Rock Windpower II LLC | Delaware | 209,967,187 USD | 41.28% | - |
| Flat Rock Windpower LLC | Delaware | 536,426,287 USD | 41.28% | - |
| Les Eoliennes en Mer Services, S.A.S. | Courbevoie | 40,000 EUR | 24.36% | - |
| Les Eoliennes Flottantes du Golfe du Lion, S.A.S. | Montpellier | 40,000 EUR | 28.90% | - |
| MacColl Offshore Windfarm Limited | Cardiff | 1 GBP | 27.49% | - |
| Mayflower Wind Energy LLC | Delaware | - USD | 41.28% | - |
| Meadow Lake Wind Farm VI LLC | Delaware | 95,277,580 USD | 16.51% | - |
| Moray East Holdings Limited | London | 10,000,000 GBP | 27.49% | - |
| Moray Offshore Windfarm (East) Limited | Cardiff | 10,000,000 GBP | 27.49% | - |
| Moray Offshore Windfarm (West) Limited | London | 1,000 GBP | 55.32% | - |
| Moray West Holdings Limited | London | 1,000 GBP | 55.32% | - |
| Nation Rise Wind Farm GP, Inc. | British Columbia | - CAD | 20.64% | - |
| Nation Rise Wind Farm LP | Ontario | 17,089,826 CAD | 20.64% | - |
| Prairie Queen Wind Farm LLC | Delaware | 58,091,097 USD | 16.51% | - |
| Stevenson Offshore Windfarm Limited | Cardiff | 1 GBP | 27.49% | - |
| Telford Offshore Windfarm Limited | Cardiff | 1 GBP | 27.49% | - |
| Windplus, S.A. | Lisbon | 1,250,000 EUR | 44.91% | - |
| **Other Activities:** | | | | |
| ARQUILED Group | Mora | 231,000 EUR | 49.91% | - |
| Energia Ásia Consultoria, Limitada | Macao | 200,000 MOP | 50.00% | 49.00% |
| Hydro Global Investment, Ltda. | Hong Kong | 88,500,000 USD | 50.00% | - |
| Sino - Portuguese Centre for New Technologies (Shangai) CO., Ltd | Shanghai | 21,600,000 CNY | 40.00% | - |

* The companies financial data of joint ventures are disclosed in note 21.

**ENERGY**

The companies where the Group has significant influence as at 31 December 2019 are as follows:

| Associated companies * | Head Office | Share capital / Currency | % Group | % Company |
|---|---|---|---|---|
| **Electricity Generation:** | | | | |
| Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A | Lisbon | 50,000 EUR | 35.00% | - |
| Kosorkuntza, A.I.E. | Bilbao | - EUR | 25.00% | - |
| Solar Siglo XXI, S.A. | Ciudad Real | 80,000 EUR | 20.64% | - |
| **Electricity Distribution:** | | | | |
| AMBERTREE - Tecnologia para Redes de Energia Electrica, Lda | Lisbon | 5,000 EUR | 26.00% | - |
| **Renewable Energy Activity:** | | | | |
| Aprofitament D'Energies Renovables de L'Ebre, S.L. | Barcelona | 14,933,030 EUR | 10.98% | - |
| Biomasas del Pirineo, S.A. | Huesca | 454,896 EUR | 24.77% | - |
| Blue Canyon Windpower LLC | Texas | - USD | 25.00% | - |
| Desarrollos Eólicos de Canarias, S.A. | Gran Canaria | 1,817,130 EUR | 36.94% | - |
| Nine Kings Wind Farm LLC | Delaware | - USD | 41.28% | - |
| Parque Eólico Belmonte, S.A. | Madrid | 120,400 EUR | 24.69% | - |
| Parque Eólico Sierra del Madero, S.A. | Madrid | 7,193,970 EUR | 34.68% | - |
| Solar Works! B.V. | Rotterdam | 3 EUR | 16.67% | - |
| **Other Activities:** | | | | |
| Centrais Elétricas de Santa Catarina, S.A. - Celesc | Santa Catarina | 1,340,000,000 BRL | 13.03% | - |
| Comercializadora de Equipamentos y Materiais MABE, Ltda. | Chile | - BRL | 25.69% | - |
| EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A. | Oporto | 221,794 EUR | 33.50% | - |
| Endeco Technologies Limited | Dublin | 15,633,266 EUR | 16.90% | - |
| MABE Construção e Administração de Projectos, Ltda. | Ceará | 520,459,000 BRL | 25.69% | - |
| Portsines - Terminal Multipurpose de Sines, S.A. | Sines | 4,200,000 EUR | 39.60% | - |
| Principle Power, Inc | Seattle | 356,066 USD | 32.51% | - |
| Vertequip, Equipamentos e Trabalhos Verticais, Lda | Chamusca | 347,139 EUR | 23.66% | - |
| WPVT, S.A. | Oporto | 75,000 EUR | 20.00% | - |

The companies where the Group has significant influence as at 31 December 2018 are as follows:

| Associated companies * | Head Office | Share capital / Currency | % Group | % Company |
|---|---|---|---|---|
| **Electricity Generation:** | | | | |
| Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A | Lisbon | 50,000 EUR | 35.00% | - |
| Kosorkuntza, A.I.E. | Bilbao | - EUR | 25.00% | - |
| Solar Siglo XXI, S.A. | Ciudad Real | 80,000 EUR | 20.64% | - |
| **Electricity Distribution:** | | | | |
| AMBERTREE - Tecnologia para Redes de Energia Electrica, Lda | Lisbon | 5,000 EUR | 26.00% | - |
| **Renewable Energy Activity:** | | | | |
| Aprofitament D'Energies Renovables de L'Ebre, S.L. | Barcelona | 3,870,030 EUR | 10.97% | - |
| Biomasas del Pirineo, S.A. | Huesca | 454,896 EUR | 24.77% | - |
| Blue Canyon Windpower LLC | Texas | 35,309,480 USD | 25.00% | - |
| Desarrollos Eólicos de Canarias, S.A. | Gran Canaria | 1,817,130 EUR | 36.94% | - |
| Nine Kings Wind Farm LLC | Delaware | - USD | 41.28% | - |
| Parque Eólico Belmonte, S.A. | Asturias | 120,400 EUR | 24.69% | - |
| Parque Eólico Sierra del Madero, S.A. | Soria | 7,193,970 EUR | 34.68% | - |
| Solar Works! B.V. | Rotterdam | 3 EUR | 16.67% | - |
| **Other Activities:** | | | | |
| Centrais Elétricas de Santa Catarina, S.A. - Celesc | Santa Catarina | 1,340,000,000 BRL | 12.08% | - |
| Comercializadora de Equipamentos y Materiais MABE, Ltda. | Chile | - BRL | 25.63% | - |
| EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A. | Porto | 221,794 EUR | 33.50% | - |
| MABE Construção e Administração de Projectos, Ltda. | Ceará | 520,459,000 BRL | 25.63% | - |
| Portsines - Terminal Multipurpose de Sines, S.A. | Sines | 4,200,000 EUR | 39.60% | - |
| Principle Power, Inc | Seattle | 356,066 USD | 21.39% | - |
| Vertequip, Equipamentos e Trabalhos Verticais, Lda | Chamusca | 347,139 EUR | 23.66% | - |
| WPVT, S.A. | Porto | 75,000 EUR | 20.00% | - |

* The companies financial data of associated companies are disclosed in note 21.

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## *Statutory Audit Report and Auditors' Report*

### *Report on the audit of the consolidated financial statements*

#### *Opinion*

We have audited the accompanying consolidated financial statements of EDP – Energias de Portugal, S.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2019 (which shows total assets of Euro 42,361,646 thousand and total equity of Euro 12,632,013 thousand including a consolidated net profit attributable to equity holders of EDP of Euro 511,751 thousand), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of EDP – Energias de Portugal, S.A. as at December 31, 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.**
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Receção: Palácio Sottomayor, Avenida Fontes Pereira de Melo, nº16, 1050-121 Lisboa, Portugal
Tel: +351 213 599 000, Fax: +351 213 599 999, www.pwc.pt
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| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| ***Estimated energy sales*** | |
| *Disclosures related to sales of electricity and gas presented in notes 2, 4, 7 and 25 of the consolidated financial statements*<br><br>Revenue recognition of electricity sales occurs at the time of delivery and incorporates three distinct aspects<br>(i) sales of electricity billed based on actual consumption,<br>(ii) sales of electricity billed based on estimated consumption based on each customer's history, and<br>(iii) estimate of electricity supplied and not billed<br><br>The Group calculates the estimated volumes using an algorithm in line with the criteria defined by the regulatory entity The algorithm is based on the average daily consumption of each customer, weighted by historical consumption profiles and adjusted for climatic factors and estimated energy losses<br><br>The Group also tests the algorithm using a telecounted sample of consumptions, also validating the estimate by comparison to the energy balance sheet that is based on the energy vloumes that are reported as being input to the network by the operator of the transmission network A "rollback" analysis of real consumption is also carried out retrospectively<br><br>Valuation of the estimated quantities is carried out based on the historical average prices according to the tariff, type of customer, contracted power, among other factors<br><br>Given the high complexity of the methodology used by the Group to estimate the energy consumed by its customers and the degree of judgment involved, in particular in relation to volumes consumed and associated average prices, this issue was considered to be a relevant matter for the purposes of our audit | Our audit procedures included, among others, identifying and testing the design and operational efficiency of key controls related to the recognition of revenue associated with energy sales, and in particular those related to estimated sales at the end of each period<br><br>The algorithm including the estimated volumes was obtained having been verified, on a sample basis for each type of customer and tariff, that the criteria defined by the regulator were being met and that the adjustments made were reasonable Regarding the average prices used to value the estimated volumes for each type of costumer, a sample of historical data was also verified The energy balance sheet was also obtained and the differences between the energy inputs to the network and the energy billed and estimated by the Group were evaluated<br><br>In order to complement the procedures described above, we also tested the reasonableness of the estimation of unbilled consumed energy on previous years' considering the billing records of the year<br><br>We also reviewed the adequacy of the disclosures presented in the financial statements, based on the applicable accounting standards and in what we considered relevant |

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| ***Transactions of equity stakes*** | |
| *Disclosures related to transactions of equity stakes presented in notes 2, 4, 6, 8, 13, 21, 26, 32, 38 and 40 of the consolidated financial statements*<br><br>As a result of its activity and as part of its strategy, the Group proceeds to the disposal of equity stakes in controlled entities with the main objective of reinvesting the funds obtained in new projects It also acquires equity stakes and other rights in entities considered relevant to its business portfolio and of value creation to the shareholders<br><br>Disposals may or may not result in a loss of control and acquisitions may or may not result in a gain in control, depending on the percentage of capital sold or acquired, shareholder agreements and effective control exercised<br><br>Given the amounts involved and the level of judgment involved in assessing the loss or gain of control, measuring contingent clauses resulting from the transactions, determining the acquisition value and allocating the acquisition price to identified assets / liabilities, this issue was considered to be a relevant matter for the purposes of our audit | Our audit procedures included, among others, holding meetings with the management of the geographies where the transactions took place, in order to obtain an adequate understanding of each of the relevant transactions, as well as the respective supporting documentation<br><br>Purchase and sale agreements, shareholder agreements and other associated documentation were analyzed in detail The accounting treatment given to each of the operations was assessed based on the applicable accounting standards and the mathematical accuracy of the calculations that originate the records was tested<br><br>Key controls related to acquisitions and disposals of equity stakes were also identified and tested<br><br>Regarding disposals of equity stakes, the ownership of control and the valuation of contingent clauses, where applicable, were specifically analyzed and evaluated In relation to the acquisition of equity stakes, control ownership was also evaluated, as well as the allocation of the purchase price to the fair value of identifiable assets and liabilities<br><br>We also reviewed the accounting treatment and the adequacy of the disclosures related to each of transactions analysed, based on the applicable accounting standards and in what we considered relevant |
| **Recoverability of non current assets** | |
| *Disclosures related to the non current assets in question presented in notes 2, 4, 12, 16, 18, 19 and 21 of the consolidated financial statements*<br><br>As of 31 December 2019, goodwill, tangible fixed assets, intangible assets and investments in joint ventures and associates presented in | Our audit procedures included, among others, evaluating the adequacy of the impairment models used by the Group and testing the mathematical accuracy of the calculations<br><br>We assessed the reasonableness of the assumptions used and verified the approval of |

| Key Audit Matter | Summary of the Audit Approach |
|---|---|
| EDP's consolidated financial statements amounted to Euro 2,120 million, Euro 19,676 million, Euro 4,224 million and Euro 1,099 million, respectively<br><br>In accordance with International Accounting Standard (IAS) 36, and as disclosed in the notes to the financial statements, the Group performs impairment tests on tangible and intangible assets whenever there are facts or circumstances that may indicate that the net book value may not be recoverable, except when allocated to cash generating units with allocated goodwill, in which case they are tested for impairment together with the associated goodwill on an annual basis or whenever there is evidence of impairment<br><br>Given the dispersion of the Group's operating activity across the world, these impairment tests are carried out for the cash-generating units identified in each of the geographies where EDP Group operates The recoverable amount of each of the non-current assets tested for impairment, namely tangible fixed assets used in the production and distribution of electricity, intangible assets related to concession rights and goodwill and financial investments, is determined based on discounted cash flow models, which imply a high level of judgment given the uncertatinty of the underlying data, namely the economic and market projections and assumptions used relating to discount rates, exchange rates, growth rates and inflation rates, country risk, commodity prices, among others<br><br>Given the amounts involved, the complexity of the valuation models and the associated high level of judgment, this issue was considered to be a relevant matter for the purposes of our audit | the future cash flows included in the models of each company and geographies where the Group has assets subject to impairment tests The reasonableness of the definition of cash-generating units subject to impairment tests was also evaluated<br><br>We challenged the management regarding the appropriateness of the assumptions with the greatest sensitivity in determining the value in use, namely electricity price pools, prices of other commodities, regulatory frameworks and the respective impact on the cash flows of each geography and the discount rate An analysis of the discount rate was carried out in each of the geographies, using peer information and other information available in the market Sensitivity analysis were also carried out on the main assumptions in order to determine the level of variations that, individually or together, could lead to impairment losses on assets tested for impairment<br><br>The procedures described above, aimed at evaluating the assumptions and the methodology associated with the impairment models used by the Group, were carried out with the support of our team of specialists<br><br>The design and effectiveness of key controls related to impairment of non-current assets were also evaluated<br><br>The adequacy of the associated disclosures was also reviewed, in particular the ones related to estimates and assumptions that present higher sensitivity in the calculation of the value in use, based on the applicable accounting standards and in what we considered relevant |
| ***Derivative financial instruments*** | |
| *Disclosures related to derivative financial instruments presented in notes 2, 4, 7, 13, 26,* | Our audit procedures included the identification and testing of the design and operational |

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| *31, 38, 41 and 44 of the consolidated financial statements*<br><br>As mentioned in the consolidated financial statements, the exposure of EDP Group to financial risks lies essentially in its debt portfolio and in the commodity price volatility, resulting in interest rate, exchange rate and market price risks<br><br>Risk management of EDP Group is carried out centrally at EDP S A , which uses a set of derivative financial instruments to cover these risks<br><br>As of 31 December 2019, derivative financial instruments presented in the balance sheet (fair value as defined in International Financial Reporting Standard (IFRS) 13 - Fair value) amounted to Euro 565 million of assets and Euro 382 million of liabilities<br><br>The valuation of financial instruments classified as level 2, particularly derivative financial instruments, is carried using observable market data and valuation models based on discounted cash flow techniques, which usually involve a high degree of judgment in defining the assumptions to be used Therefore, changes in the assumptions used by the Executive Board of Directors may give rise to material impacts on the the fair value of the mentioned financial instruments<br><br>Additionally, in accordance with IFRS 9, the Group prepares efficiency tests on its hedging derivative financial instruments portfolio on an annual basis, in order to assess the accounting effectiveness of the hedges, which also involves the assumption of significant judgments and estimates<br><br>Given the relevance of the derivative financial instruments in the context of the Group's consolidated financial statements, together with the degree of judgment associated with its valuation and the complexity associated with its | efficiency of the controls related to contracting, monitoring and settling derivative financial instruments, to their classification, and to the preparation of supporting documentation and effectiveness tests , when applicable In this context, controls tested included access policies, system management, approvals, confirmations with financial institutions and reconciliations with counterparties<br><br>Regarding the computation of the fair value of derivative financial instruments, in particular the models developed by the Group for this purpose, we evaluated their suitability and the suitability of the assumptions and data used by comparing observable data with information collected from external and independent sources, and we analyzed the contractual information External confirmations of counterparties were also performed in order to validate open positions as of the date of the statement of financial position<br><br>The documentation prepared by the Group regarding the hedge accounting was evaluated and compliance with the requirements of IFRS 9 was verified<br><br>The adequacy of the accounting entries for each of the analyzed situations as well as the adequacy of the own use exemption provided in IFRS 9 for the use of commodities in the operational activity and related impacts on the consumption calculation were also verified<br><br>The adequacy of the disclosures associated with financial derivative instruments, particularly the ones related to fair value and liquidity was also reviewed, based on the applicable accounting standards and in what we considered relevant |

| Key Audit Matter | Summary of the Audit Approach |
|---|---|
| accounting treatment, this issue was considered to be a relevant matter for the purposes of our audit | |
| ***Regulatory and legal framework*** | |
| *Disclosures related to the regulatory and legal framework presented in notes 1, 2, 4, 7, 11, 15, 25, 35, 37, 42 and 49 of the consolidated financial statements*<br><br>Given its geographic dispersion, the activity of the Group is subject to several regulatory and legal frameworks, which vary in accordance to the country and the activity performed<br><br>In this context, and particularly in Portugal, there has been an increase in the regulatory complexity associated with the activities in which the Group operates, which has given rise to several disputes and potential contingencies, namely related to the CMEC final adjustment, innovative aspects, costs with clawback, social tariff and CESE and other dispatches and published orders related to regulatory matters These situations require the management to assess its potential impacts and to exercise, with the support of its legal counsels, a high degree of judgment as to its outcome, which may lead to additional provisions and to disclose additional information to the market, following the requirements of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets<br><br>Given the increasing complexity of the regulatory and legal frameworks and the degree of judgment involved in assessing the outcome of the identified contingencies, this issue was considered to be a relevant matter for the purposes of our audit | Our audit procedures included identifying and testing the design and operational efficiency of controls related to identifying and monitoring litigation and other regulatory and legal contingencies and to the categorization of risk<br><br>Several meetings were held with those in charge of the Regulatory and Legal Departments in order to obtain their understanding of the most relevant disagreements, litigations and contingencies and to inspect the relevant documentation The assumptions used by the management to categorize and value the identified risks and their inclusion in the consolidated financial statements, were assessed and evaluated<br><br>External confirmations from legal advisors and attorneys that are advising on regulatory and legal processes were also obtained, and the consistency of the information received with the risk assessment performed by the management was verified<br><br>Foi ainda revista a adequabilidade das divulgações associadas, nomeadamente no que respeita ao enquadramento regulatório e legal da atividade do Grupo, tendo por base o enunciado no normativo contabilístico aplicável e os fatores considerados relevantes<br><br>The adequacy of the associated disclosures, namely the ones concerning the legal and regulatory framework of the Group's activity, was also reviewed based on the applicable accounting standards and in what we considered relevant |

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| ***Pensions and post employment benefits*** | |
| *Disclosures related to pensions and post employment benefits presented in notes 2, 4, 10, 26, 31 and 34 of the consolidated financial statements*<br><br>As of 31 December 2019, net liabilities with pensions and post-employment benefits presented in the consolidated financial statements of EDP Group amounted to Euro 1,312 million, mainly comprising benefits with retirement and early retirement pensions, and healthcare services<br><br>These liabilities are estimated for each plan based on actuarial valuations performed annually by an independent expert in accordance with the Projected Credit Unit Method These valuations incorporate a set of financial and actuarial assumptions, namely the discount rate, the inflation rate, the mortality and disability tables, the growth rates of pensions and salaries, amongst others, defined by the Executive Board of Directors considering the characteristics of the benefits attributed, the employees covered and the current and expected behaviour of these variables<br><br>In the specific case of the discount rate used in the actuarial studies, it is determined on the basis of the market rates for high-quality corporate bonds in terms of credit risk, denominated in the currency in which the benefits will be paid and with a maturity similar to the termination date of the payment of the benefits of the plan<br><br>In this context, future changes in the financial and actuarial assumptions used may give rise to material impacts on the net liabilities and on the assets associated with these benefits, and for that<br>reason this issue was considered to be a relevant matter for the purposes of our audit | Our audit procedures included identifying and testing the design and operational efficiency of the controls implemented by the Group in order to determine liabilities with pension and post employment benefits, in particular the ones related to the assumptions used and to data sent to the actuary<br><br>Meetings were held with the management to identify the methodologies and options considered in defining the main financial and actuarial assumptions Given the relevance of the judgments required to the Executive Board of Directors, we assessed the reasonableness of the main assumptions, comparing them with the data that we were able to independently obtain<br><br>We also reviewed the adequacy of (i) the employee information, used for the calculation of liabilities, and (ii) the recognition of costs related to past services and actuarial deviations resulting from changes in assumptions and gains in experience The fair value of the assets of the fund was independently validated by our internal experts<br><br>We have also read the actuarial report prepared with reference to 31 December 2019 and evaluated the main assumptions used, namely discount rate, inflation rate, growth rates of pensions and salaries and mortality and disability tables, using information developed internally and market benchmarks<br><br>We also confirmed the registration with ASF (Autoridade de Supervisão de Seguros e Fundos de Pensões) of the actuary responsible and confirmed the existence of the actuary's declaration of independence regarding the report as of 31 December 2019<br><br>The adequacy of the disclosures associated with post employment benefits, was also reviewed based on the applicable accounting standards and in what we considered relevant |

***Responsibilities of management and supervisory board for the consolidated financial statements***

Management is responsible for

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union,

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations,

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

d) the adoption of appropriate accounting policies and criteria, and

e) the assessment of the Group's ability to continue as going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information

***Auditor's responsibilities for the audit of the consolidated financial statements***

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit We also

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control,

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control,

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management,

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion Our conclusions are based on the audit evidence obtained up to the date of our auditor's report However, future events or conditions may cause the Group to cease to continue as a going concern,

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation,

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements We are responsible for the direction, supervision and performance of the Group audit We remain solely responsible for our audit opinion,

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit,

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters We describe these matters in our report, except when the law or regulation prohibits their public disclosure, and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No 451 of the Portuguese Company Law

## *Report on other legal and regulatory requirements*

### *Directors' report*

In compliance with paragraph 3 e) of article No 451 of the Portuguese Company Law, it is our opinion that the Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified

### *Non-financial information set forth in article No. 508-G of the Portuguese Company Law*

In compliance with paragraph 6 of article No 451 of the Portuguese Company Law, we hereby inform that the entity stated in its Directors' report that it will prepare a separate report of the Directors' report that will include the non-financial information set forth in article No 508-G of the Portuguese Company Law, which should be published on its website until the legal deadline

### *Corporate governance report*

In compliance with paragraph 4 of article No 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article

## *Additional information required in article No. 10 of the Regulation (EU) 537/2014*

In accordance with article No 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information

a) We were first appointed auditors of EDP – Energias de Portugal, S A in the Shareholders' General Meeting of April 5, 2018 for the period from 2018 to 2020

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of February 20, 2020

d) We declare that we dıd not provıde any prohıbıted non-audıt servıces referred to ın paragraph 8 of artıcle No 77 of the by-laws of the Instıtute of Statutory Audıtors ("Estatutos da Ordem dos Revısores Oficıaıs de Contas") and that we remaın ındependent of the Group ın conductıng our audıt

February 20, 2020

PrıcewaterhouseCoopers & Assocıados
- Socıedade de Revısores Oficıaıs de Contas, Lda
represented by

João Ruı Fernandes Ramos, R O C

**WE LOVE ENERGY**

**Financial Statements**
**31 December 2018**

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**EDP - Energias de Portugal**

**Consolidated Income Statements**
**for the periods ended at 31 December 2018 and 2017**

| Thousand Euros | Notes | 2018 | 2017 |
|---|---|---|---|
| Revenues from energy sales and services and other | 7 | 15,278,085 | 15,745,987 |
| Cost of energy sales and other | 7 | -10,178,903 | -10,354,909 |
| | | 5,099,182 | 5,391,078 |
| Other income | 8 | 562,677 | 1,036,999 |
| Supplies and services | 9 | -956,961 | -990,533 |
| Personnel costs and employee benefits | 10 | -651,540 | -680,833 |
| Other expenses | 11 | -715,379 | -766,762 |
| Impairment losses on trade receivables and debtors | 11 | -20,850 | - |
| | | -1,782,053 | -1,401,129 |
| | | 3,317,129 | 3,989,949 |
| Provisions | 35 | -287,938 | 3,627 |
| Amortisation and impairment | 12 | -1,444,812 | -1,675,659 |
| | | 1,584,379 | 2,317,917 |
| Financial income | 13 | 456,245 | 439,636 |
| Financial expenses | 13 | -1,010,390 | -1,248,089 |
| Share of net profit in joint ventures and associates | 20 | 10,858 | 11,521 |
| Profit before income tax and CESE | | 1,041,092 | 1,520,985 |
| Income tax expense | 14 | -99,666 | -10,304 |
| Extraordinary contribution to the energy sector (CESE) | 15 | -65,345 | -69,246 |
| | | -165,011 | -79,550 |
| **Net profit for the period** | | **876,081** | **1,441,435** |
| **Attributable to:** | | | |
| **Equity holders of EDP** | | **519,189** | **1,113,169** |
| **Non-controlling Interests** | 31 | **356,892** | **328,266** |
| **Net profit for the period** | | **876,081** | **1,441,435** |
| Earnings per share (Basic and Diluted) - Euros | 28 | 0.14 | 0.31 |

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

**EDP - Energias de Portugal**

**Consolidated Statements of Comprehensive Income**
**for the periods ended at 31 December 2018 and 2017**

| Thousand Euros | 2018 Equity holders of EDP | 2018 Non-controlling Interests | 2017 Equity holders of EDP | 2017 Non-controlling Interests |
|---|---|---|---|---|
| **Net profit for the period** | 519,189 | 356,892 | 1,113,169 | 328,266 |
| **Items that will never be reclassified to profit or loss (i)** | | | | |
| Actuarial gains/(losses) (iii) | -74,125 | 8,694 | -46,326 | -20,048 |
| Tax effect from the actuarial gains/(losses) | 22,199 | -2,957 | 20,597 | 6,818 |
| Fair value reserve with no recycling (financial assets) (ii) | -3,586 | - | - | - |
| Tax effect from the fair value reserve with no recycling (financial assets) (ii) | 917 | - | - | - |
| | -54,595 | 5,737 | -25,729 | -13,230 |
| **Items that may be reclassified to profit or loss (i)** | | | | |
| Exchange differences arising on consolidation | -122,280 | -80,484 | -216,158 | -349,829 |
| Fair value reserve (cash flow hedge) (ii) | -164,709 | -7,811 | -147,264 | 1,960 |
| Tax effect from the fair value reserve (cash flow hedge) (ii) | 42,020 | 1,641 | 41,304 | -858 |
| Fair value reserve with recycling (financial assets) (ii) | -2,739 | -35 | -15,762 | 94 |
| Tax effect from the fair value reserve with recycling (financial assets) (ii) | 863 | - | -3,396 | - |
| Share of other comprehensive income of joint ventures and associates, net of taxes | -13,658 | -2,372 | -1,006 | 4,644 |
| | -260,503 | -89,061 | -342,282 | -343,989 |
| **Other comprehensive income for the period (net of income tax)** | -315,098 | -83,324 | -368,011 | -357,219 |
| **Total comprehensive income for the period** | 204,091 | 273,568 | 745,158 | -28,953 |

(i) See Condensed Consolidated Statement of Changes in Equity
(ii) See Note 30
(iii) See Note 34

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

# WE LOVE ENERGY

**EDP - Energias de Portugal**

**Consolidated Statements of Financial Position**
**as at 31 December 2018 and 2017**

| Thousand Euros | Notes | 2018 | 2017 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 16 | 22,707,511 | 22,730,615 |
| Intangible assets | 17 | 4,736,530 | 4,747,360 |
| Goodwill | 18 | 2,251,461 | 2,232,668 |
| Investments in joint ventures and associates | 20 | 951,613 | 843,082 |
| Available for sale investments | | - | 124,016 |
| Equity instruments at fair value | 21 | 125,147 | - |
| Investment property | | 30,973 | 39,199 |
| Deferred tax assets | 22 | 1,152,195 | 808,521 |
| Debtors and other assets from commercial activities | 24 | 2,522,640 | 2,839,379 |
| Other debtors and other assets | 25 | 629,620 | 518,772 |
| Non-Current tax assets | 26 | 53,728 | 60,793 |
| Collateral deposits associated to financial debt | 33 | 25,466 | 34,874 |
| Total Non-Current Assets | | 35,186,884 | 34,979,279 |
| Inventories | 23 | 342,037 | 265,775 |
| Debtors and other assets from commercial activities | 24 | 3,167,479 | 3,325,730 |
| Other debtors and other assets | 25 | 594,808 | 304,628 |
| Current tax assets | 26 | 354,057 | 520,500 |
| Financial assets at fair value through profit or loss | | - | 37,544 |
| Collateral deposits associated to financial debt | 33 | 167,425 | 10,381 |
| Cash and cash equivalents | 27 | 1,803,205 | 2,400,077 |
| Non-Current Assets held for sale | 40 | 11,065 | 231,135 |
| Total Current Assets | | 6,440,076 | 7,095,770 |
| **Total Assets** | | 41,626,960 | 42,075,049 |
| **Equity** | | | |
| Share capital | 28 | 3,656,538 | 3,656,538 |
| Treasury stock | 29 | -62,410 | -62,957 |
| Share premium | 28 | 503,923 | 503,923 |
| Reserves and retained earnings | 30 | 4,350,938 | 4,335,265 |
| Consolidated net profit attributable to equity holders of EDP | | 519,189 | 1,113,169 |
| Total Equity attributable to equity holders of EDP | | 8,968,178 | 9,545,938 |
| Non-controlling Interests | 31 | 3,932,149 | 3,934,322 |
| **Total Equity** | | 12,900,327 | 13,480,260 |
| **Liabilities** | | | |
| Financial debt | 33 | 13,462,390 | 15,469,636 |
| Employee benefits | 34 | 1,099,049 | 1,198,362 |
| Provisions | 35 | 982,515 | 726,771 |
| Deferred tax liabilities | 22 | 574,701 | 466,532 |
| Institutional partnerships in USA | 36 | 2,231,249 | 2,163,722 |
| Trade payables and other liabilities from commercial activities | 37 | 1,356,245 | 1,343,171 |
| Other liabilities and other payables | 38 | 756,899 | 874,984 |
| Non-current tax liabilities | 39 | 97,637 | 91,551 |
| Total Non-Current Liabilities | | 20,560,685 | 22,334,729 |
| Financial debt | 33 | 2,622,509 | 1,448,129 |
| Employee benefits | 34 | 308,253 | 323,891 |
| Provisions | 35 | 35,930 | 26,058 |
| Hydrological correction account | 32 | - | 1,574 |
| Trade payables and other liabilities from commercial activities | 37 | 3,862,245 | 3,498,131 |
| Other liabilities and other payables | 38 | 770,922 | 284,140 |
| Current tax liabilities | 39 | 566,089 | 563,456 |
| Non-Current Liabilities held for sale | 40 | - | 114,681 |
| Total Current Liabilities | | 8,165,948 | 6,260,060 |
| **Total Liabilities** | | 28,726,633 | 28,594,789 |
| **Total Equity and Liabilities** | | 41,626,960 | 42,075,049 |

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

**EDP - Energias de Portugal**

**Consolidated Statements of Changes in Equity for the periods ended as at 31 December 2018 and 2017**

| Thousand Euros | Total Equity | Share capital (i) | Share premium (i) | Legal reserve (ii) | Reserves and retained earnings | Fair value reserve (cash flow hedge) (ii) | Fair value reserve (financial assets) (ii) | Exchange differences (ii) | Treasury stock (iii) | Equity attributable to equity holders of EDP | Non-controlling Interests (iv) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2016** | **13,736,372** | **3,656,538** | **503,923** | **739,024** | **4,635,564** | **29,486** | **50,098** | **-144,818** | **-63,528** | **9,406,287** | **4,330,085** |
| Comprehensive income: | | | | | | | | | | | |
| Net profit for the period | 1,441,435 | - | - | - | 1,113,169 | - | - | - | - | 1,113,169 | 328,266 |
| Changes in the fair value reserve (cash flow hedge) net of taxes | -104,858 | - | - | - | - | -105,960 | - | - | - | -105,960 | 1,102 |
| Changes in the fair value reserve (available for sale investments) net of taxes | -19,064 | - | - | - | - | - | -19,158 | - | - | -19,158 | 94 |
| Share of other comprehensive income of joint ventures and associates net of taxes | 3,638 | - | - | - | - | - | - | -1,006 | - | -1,006 | 4,644 |
| Actuarial gains/(losses) net of taxes | -38,959 | - | - | - | -25,729 | - | - | - | - | -25,729 | -13,230 |
| Exchange differences arising on consolidation | -565,987 | - | - | - | - | - | - | -216,158 | - | -216,158 | -349,829 |
| Total comprehensive income for the period | 716,205 | - | - | - | 1,087,440 | -105,960 | -19,158 | -217,164 | - | 745,158 | -28,953 |
| Dividends paid | -690,637 | - | - | - | -690,637 | - | - | - | - | -690,637 | - |
| Dividends attributable to non-controlling interests | -118,251 | - | - | - | - | - | - | - | - | - | -118,251 |
| Purchase and sale of treasury stock | -869 | - | - | - | - | - | - | - | -869 | -869 | - |
| Share-based payments | 1,364 | - | - | - | -76 | - | - | - | 1,440 | 1,364 | - |
| Public Offer for the Acquisition of EDP Renováveis S.A. | -299,620 | - | - | - | 17,338 | -1,608 | 315 | 26 | - | 16,071 | -315,691 |
| Sale without loss of control of windfarms in Europe | 210,098 | - | - | - | 72,479 | 1,940 | - | - | - | 74,419 | 135,679 |
| Changes resulting from acquisitions/sales, equity increases/decreases and other | -74,402 | - | - | - | -5,855 | - | - | - | - | -5,855 | -68,547 |
| **Balance as at 31 December 2017** | **13,480,260** | **3,656,538** | **503,923** | **739,024** | **5,116,253** | **-76,142** | **31,255** | **-361,956** | **-62,957** | **9,545,938** | **3,934,322** |
| Comprehensive income: | | | | | | | | | | | |
| Net profit for the period | 876,081 | - | - | - | 519,189 | - | - | - | - | 519,189 | 356,892 |
| Changes in the fair value reserve (cash flow hedge) net of taxes | -128,859 | - | - | - | - | -122,689 | - | - | - | -122,689 | -6,170 |
| Changes in the fair value reserve (financial assets), net of taxes | -4,580 | - | - | - | - | - | -4,545 | - | - | -4,545 | -35 |
| Share of other comprehensive income of joint ventures and associates net of taxes | -16,030 | - | - | - | - | -14,484 | - | 826 | - | -13,658 | -2,372 |
| Actuarial gains/(losses) net of taxes | -46,189 | - | - | - | -51,926 | - | - | - | - | -51,926 | 5,737 |
| Exchange differences arising on consolidation | -202,764 | - | - | - | - | - | - | -122,280 | - | -122,280 | -80,484 |
| Total comprehensive income for the period | 477,659 | - | - | - | 467,263 | -137,173 | -4,545 | -121,454 | - | 204,091 | 273,568 |
| Dividends paid | -690,517 | - | - | - | -690,517 | - | - | - | - | -690,517 | - |
| Dividends attributable to non-controlling interests | -196,852 | - | - | - | - | - | - | - | - | - | -196,852 |
| Purchase and sale of treasury stock | -952 | - | - | - | - | - | - | - | -952 | -952 | - |
| Share-based payments | 1,393 | - | - | - | -106 | - | - | - | 1,499 | 1,393 | - |
| Impacts related with IFRS 9 and IFRS 15's adoption (v) | -81,494 | - | - | - | -60,609 | - | -16,423 | - | - | -77,032 | -4,462 |
| Changes resulting from acquisitions/sales, equity increases/decreases and other | -89,170 | - | - | - | -14,743 | - | - | - | - | -14,743 | -74,427 |
| **Balance as at 31 December 2018** | **12,900,327** | **3,656,538** | **503,923** | **739,024** | **4,817,541** | **-213,315** | **10,287** | **-483,410** | **-62,410** | **8,968,178** | **3,932,149** |

(i) See note 28
(ii) See note 30
(iii) See note 29
(iv) See note 31
(v) See note 3

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

**EDP - Energias de Portugal**

**Consolidated and Company Statements of Cash Flows for the periods ended as at 31 December 2018 and 2017**

| Thousand Euros | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Cash receipts from customers | 14,236,820 | 13,776,871 | 3,307,270 | 2,600,335 |
| Proceeds from tariff adjustments sales | 1,288,676 | 1,192,916 | - | - |
| Payments to suppliers | -10,920,343 | -10,551,653 | -3,274,269 | -2,633,932 |
| Payments to personnel | -849,970 | -854,016 | -74,410 | -68,791 |
| Concession rents paid | -281,281 | -279,631 | - | - |
| Other receipts/(payments) relating to operating activities | -412,532 | -390,307 | -87,023 | 51,089 |
| **Net cash flows from operations** | 3,061,370 | 2,894,180 | -128,432 | -51,299 |
| Income tax received/(paid) | -123,296 | -658,587 | 77,602 | -18,397 |
| **Net cash flows from operating activities** | 2,938,074 | 2,235,593 | -50,830 | -69,696 |
| **Investing activities** | | | | |
| Cash receipts relating to: | | | | |
| Sale of assets/subsidiaries with loss of control (i) | 492,024 | 2,764,384 | - | 32,103 |
| Other financial assets and investments (ii) | 143,320 | 50,917 | 34,148 | 50,719 |
| Held to maturity financial investments | - | - | 408,617 | 26,332 |
| Changes in cash resulting from consolidation perimeter variations | 2,785 | 28,342 | - | - |
| Property, plant and equipment and intangible assets | 12,948 | 23,405 | 543 | 121,361 |
| Other receipts relating to tangible fixed assets | 10,857 | 17,381 | 21 | - |
| Interest and similar income | 36,229 | 73,746 | 193,436 | 333,999 |
| Dividends | 26,851 | 32,403 | 868,344 | 785,399 |
| Loans to related parties | 275,622 | 32,318 | 5,198,799 | 1,323,531 |
| | 1,000,636 | 3,022,896 | 6,703,908 | 2,673,444 |
| Cash payments relating to: | | | | |
| Acquisition of assets/subsidiaries | - | -308,921 | - | -319,391 |
| Other financial assets and investments (iii) | -215,027 | -170,237 | -3,600,344 | - |
| Other financial assets at amortised cost | - | - | -541,751 | -446,802 |
| Changes in cash resulting from consolidation perimeter variations | -50,183 | -34,088 | - | - |
| Property, plant and equipment and intangible assets | -1,708,627 | -1,920,980 | -50,109 | -29,340 |
| Loans to related parties | -205,787 | -18,916 | -919,384 | -1,795,610 |
| | -2,179,624 | -2,453,142 | -5,111,588 | -2,591,143 |
| **Net cash flows from investing activities** | -1,178,988 | 569,754 | 1,592,320 | 82,301 |
| **Financing activities** | | | | |
| Receipts/(payments) relating to financial debt (include Collateral Deposits) | -930,082 | -440,343 | -633,958 | 2,323,319 |
| Interest and similar costs of financial debt including hedge derivatives | -623,444 | -789,930 | -311,999 | -316,700 |
| Receipts/(payments) relating to loans from non-controlling interests | -61,907 | 8,229 | - | - |
| Interest and similar costs relating to loans from non-controlling interests | -32,458 | -25,405 | - | - |
| Receipts/(payments) relating to loans from related parties | - | - | -829,664 | -444,669 |
| Interest and similar costs of loans from related parties including hedge derivatives | - | - | -40,972 | -94,743 |
| Governmental grants received | - | -16 | - | - |
| Share capital increases/(decreases) by non-controlling interests | -71,410 | -87,563 | - | - |
| Receipts/(payments) relating to derivative financial instruments | 17,796 | -90,876 | 312,433 | 34,380 |
| Dividends paid to equity holders of EDP (iv) | -690,517 | -690,637 | -690,805 | -690,924 |
| Dividends paid to non-controlling interests | -167,796 | -140,159 | - | - |
| Treasury stock sold/(purchased) (iv) | -952 | -869 | -952 | 495 |
| Sale of assets/subsidiaries without loss of control | - | 210,098 | - | - |
| Receipts/(payments) from institutional partnerships - USA (v) | 225,353 | 250,022 | - | - |
| **Net cash flows from financing activities** | -2,335,417 | -1,797,449 | -2,195,917 | 811,158 |
| **Changes in cash and cash equivalents** | -576,331 | 1,007,898 | -654,427 | 823,763 |
| Effect of exchange rate fluctuations on cash held | -20,541 | -129,074 | 270 | -2,758 |
| Cash and cash equivalents at the beginning of the period | 2,400,077 | 1,521,253 | 1,138,760 | 317,755 |
| **Cash and cash equivalents at the end of the period*** | 1,803,205 | 2,400,077 | 484,603 | 1,138,760 |

(i) Relates to the amounts received of contingent prices associated with the sale of gas distribution activity in Spain (see note 25) and to the receivements of the sales prices of Costa Rica Energética, Ltda., Santa-Fé Energia, S.A., EDP Pequenas Centrais Hidroelectricas S.A., EDP Small Hydro, S.A., Pebble Hydro - Consultoria, Investimento e Serviços, Lda., Meadow Lake Wind Farm VI LLC, Prairie Queen Wind Farm LLC, Nation Rise Wind Farm Gp II Inc. and Nation Rise Wind Farm Limited Partnership (see note 6);

(ii) Relates to the receivements of the sales prices of Moray Offshore Windfarm (East) Limited, Moray West Holdings Limited, Moray Offshore Windfarm (West) Limited, EDP Produção Bioeléctrica, S.A., Éoliennes en Mer Dieppe - Le Tréport, S.A.S. e Éoliennes en Mer Îles d'Yeu et de Noirmoutier, SAS (see note 6);

(iii) Relates, essentially, to payments made for the acquisition of Centrais Elétricas de Santa Catarina, S.A. - Celesc, capital increase in São Manoel and Companhia Energética do Jari - CEJA and the acquisition of Investment Funds (see notes 20 and 25);

(iv) See Note 29;

(v) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in note 36).

* See details of Cash and cash equivalents in note 27 and the Consolidated and Company Reconciliation of Changes in the responsibilities of Financing activities in note 51 of the Financial Statements.

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THE CERTIFIED ACCOUNTANT N.º 17,713 | THE MANAGEMENT | THE EXECUTIVE BOARD OF DIRECTORS

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

**Company Income Statements**
**for the periods ended at 31 December 2018 and 2017**

| Thousand Euros | Notes | 2018 | 2017 |
|---|---|---|---|
| Revenues from energy sales and services and other | 7 | 3,675,039 | 2,706,749 |
| Cost of energy sales and other | 7 | -3,502,579 | -2,553,398 |
| | | 172,460 | 153,351 |
| Other income | | 18,455 | 37,216 |
| Supplies and services | 9 | -161,194 | -166,502 |
| Personnel costs and employee benefits | 10 | -74,425 | -73,509 |
| Other expenses | | -12,345 | -11,682 |
| Impairment losses on trade receivables and debtors | | -142 | - |
| | | -229,651 | -214,477 |
| | | -57,191 | -61,126 |
| Provisions | 35 | 7,475 | -2,131 |
| Amortisation and impairment | 12 | -31,963 | -23,022 |
| | | -81,679 | -86,279 |
| Financial income | 13 | 1,296,027 | 2,093,354 |
| Financial expenses | 13 | -562,246 | -1,306,072 |
| Profit before income tax | | 652,102 | 701,003 |
| Income tax expense | 14 | 86,484 | 64,424 |
| **Net profit for the period** | | **738,586** | **765,427** |

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The following notes form an integral part of these financial statements

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

**Company Statements of Comprehensive Income**
**for the periods ended at 31 December 2018 and 2017**

| Thousand Euros | 2018 | 2017 |
|---|---|---|
| **Net profit for the period** | 738,586 | 765,427 |
| **Items that will never be reclassified to profit or loss (i)** | | |
| Actuarial gains/(losses) | -1,025 | 33 |
| Tax effect from the actuarial gains/(losses) | 249 | -125 |
| | -776 | -92 |
| **Items that may be reclassified to profit or loss (i)** | | |
| Fair value reserve (cash flow hedge) (ii) | -9,158 | -46,721 |
| Tax effect from the fair value reserve (cash flow hedge) (ii) | 2,060 | 14,308 |
| Fair value reserve (financial assets) | - | -20,190 |
| Tax effect from the fair value reserve (financial assets) | - | -2,741 |
| | -7,098 | -55,344 |
| **Other comprehensive income for the period (net of income tax)** | -7,874 | -55,436 |
| **Total comprehensive income for the period** | 730,712 | 709,991 |

(i) See Condensed Company Statement of Changes in Equity
(ii) See Note 30

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

**Company Statements of Financial Position**
**as at 31 December 2018 and 2017**

| Thousand Euros | Notes | 2018 | 2017 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 16 | 93,170 | 156,347 |
| Intangible assets | | 78,662 | 12,311 |
| Investments in subsidiaries | 19 | 15,102,046 | 11,501,702 |
| Held to maturity financial investments | | - | 451,257 |
| Investments in joint ventures and associates | 20 | 2 | 6,597 |
| Available for sale investments | | - | 1,556 |
| Equity instruments at fair value | 21 | 1,537 | - |
| Investment property | | 56,984 | 51,496 |
| Deferred tax assets | 22 | 92,659 | 78,258 |
| Debtors and other assets from commercial activities | | 661 | 586 |
| Other debtors and other assets | 25 | 3,772,477 | 6,623,831 |
| Total Non-Current Assets | | 19,198,198 | 18,883,941 |
| Held to maturity financial investments | | - | 419,946 |
| Debtors and other assets from commercial activities | 24 | 653,404 | 609,630 |
| Other debtors and other assets | 25 | 2,424,019 | 2,907,222 |
| Current tax assets | 26 | 98,092 | 185,256 |
| Cash and cash equivalents | 27 | 484,603 | 1,138,760 |
| Total Current Assets | | 3,660,118 | 5,260,814 |
| **Total Assets** | | 22,858,316 | 24,144,755 |
| **Equity** | | | |
| Share capital | 28 | 3,656,538 | 3,656,538 |
| Treasury stock | 29 | -56,315 | -56,862 |
| Share premium | 28 | 503,923 | 503,923 |
| Reserves and retained earnings | 30 | 2,642,185 | 2,575,543 |
| Net profit for the period | | 738,586 | 765,427 |
| **Total Equity** | | 7,484,917 | 7,444,569 |
| **Liabilities** | | | |
| Financial debt | 33 | 10,014,872 | 5,785,760 |
| Employee benefits | 34 | 5,683 | 5,763 |
| Provisions | 35 | 1,808 | 8,902 |
| Trade payables and other liabilities from commercial activities | | 2,278 | 2,048 |
| Other liabilities and other payables | 38 | 349,826 | 391,408 |
| Total Non-Current Liabilities | | 10,374,467 | 6,193,881 |
| Financial debt | 33 | 2,795,609 | 7,702,537 |
| Employee benefits | 34 | 1,442 | 376 |
| Provisions | 35 | 1,172 | 1,553 |
| Hydrological correction account | 32 | - | 1,574 |
| Trade payables and other liabilities from commercial activities | 37 | 788,883 | 686,463 |
| Other liabilities and other payables | 38 | 1,293,180 | 2,094,629 |
| Current tax liabilities | 39 | 118,646 | 19,173 |
| Total Current Liabilities | | 4,998,932 | 10,506,305 |
| **Total Liabilities** | | 15,373,399 | 16,700,186 |
| **Total Equity and Liabilities** | | 22,858,316 | 24,144,755 |

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The following notes form an integral part of these financial statements

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

**Company Statements of Changes in Equity for the periods ended as at 31 December 2018 and 2017**

| Thousand Euros | Total Equity | Share capital (i) | Share premium (i) | Legal reserve (ii) | Reserves and retained earnings (ii) | Fair value reserve (cash flow hedge) (ii) | Fair value reserve (financial assets) (ii) | Treasury stock (iii) |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2016** | **7,425,007** | **3,656,538** | **503,923** | **739,024** | **2,521,841** | **38,183** | **22,931** | **-57,433** |
| Comprehensive income: | | | | | | | | |
| Net profit for the period | 765,427 | - | - | - | 765,427 | - | - | - |
| Changes in the fair value reserve (cash flow hedge) net of taxes | -32,413 | - | - | - | - | -32,413 | - | - |
| Changes in the fair value reserve (available for sale investments) net of taxes | -22,931 | - | - | - | - | - | -22,931 | - |
| Actuarial gains / (losses) net of taxes | -92 | - | - | - | -92 | - | - | - |
| Total comprehensive income for the period | 709,991 | - | - | - | 765,335 | -32,413 | -22,931 | - |
| Dividends paid | -690,924 | - | - | - | -690,924 | - | - | - |
| Purchase and sale of treasury stock | -869 | - | - | - | - | - | - | -869 |
| Share-based payments | 1,364 | - | - | - | -76 | - | - | 1,440 |
| **Balance as at 31 December 2017** | **7,444,569** | **3,656,538** | **503,923** | **739,024** | **2,596,176** | **5,770** | **-** | **-56,862** |
| Comprehensive income: | | | | | | | | |
| Net profit for the period | 738,586 | - | - | - | 738,586 | - | - | - |
| Changes in the fair value reserve (cash flow hedge), net of taxes | -7,098 | - | - | - | - | -7,098 | - | - |
| Actuarial gains / (losses) net of taxes | -776 | - | - | - | -776 | - | - | - |
| Total comprehensive income for the period | 730,712 | - | - | - | 737,810 | -7,098 | - | - |
| Dividends paid | -690,805 | - | - | - | -690,805 | - | - | - |
| Purchase and sale of treasury stock | -952 | - | - | - | - | - | - | -952 |
| Share-based payments | 1,393 | - | - | - | -106 | - | - | 1,499 |
| **Balance as at 31 December 2018** | **7,484,917** | **3,656,538** | **503,923** | **739,024** | **2,643,075** | **-1,328** | **-** | **-56,315** |

(i) See note 28
(ii) See note 30
(iii) See note 29

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**Notes to the Consolidated and Company Financial Statements**



The following notes form an integral part of these financial statements

**EDP - Energias de Portugal, S.A.**
**Notes to the Consolidated and Company Financial Statements as at and for the periods ended 31 December 2018 and 2017**

## 1. Economic Activity of EDP Group

EDP - Energias de Portugal, S.A. (hereinafter referred to as EDP), currently with head office in Lisbon, Avenida 24 de Julho 12 and with its shares listed on the Euronext Lisbon stock exchange, results from the transformation of Electricidade de Portugal, E.P., incorporated in 1976 following the nationalization and consequent merger of the main companies in the electricity sector in Portugal. During 1994, as established by Decree-laws 7/91 and 131/94, the EDP Group (EDP Group or Group) was set up following the split of EDP, which led to a number of directly or indirectly wholly owned subsidiaries of EDP.

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

EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors.

**Activity in the energy sector in Portugal**

**Portugal - Electricity**

The general basis of the organization and inner workings of the National Electrical System (SEN), as well as the general bases applicable i) to the exercise of the activities of generation, transportation, distribution, supplying of electricity and operator change logistics and ii) to the organization of the electricity markets is set in Decree-Law (DL) 29/2006 of 15 February 2006, in the version published in the DL 215-A/2012 of 8 October 2012, with the changes introduced by DL 42/2016, of 28 December 2016, and further developed by the DL 172/2006 of 23 August 2006, on the version republished by the DL 215-B/2012 of 8 October 2012, with the changes introduced by the DL 114/2017 of 29 December 2017.

These legal diplomas transpose to the Portuguese law, the principles of Directive 2009/72/CE, from the European Parliament and the Council of 13 July, which sets common rules for the internal electricity market and revokes the Directive 2003/54/CE, of the European Parliament and the Council, of 26 June.

The SEN integrates the activities of: i) generation, ii) transportation, iii) distribution, iv) supplying, v) organized markets operation, vi) operator change logistics and vii) other activities related with providing services related with the market integrated.

These activities, except generation, are under the regulation of the Energy Services Regulatory Entity (ERSE), whose purpose is to contribute to ensure the correct efficiency and rationality regarding objectivity, transparency, non-discrimination and competition, through the continuous supervision and oversight, integrated in the goal of fulfillment of the internal electricity market.

In what concerns the transportation, distribution and last resource supplying, the law sets the right to a fixed income, dictated by ERSE, as stipulated in the Tariff Regulations, that assures the economic-financial balance given the conditions of an efficient management.

**Portugal - Electricity - Generation**

***Background***

The generation activity engulfs generation in both the ordinary regime (PRO) and the special regime (PRE), being both regimes, subjected to the assignment of a generation license by the Portuguese Authority of Energy and Geology (DGEG).

The PRO regime incorporates the production that is not under a special regime, including all remunerated power plants under the PPAs (Power Purchase Agreement), CMEC (Contractual Stability Compensation) and Power Guarantee, being the energy produced sold in organized markets or through bilateral contracts.

On the other hand, PRE integrates: i) the production that is covered by special regimes such as the production of electricity through cogeneration and endogenous, renewable and non-renewable resources, micro production, mini-production and production without power injection in the network or, ii) the production that is made through endogenous, renewable and non-renewable resources, not subject to special legal regime. The energy produced under a special regime, if it is under guaranteed remuneration, is sold to the Supplier of Last Resort (CUR). Otherwise, it is sold to any trader or market aggregator, on organized markets or through the celebration of bilateral contracts.

In Portugal, EDP Group develops the activity of PRO and the activity of PRE through EDP Gestão da Produção, S.A. and EDP Renováveis Portugal, S.A., amongst other subsidiaries.

*Highlights:*

*Transformation of PPAs into CMEC*

The PPAs were created by the DL 182/95, of 27 July 1995, as long term contracts, signed between binded electricity generators and REN, which covered fixed and variable generation costs, assuring the electricity generators a low level of risk.

In 2004, as a result of the European Directives for the liberalization of the market and the construction of the Iberian Electricity Market (MIBEL), the PPAs could not be maintained. In this context, the DL 240/2004, of 27 December 2004, established the regime for the early termination of PPAs, based on the application of a mechanism to maintain the contractual equilibrium designated CMEC, which consisted on the right to receive a compensation by the electricity generators concerned.

The PPAs maintained by the EDP Group were transformed into CMEC with the entry into operation of MIBEL in 2007, being the CMECs consisting of i) an initial amount, that corresponds to the difference between the present value of the PPAs (calculated at the early end of the contract (2007), and the present value of expected market revenues, deducting the respective operating costs (estimated in 2007, to that year's values). The amount thus determined is paid in annuities from July 2007 to the end date of the longest underlying PPA (December 2027); ii) annual adjustments, that correspond to the annual revisability, calculated by the difference between the conditions underlying the initial amount and the values resulting from the valuation model (Valoragua), obtained from real data. These annual adjustments occurred during the first 10 years of the CMEC mechanism, ie between July 2007 and July 2017,; and iii) a final adjustment, which reviews the amount of compensation to be paid to the electricty generator by 2027 (the remaining PPA term with the longest duration), with a rational calculation similar to the initial amount but without any adjustments from July 2017 onwards.

Specifically, in 2007, the EDP Group maintained 27 PPAs ongoing for hydro power plants and 7 CAE for thermal power plants.

However, the EDP Group was the only entity with PPAs to transform it into CMEC, while the remaining entities maintained the PPAs in effect.

While within the scope of the PPAs, investment and availability were remunerated with full recognition of costs incurred in generation; in the CMEC the reasoning was to compensate the difference between what the plants would receive in the PPAs and what they receive in the free market in a context of efficient management.

In 2017, the European Commission issued a decision, following a complaint, to reiterate the CMEC's compliance with European legislation on State support.

System Services

In addition to operating in the daily, intraday and long-term market, generators can participate in the system services markets.

The system services are adjustments to solve deviations and technical constraints in real time, in order to respond to the needs of quality, reliability and security of the network, while always maintaining the supply-demand balance.

*Remuneration Regime*

The generation activity is remunerated by the energy produced, by the availability of the installed capacity and by the systems services:

| | Regulated Remuneration | Remuneration in Market |
|---|---|---|
| Energy | - PPA<br>- CMEC<br>- Bonus rates for special regime production | - MIBEL<br>- Bilateral contracts |
| Installed Capacity | - PPA<br>- CMEC<br>- Power guarantee | - Capacity auctions |
| System services | - Direct hiring | - System services market |

*Social Tariff*

The DL138-A/2010, of 28 December, created a social tariff scheme financed by ordinary regime producers, including large hydro plants.

Social tariff consisted of the allocation to economically vulnerable customers of a discount on the network access tariff in an amount corresponding to a discount of 20% on the transitional tariffs of sale to end customers.

In 2011, a regime of extraordinary social support to the energy consumers (ASECE) was created, which consisted of an additional discount granted to economically vulnerable customers worth 13.8% of the value of the invoice, in this case, financed by the State, in order to neutralize the VAT increase from 6% to 23% for these customers.

In 2016, ASECE was incorporated into the social tariff, which was also financed by producers in ordinary regime and by large hydro plants, the scope of the eligibility criteria was extended to be beneficiary of the social tariff and its application became automatic.

Considering historical data, in 2016, the number of beneficiaries of the social tariff increased from around 80,000 to around 800,000 and the discount rose from 20% to 33.8%, a situation that has remained the same until nowadays.

*Clawback*

The DL 74/2013, of 4 June, introduced a regulatory mechanism to ensure the competitive balance in the wholesale electricity market in Portugal, which acts in the event of distortions resulting from extra-market events, through allocation, based on the impact registered on the price structure, of the allocation of the cost of general economic interest (CIEG) between consumers and producers of electricity - Clawback.

The electricity generators covered by this mechanism are ordinary regime producers and other producers that are not covered by the guaranteed remuneration scheme.

Clawback has the following essential characteristics:

- It aims to prevent extra market events, such as the existence of taxes existing in only one of the MIBEL countries, that may result in unjustified benefits for producers operating in other country;

- ERSE prepares at the end of each semester a study on the impact on the structure of average prices of electricity in the wholesale market in Portugal, of extra market events registered in the framework of the European Union;

- Based, in particular, on the results of the ERSE study, the terms of the allocation of CIEGs between producers and consumers will be determined.

  - Thus, in case of extra-market events in Spain, which do not correspond to parallel events occurring in Portugal and which, for this reason, benefit the national producers, this will imply a reduction of the profits to be recovered by the same producers for the application of variables of income of the electricity injected into the grid by the correspondent deduction from the CIEG each year in the global use of the system (UGS) tariff applicable to end customers and marketers;

  - The reverse should also occur, the existence of extramarket events in Portugal, without correspondence in parallel events that occurred in Spain, and which would therefore be detrimental to domestic producers, will have the consequence of not reducing the income to be recovered by the producers through of the application of billing variables to the electric energy injected into the grid.

Under DL 74/2013, Dispatch 11566-A/2015 of the Secretary of State for Energy, dated 3 October 2015, came:

a) Define the parameters for the calculation of the formula to be paid by each of the energy generators overed by DL 74/2013, for each MWh injected into the grid;

b) Set the amount to be paid by each of the energy generators covered by Clawback for each MWh injected into the grid at 6.5€, due to the result of the ERSE study mentioned;

c) To determine that the extraordinary contribution to the energy sector (CESE) and the Social Tariff are the extra market events registered in Portugal, i.e. that the value of the CESE and the Social Tariff should be considered in determining the value of the net unit Clawback.

Subsequently, Dispatch 7557-A/2017, of 25 August and 9371/2017, of 24 October, came to, i) to revoke the full contents of Dispatch 11566 -A/2015, of 3 October 2015; ii) declare the partial nullity regarding the consideration of the extra events CESE and Social Tariff in the determination of the value of the unitary Clawback net, and iii) request the ERSE to considerer in the calculation of the tariff UGS of the next year the recovery of the amounts allegedly unduly included in the previous years (2016 and 2017).

On the other hand, Dispatch 9955/2017, of 17 December, set the value to be paid by each of the electricity producers covered by Clawback for each MWh injected into the network at 4.75€.

***Key Developments of 2018***

*Hydrological Correction Account*

On 5 March, the Secretary of State for Energy published Dispatch 2224/2018, which determines the creation and composition of a Working Group, designed as "Working Group for the extinction of the hydrological correction account" - for EDP - energias de Portugal,S.A. financial statments, with the purpose of preparing a reasoned report with the hydrological correction account 's annual movements and their origin, as well as the determination of rights on the differentials of the updated amounts of the payments and receipts flows and the financial charges associated with the hydrological correction account. This working group was created following the extinction of an earlier working group with the same purpose, operated by Dispatch 5443/2017 of 22 June 2017.

*Reserve remuneration regime for National Electricity System*

On 27 January 2017, Ordinance 41/2017 established a new regime for the payment of the security reserve provided to the SEN through the availability services provided by electric producers and other market agents. Under this scheme, the remuneration of the security reserve is established through an annual competitive auction mechanism that pays exclusively for the availability services provided, favoring low carbon technologies. However, Law 114/2017 of 29 December 2017, that approves the State Budget for 2018, determined the postponement of the annual auction until the Portuguese State receives the unequivocal pronouncement of the European Commission regarding the compatibility of the mechanism of the SEN security reserve with the Community provisions regarding State support for the energy sector. On 3 April 2018, Order 93/2018 was published, which maintains the postponement of that auction.

*CMEC Final adjustment*

On 3 May 2018, EDP was informed (through letter from the DGEG) of the Dispatch of the Secretary of State for Energy (SSE) of 25 April 2018, which approved the value of the final adjustment as proposed by ERSE, in the amount of 154 million Euros.

*Parliamentary Committee of Inquiry into the Payment of Excessive Income to Electricity Producers*

Resolution 126/2018 from the National Assembly of 17 May established the Parliamentary Committee of Inquiry for the payment of excessive rent to electricity producers, under the contractual stability compensation (CMEC) or others, whose work, which will last for 120 days, are in progress.

The purpose of the Parliamentary Committee of Inquiry is to determine:

a) The extent of the payments made and to be made under the existing arrangements for the payment of excessive rent to electricity producers;

b) The effect on the costs of the electricity system that came from legislative changes and administrative acts carried out under CMEC and Power Purchase Agreements (PPA) by governments between 2004 and 2018;

c) The effect on the costs of the electricity system arising from other legislative changes, namely in Special Regime Production (PRE), in the extension of the subsidized tariff regime to wind power, in the rent of the hydro power plants or in capacity payments;

d) The conditions under which governmental decisions have been made, namely under possible studies and opinions of regulatory entities, like ERSE and the Competition Authority (AdC), or other acts and documents of other entities with regulatory attributions;

e) The existence of omission or major behavioural failure in the fulfilment of obligations of the energy services and of regulatory entities, including the legal attribution of ERSE to propose legislative changes;

f) The evaluation of implementation of the Extraordinary Contribution on the Energy Sector, since its inception to the present day;

g) The existence of favouring by governments regarding EDP, REN and other companies in the electricity sector, in the case of CMECs, PPAs and other instruments;

h) The existence of acts of corruption or the enrichment of administrative officials or political office holders with influence or power in the definition of incomes in the energy sector, with no visible cause.

*Intraday Market*

The Energy Services Regulatory Authority (ERSE)'s Directive 10/2018, of 10 July, determined that the intraday market would start operating continuously, in accordance with the Regulation (EU) 2015/1222 of 24 July, regarding the implementation of an intraday coupling process.

*Over-equipment of wind farms*

On 3 September, Ordinance 246/2018 of the Ministry of Economy, in line with Dispatch 7087/2017 of 14 August 2017 of the Secretary of State for Energy, determined the mandatory discussion with ERSE regarding the permission procedures for the over-equipment of wind farms and to define the decision criteria to be adopted.

*Innovative Features*

The Dispatch of the Secretary of State for Energy (SEE) of 29 August 2018, notified EDP Produção on 26 September 2018, regarding the financial impact of the "innovative features" under CMEC Cessation Agreements, determined that it should be proceeded in accordance with DGEG's decision, by stating that the decision's proposal to be submitted to the Secretary of State for Energy on the innovative features should be maintained regarding the "Procedures for calculating the actual availability coefficient", quantified in 285 million Euros, without clarifying which proposal is this.

In turn, the Dispatch of the Secretary of State for Energy of 4 October 2018 declared that "nullity of the calculations of the annual adjustments of the CMECs and, consequently, of their respective homologous acts, in part, and only in part, that pondered innovative features aspect, then identified on the factor relating to the availability of the plants in question".

As a result of these Dispatches, Directive 13/2018 of 15 December, which approved the tariffs and prices for electricity and other services to be in force in 2019, fixed the amounts for the return of the amounts of the partially declared non-revisable revisibilities to be considered as a portion of CMEC's success in the years 2019 to 2022.

On 31 December, the Law 71/2018, approving the State Budget for 2019, established that the Government will, by the end of the first quarter of 2019, review the Clawback mechanism, adapting it to the new MIBEL rules, with the objective of creating harmonized regulatory mechanisms that reinforce competition and protect consumers.

*Exemption of the oil tax (ISP) and surcharge over CO2*

Law 114/2017, of 29 December 2017, which approves the State Budget for 2018, established the end of the Tax on Oil Products and Energy (ISP) and CO2 Addition exemptions for coal purchases used in generation of electricity and electricity and heat (cogeneration). According to the law, this exemption will be eliminated progressively. For 2018, a rate corresponding to 10% of the ISP rate and the CO2 Addition rate shall be applied. Subsequently, this rate will gradually increase as follows: (i) 2019-25%, (ii) 2020-50%, (iii) 2021-75% and (iv) 2022-100%.

Law 71/2018, of 31 December, approving the State Budget for 2019 confirms the application of a rate corresponding to 25% of the ISP rate and the CO2 surcharge rate in 2019 to the purchases of coal for the generation of electricity and electricity and heat (cogeneration), establishing, in the case of the addition of CO2, that the rate should be applied to a maximum amount of 5€/tCO2.

**Portugal - Electricity - Transportation**

***Background***

The transportation activity integrates the overall management of the system and is implemented under a public service concession, exclusively, through the exploitation of the National Transportation Network (RNT).

The RNT concession contract was awarded by the State to REN - Redes Energéticas Nacionais, SGPS, SA in 2007, for a period of 50 years.

**Portugal - Electricity - Distribution**

***Background***

The distribution activity includes the operation of the National Distribution Network (RND), which includes distribution networks in medium and high voltage, and the operation of distribution networks in low voltage, being exercised through concession contracts under a public service regime, exclusivily.

The concession contract for RND's exploration was concluded between the State and EDP Distribuição in 2009 for a period of 35 years.

The concession contracts for the operation of the low voltage electricity distribution networks were settled between the 278 Municipalities of mainland Portugal and EDP Distribuição on different dates, for a period of 20 years, renewed for equal periods until 2006, according to DL 344-B/82 of 1 September 1982 with the respective amendments, namely those introduced by DL 29/2006.

The concession contracts between the 278 Municipalities and EDP Distribuição will reach their end until 2026, the majority in 2021 and 2022.

In this context, Law 31/2017, of 31 May, came to predict the launch of the public tender for the award of new concession contracts synchronously, in 2019, to territorial areas defined by municipalities or municipal entities, under proposal from ERSE.

Regarding the remuneration of the distribution activity, it should be noted that in each year the company that carries it out must recover its operating costs and the remuneration of the investment made:

*Permitted Revenue = Costs with capital (costs accepted) + Operating Costs net of other income, except amortizations (price cap) + Other income (costs accepted)*

***Key Developments of 2018***

*Concessions for Low Voltage Distribution*

On 11 January, the Presidency of the Council of Ministers published the Resolution 5/2018, that approves ERSE's program regarding the procedures for the public tender for the allocation of concessions intended exclusively for the operation of municipal low-voltage electricity distribution networks.

*Tariff and Prices*

ERSE's Directive 2/2018, of 4 January, approved tariffs and prices of electricity and other services for 2018.

Directive 13/2018, of 15 December, approved tariffs and prices for electricity and other services to be in force in 2019, and is awaiting publication in the Official Gazette.

*CESE*

Law 71/2018, of 31 December, that approves the State Budget for 2019, reinforced the temporary nature of the extraordinary contribution on the energy sector (CESE), introduced by Law 83-C/2013, of 31 December, which approves the State Budget for 2014, as amended by DL 33/2015, of 27 April, in association with the reduction of the National Electric System's tariff debt.

On the other hand, Law 109-A/2018, of 7 December, established the allocation of a greater fraction of the CESE's revenue (2/3) to the reduction of the National Electric System's tariff debt than the result of the provisions of DL 55/2014 , of 9 April 2014, that established the Systemic Sustainability Fund for the Energy Sector (1/3).

***Portugal - Electricity - Supply***

***Background***

The commercialization activity is open to competition, being subject to prior registration.

Suppliers can freely buy and sell electricity and, in this sense, they have the right to access to the transmission and distribution networks, through the payment of regulated tariffs fixed by ERSE.

It is also legally consecrated, for the protection of consumers, a supplier of last resort, subject to the granting of a license, whose purpose is to serve as guarantor of the electricity supply to costumers, especially the most vulnerable, in terms of quality and continuity of service .

The last resort supplier applies the sales tariffs to final customers defined by ERSE, however, the law foresees them to expire in December 2020.

The commercialization activity is carried out by EDP Comercial, S.A and the activity of last resort supplier (CUR) is carried out by EDP Serviço Universal, SA - a company incorporated and totally owned by EDP Distribuição, S.A.

***Key Developments of 2018***

*Extinguishing Regulated Tariffs*

Ordinances 39/2017, of 26 January 2017 and 364-A/2017 of 4 December 2017 for electricity and Ordinance 144/2017 of 24 April 2017, for natural gas, extended for 3 years more the deadline for the extinction of regulated tariffs in these sectors, which is now 31 December 2020. On 30 August 2017, Law 105/2017established the electricity domestic costumers' right to choose the regulated tariff regime and eliminated aggravation factors in Low Tension (BTN) tariffs.

Ordinance 348/2017, of 14 November 2017 established a regime similar to the transitional or regulated tariffs regime in the liberalised market, as well as the conditions under which a liberalised market customer may request the return to the regulated market. In this context, on 3 January 2018, ERSE published Directive 1/2018, which implemented these changes.

*Prices and Tariffs*

As already mentioned for the distribution activity, on 4 January, ERSE published Directive 2/2018, which approves tariffs and prices of electricity and other services for 2018.

Directive 13/2018, of 15 December, approved tariffs and prices for electricity and other services to be in force in 2019, and is awaiting publication in the Official Gazette.

**Organized markets operation**

***Background***

The activity of management of organized electricity markets is liberalised, being subject to approval, and is the responsibility of market operators.

**Logistic operations for the change of suppliers**

***Background***

The activity of logistic operations for the change of suppliers includes the necessary functions to change the supplier by the final consumer, at his request, and has been exercised, provisionally and temporarily, by EDP Distribuição - Energia, S.A.

However, this activity was through DL 38/2017, of 31 March, attributed to ADENE, which now exercises it for both electricity and natural gas.

**Portugal - Natural Gas**

***Background***

The general bases for the organization and operation of the national natural gas system (SNGN), as well as the general bases i) applicable to the operation of reception, storage and regasification of liquefied natural gas (GGNL), underground storage and transportation of natural gas, distribution and sale of natural gas and ii) the organization of these markets are established in DL 30/2006, of 15 February, in the version corresponding to the republishing made by DL 230/2012, of 8 October, with the changes introduced by Law 42/2016, of 28 December, and developed by DL 140/2006 of 26 July, in the corresponding republication version made by DL 231/2012, of 8 October, with the changes introduced by Law 38/2017, of 29 December.

These legal diplomas transpose into Portuguese law Directive 2009/75/CE of the European Parliament and of the Council of 13 June 2009, on common rules for the internal market in natural gas and revoking Directive 2003/55/CE.

The national natural gas system (SNGN) includes the activities of (i) receiving, storing and regasifying LNG, (ii) underground storage of natural gas, (iii) natural gas transportation, (iv) natural gas distribution, (v) natural gas supply; (vi) operation of organized natural gas markets; and (vii) natural gas supplier's logistic change operation.

These activities are subject to the regulation of the Energy Services Regulatory Agency (ERSE), whose purpose is to ensure the efficiency and rationality of activities in objective, transparent, non-discriminatory and competitive terms, through its continuous supervision and monitoring, integrated the purpose of the internal market for natural gas.

For the activities of transportation, distribution and supplying of last resort, the law establishes the right to a remuneration fixed by ERSE, in accordance with the Tariff Regulation, that ensures the economic and financial balance under the conditions of an efficient management.

**Portugal - Natural Gas - Supply**

***Background***

The supply activity is liberalised, being subject to prior registration.

The suppliers can buy and sell natural gas without restrictions . To this end, and upon the payment of a regulated tariff, they have the right of access to GNL storage facilities and terminals and to transportation networks and distribution networks.

The sale of natural gas is subject to the transitional regime established for the gradual opening of the market.

For the protection of the customers, the last resort supplier is also subject to the attribution of license and public service obligations in the areas covered by the Public Natural Gas Network (RPGN).

This supplier is subject to the obligation of supply, guaranteeing, in the areas covered by the RPGN, to all customers who request it, the satisfaction of their needs, in compliance with the applicable legislation, namely the one related to customers protection.

The last resort supplier applies the sales tariffs to the final customers defined by ERSE, although the law foresees them to expire in December 2020.

The liberalised trading activity is carried out in the EDP Group by EDP Comercial, S.A. and the activity of last resort supplier (CUR) is carried out by EDP Gás Serviço Universal, S.A.

***Key Developments of 2018***

*Industry Regulations*

On 16 April 2018, ERSE Regulation 225/2018 approved the Tariff Regulation of the natural gas sector, revoking the previous one, approved by Regulation 415/2016 of 29 April 2016. Also on 16 April, ERSE published Regulation 224/2018, which amends the Regulation of Commercial Relations in the natural gas sector. Both Regulations reflect the need to adapt the previous ones to: i) the changes introduced by Decree-Law 38/2017 of 31 March 2017, related to the activity of logistics operator for switching suppliers; and ii) the changes in Law 114/2017, which approves the state budget for 2018, related to the social tariff financing mechanism.

To better accommodate the changes disclosed in Law 114/2017, which approves the State Budget for 2018, for the social tariff framework:

a) on 21 June 2018, ERSE Regulation 385/2018 was published, which amends the Tariff Regulation (RT) of the natural gas sector;

b) on 22 June 2018, ERSE Regulation 387/2018 was published, which makes the second amendment to the Business Relations Regulation (RRC) of the natural gas sector.

*Tariffs and Prices*

Also on 22 June of 2018, ERSE Directive 9/2018 was published, which approves the rates and prices of natural gas for the year 2018-2019.

**Gas - Portugal**

**Activity in the energy sector in Spain**

**Electricity - Spain**

In Spain, EDP-España, S.A.U. (EDP-España) operates in the electricity and gas sectors. In the electricity sector generates, distributes and supplies electricity. Production is based essentially on traditional coal thermal power plants and, on a smaller scale, on hydroelectric and nuclear power plants.

*Electric Sector Regulation*

On 27 November 1997 the Electric Sector's Law 54/1997 was approved, which (i) implements the principles included in the Protocol signed on 11 December 1996 between the Ministry of Industry and the major electric power companies regarding greater liberalization and competition in the electricity sector and (ii) incorporates into Spanish law the provisions contained in Directive 96/92/EC on common rules for the internal electricity market. Additionally, on 6 July 2007 the Law 17/2007 of 4 July came into force, amending the Law 54/1997, to adapt it to the Directive 2003/54/EC of the European Council and Parliament of 26 June 2003 on common rules for the internal market of electricity. Law 54/1997 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles of the European Parliament and Council's Directive 2009/72/CE of 13 July that revokes the Directive 2003/54/CE. On 27 December 2013, was published in the Official State Gazette the Law (BOE) 24/2013 which replaces Law 54/1997 maintaining the principles established in previous legislation but with particular emphasis on economic and financial sustainability of the electricity sector.

*Generation*

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

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

Electricity is paid at the system's marginal price plus a component for the adjustment services necessary to ensure an adequate supply. Additionally, the Order ITC/2794/2007 of 27 September 2007, which revised the electricity tariffs from 1 October 2007, replaced the concept of "power availability" remuneration of electricity generation by the concept of "capacity payments" stated in article 14.5 of the Law 24/2013, which sets a remuneration of the availability service - for the procurement of capacity in the medium term developed on the Order ITC/3127/2011 - and the incentive to invest in long-term capacity.

The set-up of new generation units is liberalised, subject to obtaining the necessary permits.

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

The Royal Decree-Law 9/2013 and the Law 24/2013, change the remuneration scheme for facilities that use cogeneration, renewable energy sources and waste (former special regime) and, in addition of the price market sale, can be charged a specific fee to cover the costs not recovered in the market, calculated based on the efficient company criteria. This scheme does not exceed the minimum necessary to cover the costs that allow equal competition between facilities and other technologies on the market generating a return, before tax, equal to the rate of the 10-year Spanish state bonds, plus a spread. This spread, since July 2013, is 300 basis points. The above mentioned Royal Decree-Law was developed in: (i) the Royal Decree 413/2014, which replaced the previous rules governing the remuneration model used mainly contained in Royal Decree 661/2007; (ii) the Order IET/1045/2014, approving the remuneration parameters applicable to the plants which are using renewable energy sources, waste or cogeneration; and (iii) Order ETU/555/2017 of 15 June, which establishes the new remuneration parameters for the standard installations for the purine treatment and reduction approved in Order IET/1045/2015 and updates them for the period 2017/2019.

*Transmission*

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

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

The Royal Decree 325/2008 of 29 February, established a new fee regime applicable to electricity transportation facilities, that entered into service from 1 January 2009. However, since the adoption of the Royal Decree 9/2013, the retribution will be calculated based on the Spanish Government ten year bond yield, plus 200 basis points. These assumptions were developed in Royal Decree 1047/2013 (repealing the Royal Decree 325/2008), which was amended by Royal Decree 1073/2015 of 27 November and developed by Order IET/2659/2015 of 11 December, which approved, among others, the reference unit values for the calculation of the remuneration of transmission facilities of energy.

According to the Law 24/2013 the transmission activity is performed by a single entity. There is also a distinction made between the primary transmission system (facilities superior or equal to 380 kV with international networks and with extra-peninsular and insular systems) and the secondary transmission system (facilities superior or equal to 220 kV other than primary transmission systems and the facilities below 220kV with transmission functions).

*Distribution*

Law 54/1997 established that the remuneration for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the electricity distribution activity and modified the system of "Acometidas" (system that regulates the installation that connects the distribution grid to the point of delivery of energy to the customers). This remuneration system is based on investments and increased demand of each distributor. On 1 April 2012, came into force the Royal Decree 13/2012, amending the remuneration criteria of the distribution activity related to the assets in use that are not amortised, taking as basis for their financial retribution their net amount. Additionally, the return on assets in use in the year t shall be initiated at 1 January t+2. However, since the adoption of the Royal Decree 9/2013, the distribution activity remuneration will be calculated based on the Spanish Government ten year bond yield, plus 100 basis points. during the second quarter of 2013 and 200 b.p. from 2014 forward. These principles were embodied in the new Law 24/2013 and developed in Royal Decree 1048/2013, repealing the Royal Decree 222/2008.

The application of the new methodology adopted in the Royal Decree 1048/2013 was conditioned by the approval of the standard facilities list and unit investment values and operation and maintenance, which occurred with the publication of the Order IET/2660/2015 of 11 December.

On 10 June 2016, the Spanish Government has published the Ministerial Order IET/980/2016, that has set the final compensation amount from EDP España's electricity distribution business for 2016. In addition, new regulation has set the regulatory average remaining life of EDP España's existing assets as at 31 December 2014 at 25.13 years. Consequently, EDP España evaluated the accounting criteria of the regulated activity, starting to recognise income according to the amortisation pace of its assets, considering the limit of 25.13 years.

The BOE 223/2017 published on 15 September 2017 opened the hearing process of the Order of the Minister of Energy, Tourism and Digital Agenda, introducing a "lesividad" declaration procedure for the public interest Order IET/980/2016, which established the remuneration for the electricity distribution companies until 2016. The allegation of injury to the public interest comes from the fact that this Order does not consider the penalty or reduction of the remuneration per client that was established under the Royal Decree 1048/2013 article 13 for failures in energy meters readings and measuring instruments, as well as different criteria for calculating the residual value of the assets depending on the dimension of the distribution company.

*Supply*

Law 54/1997 established a progressive liberalisation of electricity supply and the introduction of supply activities to enable customers to progressively choose their suppliers and liberalising the supply market from 1 January 2003. Additionally, since 1 July 2009, distributors can no longer act as suppliers (sell electricity) acting strictly as grid operators. Law 24/2013 determines that certain consumers are entitled to be provided with voluntary prices for small consumers and last resort tariffs for reference traders. The reference traders are determined according to the criteria established in Royal Decree 216/2014.

Ordinance TEC / 1366/2018, of 20 December 2018, establish tariffs for electricity access for 2019.

*Electricity Tariffs Regime*

The electrical system costs are described in Article 13.3 of Law 24/2013. These costs will be financed through the revenue from the electrical system, including access fees (which are intended to cover the remuneration of the transmission and distribution), charges for the payment of the cost of other items that are not covered by other income, may be compensated for any financial mechanism legally established, including the state budget.

Access fees, equal in all the Spanish territory, must be determined with the methodologies defined by the National Markets and Competence Commission (CNMC) considering the costs of the system as defined in the Law 24/2013. Charges applicable to consumers and producers are determined by calculation methods adopted by the Government and CNMC that will serve to cover certain costs of the system, without prejudice of what is in force for the access fees of the transport and distribution networks.

Temporarily, and while these methodologies are not approved, fees and charges are defined by the Ministry of Industry, Energy and Tourism.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to the liberalised market. However, the Royal Decree 485/2009 of 3 April, provided that the consumers of low-tension, with contract capacity not exceeding 10 kW, were eligible for last resort tariff (TUR), which determines the maximum price of supply. These tariffs will be applicable by the suppliers of last resort (CUR), where EDP Comercializadora Último Recurso, S.A. is included.

Law 24/2013 replaces the concept of "TUR" by "voluntary price for the small consumer" and the concept of "CUR" by "reference supplier", leaving the term "TUR" reserved for reducing the rate to be applied to vulnerable consumers or rate disincentive for consumers who are temporarily without supplier. The Royal Decree 216/2014 sets out the methodology for the calculation of the voluntary price for small consumer and their legal framework of contracting, already updated by the Real Decree 469/2016 of 18 November.

*Vulnerable Consumers*

The previous legislation on social allowance, which imposes its financing on vertically integrated companies, was overruled by a verdict of the Supreme Court of 24 October 2016. As a consequence of the judicial decision, on 25 December 2016 entered into force the Royal Decree-Law 7/2016, of 23 December, which regulates a new financing mechanism for the cost of social allowance and other measures to protect vulnerable electricity consumers, modifying Law 24/2013.

Royal Decree 897/2017 and Order ETU/943/2017, both of 6 October, proceeded to the regulatory development of the measures adopted by Royal Decree-Law 7/2016. The application of the new social allowance is now based on an income criteria and certain personal circumstances (large family, disability, pensioners with minimal retirement, victims of gender violence or victims of terrorism), which will determine the discount applicable to the electricity bill as vulnerable consumer or consumer at risk of social exclusion. The new financing of social allowance will be assumed by the parent companies of the groups of companies that carry out the activity of electricity sale or by the companies that do so if they are not part of any corporate group and in proportion to the customers to whom they supply electricity.

On 28 September and 22 December 2017, the Ministry of Energy published the Orders ETU/929/2017 and ETU/1282/2017, respectively, which determine the refund by the Spanish State of the amount that the electricity companies contributed to the financing of the social tariff between 2014 and 2016.

**Gas - Spain**

Law 34/1998, approved on 7 October and amended by Law 12/2007 of 2 July identifies the following operators in the context of the supply of natural gas by pipeline:

- Gas transport companies, owners of facilities for regasification of liquefied natural gas, transport or storage of natural gas. After the publication of Royal Decree 13/2012, companies that hold the equipment from the main grid of transport must operate and manage their own grids or hand over their management to an independent operator, in the cases referred by legislation;

- Distribution companies, owners of distribution facilities, whose function is to distribute natural gas by pipeline, as well as to build, maintain and operate such facilities in order to bring natural gas to the consumption points;

- Suppliers, companies that have access to the facilities owned by third parties, which purchase natural gas for sale to consumers or other suppliers for the purpose of international exchanges;

- Final consumers, who purchase natural gas for own consumption and direct consumers in the market, who have direct access to third party facilities.

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

Law 34/1998 of the hydrocarbons sector was amended by Law 8/2015 of 21 May, with the aim of creating an organised gas market and providing greater flexibility and lower costs for traders in the management of security minimum stocks.

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

For suppliers of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (EDP Comercializadora de Último Recurso, S.A. currently covers suppliers obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff (TUR) became the only tariff from 1 January 2010 on, denying to suppliers of last resort the application of discounts over customers with TUR.

On 4 July 2014, the Spanish Government approved the Royal Decree-Law 8/2014, subsequently amended by Law 18/2014, of 15 October. Thus, urgent measures were approved for growth, competitiveness and efficiency in the energy sector, in accordance with european directives. For the gas sector, the objective of this reform is to design an economical stable system, minimizing costs to consumers and eliminating the structural tariff deficit.

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

Law 2/2015 of 30 March, on the indexation of the Spanish economy, aims to establish a new index system, in order to monetary values of regulated prices do not be amended as a result of price index or formulas, affecting the determination of price updates related to the hire of meters, royalties, and periodic inspections. Until the approval of the Royal-Decree that will detail how these updates will be revised, the reference prices as the industrial index price and the consumer index price will be zero.

Law 8/2015 of 21 May, which among other modifies the Law 34/1998 of 7 October, liberalize the periodic inspection service in the hydrocarbon sector, that until now was performed exclusively by the distributor, considers the connections of transport-distribution as distribution' assets and enables the Corporation of Strategic Reserves of Oil Products (CORES) to constitute strategic reserves of natural gas and promote the development of the organised market. These aspects are regulated in more detail in Royal Decree 984/2015 of 30 October.

Additionally, Royal Decree 984/2015 amends the Royal Decree 949/2001 in relation to third party access regime to the natural gas system facilities allowing independent procurement of inputs and outputs for the transmission and distribution system that allows users to change the gas introduced without any restriction, which is essential for the development of the organized market of natural gas.

The regulation of the natural gas organised market is complete with the Resolution of 4 December 2015, of the Secretary of State for Energy, approving: (i) the market rules that determine the technical and economic management of the organized market; (ii) the accession agreement that the agents have to subscribe to operate in the market; and (iii) the resolutions relating to the operation of the market, as well by the resolution of the State Secretary of 23 December 2015, that developed the procedure for operation gas acquisition, and two other resolution of 2 August, which approved the management rules of the gas system guarantee and the structure access to the installations of the Spanish gas system.

Order ETU/1977/2016, of 23 December, established the tariffs and revenues associated with access to the gas sector installations by third parties and the remuneration of regulated activities for 2017, maintaining in general the current values.

Upon the sale of Naturgás Energia in 2017, EDP Group is no longer present in natural gas distribution sector in Spain.

**Activity in the energy sector in Brazil**

**Electricity**

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

In early 90s, the Brazilian electricity sector has undergone major structural changes, having migrated from a monopoly run by the State to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the liberalised system.

*Regulated System*

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

Since 2004, the main form of contracting by a distributor concessionaire is through the realization of public auctions regulated by National Electricity Agency (ANEEL). The rules of these auctions are designed so that the winner is the one with the lowest price.

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

*Liberalised system*

In the liberalised market, electricity is traded among production concessionaires, independent power producers, auto-producers, supply agents and free consumers. In this market, the contractual conditions, such as price, duration and amount of the contract are traded freely and negotiated between the parties (Decree No. 5,163/04). Free consumers can return to the regulated system under certain conditions.

*Regulatory Changes*

The Federal Government has defined changes in the electric sector through "MP". The "MP" 577, published on 31 August 2012, addresses the termination of public service concessions of electricity and the temporary service, and the intervention for the suitability of the public service of electricity. This measure results in the Law 12,767 of 27 December 2012.

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

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

Some concessions attributed to distribution companies have been anticipated, so they had to enter into a new contract. Others, including EDP São Paulo and EDP Espírito Santo, regardless of the maturity of the contracts, may join the amendment proposed by ANEEL, using the methodology that is being evaluated in the Public Hearing 58/2016. This amendment brings changes in the calculation of portions A and B, namely: i) calculation of portion B shall be determined by the market of the test-year and by the tariff prevailing in the last tariff process, ceasing to be obtained by the difference between the verified revenue and portion A; ii) unrecoverable revenues, demand surplus, exceeding demand and other income are now part of Portion A; iii) ONS becomes part of portion B; iv) DIT losses will be allocated to the technical losses; and v) neutral energy and transportation.

The hydro concessions held by EDP Group - Energias do Brasil have been granted after February 1995, corresponding to the date of the entry into force of Law 8,987, thus they are not covered by the regulatory changes introduced. Still, these changes will influence the rules that will be applied on the renewal of these concessions in the future, in the following conditions:

- Each hydro plant should be remunerated by a tariff calculated by the ANEEL;
- Power selling (Physic guarantees) defined through production quotas dedicated exclusively to the regulated sector, that is to the distributors; and
- Compliance with the quality service standards determined by ANEEL.

On 24 January 2013, ANEEL approved the Extraordinary Tariff Review - RTE specific for the adjustment of energy costs, transmission costs and sectorial charges, from all energy distributors. Thus, the unmanageable costs and supply tariffs will be reduced, with no impact in the distributors margin. These effects were noticeable by consumers, from the end of January 2013.

On 23 January 2013, it was published the "MP" 605, whose objective was to increase the scope of application of the resources of the CDE (Energy Development Account), which began promoting resources to cover the discounts applied to the tariffs and involuntary exposure of distributors resulting from the non-adherence to the extension of part of the generation concessions. This measure amended the Law 10,438/2002 which established the application of CDE resources.

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

Eletrobrás, the managing company of the sector funds, among them the CDE, is responsible for monthly transferring to the distribution utilities of the costs related to: generation allocated under the Energy Relocation Mechanism - ERM (Hydrological Risk Quotas); replacement amount not covered by quotas (Involuntary Exposure) and the additional cost of the thermal power plants activation outside the order of merit (ESS - Energy Security), occurred from January to December 2013 and the annual amounts approved by ANEEL to cover, entirely or partially, the positive balances in "Conta de Compensação de Variação de Valores de Itens da Parcela A - CVA", arising from the cost of purchasing electricity and Ancillary Services Charge - ESS.

Following the tariff readjustment process of EDP Espírito Santo, on 30 July 2013, Resolution 1,576/13 approved the amount of 90,670 thousand Reais. For EDP São Paulo this process occurred on 23 October 2013 and Resolution 1,641/13 approved the amount of 237,874 thousand Reais. These values were transferred by Eletrobrás, as a lump sum to cover the positive balances of CVAs corresponding to the acquisition of electricity and the ESS, as established in Decree 7,891, with redaction of the Decree 7,945.

On 12 February 2014, ANEEL, after examining the administrative appeal filed by EDP Espírito Santo, reviewed by the Order 287/2014, the Regulatory Remuneration Base (BRR) part of the 6th Periodic Tariff Review, incorporating 32 million Reais to the Gross BRR and 24 million Reais to the Net BRR. The amount was incorporated into the tariff and the values that were not received in 2013 were adjusted by the SELIC (overnight rate of the Sistema Especial de Liquidação e de Custódia) and added as financial component in the tariff adjustment of 2014.

On 7 March 2014, the Decree 8,203/2014 was published, which authorizes the transfer of funds from CDE to pay the exposure costs to the spot market in the Electricity Trading Chamber - CCEE in January 2014. The amount of 1.2 billion Reais were allocated to Brazilian distribution companies, according to ANEEL's calculations published in Order 515/2014.

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

These measures were implemented by Decree 8,221/2014, of 2 April 2014 related with the cover of the extra costs for 2014, with retroactive effects to February, which defines the financing method and the subsequent effect on electricity tariffs. This is a non-refundable contribution cost.

On 25 April 2014, CCEE signed contracts with some banks to finance 11.2 billion Reais for the ACR-Account to cover the disbursements of the electricity distributors with exposure to the spot market and the energy power stations dispatch. The Energy Development Account - CDE was incharge for the funds for the loan payment, present in the energy tariffs and the reimbursement was made starting on November 2015. The ACR-Account resources obtained through bank loans sold out in April 2014. Therefore, in August 2014 a new loan of 6.5 billion Reais was approved. EDP Espírito Santo received 596 million Reais until November, related with the months of February to October 2014, while, for the same period EDP São Paulo received 309 million Reais. The value of the Account-ACR was insufficient to cover the November and December deficit, forcing ANEEL to defer payment for 2015. In March 2015, CCEE signed a new loan of 3.4 billion Reais. Thus, EDP Espírito Santo and EDP São Paulo received 104.2 million Reais and 64.4 million Reais, respectively, to cover the deficits of November and December 2014. The amounts received by the ACR-Account to cover the 2014 deficit were considered in the energy tariffs from the 2015 ordinary tariff processes.

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

Following the tariff readjustment process of EDP Espírito Santo, which occurred on 6 August 2014, Resolution 1,768/14 approved an index of 26.54% which 19.61% is from economic adjustment and 6.93% from the financial components adjustment. For EDP São Paulo the tariff adjustment process took place on 22 October 2014, and was approved by Resolution 1,809/14 an index of 22.34% rate, being 15.05% the economic adjustment and 7.29% the financial components adjustment.

Through Normative Resolution 613/2014 of May of 2014, ANEEL establishes the criteria for the allocation of the exceeding funds of the Reserve Energy Account - CONER, which has been allocated to distributors in order to reduce the tariff deficit.

From January 2015, entered into force the Flags Tariff System. This system signals to consumers the real costs of electricity generation, and consists on three flags: green, yellow and red. The green flag indicates that the cost of energy production is lower and, therefore no changes are applied to the energy tariffs. The yellow and red flags represent the increase in energy production cost, and is added an additional amount to the energy tariff. Only consumers classified as low income residential subcategory will have discount on the additional amount applied by the yellow and red flags. On a monthly basis, the operating system conditions are reassessed by the National Electric System Operator - ONS, which defines the best strategy for power generation over demand.

On 4 February 2015, the Tariff Flag Resource Account was established, through the Decree 8,401. Distributors should collect the proceeds from the application of this system to this account, managed by the CCEE. Proceeds are allocated to cover the costs that are not included in the distribution tariff, such as: Energy Security of the Ancillary Service Charge - ESS, thermal dispatch, Itaipu hydrological risk and quotas, exposure to spot market and the Power Reserve Account - CONER surplus.

ANEEL should approve on a monthly basis, the transfers to the distribution companies. Any costs not covered by revenue will be considered in the next tariff process.

On 27 February 2015, through Ratifying Resolution 1,859, ANEEL established the new criteria for the additional tariff and the operation of the Flags Tariff System:

a) Green Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is less than the amount of 200 R$/MWh;

b) Yellow Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than 200 R$/MWh and lower than the maximum value of the Differences Settlement Price - PLD, at the time at 388.48 R$/MWh. For the period of 1 January to 1 March 2015, the consumption proportional increase is 1.5 R$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 2.5 R$ per 100 KWh;

c) Red Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than the maximum value of the PLD. For the period from 1 January to 1 March 2015, the consumption proportional increase is 3 R$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 5.5 R$ per 100 KWh. After 1 September 2015, as determined by ANEEL Ratifying Resolution 1,945 of 28 August 2015, occured the approval of the red flag amount redution to 4,5 R$ per 100 KWh.

At the same time, ANEEL accepted the request of Extraordinary Tariff Review - RTE from the distributors and defined the applicable methodology. The results of the RTEs Dealers of Electricity Distribution were approved, through the Resolution 1,858. For EDP São Paulo the application of new tariffs, from 2 March, resulted in an average increase in its customers of 25.12% and for EDP Espírito Santo the effect was 26.83%.

As at 26 January 2016, ANEEL approved the division of the red flag in two price levels, into force from 1 February. The first level will have a value of 3 R$ per 100 kWh consumed and will be used when the CVU of the most expensive plant to be dispatched is between 422.56 R$/MWh and 610 R$/MWh; the second level will continue to be 4.50 R$ per 100 kWh consumed and will be used when the CVU of the most expensive plant to be dispatched exceeds 610 R$/MWh.

As at 26 October 2017, ANEEL approved the increase the second level of the red flag at 5 R$ per 100 kWh consumed. The yellow flag decrease to 1 R$ per 100 kWh. The first level of the red flag remained unchange.

On 28 April 2015, through the Normative Resolution 660, ANEEL approved changes in the methodology applicable to the Periodic Tariff Review processes for distributors valid for the processes performed from 6 May 2015. The changes occurred on the following aspects: (i) general procedures; (ii) operating costs; (iii) X factor (productivity gains); (iv) non-technical losses; (v) unrecoverable revenues and (vi) other income, among with:

a) Extinction of the tariff cycle concept, starting to be used methodologies and parameters prevailing at the time of the tariff review. The update of the parameters will occur in periods of 2/4 years while the updating of the methodologies in periods of 4/8 years;

b) The weighted average cost of capital (WACC) increased from 7.5% to 8.09% (after taxes). The points considered in the update were: (i) standardisation of series; (ii) use of average credit risk of companies in the debt capital of third parties; and (iii) recalculation of the cost of capital every 3 years, with methodology review in every 6 years;

c) Remuneration for the risk associated with investment operations carried out with third-party funds (subsidies);

d) For the definition of efficient operating costs, were considered the "quality index" and "losses";

e) To define the level of non-technical losses, it was included the variable "low-income" and the database updated based on 3 statistical models;

f) The level of unrecoverable revenues (%) shall be calculated based on past 60 months of non-compliance of the reference distributors;

g) The percentage share of other revenue has been changed to 30% in the following services: (i) efficiency of energy consumption; (ii) qualified cogeneration facility; and (iii) data communication services. For the other services the share percentage was set at 60%; and

h) The calculation of the X Factor now regards commercial quality.

These changes, which represent an increase in future income, will only impact the tariff review of EDP São Paulo, that occured at 23 October 2015, and EDP Espírito Santo, that occured at 7 August 2016.

On 4 August 2015, ANEEL approves the Annual Tariff Adjustment of EDP Espírito Santo, through Resolution 1,928. The rates were increased on average by 2.04% and 1.68% for high voltage consumers and 2.29% for low voltage consumers.

On 20 October 2015, ANEEL approved the result of the 4th Periodic Tariff Review of EDP São Paulo. The average effect for consumers was 16.14%, being 17.09% for high voltage consumers and 15.37% for low voltage consumers. The portion B, designed to cover the costs of the electricity distribution business, was set at 823 million Reais, which deducted from the Other Revenue sharing results in 791 million Reais. For 2016 to 2019, the annual Productivity component (Pd) of factor X was set at 1.14%, while the transition component (T) of the same factor X was set at -0.23%. Technical losses were set at 4.59% and non-technical losses were fixed in a downward trajectory that starts at 9.83% in 2016 and ends at 8.45% in 2019.

On 23 November 2015, ANEEL approved, through Normative Resolution 686/2015, changes to the tariff revision methodology on Regulatory Remuneration Base (BRR). The main changes are the following: (i) the exchange of BRR monetary adjustment index, from IGP-M (General Market Price Index), from FGV (Getulio Vargas Foundation), to the IPCA (Price Index Broad consumer), from IBGE (Brazilian Institute of Geography and Statistics); (ii) the assessment of hand labor costs and smaller components of investment through pre-approved regulatory values by type of equipment; and (iii) update of tariff transfer of systems, vehicles, and rentals.

On 28 March 2016, was published Normative Resolution No. 703, of 15 March 2016, through which ANEEL changed some regulatory procedures affecting the calculation of sectorial assets and liabilities relating to: (i) Variation Compensation Account of the A items amounts (CVA)"; (ii) Energy over contracting and Short Term Market Exposure (MCP); (iii) Other financial components; and (iv) Limits of the Power Purchase Costs Transfer.

The main changes with impact for the distribution companies are: (i) “glosa” calculation of the outstanding balance for power purchase CVA; (ii) exclusion of hydrological risk for the composition of contracts price in the “glosa” calculation, except for availability contracts; (iii) use of the carrying amounts of energy contracts and spot market performance for the calculation of the outstanding balance of the power purchase CVA and for the Ancillary Service Charge (ESS) and the Reserve Energy Charge (EER); and (iv) calculation of the spot market results through specific financial component.

On 7 August 2016, ANEEL approved the result of the 7th Periodic Tariff Review of EDP Espírito Santo. The average effect for consumers was -2.80% and -6.18% for high voltage consumers and -0.67% for low voltage consumers. Portion B, designed to cover the costs of the electricity distribution activities was set at 862 million Reais, which deducted from Other shared revenues results in 846 million Reais. From 2017 to 2019, the annual Productivity component (Pd) of factor X was set at 1.15%, while the transition component (T) of the same factor X has become zero. Technical losses were set at 7.14% under the injected energy and non-technical losses were fixed at 11.45% for low voltage.

On 19 September 2016, ANEEL approved, through Normative Resolution 733/2016, the conditions for the application of a new tariff, the White Tariff.

The White Tariff is a new option that indicates to consumers the variation of the energy value according to the day and time of consumption. This tariff is offered to low voltage consumers, known as group B. With this rate, the consumer will be able to pay different amounts depending on the time and day of the week.

On weekdays, the value of the White Tariff varies depending on three periods: peak, intermediate and off-peak. The peak, intermediate and off-peak periods are approved by ANEEL in the periodic revisions of each distributor. To adhere to the White Tariff, consumers need to formalize their choice with their distributor. Who does not opt for this system, will continue to be charged according with the Conventional Tariffs.

The adherence to this new system can be made since January 2018, as follows: (i) immediately for new connections and for consumers with average annual consumption exceeding 500 kWh/month; (ii) up to 12 months for consumers with average annual consumption exceeding 250 kWh/month; and (iii) up to 24 months for the remaining consumers. Consumers may return to the Conventional Tariff.

The MP 735/16, converted in Law 13,360 published on 18 November 2016, restructures the management of the sector funds: Energy Development Account - CDE, Global Reversion Reserve - RGR and Fuel Consumption Account - CCC, whose values today are approximately of 20 billion Reais, transferring this management from Eletrobrás to the Electric Energy Trading Chamber - CCEE, until 1 May 2017.

This Law indicates a reduction of the sector charges to determine that the Granting Authority shall submit a Structural Reduction Expenditure Plan for CDE until 31 December 2017 and also limits the fuel reimbursement for the Northern Region distributors to 3.5 billion Reais until 2017, which are subject to budgetary and financial availability. From 2030, the cost distribution of the CDE between concessionaires and licensees will be proportional to their markets. The transition between the current allocation, which overloads the regions S/SE/MW, and the markets' proportional allocation, will happen between 2017 and 2030. Additionally, it creates favourable conditions for the transfer of the shareholder's control of concessions, simplifying the bidding process and the terms of the payment to the Union. Finally, it authorizes the transfer of the Union debts to Itaipu for the end-consumers tariffs and it revokes the possibility of concessions extension for companies whose start of operations has been postponed, even if it recognizes the exclusion of the company's responsibility.

In Order 2,777, of 18 October 2016, ANEEL granted the litigation review of the non-technical losses of EDP São Paulo by altering the values corresponding to the measured market, adding to it the consumption related to occurrences of fixed invoices and irregularities. So, a financial component, in distributor favour, of 2 million Reais was considered in the readjustment to be applied from 23 October 2016.

In the Normative Resolution 2,158, of 18 October 2016, ANEEL approved the 2016 Annual Tariff Adjustment of EDP São Paulo. The tariffs were readjusted by -23.53%, corresponding to the average tariff effect that will be perceived by consumers as of 23 October 2016.

Nowadays, the Brazilian electricity sector is in discussion about the redefinition of the sectorial regulatory model. These initiatives, have been discussed by segments of the electricity industry and some associations, materialised in two law projects currently in progress in the national congress.

Among the changes debated, the main ones are: the opening of the liberalised market; the assessement of the supply growth; the separation of "lastro" and energy; and the revision of the sectorial subsidies.

Thus, the Ministry of Mines and Energy published the public consultation (CP 33/17) proposing significant reforms to the sectorial model, namely: self-production; opening of the liberalised market; changes in the contracting obligation; reduction of transmission and production costs; connection between price and operation; separation of "lastro" and energy; involuntary over contracting; distribution tariffs; subsidies to stimulated sources (biomass, solar, wind and small hydropower); rationalisation of discounts; risk and rationalisation of contracts; transmission compensation; quotas' withdraw and privatisation; convergence of the CDE; extension of power plants up to 50MW; hydrological risk; and installment payments of outstanding debts.

EDP Brasil conducted in-depth studies and simulations on the various topics, assisted by the consultant Bain & CO in order to actively contribute to CP 33/17.

After the contribution period, Decree 9158/17 was published, which changes the rules for the extension of power plants up to 50 MW, in line with what was proposed in the public consultation. Thus, power plants between 5 and 50 MW, under a concession or authorisation regime, may be extended, upon discretion of the granting authority, for a period of 30 years through the payment of public property use. In addition to this payment, the extension is subject to the payment of the financial compensation for the use of water resources - CFURH, which reverts to the municipalities affected by the power plant, the reversal of the assets at the end of the period and the waiver of pre-existing rights.

The MP 814, published on 29 December 2017, covers, among other topics, the electric power services in Isolated Systems and on the expansion of electric power supply, and allows the inclusion of Eletrobras Group in the National Privatisation Plan, since the measure has the force of law. The hopped solution to the recent judicialization of the electricity sector that already involves 6 billion Brazilian Reais in amounts not paid in the liberalised market, related to the deficit of generation of hydroelectric energy (GSF) was not under this MP. This MP pointed to a hydrological risk solution in the Free Contracting Environment (ACL), addressed the Eletrobras privatization, the increased costs with subsidies and charges (CCC/CDE, the increase in Social tariff regime and the "Light for All" Program) and the increase of the energy price for the continuity of Angra 3. The fear of political effects of these tariff impacts contributed to the loss of parliamentary support for MP 814/2017, which was revoked in June 2018.

On 09 February 2018, the Ministry of Mines and Energy (MME) published a proposal for a Decree-Law regarding the Modernisation and Opening of the liberalised market of Electric Energy that resulted from the discussions and contributions sent under Public Consultation 033 - Enhancement of the Legal Framework of the Electric Sector. The purpose of this Decree-Law is to improve the sector's regulatory model, namely: (i) liberalised market expansion for a wider range of customers; (ii) separation of the "lastro" of the commercialization of electric energy; (iii) reduction of distributors' responsibilities regarding the energy purchase management; and (iv) greater participation and autonomy of agents in the sector. The document is in the Civil House to be sent to the National Congress.

On 6 March 2018, the National Electric Energy Agency (ANEEL) defined that the weighted average cost of capital (WACC) for energy distributors will be maintained at 8.09% until 31 December 2019, anticipating the methodology review from 2020 to 2019. On the same date, ANEEL approved the new efficiencies to be applied in the definition of regulatory operational costs. EDP São Paulo maintained its efficiency level at 82% and EDP Espirito Santo increased its efficiency from 72% to 82%. The distributors' overall efficiency increased from 76% to 79%. ANEEL accepted the request to consider labour sentences and dismantling costs. Regarding the operational cost of the test year and civil sentences, ANEEL chose to postpone the discussion for the methodological review in 2019.

The Government's Law 10322/2018 permits the privatization of six power distributors companies controlled by Eletrobras. This Government's Law takes advantage of MP 814/17 policies and is currently in process.

On 27 April 2018, ANEEL published the new criteria of the tariff flags for the cumulative distribution function (FDA) and the adjustment of the Energy Reallocation Mechanism (MRE).

On 28 December 2018, the Brazilian Government approved Decree 9.642, which gradually eliminates subsidies included in the electricity tariffs at a rate of 20% per year for 5 years. The subsidies targeted for reduction are those related to the discount for the rural, irrigation/aquaculture and water/sewage/sanitation consumers. The decree also ends with the commutativity of discounts for the beneficiaries of the rural and irrigation/aquaculture classes.

On 29 December 2018, Ordinance 514 was published, which decreases the power limits for contracting electric energy from consumers in the liberalised market. From 1 July 2019 consumers with power of 2,500 kW or more will be able to purchase energy on the open market and from 1 January 2020 the possibility will also include the power of 2,000 kW.

*Generation*

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

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

- Generation companies, producing electricity for public service distribution;

- Independent producers (which assume the risk of the sale of electricity with distributors or directly with free consumers);

- Auto-producers (energy generation for own consumption, the excess of which can be sold through an authorisation).

The capacity payments of a generation plant defined by the Ministry of Mines and Energy and set out in the concession agreement or authorization act, correspond to the maximum amount of energy that can be used for commercialization through contracts, in accordance with Decree 5,163 of 2004.

An unfavourable hydrological scenario could damage revenues and the results of hydroelectric production due to the lack of capacity to produce the necessary energy in order to fulfill the contractual obligations.

The systemic production deficit, by national hydroelectric plants related to the Energy Reallocation Mechanism (MRE), cause the reduction of capacity of all hydropower plants in the country, through the factor known as Generation Scaling Factor - GSF. This decrease compels those companies to buy energy in the free market to comply with the agreements with the consequent of a negative exposure in the spot market.

On 18 August 2015, the Federal Government published the MP 688 (converted into Law 13,203 at 8 December 2015) on the renegotiation of the production hydrological risk, in order to allow the hydrological risk renegotiation by hydroelectric producers participating in the MRE. The regulation of the renegotiation hydrological risk was carried out by ANEEL, through Normative Resolution REN 684 on 11 December 2015, with retroactive application to January 2015, the access to this system requires regulatory approval.

For producers operating in the regulated system (ACR), it is planned the transfer the of GSF losses for the Tariff Flag account upon a payment of a premium risk. Thus, producers will be reimbursed for losses from 2015 GSF through the exemption from the premium risk from January 2016 until the full compensation of the 2015 losses as ANEEL approval.

For producers operating in the liberalised system (ACL), will also be subject to a premium risk payment, due to the acquisition of the system backup power. The compensation of losses from the 2015 GSF will be made by the extension of the concession contract of the production company that adhere to the agreement in ACL. From 2016 the renegotiation does not exempt the producer of the GSF cost, allows only the mitigation of part of the hydrological risk through the purchase of new energy which will be available in the electrical system.

On 18 December 2015, the companies Lajeado, Investco, Pantanal and the jointly controlled company ECE Participações (Jari) filed the request for the renegotiation of the hydrological risk approval in the regulated system to ANEEL, with effect from 1 January 2015. EDP Brasil failed the renegotiation of the hydrological risk in the liberalised system. Also note that on 29 January 2016, the orders have been published that approved the renegotiation of the hydrological risk in the regulated system for other plants that were upon evaluation of EDP Brasil, namely, Santa Fé and Energest (regarding with Mascarenhas hydro plant). Enerpeixe and part of the energy related to Mascarenhas hydro plant did not had their requests approved for the energy acquired in the Energy Auction A-1. For these cases, Energest and Enerpeixe appealed against the ANEEL decision of 29 March 2016 on Macarenhas, denying the request. On 17 May, ANEEL denied the administrative appeal of Enerpeixe.

On 23 September 2016, Empresa de Energia Cachoeira Caldeirão and ECE Participações filed the request for the renegotiation of the hydrological risk in the regulated system to ANEEL for approval, with effect from 1 January 2017. For the last one, the request was for the average of the additional 20 MW sold in the 15th New Energy Auction. During November and December 2016, the order that approved the renegotiation of the hydrological risk of the power plants was published, in the requested terms, as well as the renegotiation terms, which formalised the adhesion of the producer to the hydrological risk renegotiation.

Ordinance 178 of the MME reviewed the physical guarantees of the hydropower plants of Lajeado and Mascarenhas, which changed from 386 MW to 370 MW and from 139 MW to 135 MW, respectively.

In 6 January 2018, physical guarantee of UHE Santo Antônio do Jarí was increased to 222 MW.

Normative Resolution 7017 of 15 May 2018 allowed the change in the installed capacity of Swiss Hydroelectric Plant from 33,900 kW to 35,337

On 21 June 2018, Decree No. 4915 was published with the following changes: (i) MME's competences were transferred to ANEEL: the definition in the bidding document and the reimbursement by the winner of the bid for costs incurred in studies or projects of hydroelectric projects above 50 MW were approved and; (ii) the definition of the optimal use of the above 50 MW projects to be tendered.

On 19 July 2018, Normative Resolution 822/2018 was published, which establishes the Complementary Dispatch for the Maintenance of the Operational Power Reserve, valid as of 1 October 2018. This Ancillary Service is defined as the dispatch of generating units of thermoelectric plants that are centrally controlled, to preserve the operational power reserve in the hydroelectric plants that participate in the Automatic Generation Control in any subsystem. This dispatch will be determined by the National Electric System Operator (ONS), which will define the systematics of price offer, a week earlier, limited to 130% of the latest value of the Unit Variable Cost (CVU), to minimize the cost operating system.

On 23 August 2018, Normative Resolution 827/2018 was published, which regulates the new formula for penalty for failure to supply fuel to thermoelectric plants with centralized dispatch. The main change is that ANEEL started to pass on the fine to the CVU. The penalty will be determined by the ratio between the total or partial unavailability of the plant due to the lack of fuel and the percentage that will be applied to the penalty. This percentage will be multiplied by the CVU and by an amount of Non-Supplementary Energy that will be calculated by the ONS, thus reaching the value of the penalty.

*Distribution*

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

With the publication of the Decree 8,461, of 2 June 2015, the extension of the electricity distribution concessions encompassed in the Law 12,783, of 11 January 2013, may be extended for thirty years, once met the following criteria: (i) relative efficiency to the service quality; (ii) economic and financial management efficiency; (iii) operating and economic rationality; and (iv) moderate tariffs.

The distribution concessions held by EDP - Energias do Brasil, which were granted after February 1995, date of entry into force of Law 8,987, are not covered by the regulatory changes. Still, these changes are likely to influence the rules that will be applied in the renewal of these concessions.

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

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

Tariffs are adjusted annually based on changes in portion A costs and in the monetary correction of portion B costs, by the Market prices index (IGPM), discounted of productivity gains (factor X). The adjustment index is calculated in such a way to pass the non-controlling cost variations of the portion A and the corrected portion B. Periodically (on average every 4 years), a Periodic Tariff Review occurs, generating the recalculation of all costs, the definition of a new BRR and a new reference company, capturing productivity gains occurred in the period between revisions. At the beginning of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs. On 25 November 2014, ANEEL made addendums to the concession contracts with brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities and, as a consequence, to qualify them to be recognised in the financial statements. After the addendums, it was considered that the conditions are met to recognise regulatory assets/liabilities as assets and liabilities. Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement with ANEEL.

The Decree 8,828/2016 of 4 August 2016, eliminated the obligation of contracting the installed capacity of the plants that correspond to the maximum load demand ("Lastro de potência") and the penalties associated with their eventual failure. In addition, it removed the limitation of transfer costs to the tariff, when it needs to recontract energy, which volume is less than 96% of the Replacement Amount, for cases when there is an excess of contracts on the supply load measured in year A-1 (Existing Energy). The exclusion of the transfer limit on over contracting situations will bring more flexibility to the distributors, making them able to mitigate - in a very limited way though - the effects of reducing the existing volume of energy in their portfolios.

Additionally, the withdrawal of the mandatory "monômia" tariff for low voltage consumers, allowed the proposal of implementation of the "binômia"(energy and demand) tariff, seeking to encourage the efficient use of the distribution' networks and ensure the expansion and the sustainability of the incentive program for renewable energy and localized production.

As one of the mitigation measures for the problem of the electricity overcontracting felt by the most distributors throughout 2016, ANEEL published some normative resolutions. Normative Resolution 711/2016 allowed distributors, in agreement with the production agents: to reduce, postpone or cancel energy trading agreements in the ACR (CCEARs). There is a charge or receipt of bonuses by the distributor for 3 years, depending on the contract price, in relation to the average purchase price of the distributor.

In addition, there was a large number of customers that went to the ACL market, especially due to the high costs of thermoelectric generation that occurred between 2014 and 2015, with a significant impact on the over-contracting of the distributors. In this context, Normative Resolution 726/2016 was published, which made it possible the contracts devolution when the customers are in new energy trading agreements in the ACR.

Normative Resolution 727/2016, in turn, and within the package of measures adopted by ANEEL regarding overcontracting, has improved the use of the New Energy Deficits and Deficit Compensation Mechanism (MCSD), with the possibility of contractual reduction by producers. The reductions will occur from the most expensive contract to the cheapest, without mechanism of charges and bonuses.

With the publication of Normative Resolution 728/2016 in June 2016, the regulation of the phenomena of Voltage Imbalance, Harmonic Distortions, Voltage Fluctuations and Short-Term Voltage Variations were reviewed, with the addition of obligations that will allow the improvement of quality of the product supplied by the distributors, such as the definition of limits and reference values for the indicators, the obligation of quality studies for the energy distribution network access.

In 2016, ANEEL initiated a new methodology for the supervision of electricity distribution services, focused on preventive actions, using analytical intelligence and evidence-based inspection techniques in a context of Responsive Regulation. The objective is the development of Improvement Plans, which will be monitored by the regulator.

In March 2017, Decree 9019/2017 was published, providing for the non-contracting of the reserve energy through the implementation of the competitive mechanism. This will cover plants that have not yet started operations in test mode. The amounts that will not be contracted will be defined by the Ministry of Mines and Energy - MME, based on studies of EPE - Empresa de Pesquisa Energética. The mechanism will consider the payment of a premium and will entail the withdrawal of plants authorisation.

On 28 March 2017, ANEEL decided to republish the Energy Tariffs to reverse the forecast of the Reserve Energy Charge (EER) of Almirante Álvaro Alberto - Unit III (Angra III) nuclear power plant. The new tariffs became effective from 1 April 2017 until the next tariff processes of the country's distributors, scheduled during 2017. Nevertheless, it was decided to anticipate the reversal of the charge, in an extraordinary and exclusively way, in April 2017, of the amounts already collected from tariffs from 2016 until March 2017, since the Angra III nuclear power plant was scheduled to start operating in January 2016, but due to delays in construction work, the new entry forecasted is from 2019.

In April 2017, Decree 9022/2017 was published, establishing standards and guidelines for the Energy Development Account (CDE), the Global Reversion Reserve (RGR) and the National System Operator (ONS). The main reason was the change of the manager of the CDE and RGR accounts, from Eletrobrás to CCEE (Electric Energy Trading Chamber). In the same decree, rules concerning the purpose and budget for CDE and RGR, management, transparency and some provisions related to the change of the account manager were also defined. In addition, ONS received new assignments related to the load forecasting and planning of isolated systems operation.

In May 2017, ANEEL published Normative Resolution 768/2017 (amending Normative Resolution 414/2010), to improve the classification criteria for consumer units, namely the alteration of the registry of public services and public lighting, requiring the segregation of measurement when the public service has more than one activity designated for the same consumer unit.

With the publication of Normative Resolution 759/2017 in February, ANEEL established procedures and requirements for the Invoice Measurement System. The main change is the possibility of using measurement in the secondary of the transformer of the consumer unit, which implies the need for a meter with an algorithm to compensate the losses related to transformation.

With the publication of REN 775 in June 2017, ANEEL amended Regulatory Resolution 414/2010 and Module 7.1 of the Tariff Regulation Procedures - PRORET, introducing Module 11 - Information on the Electricity Invoicing of Distribution Procedures – “PRODIST” . “PRODIST” establishes the procedures that must be observed in the issuance and presentation of electric energy invoices, defining the information that must be included in the electric energy invoices and the relevant aspects on how this information is presented. In addition, it deals with the provision of supplementary information related to the invoicing, the option for the electronic invoice and the option for the invoice summary. PRODIST entered into force on 10 July 2017.

On 30 June 2017, ANEEL established the new Tariffs for Use of the Transmission System - TUST of the National Interconnected System for the period from 1 July 2017 to 30 June 2018, through Resolution 2259/2017.

As at 1 August 2017, ANEEL approved a +9.34% annual tariff readjustment index for EDP Espírito Santo, for the period from 7 August 2017 to 6 August 2018.

Parcel B was readjusted by -2.52%, considering an IGP-M of -1.33% and an X-Factor of 1.20%, which will be shared between “Pd” (productivity gains) of 1.15%, “T” (trajectory to adequacy of operational costs) of 0.00% and “Q” (incentives to quality) of 0.05%. Furthermore, it is worth to mention the impact of the new tariff for the use of transmission system, set forth through ANNEL’s resolution 2259/2017, whose incorporation in transmission costs to be collected in the next 12 months explains an increase of 6.68% average effect perceived by consumers.

On October 2017, the Brazilian electricity regulator, ANEEL, approved a 24.37% increase of annual tariff readjustment index for EDP São Paulo, for the period from 23 October 2017 to 22 October 2018.

Parcel B was readjusted by -2.68%, considering an IGP-M of -1.45% and an X-Factor of 1.23%, which is composed by “Pd” (productivity gains) of 1.14%, “T” (trajectory to adequacy of operational costs) of -0.24% and “Q” (incentives to quality) of 0.33%. Furthermore, it is worth mentioning the impact of the new tariff for the use of transmission system, set forth through ANNEL’s resolution nr. 2259/2017, which incorporation in transmission costs determined a 10.70% effect on the average tariff increase perceived by consumers. Worth also noting the 14% effect on average tariff related with deviations on previous period costs, mostly related with the unfavourable hydro scenario and consequent impact on energy costs.

On 8 November 2017, ANEEL regulated through Normative Resolution 787, the evaluation of the quality of corporate governance systems to be applied to the electric power distributors. The regulation complies the guidelines for the strengthening of corporate governance in distribution in accordance with the provisions of Decree 8461/2015 and Clause Eight of the concession contracts, and as recommended by the Federal Court of Auditors. This rule, based on an incentive regulation, establishes parameters for the topics of transparency, senior management structure, property relations, internal control and regulatory compliance, resulting in the classification of distributors in high, medium or insufficient level of governance according to adherence to the best practices stated in the regulation.

On 23 November 2017, ANEEL published the Resolution 791/2017, approving sub-module 2.9 of the Tariff Regulation Procedures - PRORET. The publication consists of the admissibility of requests for Extraordinary Tariff Revision - RTE of the concessionaires of electricity distribution.

On 12 December 2017, ANEEL published the Resolution 796/2017, approving version 1.3 of Sub-module 4.4 and version 1.1 of Sub-module 4.4A of Tariff Regulation Procedures - PRORET, which deals with the remaining financial components.

On 19 December 2017, ANEEL approved Normative Resolution 797/2017 explaining the procedures for the sharing of infrastructure of Concessionaires and Permit Holders of Electricity with agents of the same sector, as well as with agents of the Telecommunications, Petroleum, and Gas, with Direct or Indirect Public Administration and with other interested parties. With this publication, Resolution 581/2002 was revoked.

On 22 December 2017, Normative Resolution 794 was published amending Normative Resolution 414 of 9 September 2010, which approves the revision of Modules 1 and 8 of the Procedures for the Distribution of Electricity in the National Electrical System - PRODIST and revokes REN 574/2013. With the publication of the resolution, a specific section was included in PRODIST to establish procedures for the quality of complaint handling, including a methodology for defining the limits for the years following the publication of the resolution. With the publication of the trajectory of the indicators of the distributors EDP São Paulo, the limits will be: i) 25 in 2018; (ii) 24 in 2019; (iii) 21 in 2020; (iv) 17 in 2021; and v) 12 in 2022. For EDP Espírito Santo, the limits will be: i) 23 in 2018; (ii) 23 in 2019; (iii) 21 in 2020; iv) 17 in 2021; and v) 13 in 2022. In addition, Submodules 5.1 and 5.2 of the Tariff Regulation Procedures (PRORET), which regulate the Fuel Consumption Account and the Energy Development Account (CDE) were approved, as provided for in Decree No. 9.022/2017.

On 27 December 2017, ANEEL published Normative Resolution 799/2017, which establishes criteria and procedures in the event of errors identification in the process of formation of the Settlement Price of Differences - PLD and repeals Normative Resolution 568/2013. In case of error identification in the PLD formation process, the National Electric System Operator - ONS and the Electric Energy Trading Chamber - CCEE shall correct it in the operative week following its identification.

The ONS, with the CCEE support, should implement, up to 180 (one hundred and eighty) days from the publication of this resolution, a virtual platform related to the Monthly Operational Program - PMO and its revisions. The CCEE should hold monthly meetings with the agents to address the adequacy of data, procedures and results of the program chain.

On 13 March 2018, ANEEL approved the update of the efficiency ratios for the calculation of distributors' regulatory operating costs.

On 27 April 2018, ANEEL announced the new criteria for triggering the tariff flags considering the hydrological risk thresholds defined according to the known operational history of the National Interconnected System (SIN). From 2019, the rule for the tariff coverage treatment will be revaluated based on the hydrological calendar, in April, which is the end of the rainy period. The metric will consider the definition of hydrological risk cost, where there is an indirect relationship between the depth of the hydro generation deficit (GSF) and the short-term price of electricity (PLD). The composition of these two variables causes the proposed amounts to approximate the costs incurred. The yellow flag remains R$1 per 100 kWh consumed and fractions. The red flag on level 1 is R$3 per 100 kWh and, on level 2, is R$5 per 100 kWh.

On 15 May 2018, ANEEL approved the Normative Resolution that restructures the Manual of Accounting for the Electric Sector (MCSE) with respect to the principles and procedures to be fulfilled. The principles refer to MCSE themes or chapters that impact financially or organizationally the management of companies: basic accounting structure and premises, accounting structure, key premises of the accounting system, and the registration and control of assets and rights. The Superintendence of Economic and Financial Supervision (SFF) will be in charge of the topics or chapters of the MCSE with minimal impact in the management of accounting instructions and operating techniques, among others.

On 5 June 2018, Law 13673 established a mandatory disclosure on the distributors' electronic website, clearly and easily understood by the final consumer, of a table with the value of the tariffs and the evolution of revisions or readjustments made in the last five years.

As a result of the Public Hearing 029/2017, ANEEL approved Normative Resolution 819, on 19 June 2018, allowing any interested party to carry out electric vehicle recharging activities, including for commercial exploitation at freely negotiated prices. It also regulates the criteria for the supply of energy in units of consumption that contain recharging stations for electric vehicles.

On 17 July 2018, ANEEL approved Normative Resolution 821, introducing the exemption of the CDE payment by low-income consumers and the default interest of 1% on the payment delay to the Energy Development Account (CDE), Fuel Consumption Account (CCC) and Global Reversion Reserve (RGR).

On 17 July 2018, ANEEL approved Normative Resolution 824, which redefines the mechanism for the sale of surplus and its tariff impact.

On 7 August 2018, ANEEL approved the Annual Tariff Adjustment of EDP Espírito Santo. Regarding the current tariff, the average effect to be perceived by consumers will be +15.87%, +14.99% for consumer units served in high and medium tension and +16.30% for those served in low tension. Portion B (portion managed by the distributor) was 862 million Reis.

Normative Resolution 826 of 15 August 2018 changed the criteria for the transfer of resources invoiced by the distributor to the Flags Account, prioritizing the destination of resources for the concession itself.

On 4 September 2018, ANEEL approved the revision of CDE's annual budget for 2018, through Resolution 2446. For EDP São Paulo, the new quota for 2018 is 525,316,121 Reais and for EDP Espírito Santo it is 294,974,684 Reais (http://www2.aneel.gov.br/cedoc/reh20182446ti.pdf).

On 16 October 2018, ANEEL approved the Annual Tariff Adjustment of EDP São Paulo. Regarding the current tariff, the average effect to be passed on to consumers will be +16.12%, being +17.84% for high and medium tension consumption and +15.13% for low tension consumption. Portion B (portion managed by the distributor) was 961 million Reais.

In Normative Resolution 829, dated 24 October 2018, ANEEL decided to use CONER's extra balance to improve the deficit balance of the distributors' accounts, in particular the flags account.

Normative Resolution 835 of 19 December 2018 improved and adjusted the criteria for the grouping of distribution concessions.

Normative Resolution 833, dated 19 December 2018, detailed the procedure for the calculation and settlement of the Surplus Selling Mechanism from Normative Resolution 824/2018.

The budget of the Energy Development Account - CDE for the year 2019 was established by ANEEL through Normative Resolution 840, of 26 December 2018.

*Supply*

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

*Public Domain Assets*

In Brazil, fixed assets used in the distribution and the supply activities are bound to these services and cannot be removed, sold, transferred or mortgaged without the prior and express consent of the regulator (ANEEL).

*Transmission*

The concession of the public electricity transmission service is delegated by the Granting Authority through bids and formalized through concession agreements. The remuneration for the public transmission service is denominated Annual Revenue Allowance (RAP), and it is achieved in the transmission auction itself and paid to the transmitters as they start operating.

The RAP is adjusted annually and is reviewed every four or five years, under the terms of the concession agreements. ANEEL can still calculate an additional amount to the RAP in order to remunerate the new installations through an Authorizing Resolution, whenever there is a need for reinforcements and / or improvements indicated in studies.

The revenues of the transmission companies are the result of the payment of a designated tariff TUST - Tariff of Use of the Transmission System - by users of the Basic Network of the National Interconnected System: generators, distributors, free and potentially free consumers, and suppliers importing and exporting energy.

The electricity transmission concessionaires have the quality of the service evaluated through indicators associated with the availability of the transmission system, defined by Normative Resolution 729 of 2016. These indicators are characterized as: (i) Variable Portion - PV, portion to be deducted from the transmitter's revenue due to the non-provision of the service and; (ii) additional to the RAP, a value to be added to the annual remuneration of the transmitter that presents excellent performance, with resources coming exclusively from the Variable Portion, deducted from the transmitters.

The public electricity transmission service of the National Interconnected System (SIN) includes the facilities of the Basic Network - RB and Basic Border Network - RBF. Normative Resolution 67/2004 establishes criteria for the structure of the Basic Network of the National Interconnected System and defines that the RB consists in the SIN installations with a tension level equal to or greater than 230 kV, while the RBF is made up of the transforming units of SIN power with an upper tension equal to or greater than 230 kV and a lower tension of less than 230 kVA.

Normative Resolution 68/2004 establishes the procedures for access and implementation of reinforcements in the Other Transmission Facilities - DITs.

Decree 5,597 of 26 November 2005, which regulated the criteria for access to the Basic Network, was subsequently regulated by Normative Resolution 722, dated 31 May 2017, which established criteria for access to the Basic Network.

On 28 May 2018, Normative Resolution 815 was published to amend Resolutions 67 and 68, both of 2004 and 722/2017. The main change was the establishment of rules related to the costs associated with the verification of the specifications and the projects, and the contribution in commissioning incurred by the transmission company, when another transmission company initiates a connection, formulated through an Installation Sharing Contract.

Through Normative Resolution 831 of 30 October 30 2018, ANEEL changed the parameters for the calculation of the price limit for new auctions.

Normative Resolution 454/2011 establishes the criteria and conditions for the commercial operation and incorporation into the National Interconnected System (SIN), the increases and reinforcements in transmission facilities. REN defines that for the initiation of the tests, it is necessary to issue the Release Term for Test and for commercial entry, the Partial Release Terms - TLP or the Definitive Release Term - TLD, by ONS. The TLP indicates that there may be restrictions of its own or even third party impediment restrictions; however, it guarantees the right to receive remuneration. REN also establishes the receipt of 90% of the RAP part if the transmission facilities start commercial operation with their own non-impeding restrictions.

Normative Resolution 841/2018 will enter into force as of 1 July 2019 and will revoke REN 454/2011. The new REN creates the Revenue Release Term - TLR, which, in the case of installations capable of operating with third party impeding restrictions, will receive 100% of the RAP and will maintain the receipt of 90% of the RAP portion for the TLPs if the restrictions for more than 12 months, the transmitter will receive 80% of the RAP portion. The new REN creates the Revenue Release Term - TLR, which for the cases of facilities capable of operating with third party impediments, receives 100% of the RAP and maintains the receipt of 90% of the RAP portion for the TLPs if the for more than 12 months.

On 23 December 2018, EDP Transmissão started the commercial operation of its facilities, the Linhares - São Mateus 2 230kV Transmission Line, with 113 km of extension and the São Mateus 2 Substation, in the State of Espírito Santo. The beginning of commercial operation occurred twenty months prior to the date established in the Concession Agreement, an unprecedented event in the Brazilian electricity sector.

**Activity in the renewable energy sector**

In December 2007 the EDP Group incorporated EDP Renováveis, S.L. in Spain so as to concentrate the Group's subsidiaries in the renewable energies sector. On 18 March 2008, EDP Renováveis was converted into a public limited company.

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

On 3 August 2017, in the context of the General and Voluntary Public Tender Offer for the acquisition of shares representative of the share capital of EDP Renováveis, S.A. that was concluded on the third quarter of 2017, EDP - Energias de Portugal, S.A. total investment was 296,376 thousand Euros with added transaction costs in the amount of 3,244 thousand Euros. As a result of this transation, EDP - Energias de Portugal, S.A. holds 720,191,372 shares in EDP Renováveis, S.A., increasing its interest in the company from 77.5% to 82.6%.

**Electricity**

*Generation*

As at December 2018, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital of EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energias del Ocidente, S.L.), EDP Renewables North America, LLC. (EDPR NA, previous designated as Horizon Wind Energy, LLC.) and EDP Renováveis Brasil, S.A., operating respectively in Europe, in the United States of America and in Brazil.

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and United Kingdom. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, EDP Renewables España, EDP Renewables France, EDP Renewables Belgium, EDP Renewables Polska, EDP Renewables Romania, EDP Renewables Italia and EDPR UK Limited. As at 31 December 2018, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

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

*Regulatory framework for the activities in Spain*

On 12 July 2013 the Spanish Council of Ministers approved a comprehensive reform of the energy sector. This energy reform was afterwards implemented by means of a new “Energy Sector Act”, a Decree-Law, eight Royal Decrees and three Ministerial Orders.

As a part or this Energy Reform, Royal Decree-Law 9/2013 was approved in July 2013. The purpose of this Royal Decree-Law was to adopt a series of measures to ensure the sustainability of the electricity system. Prior to Royal Decree-Law 9/2013, renewable generators benefited from a feed-in tariff regime in which renewable electricity could be sold at a regulated feed-in tariff or at the Spanish wholesale market price plus a variable premium.

According to the 2013 regulatory framework, renewable energy facilities are entitled to sell the electricity they generate into the Spanish wholesale market and, during their respective regulatory lives, receive additional payments per installed MW from the Spanish electricity system through the “Comisión Nacional de los Mercados y la Competencia (CNMC)” body. This regulatory system is intended to allow each standard wind farm to achieve a pre-tax rate of return (fixed at 7,398% until 2019 YE) over its regulatory life. This reasonable return was determined by reference to the 10-year Spanish government bond plus a spread of 300 basis points.

Regarding the wind sector, Decree Law 413/2014 confirmed that wind farms in operation in 2003 (or before) would not receive any further incentive, while the incentive for the rest of the wind farms would be calculated in order to reach the 7.398% return before taxes. More than 1,300 possible types of renewables installation ("standard facilities") are included in the Decree Law, 23 of them corresponding to wind farms of more than 5 MW classified by the year of first operation (from 1994 to 2016).

In October 2015, the Government approved Royal Decree 947/2015 and a Ministerial Order aimed at allowing the installation of new renewable capacity through competitive tenders.

On 14 January 2016, the first auction of renewables' capacity was held. The auction was designed to provide a similar remuneration scheme that the one that applies to current installations (RD 413/2014). Following this framework, auction participants were requested to bid on the "initial investment" (CAPEX) parameter which would then, by being plugged in the formula set by RD 413/2014 determine the "RINV" (investment premium) that would eventually be awarded.

Developers were bidding to build 500 MW of wind energy and 200 MW of biomass plants. The auction was very competitive, around 5 times oversubscribed for onshore wind. EDPR was awarded 93 MW of wind energy.

In December 2016, the Energy Ministry (MINETAD) published a draft Royal Decree and a Ministerial Order defining a competitive process for the allocation of new renewable capacity. On 6 and 8 March 2017, two additional draft Resolutions were released including relevant information regarding the auction rules. The Council of Ministers approved on 31 March the RD 359/2017 launching the official call for the auction. The remuneration scheme will be in line with RD 413/2014 scheme. However there will be some differences in the distribution of the remuneration scheme when compared to previous tenders. On the one hand, the tender will be technologically neutral, meaning that projects based on different renewable energy technologies, such as wind, solar and biomass, will be able to compete for contracts.

On 22 February 2017, the Ministerial Order ETU/130/2017 was published, which includes the new remuneration parameters. In 2016 the first semi-regulatory period of RD 413/2014 ended, and therefore, the "Rinv" parameter had to be adjusted in order to consider pool price deviations between the estimated price and the current price and the new pool forecasts.

In 17 May 2017, the "Operador do Mercado Ibérico - Pólo Espanhol" (OMIE) held a tender for the allocation of 3 GW of new renewable capacity. The tender had around 9 GW of competing capacity. 2,979 MW of the 3 GW auctioned were allocated to wind projects.

Following the outcome of this tender, the Spanish government decided to launch one additional tender for a maximum of 3 GW. The new tender held place on 26 July 2017 and was open exclusively to wind and solar PV technologies. The rules governing the new tender was the same as the ones for the tender held on 17 May, except for the maximum possible discount to the standard CAPEX which would be 87.08% for wind and 69.88% for solar PV.

Additionally, the royal decree ruling the tender (RD 650/2017) included the possibility to increase the allocated capacity to all capacity bidding the same discount, provided it would not create an overcost to the system. Following this, all the capacity which offered the maximum allowed discount was awarded (no tiebreaker rule was triggered). Overall, 5,037 MW were awarded, with solar power producers being the biggest winners with 3,909 MW compared to 1,120 MW for wind.

On 8 October 2018, Spanish Minister of Energy and environmental transition introduced several measures to limit the basis of electricity cost for new consumers giving a new step towards the long-term energy transition targeted by the Socialist Party. The implemented measures include the suspension of the 7% generation tax for a 6-month period, the facilitation of self-consumption and the administrative extension until March 2019 of the connection rights for the renewable plants awarded in last year´s auctions.

On 28 December the Ministry for the Ecological Transition announced the commencement of the approval process of a Draft Project Law aimed at setting the new regulated returns to be applicable to the different regulated activities in the Spanish Electricity sector for the second regulatory period, 2020-2025. The Draft Project Law proposes that the regulated return (so-called TRF) for 2020-2025 be set at 7.09% for renewables (coincident with the proposal released by the CNMC on 2 November 2018). However, the Draft Project Law foresees that the regulated rate to those renewables facilities that were entitled to receive a premium prior to the entry into force of Royal Decree-Law 9/2013 cannot be modified until 2031 "in order to guarantee a stable remuneration framework": current 7.389% will not change for those assets during the next two regulatory periods. The Draft Project Law has been now disclosed in the Ministry website and it still needs to be processed and approved.

*Regulatory framework for the activities in Portugal*

The Portuguese legal provisions applicable to the generation of power from renewable sources are currently established by Decree-Law 189/88 dated 27 May, (subsequently amended by Decree-Law 168/99 of 18 May, Decree-Law 312/2001 of 10 December and Decree-Law 339-C/2001 of 29 December). Also relevant is Decree-Law 33-A/2005, of 16 February 2005 ("DL 33-A/2005"), which establishes the feed-in tariff remuneration applicable to energy produced by renewable sources.

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013 that maintains the legal stability of the current feed-in tariff contracts (following Decree-Law 33-A/2005) and protects the value of the investments made by wind energy producers. However, this Decree Law granted the possibility to adhere to voluntary changes of the existing feed-in tariff. Indeed, wind generators could extend the support scheme (generally 5 or 7 years) in exchange of upfront payments or discounts on existing tariffs. EDPR chose a 7 year extension of the tariff defined as the average market price of previous twelve months, with a floor of 74€/MWh and a cap of 98€/MWh (values updated with inflation from 2021 onwards) in exchange for yearly payments from 2013 to 2020.

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

In 1 August 2017, the Portuguese Government approved Order 7087/2017 that determines the procedures for authorisation process for new equipments (SE). In particular, the Government introduced a new requirement for the authorisation: the obligation for the Direção Geral de Energia e Geologia (DGEG) to consult ERSE, which will have to assess its impact on the electricity system. Therefore, a new SE will only be authorised it does not have a negative impact on the electricity system.

*Regulatory framework for the activities in Romania*

In 30 March 2017, the government finally approved the emergency ordinance to amend the renewable law 220/2008. As expected, the Green Certificate (GC) scheme was extended until 2031 (GC will remain valid until March 2032). The Ordinance also confirmed the GC floor would remain fixed at 29.4€ and GC cap will lose indexation and reduced to a level of 35€. Regarding wind energy, the ordinance approves the extension of the GC recovery from 2018 to 2025, while solar PV's GC postponement is extended until the end of 2024 (the recovery will take place from 2025 to 2030).

Following the approval of EGO 24/2017 in March, the energy regulator (ANRE) issued the Order 27/2017 establishing the mandatory quota of estimated green certificates for the period April-December 2017. This new quota is based on a new methodology, which establishes the number of GCs estimated to be issued, instead of a percentage of clean energy. The number of GC for the April-December period was defined to 11,233,667 GCs.

ANRE issued the Order 77/2017 approving the regulation on organisation and functioning of the Green Certificates (GC) market. The Order allows the trade of GCs in two different markets: (i) a centralised anonymous GC market (operational as of 1 September 2017) that comprises platforms for GCs trading (spot and forward transactions) organised by Romanian Electricity and Gas Market Operator (OPCOM), allowing participants to the GCs market to submit firm GCs sale or purchase offers with respect to quantity and price, without revealing their identity to the other participants to the trading sessions; and (ii) a centralised market for electricity from renewable energy sources benefiting from the GCs scheme (not yet operational): market platform to trade bundled GC and electricity of renewable energy sources. The electricity price will be determined competitively by the market mechanisms, while the price of the GCs associated to the sold quantity of electricity will be equal to the closing price for the last trading session on the centralised anonymous GCs market. In both markets, the transactions have a limit of 10,000 GCs per day.

On 26 June 2018 EGO 24/2017 concluded the process of co-validation within Romanian Parliament with the approval of the Chamber of Deputies (CD). During the discussions in the CD, several amendments to the text approved in March 2017 were discussed. The final set of amendments includes, among others: (i) a potential change to a Feed-in-Premium scheme for operating assets; (ii) a gradual increase in the maximum allowed impact to final consumers currently at a maximum of 11.1€/MWh; (iii) the removal of the Green Certificates (GC) loss from positive unbalances; (iv) the pro-rata allocation of GCs sold in the centralized platforms when the supply exceeds demand; and (v) modifications in the postponement of solar photo voltaic (PV) GCs.

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

The United States federal government and various state governments have been implementing policies to promote the growth of renewable energy, particularly wind power. The main federal renewable energy incentive program is the Production Tax Credit (PTC), which was created by the US Congress as part of 1992 EPACT. Additionally, several states have passed legislation, mainly in the form of renewable portfolio standards (RPS), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

American Recovery and Reinvestment Act of 2009 includes a number of energy measures related to tax and policy provisions to benefit the development of wind energy generation, namely (i) a three year extension of the PTC until 2012 and (ii) an option to elect a 30% Investment Tax Credit (ITC) that could replace the PTC through the duration of the extension. This ITC allows the companies to receive 30% of the cash invested in projects placed in service or with the beginning of construction in 2009 and 2010. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and includes an one year of ITC extension, which allow the companies to receive 30% of the cash invested in projects with beginning of construction until December 2011 as long as placed in service until December 2012.

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

On 16 December 2014, the US Congress approved the "Tax Increase Prevention Act of 2014" that included an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set a new expiration date of 31 December 2014 and kept the qualification criteria (projects can qualify as long as they are under construction by year-end 2014).

On 15 December 2015, the US Congress approved the "Consolidated Appropriations Act of 2016" that included an extension of the PTC for wind energy, as well as the possibility of a 30% Investment Tax Credit instead of the PTC. Developers had until the end of 2016 to start construction of new wind farms to qualify for 10 years of production tax credits at the full level. Congress introduced a phase out for projects that start construction after 2016 and before 2020. These projects will still qualify for production tax credits, but at reduced levels. The levels are 80% for projects starting construction in 2017; 60% in 2018; and 40% in 2019. Developers of projects that start construction before 2020 may choose to claim 30% investment tax credits instead of production tax credits, subject to a similar phase out. The phase out reduces the value of the 30% investment tax credit to 24% in 2017; 18% in 2018; and 12% in 2019. Neither production tax credits nor investment tax credits are allowed for wind projects that start construction in 2020 or later.

The aforementioned "Consolidated Appropriations Act, 2016" also extended the Investment Tax Credit (ITC) for solar projects. Solar projects that are under construction by the end of 2019 will now qualify for the 30% ITC. The credit is reduced to 26% for projects starting construction in 2020 and to 22% for projects starting construction in 2021. The credit drops to a permanent 10% level for projects that begin construction in 2022 or later or that begin construction before 2022, but are placed in service in 2024 or later. Projects must be placed in service by the end of 2023 to qualify for a credit above 10%.

On 9 February 2016, the US Supreme Court stayed implementation of the Clean Power Plan (CPP) announced by the United States' Environmental Protection Agency (EPA) on 3 August 2015, a rule to cut carbon pollution from existing power plants, which is pending judicial review. On 7 December 2017, EPA Administrator Scott Pruitt announced at a hearing of the U.S. House Energy and Commerce Committee that the EPA will introduce a replacement rule to CPP.

Additionally, on 5 May 2016, the US Internal Revenue Service issued guidance that wind farms have 4 years from their start of construction to be placed in service and qualify for the PTC. As a result, projects that start construction prior to year-end 2019 and are placed in service prior to year-end 2023 will be eligible for the PTC. The IRS ruling also includes a provision that allows developers to secure the PTC if 5% of a project's capital components by US dollar value are safe harbored in a given year and construction is complete within 4 years. Thus, if a developer safe harbors 5% of project Capex in 2016, will be qualified for 100% of the PTC if the construction is concluded until 2020.

With the election of Donald Trump as President of the United States, which together with the Republican Party, gained control of both Houses of Congress, a change in the governing philosophy is expected. In the first 100 days of his term, the President has issued an Executive Order directing the EPA to revert the Clean Power Plan, removed it and replaced it with a new one, eliminate the moratorium on coal in Federal lands, regulations on methane emissions and hydraulic fracturing and eliminated guidance which has incorporated climate change and the "social costs of carbon" into federal projects. On 1 June 2017, President Trump announced that the U.S. would withdraw from The Paris Agreement, an international accord to combat climate change. The ultimate impact of these changes on renewable demand is not yet clear for several reasons: most of these changes will be contested in court; States regulators decide on the energy mix at State level; the most important energy players are already implementing the main elements of the Clean Power Plan; and the Executive Order does not impact ITC/PTC, which is the main development driver for the US renewable energy market.

By the end of 2017, the two most relevant events currently being considered are reforming the US Tax Code and contemplating a Federal plan to promote investment in infrastructures.

The two chambers of Congress then proceeded to pass different versions of the tax reform bill that were then analysed together. On 22 December 2017, President Trump signed the final project for the tax reform law. The law made numerous changes to the U.S. tax code including some that may impact demand and financing for renewable energy. Among these are the Base Erosion Anti-Abuse Tax (BEAT) provision, which seeks to prevent multinational companies from engaging in "earnings stripping", the practice of lowering a company's U.S. tax liability by deducting interest from payments made from a foreign parent company to its U.S. subsidiary. The BEAT provision allows companies to offset up to 80% of BEAT tax payments with energy tax credits such as the PTC and ITC. Because companies are not allowed to offset the entirety of BEAT tax payments with energy tax credits, the provision may negatively impact the tax equity financing market, a key finance driver for renewable energy. The final law also reduced the corporate tax rate from 35% to 21%. This could also decrease the size of the market for tax equity financing. With regards to other new policy initiatives, White House officials have expressed a desire to introduce an infrastructure plan to be passed by Congress. While details of this plan are currently unclear, increased investment in Infrastructure could change the demand for renewables or change the value of production from existing facilities.

On 8 January 2018, the Federal Energy Regulatory Commission (FERC) rejected a proposal from the Department of Energy to subsidise certain coal and nuclear plants by providing cost recovery for plants with onsite fuel supplies. The FERC instead asked regional grid operators to assess how best to enhance the resilience of the power system. FERC's five members unanimously rejected the proposed Department of Energy (DoE) rule. Instead, FERC asked regional grid operators to review an extensive list of questions about improving power system resilience and report back within 60 days.

On 3 April 2018, the Trump administration released a list of more than 1,300 imported products from China that may be subject to a 25% tariff. The list of imports from China includes "wind-powered electric generating sets", which will have minimal impact on the U.S. wind industry due to the small number of wind turbines imported from China. A 25% tariff on steel imports and a 10% tariff on aluminium imports may cause a modest increase in U.S. wind and solar project costs.

On 22 June 2018, the Internal Revenue Service ("IRS") released Notice 2018-59, which provides guidance to determine when a solar project begins construction for Investment Tax Credits (ITC) purposes and specifies that projects have until 2024 to be placed in service and qualify for the ITC at levels above 10%. The ITC percentage for a solar project is determined based on the year in which construction of the project begins – provided the solar project is also placed in service before 1 January 2024 – as follows: (i) before 1 January 2020, 30%; (ii) in 2020, 26%; (iii) in 2021, 22%; and (iv) any time thereafter (regardless of the year in which the solar project is placed in service), 10%. Similar to the IRS guidance regarding the wind Production Tax Credit (PTC), establishing the beginning of construction is deemed by (i) engaging significant physical work or (ii) paying or incurring 5% of the ultimate tax basis of the project. Thus, if a developer safe harbours 5% of project Capex in 2019, the project will be qualified for a 30% ITC if the construction is concluded before 1 January 2024. Similarly, if a developer safe harbours 5% of project Capex in 2021, the project will be qualified for a 22% ITC if the construction is concluded before 1 January 2024.

On 9 February 2016, the US Supreme Court suspended implementation of the Clean Power Plan (CPP) announced by the United States' Environmental Protection Agency (EPA) on 3 August 2015, a rule to cut carbon pollution from existing power plants, which is pending judicial review. On 7 December 2017, EPA Administrator Scott Pruitt announced at a hearing of the U.S. House Energy and Commerce Committee that the EPA will introduce a replacement rule to CPP. As of 29 June 2018, EPA's agenda put a final Clean Power Plan repeal date in October speculating that a replacement rule will be proposed at the same time. On 21 August 2018, the EPA proposed the Affordable Clean Energy (ACE) rule to replace the CPP to establish emissions guidelines for states to develop plans to address greenhouse gas emissions from existing coal-fired plants. The rule would allow states full discretion to set heat-rate improvements (HRI) for unit-specific emissions standards. The HRIs may be overstated, since they appear to be based on potential improvements at inefficient plants that have already retired; i.e. the existing fleet may have already applied "Best system of emission reduction" (BSER) measures and therefore do not have room for improvement.

On 3 January 2019, the 116th United States Congress convened with a Republican-majority Senate and a Democratic-majority House of Representatives. In the prior Congress, Republicans held majorities in both the Senate and the House of Representatives. With this change, a shift in governing philosophy is expected. Democratic representatives have informally proposed a range of potential legislative actions having to do with climate change. One of these proposals is a "Green New Deal" which features a 100% United States RPS standard (renewable portfolio standard). Such a standard, if implemented, would increase demand for renewable electricity in the U.S.

*Regulatory framework for the activities in Poland*

On 19 February 2016 the PiS MPs party proposed a draft law on wind investments covering localization, realizations and operation of wind farms, the so-called Wind Turbine Investment Act. After a long approval process in which the renewable sector succeeded in introducing some amendments to the original draft the law was finally approved and published in the Polish Official Gazette in June 2016. The main measures of this new law include minimum distance restrictions for new wind farms and increased real estate tax burden.

On the other hand, and following the delay of implementation of the RES Act Chapter 4 introduced in late December 2015, PiS' government has introduced to Polish parliament a more comprehensive amendment proposal to the RES Act in early May 2016. After having gone through Poland's parliamentary appreciation process the amendments were finally approved and published in late June, in line with the intentions to have the Chapter 4 in force since 1 July 2016. While keeping the core of the new auction system introduced by the new 2015 RES Act these new amendments have also introduced some modifications (namely introducing technology baskets for future tenders and improving the treatment of biomass, biogas and cofiring technologies).

In October 2016 the Polish Government published the Ordinance detailing the amount and value of energy to be auctioned in 2016. Wind energy was not included among the technologies allowed to participate (except for facilities below 1 MW). The auction was held in 30 December 2016.

On 23 November 2016, the Polish Government disclosed a draft ordinance detailing the amount and value of energy planned to be auctioned in 2017. The draft highlights that baseload renewables (dedicated biomass and biogas) remain key to the government as they will be allocated around 50% of the total 2017's auction budget. The new draft proposes the budget to be allocated to the pot in which new onshore wind could compete. This amount could amount up to 150 MW. It is also likely that wind and PV will compete for the same budget.

During the first semester of 2017, the substitution fee was 300.03 PLN. However, with the entry into force of the amendment proposed by the Polisk Government in the third quarter of 2017 the substitution fee changed to 125% of the average market price of the green certificate from the previous year capped at 300 PLN. Given the current low prices of GCs, this rule is expected to involve a even higher price reduction.

Together with the reduction of the substituion fee, the accompanying note of the amendment proposal includes a proposal to set up (and increase) the GC's quotas up to 2020: 17.5% in 2018, 18.5% in 2019; and 19.5% in 2020. However, this specific proposal is not included in the official text of the proposal that has been approved.

On 13 December 2017, the EU Commission (through the Directorate-General for Competition) approved the Polish support scheme for renewables and therefore confirmed that the scheme is in line with the 2014 European State Aid Guidelines.

On 29 June 2018, Polish Parliament (Sejm and Senate) approved a set of amendments to the Wind Turbine Investment Act, amendments which were published in Polish Official Gazette on 30 June. The approved amendments envisaged a return to the initial taxable base of the Real Estate Tax as of January 2018. The amendments do not include any relevant changes towards operating assets and focus mainly on operative changes and clarifications to the new tender scheme. Therefore, the amendments include the budget (values and volumes) for 2018 tenders.

On 2 October 2018, the Energy Regulatory Office published a call for the first auction in Poland in which wind onshore and solar PV with capacity above 1MW can participate to get a 15 year CfD.

*Regulatory framework for the activities in France*

On 15 April 2016, the French council of State published a decision ordering the government to start recovering the interests that the feed-in tariff received from 2008 to 2014 would have generated. This decision was based on the grounds that the French Government failed to notify the European Commission of the Ministerial Order approving the feed-in tariff.

A Contract-for-difference (CfD) scheme replacing the feed-in tariff scheme was released in December 2016 for wind farms having requested a PPA in 2016. According to the decree, the strike price would be equal to the value of the current feed-in tariff (similar tenure, indexation and adjustment after year 10), plus a management fee to compensate balancing costs (2.8 €/MWh). The market reference price will be the production weighted average pool price, using a representative production profile of the wind industry in France. The settlement would be done on a monthly basis.

The French Government also disclosed a draft decree for the 2017 CfDs for wind farms below 6 wind turbines. According to the draft, the CfD tenure will be extended to 20 years (instead of 15 years), being the strike price 72€/MWh (plus the management fee). The draft also includes a limitation of the amount of energy to be remunerated under the CfD strike price. Larger wind farms will be awarded CfDs through competitive tenders.

Additionally, on 24 April 2016 the French Government enacted the so-called "Programmation pluriannuelle des Investissements" (PPI) which objective is to set different renewables' capacity targets by technology, in order to achieve the objectives of the "Loi de Transition Énergétique" (decree-law meant to define the long term energetic and climate politic in France, official aproved in August 2015). The PPI provides short-term (2018) and medium-term (2023) renewables' capacity targets and also includes a provisional timetable of the next renewable tenders to be launched between 2016 and 2019.

The French government published on 10 May, the decree for the 2017 Contract-for-Difference (CfD) for wind farms below 6 wind turbines and maximum 3 MW per turbine. These projects will be exempt from tendering.

The regulator has also disclosed the tender rules for onshore wind farms (of more than 7 wind turbines or with over 3 MW per wind turbine) for the period from November 2017 to June 2020. The rules foresee the allocation of 3 GW of wind capacity in six successive 500 MW rounds every 6 months during the next 3 years. The rules also include a calendar with the dates in which the tenders are expected to take place and the first tender was in November 2017.

Together with the disclosure of the results of the second onshore wind tender the French government and regulator introduced some changes to the tender rules including a downward revision of the maximum strike price as well as small changes to the calendar and quotas of remaining tenders to be held up to 2020.

## 2. Accounting Policies

### a) Basis of presentation

The accompanying consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its joint ventures and associated companies, for the periods ended 31 December 2018 and 2017 and EDP S.A.'s Executive Board of Directors approved them on 11 March 2019, after that they are subject to General Meeting approval. The financial statements are presented in thousand Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February, with changes updated by the Decree-law 158/2009 of 13 July and the Decree-law 98/2015 of 2 June, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company financial statements for the years ended 31 December 2018 and 2017 were prepared in accordance with IFRS as adopted by the E.U. and effective during 2018.

As described in note 3, the Group adopted in the preparation of individual and consolidated financial statements as at 31 December 2018, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2018. The adoption of IFRS 9 - Financial Instruments (and the related amendments to IFRS 7 - Financial Instruments: Disclosures) and IFRS 15 - Revenue from contracts with customers by EDP Group led to several changes in the Group accounting policies, models and procedures, as well as in disclosures. The accounting policies used by the Group in preparing the consolidated financial statements described in this note were adopted in accordance. The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, are detailed in note 3.

The financial statements have been prepared on a going concern basis and under the historical cost convention, modified by the application of the fair value accounting to derivative financial instruments, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and, in 2017, available-for-sale investments, except those for which fair value is not available. Assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the hedged risk. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell. Liabilities for defined benefit plans are recognised at the present value of the obligation net of plan assets fair value.

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

The preparation of financial statements in conformity with IFRS requires the Executive Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant, are presented in note 4 - Critical accounting estimates and judgments in preparing the financial statements.

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated and company financial statements, except for the adoption of IFRS 9 and IFRS 15. As at 1 January 2018, as provided by these Standards, the Group has applied the modified retrospective approach without restatement of the comparative information (see note 3).

**b) Basis of consolidation**

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

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

*Controlled entities*

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

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

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

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

*Jointly controlled entities*

EDP Group classifies an arrangement as a joint arrangement when the jointly control is contractually established. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. After determining the existence of joint control, the Group classifies joint arrangements into two types - joint operations or joint ventures.

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement, so these investments are included in the consolidated financial statements under the equity method.

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

*Entities over which the Group has significant influence*

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

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

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

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

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

*Goodwill*

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

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

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

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

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

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

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

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

*Purchases of non-controlling interests and dilution*

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

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

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

*Investments in foreign operations*

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

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

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

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

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

*Balances and transactions eliminated on consolidation*

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

*Business combinations achieved in stages*

In a business combination achieved in stages, on the date of obtaining control, the excess of the aggregate of (i) the consideration transferred, (ii) the amount of any non-controlling interest recognized in the acquiree and (iii) the fair value of the previously held equity interest in the acquired business; over the net of amounts of the identifiable assets acquired and liabilities assumed, is recognised as goodwill.

If applicable, the negative difference, after evaluating the consideration transferred, of the amount of any non-controlling interest recognised in the acquiree and the fair value of the previously held equity interest in the acquired business; over the net value of the identifiable assets acquired and liabilities assumed, is recognised in the income statement. The Group recognises the difference between the fair value of the previously held equity interest in the acquired business and the carrying value in consolidated results in Other income. Additionally, the Group reclassifies the deferred amounts in other comprehensive income relating to the previously held equity interest to the income statement or consolidated reserves, according to their nature.

**c) Foreign currency transactions**

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

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

**d) Derivative financial instruments and hedge accounting**

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

The fair value of derivative financial instruments corresponds to their market value, if available, or to quotes indicated by external entities through the use of valuation techniques accepted by the market, which are compared in each date of report to fair values available in common financial information platforms.

**Hedge accounting**

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

As permited by IFRS 9, the EDP Group decided to continue to apply the hedge accounting requirements of IAS 39 in 2018, instead of the requirements of IFRS 9.

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

*Fair value hedge*

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

*Cash flow hedge*

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

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

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

*Net investment hedge*

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

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

*Effectiveness*

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

**e) Debtors and Other assets**

IFRS 9 introduced a model for the classification of financial assets based on the business model for managing the financial assets ("business model test") and their contractual cash flow characteristics ("SPPI test"), replacing prior requirements which determined the classification in the categories present in IAS 39.  As from 1 January 2018 onwards, EDP Group classifies its financial assets, at the initial recognition, in accordance with the aforementioned requirements introduced by IFRS 9, on the following categories:

*Financial assets at amortised cost*

A financial asset is measured at amortised cost if: (i) it is held within a business model whose objective is to hold assets in order to collect its contractual cash flows; and (ii) the contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognised at fair value and subsequently measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Loans and trade receivables are generally held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest, thus they meet the criteria for amortised cost measurement under IFRS 9.

*Assets measured at fair value through other comprehensive income (FVOCI)*

A financial asset is measured at fair value through other comprehensive income if (i) the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and (ii) the asset's contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognised and subsequently measured at fair value, with the changes in the carrying amount booked in other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

*Assets measured at fair value through profit or loss (FVTPL)*

Financial assets that do not meet the criteria to be classified under the previously referred categories, are classified at fair value through profit or loss, deemed to be a residual category under IFRS 9.

Regardless of the business model assessment, EDP Group can elect to classify a financial asset at fair value through profit or loss if doing so reduces or eliminates a measurement or recognition inconsistency ("accounting mismatch").

***Changes in the business model assessment over time***

Financial assets are not reclassified subsequent to their initial recognition. However, if the Company changes its business model for managing financial assets, it will classify newly originated or newly purchased financial assets under the new business model, but will keep the classification of existing assets under the previous business model.

***Recognition and derecognition of financial assets***

Purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell these financial assets.

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

***Impairment***

Until 31 December 2017, EDP Group performed an assessment of impairment based on whether there was objective evidence of impairment as established in IAS 39, including any impairment resulting in an adverse effect on estimated future cash flows of the financial asset or group of financial assets and when it can be reliably measured. For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in the income statement up to the amount of the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised. In the case of equity instruments, if there was objective evidence of impairment on available-for-sale investments, the cumulative potential loss recognised in fair values reserves, corresponding to the difference between the acquisition cost and the fair value at the balance sheet date, less any impairment loss previously recognised, is transferred to the income statement. For these instruments, impairment losses cannot be reversed and any subsequent event that results in a fair value increase is recognised in equity under fair value reserves.

As from 1 January 2018 onwards, IFRS 9 establishes a new impairment model based on the expected credit losses (ECL), which replaces the previous impairment model based on the incurred credit losses set out in IAS 39. Thus, a loss event will no longer need to occur before the recognition of an impairment allowance. This model is the basis for the recognition of impairment losses on held financial assets that are measured at amortised cost or at fair value through other comprehensive income (which includes cash and cash equivalents, trade receivables, loans and debt securities).

The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If the credit risk on a financial asset does not increase significantly since its initial recognition, EDP Group measures the loss allowance for that financial asset at an amount equal to 12-month expected credit losses. If the credit risk increases significantly since its initial recognition, EDP Group measures the loss allowance for that financial asset at an amount equal to lifetime expected credit losses.

Regardless of the above, a significant increase in credit risk is presumed if there is an objective evidence that the financial asset is impaired, including if there is observable data that comes to the attention of the holder of the asset about the following loss events, among others: significant financial difficulty of the issuer or obligor; restructuring of an amount due to the Group in terms that it would not consider otherwise; a breach of contract, such as a default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

As soon as the loss event occurs (what is previous defined in IAS 39 as "objective evidence of impaiment"), the impairment allowance would be allocated directly to financial asset affected, which provide the same accounting treatment, from that point, as previously provided by IAS 39, including the treatment of interest revenue. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in profit or loss, if the decrease can be related objectively to an event occurring after the impairment loss was recognised.

*Trade receivables, including contract assets*

EDP Group applies the simplified approach and record lifetime expected losses on all trade receivables and contract assets, including those with a significant financing component. The estimated ECL are calculated based on actual credit loss experience over a period that, per business and type of customers, is considered statistically relevant and representative of the specific characteristics of the underlying credit risk. When applicable, EDP Group estimated the ECL rates separately for corporates and individuals.

Considering the particularities of each business, exposures are segmented based on common credit risk characteristics such as credit risk grade, geographic region and/or industry - for corporates; and type of product purchased - for individuals, as applicable. Actual credit loss experience is adjusted by scalar factors to reflect differences between economic conditions during the period over which historical data was collect, current conditions and EDP Group's view of economic conditions over the expected lives of the receivables.

*Other receivables and financial assets*

For receivable assets related to regulatory assets, loans, financial entities and State carried at amortised cost and FVOCI, EDP Group performes an analysis based on the general approach. On making its assessment, the company has to make assumptions about risk of default and expected loss rates, which requires judgement. The inputs used for risk assessment and for calculation of the loss allowances for financial assets includes: (i) credit ratings (as far as available) from external credit rating companies such as Standard and Poors, Moody's and Fitch; (ii) significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower; (iii) public market data, namely on probabilities of default and loss given default expectations; and (iv) macroeconomic information (such as market interest rates or growth rates).

**f) Trade payables and other liabilities from commercial activities**

An instrument is classified as a financial liability when there is a contractual obligation for the issuer to liquidate capital and/or interests, through delivering cash or other financial asset, regardless of its legal form. Financial liabilities are recognised at the issuance date (trade date): (i) initially at fair value less transaction costs; and (ii) subsequently at amortised cost, using the effective interest method. All financial liabilities are booked at amortised cost, with the exception of the financial liabilities hedged at fair value hedge, which are stated at fair value on risk component that is being hedged.

*Derecognition*

EDP Group derecognises a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability, or a part of it, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**g) Equity instruments**

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

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

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

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

*Equity instruments at fair value*

Under IFRS 9, all the equity instruments should be measured at fair value, once the category "Assets available for sale" as referred by IAS 39 cease to exist. As provided by IFRS 9, EDP Group classify the equity instruments that are held for trading at fair value to profit or loss. For all other equity instruments, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in other comprehensive income.

If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in other comprehensive income. There is no recycling of amounts from other comprehensive income to profit and loss (for example, on sale of an equity investment) being, at that time, transferred to retained earnings.

**h) Property, plant and equipment**

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

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

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

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

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

| | Number of years |
|---|---|
| Buildings and other constructions | 8 to 50 |
| Plant and machinery: | |
| - Hydroelectric generation | 30 to 75 |
| - Thermoelectric generation | 25 to 45 |
| - Renewable generation | 30 to 35 |
| - Electricity distribution | 10 to 40 |
| - Other plant and machinery | 4 to 25 |
| Transport equipment | 4 to 25 |
| Office equipment and tools | 2 to 16 |
| Other property, plant and equipment | 3 to 50 |

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

*Capitalisation of borrowing costs and other directly attributable costs*

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

*Investment government grants*

Investment government grants are initially booked as Trade payables and other liabilities from commercial activities - Non Current only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for expenses incurred are booked in the income statement on a linear basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in the income statement over the related assets useful life.

*Transfers of assets from customers*

Until 31 December 2017, EDP Group adopted IFRIC 18 for thetranfers of assets from customers concession, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life. IFRIC 18 was applicable for agreements in which the Group received from a customer an item of Property, plant, and equipment that it must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy.

As from 1 January 2018 onwards, transfers of assets from customers concession arrangement and out of the scope of IFRIC 12, in accordance with IFRS 15, are related to payments of performance obligations fulfilled over the useful life of the underlying asset. Accordingly, when they are received from the customers, they are booked as liabilities instead of revenue. The assets are recognised by the estimated construction cost and are depreciated over their useful lives. The liabilities are recognised as revenue based on the corresponding useful life of the underlying asset.

**i) Intangible assets**

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

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

*Acquisition and development of software*

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

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

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

*Concession rights on distribution of electricity*

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

*Concession rights to use the public hydric domain*

Portuguese concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which currently does not exceed 47 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever these compensations are paid and for all the Group subsidiaries.

The accounting policy related to intangible assets assigned to concessions in the scope of IFRIC 12 is described in z), Group concession activities.

*Industrial property and other rights*

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

**j) Leases**

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

*Operating leases*

Lease payments made by the Group under operating lease contracts are recognised as an expense in the period to which they relate, on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

*Finance leases*

Finance leases are recognised by the lessee, at the inception of the lease, as assets and liabilities at the fair value of the leased assets which is equivalent to the present value of the future lease payments. Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Lessors record assets held under finance leases as leased capital, by the net amount invested in the lease. Lease payments include the financial income and the amortisation of the outstanding principal. Financial results recognised reflect a constant periodic rate of return on the outstanding net balance of the lessor.

*Determining whether an Arrangement contains a Lease*

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

**k) Investment property**

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

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

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

Investment property is amortised on a straight-line basis over the estimated useful life of the assets (between 8 and 50 years).

**l) Inventories**

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

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

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

**m) Employee benefits**

**Pensions**

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

*Defined benefit plans*

In Portugal, the defined benefit plan is assured by (i) a closed pension fund managed by an external entity, covering responsibilities with benefits that are complementary to those provided under the Social Security System (namely retirement and early retirement pensions); and (ii) by a complementary specific provision, recognised in the statement of financial position. Benefits are generally determined and assigned through the combination of one or more factors, such as age, years of service and the relevant base retribution (pensionable salary).

In Brazil, EDP São Paulo and EDP Espírito Santo have defined benefit plans managed by a closed complementary welfare entity, external to EDP Group, covering responsibilities associated with retirement and early retirement pensions, according to factors such as age, years of service and the relevant base retribution.

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

Actuarial gains and losses presented in consolidated statement of comprehensive income comprises: (i) the actuarial gains and losses resulting from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments; (ii) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

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

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

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

*Defined contribution plans*

In Portugal, Spain and Brazil, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan. These contributions represent a percentage of the fixed and variable remuneration of the employees included in this plan and are accounted for as cost for the period in which they are due.

**Other benefits granted**

*Medical benefits*

Some EDP Group companies provide medical benefits under which employees and immediate eligible family members have favourable conditions in medical assistance and health care services, namely:
- Concerning EDP Group companies in Portugal, through the provision of medical assistance that is complementary to the one provided under the National Health System, provided using infrastructures owned and managed internally;
- Concerning EDP Group companies in Brazil, through the share of costs in eligible medical and heath expenses, in an external agreed network.

The medical benefits plans are classified as defined benefit plans.

In Portugal, the medical benefit and death benefits plan is assured by (i) a closed fund managed by an external entity, created in December 2016, and (ii) a complementary specific provision, recognised in EDP Group company's statement of financial position.

In Brazil, the liability is being covered by provisions booked in EDP Group company's statement of financial position.

Measurement and recognition of the medical benefits liabilities are similar to the defined benefit pension plans liabilities, explained above.

*Other benefits*

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, survival benefits, life insurance, antiquity and retirement benefits, power tariff discounts, among others.

Benefits included in each Plan for Portugal and Brazil are detailed in EDP's Collective Labor Agreement, published in the Labor Bulletin of 8 October 2014 and in the website of the Plan management entity Enerprev (www.enerprev.com.br), respectively.

**n) Provisions**

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

*Provisions for dismantling and decommissioning in electric power plants*

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

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

**o) Recognition of revenue from contracts with customers**

Until 31 December 2017, revenue was recognised when: (i) the significant risks and rewards of ownership were transferred to the buyer; (ii) the entity retained neither continuing managerial involvement to the extent usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue could be reliably measured; (iv) it was probable that the economic benefits associated with the transaction will flow to the entity; and (v) the costs incurred or to be incurred in respect of the transaction could be reliably measured.

As from 1 January 2018 onwards, EDP Group recognises revenue in accordance with the core principle introduced by IFRS 15. Thus, the Group recognises revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services, as provided in the 5 steps methodology, namely: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations; and (v) recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue in EDP Group arises essentially from electricity generation and distribution and energy (electricity and gas) supply activities.

Revenue related to the **sale of energy and access tariffs** to energy distribution network is measured at fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after elimination of intra-group sales.

Regarding the **electricity generation**, the transfer of control occurs when the energy is generated and injected into the transport/distribution grids. The electricity generated is sold under free market conditions or through the establishment of medium/long term power purchase agreements.

The **energy distribution** is a regulated activity, which is remunerated through tariffs set by each country Regulatory Body (ERSE in Portugal, CNE in Spain and ANEEL in Brazil). In Portugal and Spain, revenue arises mainly from the sale of access tariffs, as well as from the recovery, from the commercialisation entities, of the costs related to the global management activity of the system. In Brazil, revenue results from the electricity sales to final consumers, in the regulated market, based on the tariffs determined by ANEEL, which are included the use of the distribution and transport system tariff, among other components. In Portugal and Brazil, these activities are subject to public service concession arrangements (see z)).

The **energy supply** is carried out in regulated and non-regulated markets. In non-regulated market, revenue is recognised based on commercial agreements. In regulated market, revenue is recognised according to the tariffs determined by each country Regulatory Body.

For contracts with customers in which the sale of energy and access tariffs are generally expected to be the only performance obligation, EDP Group recognises the revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue recognition includes two components: (i) energy sales already invoiced, based on actual consumption readings and/or in estimated consumption based on the historical data of each consumer; and (ii) estimates of energy supplied and not yet invoiced (energy into energy meter). Differences between estimated and actual amounts are recorded in subsequent periods.

Additionally, it should be noted that, in energy distribution and supply activities, there is a tariff adjustment mechanism through which gains or losses of a certain year are recognised in the period to which they relate and recovered in the future years tariffs – Tariff Adjustments (see w)).

EDP Group recognises the revenue related with **services rendered** over time in accordance with IFRS 15, given that the customer simultaneously receives and consumes the benefits provided by the Group.

EDP Group also sells products and services as a part of an **integrated commercial offer ("bundled")**. In a bundled sale arrangement, the Group accounts the sale of each product and/or service separately if they are distinct, this is, if the product or service is separately identifiable in the context of the integrated offer and the customer benefits from it. The consideration paid is allocated between the goods or services separately identifiable based on their relative stand-alone selling prices. The stand-alone selling price is determined based on EDP Group price lists on goods or services sold separately or, if they are not listed, based on the market valuation approach.

In what concerns variable transaction prices, EDP Group only recognises revenue when it is highly probable that there will not be any significant reversal of the recognised revenue, when it becomes certaint.

EDP Group considers the facts and circumstances when analyzing the terms of each contract with customers, applying the requirements that determine the recognition and measurement of revenue in a harmonized manner, when considering contracts with the same characteristics and in similar circumstances.

***Contract liabilities***

As provided by IFRS 15, EDP Group presents a contract liability if the Group has an obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

***Contract assets***

As provided by IFRS 15, EDP Group presents a contract asset if is a right to consideration that is conditional on something other than the passage of time. This is common when the Group has transferred goods or services to a customer usually before invoicing and the payment is due, excluding any amounts presented as a Trade receivables (unconditional rights to consideration).

*Incremental costs of obtaining a contract*

EDP Group establishes certain contracts with third parties for the promotion (sale) of energy and related services. These third parties act as sales agents and are paid through sales commissions. Previously to the application of IFRS 15, EDP Group recognised these costs as expenses as they were incurred. In accordance with IFRS 15, the Group recognises incremental costs of obtaining contracts with customers as an asset if the entity expects to recover these costs over the respective contracts. The costs incurred by an entity to obtain a contract with a customer are considered as incremental costs whenever it is clear that the entity would not incur these costs if the contract had not been obtained (for example, a sales commission).

Therefore, EDP Group understands that the incremental costs to obtain a contract are eligible for capitalization, accounting for a contract asset under the caption Debtors and other assets of commercial activities - Non-current. This asset shall be recognised in the income statement as amortisation, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Considering the analysis carried out on the set of goods and services provided by the EDP Group to which these commissions relate, the useful life allocated to them varies between 6 and 8 years.

**p) Financial results**

As from 1 January 2018 onwards, due the changes occurred on classification and measurement of the financial assets previously classified as available-for-sale financial assets under IAS 39, financial results no longer include the impairment losses related to these assets. Nonetheless, financial results include the changes in fair value of certain assets identified by EDP Group as held for trading and consequently measured at fair value through profit or loss.

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

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

**q) Income tax**

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

Deferred taxes arising from the revaluation of assets measured at fair value through other comprehensive income and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

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

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

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

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

When accounting for interest and penalties related to income taxes, EDP Group considers whether a particular amount payable or receivable is, in its nature, a taxable income and, if so, applies IAS 12 to this amount. Otherwise, IAS 37 is applied.

**r) Earnings per share**

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

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

**s) Share based payments**

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

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

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

Shareholders of EDP Brasil structured and implemented a Share based Compensation Policy, which began in June 2016. The referred policy comprises two types of programs to be granted to certain employees (incentive and retention programs), being the eligible beneficiaries and assignment requirements subject to the conditions established.

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

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

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

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

**u) Cash and cash equivalents**

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

**v) Operating segments**

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

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

**w) Tariff adjustments**

Classification and measurement of regulatory assets, which qualify as financial assets in EDP Group's financial statements, will follow the new requirements introduced by IFRS 9. Thus, the Group performs an analysis based on the business model used in the management of the assets and the characteristics of the contractual cash flows, according to the accounting policy 2 e).

In this sense, deviations and tariff deficits exclusively recovered or returned through electricity and gas tariffs, applicable to customers in subsequent periods, are recognised at amortised cost.

On the other hand, deviations or deficits that can be recovered, either through electricity rates (receipt of capital and interest) or through sales with recourse to third parties (bilateral contracts or securitization operations) are recognised at fair value through comprehensive income. This classification results from the existing history of sales to third parties and from the management's perspective regarding the existing assets at each reporting date.

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

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

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

**x) CO2 Licenses and greenhouse gas emissions**

The Group holds CO2 Licenses in order to deal with gas emissions resulting from its operational activity and Licenses for trading. The CO2 and gas emissions Licenses held for its own use are booked as intangible assets at the acquisition cost. CO2 licenses consumption is recorded in accordance with the weighted average price of the CO2 and gas emissions Licenses held for consumption in that year.

The Licenses held by the Group for trading purposes are booked under Inventories, as referred in l).

**y) Statement of Cash Flow**

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

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

**z) Group concession activities in the scope of IFRIC 12**

The International Financial Reporting Committee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date. In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. IFRIC 12, was applied prospectively since it was impracticable to apply it retrospectively.

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

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

*Financial Asset Model*

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

*Intangible Asset Model*

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

*Mixed Model*

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

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

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

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

The concession contracts that currently exist in EDP Group are mainly based in the Intangible Asset Model, namely in the electricity special regime production concessions (PRE) in Portugal and in the Mixed Model, namely in the electricity distribution concessions in Portugal and in Brazil.

IFRIC 12 - Concessions has been amended as a result of the adoption of IFRS 15, thus EDP Group has transferred from the caption Intangible assets to the caption Debtors and other assets from commercial activities - Non current, the amounts related to the assets under construction for the electricity distribution concessions in Portugal and in Brazil, since they qualify as contractual assets (see note 17).

**aa) Institutional partnerships in USA**

The Group has entered in several partnerships with institutional investors in the United States, through operating agreements with limited liability companies that apportion the cash flows generated by the wind farms between the investors and the Company and allocates the tax benefits, which include Production Tax Credits (PTCs), Investment Tax Credits (ITC) and accelerated depreciation, largely to the investor.

The institutional investors purchase their minority partnership interests for an upfront cash payment with an agreed targeted internal rate of return over the period that the tax credits are generated. This anticipated return is computed based on the total anticipated benefit that the institutional investors will receive and includes the value of PTC's / ITC's, allocated taxable income or loss and cash distributions received.

The control and management of these wind farms are a responsibility of EDPR Group and they are fully consolidated in these financial statements.

The financial instruments held by the institutional investors issued by the partnerships represent compound financial instruments as they contain characteristics of both financial liabilities and equity. The Group has determined that at the funding dates, the fair values of the original proceeds is equal to the fair values of the liabilities at that time and no value was assigned to the equity component. Subsequently, these liabilities are measured at amortized cost.

This liability is reduced by the value of tax benefits provided and cash distributions made to the institutional investors during the contracted period. The value of the tax benefits delivered, primarily accelerated depreciation and ITC are recognised as Income from institutional partnerships on a pro-rata basis over the useful life of the underlying projects (see note 8). The value of the PTC's delivered are recorded as generated. This liability is increased by an interest accrual that is based on the outstanding liability balance and the targeted internal rate of return agreed.

After the flip date, the institutional investor retains a non-significant interest for the duration of the structure. This non-controlling interest is entitled to distributions ranging from 2.5% to 6% and taxable income allocations ranging from 5% to 17%. EDPR NA has an option to purchase the institutional investor's residual interest at fair market value during a defined period following the flip date. Post flip non-controlling interests is the portion of equity that is ascribed to the institutional investor in the institutional equity partnership at flip date. This amount is reclassified from the total equity attributable to the Parent to non-controlling interests caption in the period in which the flip date takes place.

## 3. Recent Accounting Standards and Interpretations Issued

### Standards, amendments and interpretations issued effective for the Group

The amendments to standards already issued and effective and that the Group applied in the preparation of its financial statements, can be analysed as follows:

- **IFRS 9 - Financial Instruments**

  IFRS 9 was endorsed by European Commission Regulation 2067/2016, on 22 November 2016, with an effective date of adoption for periods beginning on or after 1 January 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required but the restatement of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  IFRS 9 brings together all five aspects of the accounting for financial instruments: recognition, classification and measurement, impairment of financial assets, hedge accounting and derecognition.

  EDP Group has adopted the new standard on the required effective date and has not restated comparative information, as provided by IFRS 9. As permitted by IFRS 9, the EDP Group decided to continue to apply the hedge accounting requirements of IAS 39 in 2018, instead of the requirements of IFRS 9. Despite this, EDP Group has performed an assessment during this year and will change its accounting policy. Accordingly, EDP Group has decided to apply prospectively the hedge accounting requirements of IFRS 9 for annual periods beginning on or after 1 January 2019. EDP Group expects no impacts in the tests to be perform to demonstrate its effectiveness resulting from applying prospectively the hedge accounting requirements of IFRS 9 as from 1 January 2019. As at 31 December 2018, EDP Group expects no significant impacts on its statement of financial position and equity, resulting from the adoption of the hedge accounting requirements of IFRS 9.

  EDP Group has reviewed its financial assets and liabilities in order to assess qualitative and quantitative impacts on the adoption of the Standard. Accordingly, qualitative changes are presented in note 2 and quantitative impacts resulting from its adoption are summarized on Consolidated Statements of Financial Position, presented below.

- **IFRS 15 - Revenue from Contracts with Customers (object of clarification issued on 12 April 2016)**

  The International Accounting Standards Board (IASB) issued, on 28 May 2014, IFRS 15 - Revenue from Contracts with Customers, which was changed in April 2016 and was endorsed by EU Commission Regulation 1905/2016, of 22 September 2016. This standard replaces existing revenue recognition guidance and is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

  The new standard presents the principles that shall be applied by an entity in order to provide more useful information to users of financial statements about the nature, amount, term and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as provided in the 5 steps methodology, namely: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations; and (v) recognise revenue when (or as) the entity satisfies a performance obligation.

  EDP Group has adopted IFRS 15 using the cumulative effect method (modified retrospective approach), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, EDP Group has not restated comparative information, as provided by the standard.

EDP Group has analysed the changes resulting from the adoption of IFRS 15 in order to assess qualitative and quantitative impacts. Accordingly, qualitative changes are presented in note 2 and quantitative impacts resulting from its adoption are summarized on Consolidated Statements of Financial Position presented below.

- **Summary of the impacts of the adoption of IFRS 9 and IFRS 15 in Consolidated Statement of Financial Position on 01 January 2018**

| Thousand Euros | | 01-Jan-18 | Impact of IFRS 9 adoption | Impact of IFRS 15 adoption | 31-Dec-17 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | | 22,730,615 | - | - | 22,730,615 |
| Intangible assets | | 4,747,360 | - | - | 4,747,360 |
| Goodwill | | 2,232,668 | - | - | 2,232,668 |
| Investments in joint ventures and associates | | 843,082 | - | - | 843,082 |
| Available for sale investments | i) | - | -124,016 | - | 124,016 |
| Equity instruments at fair value | ii) | 123,997 | 123,997 | - | - |
| Investment property | | 39,199 | - | - | 39,199 |
| Deferred tax assets | iii) | 830,667 | 15,583 | 6,563 | 808,521 |
| Debtors and other assets from commercial activities | iv) | 2,854,486 | -2,727 | 17,834 | 2,839,379 |
| Other debtors and other assets | v) | 546,345 | 27,573 | - | 518,772 |
| Non-Current tax assets | | 60,793 | - | - | 60,793 |
| Collateral deposits associated to financial debt | | 34,874 | - | - | 34,874 |
| Total Non-Current Assets | | 35,044,086 | 40,410 | 24,397 | 34,979,279 |
| Inventories | | 265,775 | - | - | 265,775 |
| Debtors and other assets from commercial activities | iv) | 3,277,983 | -47,747 | - | 3,325,730 |
| Other debtors and other assets | v) | 314,618 | 9,990 | - | 304,628 |
| Current tax assets | | 520,500 | - | - | 520,500 |
| Financial assets at fair value through profit or loss | vi) | - | -37,544 | - | 37,544 |
| Collateral deposits associated to financial debt | | 10,381 | - | - | 10,381 |
| Cash and cash equivalents | | 2,400,077 | - | - | 2,400,077 |
| Assets held for sale | | 231,135 | - | - | 231,135 |
| Total Current Assets | | 7,020,469 | -75,301 | - | 7,095,770 |
| **Total Assets** | | 42,064,555 | -34,891 | 24,397 | 42,075,049 |
| **Equity** | | | | | |
| Share capital | | 3,656,538 | - | - | 3,656,538 |
| Treasury stock | | -62,957 | - | - | -62,957 |
| Share premium | | 503,923 | - | - | 503,923 |
| Reserves and retained earnings | vii) | 4,258,233 | -31,409 | -45,623 | 4,335,265 |
| Consolidated net profit attributable to equity holders of EDP | | 1,113,169 | - | - | 1,113,169 |
| Total Equity attributable to equity holders of EDP | | 9,468,906 | -31,409 | -45,623 | 9,545,938 |
| Non-controlling Interests | | 3,929,860 | -4,345 | -117 | 3,934,322 |
| **Total Equity** | | 13,398,766 | -35,754 | -45,740 | 13,480,260 |
| **Liabilities** | | | | | |
| Financial debt | | 15,469,636 | - | - | 15,469,636 |
| Employee benefits | | 1,198,362 | - | - | 1,198,362 |
| Provisions | viii) | 709,146 | - | -17,625 | 726,771 |
| Deferred tax liabilities | iii) | 461,291 | 863 | -6,104 | 466,532 |
| Institutional partnerships in USA | | 2,163,722 | - | - | 2,163,722 |
| Trade payables and other liabilities from commercial activities | ix) | 1,437,037 | - | 93,866 | 1,343,171 |
| Other liabilities and other payables | | 874,984 | - | - | 874,984 |
| Non-current tax liabilities | | 91,551 | - | - | 91,551 |
| Total Non-Current Liabilities | | 22,405,729 | 863 | 70,137 | 22,334,729 |
| Financial debt | | 1,448,129 | - | - | 1,448,129 |
| Employee benefits | | 323,891 | - | - | 323,891 |
| Provisions | | 26,058 | - | - | 26,058 |
| Hydrological correction account | | 1,574 | - | - | 1,574 |
| Trade payables and other liabilities from commercial activities | | 3,498,131 | - | - | 3,498,131 |
| Other liabilities and other payables | | 284,140 | - | - | 284,140 |
| Current tax liabilities | | 563,456 | - | - | 563,456 |
| Liabilities held for sale | | 114,681 | - | - | 114,681 |
| Total Current Liabilities | | 6,260,060 | - | - | 6,260,060 |
| **Total Liabilities** | | 28,665,789 | 863 | 70,137 | 28,594,789 |
| **Total Equity and Liabilities** | | 42,064,555 | -34,891 | 24,397 | 42,075,049 |

i) Under IFRS 9, the category of "Available for sale investments" previously provided for in IAS 39 ceases to exist. Accordingly, the amounts recorded under this caption as at 31 December 2017 were reclassified according to their nature to Equity instruments at fair value (123,997 thousand Euros) and to Other debtors and other assets - Non-current (19 thousand Euros).

ii) As at 1 January 2018, the caption Equity instruments at fair value includes instruments held by the Group in the amount of 123,997 thousand Euros, measured at fair value through comprehensive income (96,290 thousand Euros) and equity instruments at fair value through profit or loss (27,707 thousand Euros) (see note 21).

iii) Within the implementation of IFRS 9 and IFRS 15 by EDP Group, were accounted for deferred tax assets and liabilities in the positive amount of 22,146 thousand Euros and the negative amount of 5,241 thousand Euros, respectively.

iv) Due to the adoption of IFRS 9, the tariff deficit of EDP Serviço Universal, S.A., amounting to 439,797 thousand Euros, was classified and measured at fair value through comprehensive income, which led to an increase of 2,739 thousand Euros (negative amount of 2,727 thousand Euros - Non Current and positive amount of 5,466 thousand Euros - Current), inherent to the recognition of the difference between the valuation at fair value and the amortised cost (previous valuation under IAS 39) (see note 24).
The caption Debtors and other assets from commercial activities – Non Current includes, as at 1 January 2018, the amount of 65,491 thousand Euros corresponding to the recognition of a set of incremental costs to obtain a contract, which are eligible for capitalization under IFRS 15. Additionally, as at 31 December 2017, the same caption included the amount of 47,657 thousand Euros corresponding to income receivable that do not meet the requirements for revenue recognition under IFRS 15, for being variable consideration, according to the accounting policy 2 o).
As at 1 January 2018, the caption Debtors and other commercial assets - Current includes a negative amount of 53,213 thousand Euros, which resulted from the increase of impairment losses in accordance with the new expected credit losses model provided by IFRS 9 (see note 24).

v) As at 1 January 2018, the caption Other debtors and other assets - Non Current and Current includes instruments that under IFRS 9, by their nature, should be classified and measured at amortised cost. Therefore, EDP Group has reclassified to this caption the instruments recognised under the caption Financial assets at fair value through profit or loss (27,554 thousand Euros - Non Current and 9,990 thousand Euros - Current) and of instruments recognised under the caption Available for sale investments (19 thousand Euros - Non Current) (see note 25).

vi) In the scope of IFRS 9, EDP Group has reclassified instruments recognised under the caption Financial assets at fair value through profit or loss to the caption Other debtors and other assets - non-current (see paragraph v)).

vii) Due to the adoption of IFRS 9 and IFRS 15, EDP Group has recorded in the caption Reserves and retained earnings an impact of 77,032 thousand Euros, net of deferred tax, related to the counterparts of the movements mentioned in the remaining paragraphs.

viii) As at 31 December 2017, the caption Provisions included the amount of 17,625 thousand Euros, corresponding to liabilities over assets recognised under IAS 18, that no longer qualify as assets due to IFRS 15's adoption (see note 35).

ix) As at 1 January 2018, the caption Trade payables and other liabilities from commercial activities – Non Current includes the amount of 97,646 thousand Euros corresponding to income previously recognised under IFRIC 18 - Transfer of Assets from Customers, which have now been classified as income to be recognised, due to the performance obligation, as envisaged in IFRS 15, has not yet been met. In addition, as at 31 December 2017, this caption included a negative amount of 3,780 thousand Euros that do not meet the requirements for revenue recognition under IFRS 15, for being variable consideration, according to the accounting policy 2 o).

The following tables summarise the impacts of adopting IFRS 15 on the Group's statement of financial position as at 31 December 2018 and its income statement for the year then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 31 December 2018.

- **Impacts in Consolidated Statement of Financial Position as at 31 December 2018**

| Thousand Euros | | 31.12.2018 As reported | IFRS 15 Adjustments - Opening Balance | IFRS 15 Adjustments 2018 | 31.12.2018 Without IFRS 15 adoption |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Deferred tax assets | | 1,152,195 | -6,563 | -2,424 | 1,143,208 |
| Debtors and other assets from commercial activities | a) | 2,522,640 | -17,834 | 17,520 | 2,522,326 |
| Others | | 37,952,126 | - | - | 37,952,126 |
| **Total Assets** | | 41,626,961 | -24,397 | 15,096 | 41,617,660 |
| **Equity** | | | | | |
| Reserves and retained earnings | b) | 4,350,938 | 45,623 | - | 4,396,561 |
| Consolidated net profit attributable to equity holders of EDP | | 519,189 | - | 11,435 | 530,624 |
| Non-controlling Interests | | 3,932,150 | 117 | - | 3,932,267 |
| Others | | 4,098,050 | - | - | 4,098,050 |
| **Total Equity** | | 12,900,327 | 45,740 | 11,435 | 12,957,502 |
| **Liabilities** | | | | | |
| Provisions Non-Current | c) | 982,515 | 17,625 | 7,583 | 1,007,723 |
| Deferred tax liabilities | | 574,701 | 6,104 | -357 | 580,448 |
| Trade payables and other liabilities from commercial activities | d) | 1,356,245 | -93,866 | -3,565 | 1,258,814 |
| Others | | 25,813,173 | - | - | 25,813,173 |
| **Total Liabilities** | | 28,726,634 | -70,137 | 3,661 | 28,660,158 |
| **Total Equity and Liabilities** | | 41,626,961 | -24,397 | 15,096 | 41,617,660 |

As above presented, the impacts are split between the amounts considered at the transition date and the amounts that would be registered if the EDP Group had not apply IFRS 15 in its financial statements at 31 December 2018. The major impacts presented as IFRS 15 Adjustments 2018 are the following:

a) The caption Debtors and other assets from commercial activities – Non Current includes 21,046 thousand Euros related to the income receivable that do not meet the requirements for revenue recognition under IFRS 15, for being variable consideration, and -3,526 thousand Euros related to the recognition of a set of incremental costs to obtain a contract, which are eligible for capitalization under IFRS 15, and the corresponding amortisation recognised.

b) The impacts related to the year 2018 are detailed below by caption of EDP Consolidated Income Statement.

c) The caption Provisions includes 7,583 thousand Euros related to liabilities over assets recognised under IAS 18, that no longer qualify as assets due to IFRS 15's adoption.

d) The caption Trade payables and other liabilities from commercial activities – Non Current includes -5,165 thousand Euros related to income previously recognised under IFRIC 18 - Transfer of Assets from Customers, which do not meet the principles to be classified as income as envisaged in IFRS 15, since the performance obligation has not yet been met, and 1,600 thousand Euros related to other income receivable that do not meet the requirements for revenue recognition under IFRS 15, for being variable consideration.

- **Impacts in Consolidated Income Statement as at 31 December 2018**

| Thousand Euros | 31.12.2018 As reported | IFRS 15 Adjustments | 31.12.2018 Without IFRS 15 adoption |
|---|---|---|---|
| Revenues from energy sales and services and other | 15,278,085 | 9,696 | 15,287,781 |
| Cost of energy sales and other | -10,178,903 | 5,165 | -10,173,738 |
| Other income | 562,677 | - | 562,677 |
| Supplies and services | -956,961 | -21,884 | -978,845 |
| Amortisation and impairment | -1,444,812 | 20,435 | -1,424,377 |
| Income tax expense | -165,011 | -1,977 | -166,988 |
| Others | -2,218,994 | - | -2,218,994 |
| **Net profit for the period** | 876,081 | 11,435 | 887,516 |

- **Summary of the impacts of the adoption of IFRS 9 and IFRS 15 in Company Statement of Financial Position on 01 January 2018**

| Thousand Euros | 01-jan-18 | Impact of IFRS 9 adoption | Impact of IFRS 15 adoption | 31-dec-17 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 156,347 | - | - | 156,347 |
| Intangible assets | 12,311 | - | - | 12,311 |
| Investments in subsidiaries | 11,501,702 | - | - | 11,501,702 |
| Held to maturity financial investments | - | -451,257 | - | 451,257 |
| Investments in joint ventures and associates | 6,597 | - | - | 6,597 |
| Available for sale investments | - | -1,556 | - | 1,556 |
| Equity instruments at fair value | 1,537 | 1,537 | - | - |
| Investment property | 51,496 | - | - | 51,496 |
| Deferred tax assets | 78,258 | - | - | 78,258 |
| Debtors and other assets from commercial activities | 586 | - | - | 586 |
| Other debtors and other assets | 7,075,107 | 451,276 | - | 6,623,831 |
| Total Non-Current Assets | 18,883,941 | - | - | 18,883,941 |
| Held to maturity financial investments | - | -419,946 | - | 419,946 |
| Debtors and other assets from commercial activities | 609,630 | - | - | 609,630 |
| Other debtors and other assets | 3,327,168 | 419,946 | - | 2,907,222 |
| Current tax assets | 185,256 | - | - | 185,256 |
| Cash and cash equivalents | 1,138,760 | - | - | 1,138,760 |
| Total Current Assets | 5,260,814 | - | - | 5,260,814 |
| **Total Assets** | 24,144,755 | - | - | 24,144,755 |
| **Equity** | | | | |
| Share capital | 3,656,538 | - | - | 3,656,538 |
| Treasury stock | -56,862 | - | - | -56,862 |
| Share premium | 503,923 | - | - | 503,923 |
| Reserves and retained earnings | 2,575,543 | - | - | 2,575,543 |
| Net profit for the period | 765,427 | - | - | 765,427 |
| **Total Equity** | 7,444,569 | - | - | 7,444,569 |
| **Liabilities** | | | | |
| Financial debt | 5,785,760 | - | - | 5,785,760 |
| Employee benefits | 5,763 | - | - | 5,763 |
| Provisions | 8,902 | - | - | 8,902 |
| Trade payables and other liabilities from commercial activities | 2,048 | - | - | 2,048 |
| Other liabilities and other payables | 391,408 | - | - | 391,408 |
| Total Non-Current Liabilities | 6,193,881 | - | - | 6,193,881 |
| Financial debt | 7,702,537 | - | - | 7,702,537 |
| Employee benefits | 376 | - | - | 376 |
| Provisions | 1,553 | - | - | 1,553 |
| Hydrological correction account | 1,574 | - | - | 1,574 |
| Trade payables and other liabilities from commercial activities | 686,463 | - | - | 686,463 |
| Other liabilities and other payables | 2,094,629 | - | - | 2,094,629 |
| Current tax liabilities | 19,173 | - | - | 19,173 |
| Total Current Liabilities | 10,506,305 | - | - | 10,506,305 |
| **Total Liabilities** | 16,700,186 | - | - | 16,700,186 |
| **Total Equity and Liabilities** | 24,144,755 | - | - | 24,144,755 |

The adjustments in the Company Statement of Financial Position related to the transition to IFRS 15 and IFRS 9 represent only reclassifications that are presented in the respective notes.

The new standards that have been issued and that are already effective and that the Group has applied on its financial statements, with no significant impacts are the following:

- IFRIC 22 - Foreign Currency Transactions and Advance Payments;
- IFRS 2 (Amended) - Classification and Measurement of Share-based Payment Transactions;
- IAS 40 (Amended) - Transfers of Investment Property;
- IFRS 4 (Amended) - Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts; and
- "Annual Improvement Project (2014-2016)".

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

The standard issued but not yet effective for the Group, which impact is being evaluated, is the following:

- **IFRS 16 - Leases**

  IFRS 16 - Leases has been issued by International Accounting Standards Board (IASB) in January 2016 and endorsed by the EU on 31 October 2017, and is effective as of 1 January 2019.

  This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17 - Leases and its associated interpretative guidance. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee is required to apply IFRS 16 to its leases using either the full retrospective approach or the modified retrospective approach (which entails no restatement of its prior-period financial information). A lessee applies the elected transition approach consistently to all leases in which it is a lessee. The most significant impact will be the recognition of right of use (ROU) assets and lease liabilities for the operating leases, unless the lease term is 12 months or less, or the lease is for a low-value asset. Lessor accounting remains similar to the current standard, IAS 17.

  With the adoption of IFRS 16, the Group will recognise a right-of-use asset (ROU asset) and a lease liability if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: i) the contract involves the use of an identified asset; ii) the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and iii) the Group has the right to direct the use of the asset.

  EDP Group will adopt the new standard on the required effective date in accordance with the modified retrospective transition approach, without restatement of comparative information.

  On initial application of IFRS 16 to leases previously classified as operating leases, EDP Group will recognise a right of use (ROU) asset and a lease liability, which corresponds to the payments of that lease contracts discounted using EDP Group's incremental borrowing rate for each portfolio of leases, as at 1 January 2019. As provided by the standard, EDP Group has elected to measure the ROU asset at the amount of the lease liability on adoption (adjusted for any prepaid amount or accrued lease expenses).

  During 2018, EDP Group has performed a detailed assessment of the impact on all the aspects of IFRS 16. This assessment is based on currently available information and may be subject to changes due to clarifications about identified divergence in practice in the industry, related mainly with the contracts for the use of the land where wind farms are located. Therefore the adoption impacts are subject to change until the presentation of the first financial statements that include the date of initial application.

  EDP Group has carried out an inventory of the existing lease contracts, in order to access qualitative and quantitative impacts on the adoption of the Standard. Accordingly, EDP Group will recognise new assets and liabilities for its operating leases mainly of land where wind farms are located, real state, vehicles and other leased assets. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for the right-of-use assets and an interest expense on lease liabilities.

  In the context of the initial application of IFRS 16, EDP Group estimates an increase in Property, plant and equipment and in Lease liabilities of 760,000 thousand Euros on consolidated statement of financial position at 1 January 2019. As the asset is depreciated over the asset's useful life, which in most cases corresponds to the lease term, and the lease payments are broken down into interest and repayment of the liability, the operating results are expected to increase. The change in presentation of operating lease expenses will also result in a corresponding increase in cash flows operating activities and a decline in cash flows from financing activities.

  Considering the divergence in interpretations of IFRS 16 about the exclusive, or non-exclusive, right to use lands rented for wind farms, since those lands contractually could be available for different purposes, such as agriculture and livestock, EDP Group is reanalysing all lease contracts and intends to conclude, in line with the industry practice.

  During 2018, EDP, S.A. has made an assessment in order to identify the impacts of the application of the IFRS 16's requirements. The Company has estimated an impact of 65,000 thousand Euros regarding the adoption of this standard, related to its operating leases of land where are located Lisbon and Porto headquarters' buildings.

The standards, amendments and interpretations issued but not yet effective for the Group (whose effective application date has not yet occurred or, despite their effective dates of application, they have not yet been endorsed by the UE) for which no significant impact is expected, are the following:

- IFRS 9 (Amended) - Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IFRS 17 - Insurance Contracts;
- IAS 28 (Amended) - Long-term Interests in Associates and Joint Ventures;
- IFRIC 23 - Uncertainty over Income Tax Treatments;
- "Annual Improvement Project (2015-2017)";
- IAS 19 (Amended) - Plan Amendment, Curtailment or Settlement;
- Amendments to References to the Conceptual Framework in IFRS;
- IFRS 3 (Amended) - Definition of a business; and
- IAS 1 (Amended) and IAS 8 (Amended) - Definition of material.

Regarding the new interpretation to IAS 12 – Income tax, IFRIC 23, the Group has reassessed all the pending litigations or disputes with tax authorities regarding income tax, and no changes in the estimates made previously by management are expected to be adjusted as at January 1, 2019. All the others amendments to IFRS were not assessed as having impact on Group's financial statements, and IFRS 17 does not apply to Group's core activities.

**4. Critical Accounting Estimates and Judgements in Preparing the Financial Statements**

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

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

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

**Financial asset related with infrastructure concession contracts in Portugal**

The caption "Amounts receivable from concessions - IFRIC 12", refers to the financial assets receivable by EDP Group companies that operate infrastructures under concession contracts, and arises from the unconditional right to receive this amount regardless of the utilisation level of the infrastructures covered by the concession. In these companies is included EDP Distribuição as the National Distribution Network's (RND) concessionaire, which comprises the medium and high voltage network (MT and HT), and low voltage distribution networks (LT), being these concessions exercised exclusively through public service concession contracts.

The RND's operation, which is part of the high and medium tension network (HT and MT), is carried out through a public service concessions' attribution, by the Portuguese State. On the other hand, the right to distribute low voltage electricity is attributed to the Portuguese mainland municipalities. The legislation that establishes the basis of each concession sets up that the ownership or possession of the goods assigned to these concessions revert to the concessionaires at the end of their respective concessions. They also establish that in return for the assets returned to grantors, whether State or municipalities, compensation corresponding to the assets' book value assigned to the concession, net of amortisations, financial contributions and non-refundable subsidies will be paid. Therefore, the assets' estimated residual value at the end of each concession constitutes a financial asset, and the remaining fair value component of the concession assets is an intangible asset to be amortised over its useful life. Hence, the end date of each concession is one of the main assumptions for the financial assets' and intangible assets' estimation.

As mentioned in note 1, in May 2017 Law 31/2017 was approved, which lays down the principles and general rules concerning the organisation of public tendering procedures for the awarding, by contract, of the municipal LT concessions' operation in the Portuguese mainland. This Law foresees the simultaneous launch, in 2019, of public tender procedures for all municipalities that do not opt for direct management of the electricity distribution activity, as well as to all municipalities whose current concession contracts reach their end before 2019, and do not opt for direct management. In these cases, both parts shall enter into a written agreement extending the term of their respective concessions until the new concession contracts enter into force. The awarding decisions will be taken by municipalities or by the territorial area's intermunicipal entity attached to the referred proceedings.

Thus, it is expected that this legislation and the concessions renewal proceedings will have a significant impact on EDP Distribuição's estimate of financial and intangible assets, namely through the concessions' termination anticipation, that currently extend beyond 2019. However, at this date it is not possible to predict the end date of the concession contracts currently in force, as the process is still in an initial phase, by doing studies and legislation. With reference to 31 December 2018, financial assets and intangible assets were estimated based on the end dates of each of the contracts currently in force, and do not consider any changes arising from the already mentioned legislation. The use of different assumptions and estimates could result in different amounts of financial and intangible assets, with the consequential impact in the Statement of Financial Position.

**Measurement criteria of the concession financial receivables under IFRIC 12 in Brazil**

In 2012, the Provisional Measure 579/12 was published in Brazil, meanwhile converted into Law 12,783/13, which determines the amount of the indemnisation payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indemnisation amount (financial asset IFRIC 12) of EDP São Paulo and EDP Espírito Santo, booked under IFRIC 12 terms. The indemnisation amount variation is booked against Revenues from energy sales and services and other. This amount corresponds to the difference between the new replacement value versus the historical cost.

**Impairment**

*Impairment of long term assets and Goodwill*

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

On an annual basis, the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The investments in subsidiaries, on a company basis, and in associates are reviewed when circumstances indicate the existence of impairment.

Considering the uncertainties regarding the recoverable amount of property, plant and equipment, intangible assets and goodwill as they are based on the best information available, changes in the assumptions could result in changes on the determination of the amount of impairment and, consequently, in results.

*Impairment of receivables*

Impairment losses related to doubtful debts are estimated by EDP based on the estimated recoverable amounts, the date of default, debt write offs and other factors. Certain circumstances and facts may change the estimated impairment losses of doubtful debts, namely changes in the economic environment, sector trends, client's credit risk and increases in the rate of defaults. Changes in the estimates and judgement could change the impairment test results, thereby affecting results (see note 2 e)).

**Fair value and classification of financial instruments**

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

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

Additionally, financial instruments' classification as debt or equity requires judgement in the interpretation of contractual clauses and in the evaluation of the existence of a contractual obligation to deliver cash or other financial assets.

**Review of the useful life of the assets**

The Group reviews annually the reasonableness of the assets' useful lives that are used to determine the depreciation rates of assets assigned to the activity, and prospectively changes the depreciation charge of the year based on such review.

In the first quarter of 2018, the EDPR Group reviewed and extended the useful life of its solar farms from 30 to 35 years, based on a technical study conducted by an independent entity that considered the technical and economic availability for an additional period of 5 years.

**Useful lives of generation assets - Hydro independent generator in Brazil**

The hydro generation assets in Brazil for independent generators are amortised during their estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements. This includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by ANEEL, the respective contractual residual indemnification values at the end of each concession period, as well as related technical and legal opinions. The remaining period of amortisation and the indemnification values at the end of the concessions may be influenced by changes in the regulatory legal framework in Brazil.

**Tariff adjustments**

*Portugal*

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

Decree-Law 237-B/2006 of 19 December, and Decree-Law 165/2008 of 21 August, recognised an unconditional right of the operators of the electricity sector to recover the tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations. Additionally, the legislation allows the transfer to third parties of the right to receive tariff adjustments. Therefore, under this legislation, regulated companies may provide to third parties, in whole or in part, the right to receive the tariff adjustments through the electricity and gas tariffs. In accordance with the accounting policy in force, the EDP Group books under the caption Revenues from energy sales and services and other - Electricity and network access, the effects of the recognition of tariff adjustments in the electricity sector, against Debtors and other assets from commercial activities and Trade payables and other liabilities from commercial activities.

Decree-Law 87/2011 of 18 July also establishes the unconditional right of regulated operators in the natural gas sector to recover tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations, and allows the transfer to third parties of the right to receive tariff adjustments. EDP Group books under the caption Revenues from energy sales and services and other - Gas and network access, the effects of the recognition of tariff adjustments of Natural Gas, against Debtors and other assets from commercial activities and Trade payables and other liabilities from commercial activities.

*Spain*

Royal Decree Law 6/2009, published on 7 May 2009, established, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electricity sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013 access tariffs would be sufficient to cover the cost of regulated activities, without the creation of an "ex-ante" tariff deficit and, in order to ease this gradual elimination, Royal Decree Law 6/2009 also provided for the passage of some costs included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO2 costs in market prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs associated with the management and treatment of radioactive waste from nuclear power plants and fuels consumed. However, Royal Decree Law 29/2012, endorsed on 28 December, abolished the regulatory requirement mentioned in paragraph (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

In 2010, Royal Decree Law 14/2010 addressed the correction of the tariff deficit of the electricity sector. Under this decree, the temporal mismatch of the settlements for 2010 tariff deficits came to be considered as a revenue deficit of the electricity system and a set of measures was established so that the various industry players contribute to the reduction of the tariff deficit. These measures included the establishment of generation rates, financing plans energy efficiency savings by the generation companies and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012, two decrees were adopted to reduce the tariff deficit in order to reach the limit set by Royal Decree Law 14/2010: (i) Royal Decree Law 1/2012, which temporarily suspended the inclusion of new facilities in the ‘‘pre-asignación’’ registrations maintained by the Minister of Industry, Energy and Tourism before the power plant is entitled to make use of the Spanish special regime; and (ii) Royal Decree Law 13/2012, which provided for reductions in the remuneration for distribution activity and an extraordinary decrease on other regulated activities.

In 2014, Royal Decree Law 1054/2014, establishes the procedures for the transfer of the right to receive the deficit of 2013 from the Spanish system, as well as, the methodology to define the interest rate applicable to this deficit, which main guidelines are:
(i) definition of a 15 years time frame during which the deficit amount will cumulate interest. This time frame consists in two periods: the first, which began in 1 January 2014 ending on the date of the additional liquidation of the provisional liquidation 14 of the year 2013; and the final period, from which the additional liquidation of the provisional liquidation 14 of the year 2013, is made, until 31 December 2028; and
(ii) the rights to receive (base amount plus interests) are expressly recognised, with their respective taxes and will be considered as system costs. These rights can be total or partially assigned, transferred, transmitted, discounted pledged to third parties, if properly communicated to CNMC ("Comisión Nacional de los Mercados y la Competencia").

*Brazil*

On 25 November 2014, ANEEL made addendums to the concession contracts with brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities that existed since 2010, when the IFRS were adopted in Brazil. As a consequence, the CPC issued on 28 November 2014, the OCPC 08 (Recognition of Certain Assets and Liabilities in Accounting and Financial Reports of Electric Distribution) which determines how to treat these regulatory assets/liabilities in the financial statements.

Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement, where it was established that, in the case of concession termination, the outstanding balances of any failure of payment or reimbursement by the tariff (assets and liabilities), will be considered on the indemnity calculation, based on the regulator pre-established regulations.

EDP Group considers, based on the issued legislation (Portugal, Spain and Brazil), that the requirements for the recognition of tariff deficits as receivables and payables against the income statement have been satisfied.

**Revenue recognition**

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

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

**Income taxes**

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

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

In Portugal, the tax authorities are entitled to review EDP, S.A. and its subsidiaries' determination of their annual taxable earnings for a period of four years. In case of tax losses carried forward, this period is twelve years for annual periods starting from 2014, five years for 2013 and 2012, four years for 2011 and 2010 and six years for previous annual periods. In Spain the period is four years and in Brazil it is five years. In the United States of America, in general, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity, the period is three years from the date that the income tax return is filed by the taxpayer. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the EDP Group and its subsidiaries do not anticipate any significant changes to the income tax booked in the financial statements.

**Pensions and other employee benefits**

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

**Provisions for dismantling and decommissioning of power generation units**

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

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

**Entities included in the consolidation perimeter**

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

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

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

**Business combination**

Under IFRS 3 (Business Combination) in a business combination, the acquirer shall recognise and measure in the consolidated financial statements the assets acquired and liabilities assumed at fair value at the acquisition date. The difference between the purchase price and the fair value of the assets and liabilities acquired leads to the recognition of goodwill or a gain from a purchase at a low price (bargain purchase).

The fair value determination of the assets acquired and liabilities assumed is carried out internally or by independent external evaluators, using the discounted cash flows method, using the replacement cost or other fair value determination techniques, which rely on the use of assumptions and estimates including macroeconomic indicators such as inflation rates, interest rates, exchange rates, discount rates, sale and purchase prices of energy, cost of raw materials, production estimates and business projections. Consequently, the determination of the fair value and goodwill or gain from a purchase at a low price is subject to numerous estimates and judgments and therefore changes in assumptions could result in different impacts on results.

**Fair value measurement of contingent consideration**

Contingent consideration from a business combination or a sale of a financial investment is measured at fair value at the acquisition date as part of the business combination or at the date of the sale in the event of a sale of a financial investment. This contingent consideration is subsequently remeasured at fair value at each report date. Fair value is based on discounted cash flows. The main assumptions consider the probability of achieving each objective and the discount factor, corresponding to the best estimates of management at each report date. Changes in assumptions could have significant impact on the values of contingent assets and liabilities recognised in the financial statements.

**Contractual stability compensation - CMEC**

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

As a result of the PPAs extinction and in accordance with the applicable legislation, a contractual stability compensation (CMEC) was granted to EDP Group. This mechanism includes three types of compensation: initial compensation, annual compensation (or revisibility) and final adjustment.

**Initial Compensation**

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

**Contractual stability compensation – annual revisibility mechanism**

During period I (2007/2017) of the contractual stability compensation mechanism, there was a correction on an annual basis, resulting from positive or negative deviations between the estimates made for the initial stability compensation calculation and actual amounts arising from an efficient performance, using the "Valorágua" model, as established in the Decree-Law 240/2004. Later, Order 4694/2014 was published to define the guidelines of the annual revisibility calculation with respect to the revenues from the ancillary services market, regarding power plants under CMEC.

Revisibility amounts for the years 2007 to 2014 were determined and approved by the Member of the Government responsible for the energy sector, and were contested by EDP Produção:

a) As regards the approval of the 2011 and 2012 revisibilities, the fact that it did not consider the costs incurred with the social tariff in the calculation of the revisibilities; and

b) As regards the approval of the 2014 revisibility, the fact that it did not take into account in the calculation of the revisibility the costs incurred with the social tariff and CESE.

Regarding the annual revisibilities of 2015 to 2017, it is awaited approval, even though, by letter of 21 April 2017 from ERSE, the transfer to EDP Produção of the annual revisability of 2015 has been authorised.

**CMEC Final Adjustment**

The CMEC's Final Adjustment is calculated in accordance with number 7 of article 3rd and Annex IV of Decree-Law 240/2004, of 27 December. The State budget for 2017 (Law 42/2016) determined, in its article 170, that the final adjustment amount shall be calculated and justified in a study done and presented by ERSE. This entity had the technical support of the Working Group EDP Produção/REN, legally enforced.

Accordingly, the technical group EDP/REN has presented to ERSE its report on the CMEC final adjustment calculation, which was achieved by strictly following the calculation methodology described in Decree-Law 240/2004. This calculation, performed by the technical group EDP/REN was presented to ERSE and comes to a range of amounts between 256.5 and 271 million Euros.

At the end of September 2017, ERSE has also presented to the Government its report on the calculation of the CMEC final adjustment, reaching an amount of 154 million Euros, which was provisionally considered in the document of tariffs and prices for 2018.

In the Financial statements as at 31 December 2017, EDP Group has included its best estimate of the CMEC final adjustment, by recognising an asset in the amount of 256.5 million Euros against deferred income, based on Decrew-Law 240/2004 and on the document done jointly by EDP and REN and the legal opinions obtained on this subject.

On 3 May 2018, EDP was notified (through a DGEG's letter from 25 April 2018) that the CMEC final adjustment had been officially approved, according to ERSE's proposal, in the amount of 154 million Euros. EDP reflected this reality in its financial statements as of 31 December 2018, recognising a provision by the difference in the final adjustment amounts already recognised in the Group's revenues.

Considering that the administrative act contained in the Dispatch of approval of the SSE of 25 April 2018 lacks technical, economic and legal basis, and that, in particular, it does not apply the calculation methodology contained in Decree-Law 240/2004 and which would lead to the determination of an amount close to the one determined by the technical group, on 3 September 2018, EDP Produção has legally contested it.

**Clawback**

Following some tax changes occurred in Spain, which affected electricity generators operating in this country, Decree-Law 74/2013 was approved in Portugal, which aimed to rebalance the competition between electricity generators operating in Portugal and other players operating in Europe.

Pursuant to Decree-Law no. 74/2013 and its regulations, in order to restore such balance, the power plants operating on a market regime is situated in Portugal, which were not covered by the PPA or CMEC regime, should pay an amount per MWh produced.

The amount payable should consider an estimate of the impact that the off-market events in the EU (such as the above-mentioned tax changes in Spain) would have in pool prices, as well as off-market events in Portugal that would affect the competitiveness of electricity generators operating in Portugal. Consequently, a net competition advantage would allegedly arise to generators operating in Portugal.

Under this mechanism regulation – commonly known as clawback – Social tariff and CESE were approved by Dispatch 11566-A/2015 as off-market events that should be considered as competitive disadvantages of generators operating in Portugal.

Dispatch 7557-A/2017, of 25 August, superseded Dispatch 11566-A/2015, of 3 October, (which defined the variables for the computation formula of the amount to be paid by each of the power-generating plants under Decree-Law 74/2013, of 4 June, for each injected MWh) in its entirety. It states that ERSE, after consulting DGEG, shall present proposals for a new definition of the variables, as well as reference terms for the new study.

Subsequently, in the Dispatch 9371/2017, of 24 October, partially nulled of Dispatch 11566-A/2015, of 3 October 2018 from the SSE, is declared, in relation to the decisions presented under its numbers 11 and 12 (the deduction of social tariff and CESE costs in the unit price). ERSE was asked to consider in 2018 UGS tariff, the recovery, in benefit of the consumers, of the amounts allegedly unproperly included in previous years' tariffs (2016 and 2017). Dispatch 9955/2017, of 17 November, defines a new amount for the estimate of the off-market events' impact in EU, which is 4.75 €/MWh, with retroactive effects as at August 24. Following these Dispatches, the document of prices and tariffs for 2018 has included a clawback amount of around 90 million Euros to be returned to tariffs, which includes power plants operating under CMEC and estimated generation.

Based on its interpretation of the Law, as well as on legal opinions obtained in the meantime, EDP Produção considers that the Decree-Law 74/2013 aims to reestablish a situation of competition balance between generators operating in Portugal and their peers operating in other European countries, which means to consider as off-market events all the taxes and contributions that fall only over generators located outside of Portugal (particularly in Spain), as well as all the taxes and contributions that fall only over generators located in Portugal. Consequently, in the Group's understanding, Dispatch 9371/2017 and 9955/2017 have completely distorted the clawback mechanism, having filed its legal action in January 2018.

In the Financial statements as at 31 December 2018, EDP Group has included the clawback amount as calculated by EDP Produção, regarding the legislation in place in each period, namely Decree-Law 74/2013, Order 225/2015, Ordinance 9371/2017 from 24 October and Dispatch 9955/2017, from 17 November. It is important to notice that this mechanism is not applicable to power plants still operating under CMEC regime.

On 5 October 2018, the Spanish legislature, by the sixth and seventh additional lines on Article 21 of Royal Decree-Law 15/2018, suspended the 7% tax on electricity generation approved in 2012 for a period of six months, from the beginning of October 2018 to the end of March 2019. This tax suspension correspond to the suspension of the off-market event verified within the European Union, which is considered in the clawback calculation.

Following the temporary suspension of the tax on electricity production in Spain:
- Order 895/2019 of 23 January, establishing the suspension of the "Clawback" was approved for a period of 6 months as from 1 October 2018;
- The Tariff and Price Document for 2019, published on 17 December 2018, estimates a Clawback value of € 4.18 / MWh, to be applied after the end of the suspension period (more specifically from 6 April 2019);
- ERSE has informed EDP Produção that any clawback invoicing relating to the referred suspension period should be deleted or canceled;
- The State Budget Law for 2019 provided that "the Government shall, by the end of the first quarter of 2019, review the regulatory mechanism designed to ensure the balance of competition in the wholesale electricity market in Portugal, provided for under DL 74/2013, of 4 June, adapting it to the new rules of the Iberian Electricity Market, with the aim of creating harmonized regulatory mechanisms that reinforce competition and protect consumers".

**Ancillary Services**

On 10 June 2017, following Dispatch 10840/2016 about the audit conclusions on the determination of an overcompensation risk in the CMEC revisibility calculation, ERSE clarified that it would continue to monitor the market of ancillary services in accordance with its legal capability and that it would incorporate the conclusions of the referred audit, in all aspects that should be taken into account, in its opinion on the calculation of the 2016 annual revisibility.

On 5 September 2017, EDP Group was notified by DGEG that, following the above-mentioned audit conclusions and ERSE's recommendations, it would submit to the Secretary of State for Energy a regulation project that pursuits the deduction in tariffs and prices for 2018 the amount of 72.9 million Euros, as a deduction of 2016's revisibility, following the overcompensation in the ancillary services market of the power plants which benefited from this mechanism between 2009 and 2014. The DGEG requested EDP Produção to produce a statment at the Hearing of the Stakeholders.

On 20 September 2017, EDP Produção produced a set of observations to this request by reassuring its conviction that the referred audit report has serious flaws and limitations and presenting its reasons for this belief supported on a study performed by an independent entity. It is important to notice that ERSE, in the document of tariffs and prices for 2018, published on 15 December 2017, has not included any deduction to the revisibility amount of 2016, even though it stated that the identified overcompensation should be included in the CMEC Final adjustment to be officially approved.

On 3 May 2018, with the final adjustment's official approval, the Group verified that there is no deduction whatsoever related to this matter, leaving a decision on this subject for a later opportunity.

EDP Group considers that EDP Produção has not benefitted from any overcompensation in the ancillary systems market between 2009 and 2014, that it has always complied with the legal and regulatory framework in place and also that any different strategy from the one adopted would lead to losses for EDP Group. According to this belief, the Group has not registered any effect from this situation in the 2017 financial statements, neither has it considered any update on this matter in the 31 December 2018 financial statements. Nevertheless, in case the Government determines that indeed there was an overcompensation of the power plants under CMEC regime by their participation in ancillary services market, significant corrections may arise to the 2016 annual revisibility or to the CMEC final adjustment amounts recognised in the financial statements as at 31 December 2018, with the consequent impact in the Statement of Financial Position and Income Statement. In case there is any change to the CMEC final adjustment related to this matter, it is EDP Group's intention to assess all means available to protect the best interests of EDP and its shareholders.

Also, about ancillary services, it should be noted that on 3 September 2018, the Portuguese Competition Authority (AdC) notified EDP Produção with Statement of Objections, under which EDP Produção is accused of abuse of a dominant position in the secondary regulation band market (a part of the ancillary services market). AdC claims that EDP Produção has deliberately limited the participation of CMEC plants in the secondary regulation market between 2009 and 2013, benefitting its non-CMEC power plants. The alleged benefit, in detriment of consumers, would be twofold: receiving higher compensation under CMEC annual adjustment regime; profiting from higher market prices in said market. AdC estimates that the alleged practice of EDP Produção has generated damages to the national electricity system and to consumers of around 140 million Euros. AdC points out that the adoption of a Statement of Objections does not determine the result of the investigation, which began in September. On 28 November 2018, EDP Produção was given the opportunity to exercise its right to be heard and defend itself in relation to the alleged unlawful act and to the penalties in which it may incur.

**Innovative Features**

On 9 July 2018, EDP has been notified, within the scope of a stakeholder hearing promoted by the DGEG, to present its opinion on the possibility of DGEG proposing to the Secretary of State for Energy an amount associated with the alleged "innovative features" introduced in CMEC regime regardind PPA, to a maximum amount of 357.9 million Euros. According to the DGEG, this amount shall be associated with the lack of legal scope for tests on the availability of the CMEC plants (285 million Euros) and the above mentioned ancillary services (72.9 million Euros).

On 26 September 2018, EDP Produção was notified of the Order of the SEE of 29 August, which considers as an "innovative aspect" the topic "procedures for calculating the verified availability coefficient", quantified at 285 million Euros. This Order refers to the alleged lack of legal forecast of availability tests of CMEC plants. Considering that the Order in question lacks technical, economic and legal basis, on 8 October EDP Produção has submitted an administrative appeal.

Subsequently, EDP Produção received a letter from ERSE dated 12 November 2018 and became aware of the Order of the SEE of 4 October, which, following the Order of 29 August, declared the annulment of the annual adjustments in the part in which they considered the alleged "innovative aspect" concerning the procedures for calculating the coefficient of availability. In the Tariff and Price Document for 2019, ERSE considered the refund of an amount of 90 M € for a portion of the 285 million Euros referred to, expecting that the remaining portion will be paid for a number of years that allow the CMEC to have zero tariff impact by including the 86.5 million Euros in the tariffs of 2020, 86.5 million Euros in tariffs of 2021 and 21.9 million Euros in 2022.

Without having received any response to the gracious complain filed on 1 February 2019, EDP Produção challenged in court the Orders of 29 August and 4 October and the Tariff and Price Document for 2019.

Although the EDP Group considers that there were no innovative features weighted in CMEC adjustments, this aspect was reflected in these financial statements as of 31 December 2018, by recognising a provision of 285 million Euros.

**5. Financial Risk Management Policies**

**Financial risk management**

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

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

As for the subsidiaries in Brazil, the management of the financial risks inherent to the variation of interest rates, exchange rates and commodities is carried out locally, according to the principles set by rules of EDP - Energias do Brasil's Management and aligned with the principles/policies set by the EDP Group for this geographical area.

**Exchange-rate risk management**

EDP Group operates in different geographies, therefore becoming exposed to exchange rate risk in US Dollar (USD), Brazilian Real (BRL), Romanian Leu (RON), Polish Zloty (PLN), Canadian Dollar (CAD) and Pound Sterling (GBP). Currently, the exposure to USD/EUR, PLN/EUR, RON/EUR, CAD/EUR and GBP/EUR exchange rate risk results essentially from investments of EDP Group in wind parks (and solar) in the USA, Poland, Romania, Canada and United Kingdom, respectively. The exposure to BRL/EUR exchange rate risk results essentially from investments of EDP Group in EDP Brasil SA and EDP Renováveis Brasil. The majority of these investments were financed with debt contracted in the respective local currency which allows to mitigate the exchange rate risk related to these assets, and such financing is complemented in certain cases with derivatives to hedge exchange-rate risk on net investment.

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

The Brazilian subsidiaries exposed to the USD/BRL exchange rate risk as a result of their USD debt, use derivative financial instruments to hedge this risk. Additionally, investments in the Brazilian subsidiaries of EDP Energias do Brasil, whose net assets expressed in BRL are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate.

**Sensitivity analysis - exchange rate**

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the EUR/USD exchange rate, as at 31 December 2018 and 2017, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

| | Dec 2018 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | +10% | -10% | +10% | -10% |
| USD | 62,728 | -76,668 | -123,197 | 150,574 |
| | 62,728 | -76,668 | -123,197 | 150,574 |

| | Dec 2017 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | +10% | -10% | +10% | -10% |
| USD | 10,535 | -12,876 | -14,214 | 17,373 |
| | 10,535 | -12,876 | -14,214 | 17,373 |

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

**Interest rate risk management**

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

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

Long-term loans engaged at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments designed to level them to current and expected market conditions.

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

The EDP Group has a portfolio of interest rate derivatives with maturities up to 10 years. The Group's Financial Departments undertake sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. As at 31 December 2018, after the hedging effect of the derivatives 56% of the Group's liabilities are at fixed rate.

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

Based on the Group's debt portfolio, except for Brazil, and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 31 December 2018 and 2017 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

| | Dec 2018 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **Cash flow effect:** | | | | |
| Hedged debt | -14,052 | 14,052 | - | - |
| Unhedged debt | -7,354 | 7,354 | - | - |
| **Fair value effect:** | | | | |
| Cash flow hedging derivatives | - | - | 6,202 | -7,544 |
| Trading derivatives (accounting perspective) | -2,222 | 1,406 | - | - |
| | -23,628 | 22,812 | 6,202 | -7,544 |

| | Dec 2017 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **Cash flow effect:** | | | | |
| Hedged debt | -14,821 | 14,821 | - | - |
| Unhedged debt | -13,664 | 13,664 | - | - |
| **Fair value effect:** | | | | |
| Cash flow hedging derivatives | - | - | 10,607 | -12,361 |
| Trading derivatives (accounting perspective) | -105 | -4,754 | - | - |
| | -28,590 | 23,731 | 10,607 | -12,361 |

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

**Brazil - Exchange and interest rate risk management**

Stress tests and sensitivity analysis are carried out for purposes of risk management in the Brazilian subsidiaries. Through these two tools, the financial impact in different market scenarios is monitored.

For sensitivity analysis, the exposure of portfolio of operations is evaluated through 25% and 50% changes in the main risk factors, currency and interest rates. The stress test is performed on the fair value of the operations and uses as premise the interest rate curve projections of the main crises that affected the Brazilian market.

**Brazil - Sensitivity analysis - exchange rate**

The Brazilian subsidiaries are solely exposed to the USD/BRL exchange rate, arising from USD debt for which the exposure is completely offset by cross currency interest rate swaps.

**Brazil - Sensitivity analysis - Interest rates**

Based on the portfolio of operations, a 25% change in the interest rates, to which the Brazilian subsidiaries are exposed to, would have an impact to EDP Energias do Brasil Group, at 31 December 2018 and 2017, in the amount of:

| | Dec 2018 | |
|---|---|---|
| Thousand Euros | + 25% | - 25% |
| Financial instruments - assets | 6,957 | -6,957 |
| Financial instruments - liabilities | -60,614 | 66,225 |
| Derivative financial instruments | -225 | 298 |
| | -53,882 | 59,566 |

| | Dec 2017 | |
|---|---|---|
| Thousand Euros | + 25% | - 25% |
| Financial instruments - assets | 5,793 | -5,793 |
| Financial instruments - liabilities | -81,950 | 82,494 |
| Derivative financial instruments | -1,333 | 1,351 |
| | -77,490 | 78,052 |

**Counterparty credit risk management**

EDP Group's policy (see note 2 e)) in terms of counterparty risk on financial transactions is managed through an analysis of the technical capacity, competitiveness, credit rating and exposure to each counterparty, avoiding significant concentrations of credit risk. Counterparties in derivative financial instruments are institutions with high credit rating so the risk of counterparty default is not considered to be significant. Therefore, guarantees and other collaterals are not typically required for these transactions.

EDP Group has documented its financial operations in accordance with international standards. Derivative financial instruments are mainly contracted under ISDA Master Agreements.

The amount receivable from customers is mainly generated by operations in Portugal, Spain and Brazil, with a diversified customer base, both geographically and in terms of segments (business clients, private and public sector) and size (Supply companies, Business to Business (B2B) and Business to Consumer (B2C)). EDP is present in 16 countries and has more than 9.8 million customers in the electricity sector and 1.6 million customers in the gas sector, and usually the contractual relationship with the counterparty tends to be long-lasting.

The maximum exposure to customer credit risk by counterparty type is detailed as follows:

| Thousand Euros | Dec 2018 | Dec 2017 |
|---|---|---|
| **Corporate and private sector:** | | |
| Supply companies | 102,418 | 99,284 |
| B2B | 482,338 | 670,483 |
| B2C | 356,421 | 408,901 |
| Other | 107,818 | 122,249 |
| | 1,048,995 | 1,300,917 |
| **Public sector:** | | |
| Debt with payment agreement | 41,280 | 53,420 |
| Debt without payment agreement | 170,551 | 131,916 |
| | 211,831 | 185,336 |
| | 1,260,826 | 1,486,253 |

Trade receivables by geographical market for the Group EDP, is as follows:

| | Dec 2018 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Corporate and private sector | 446,708 | 116,806 | 447,513 | 10,662 | 32,312 | 1,054,001 |
| Public sector | 135,623 | 12,988 | 57,120 | - | 1,094 | 206,825 |
| | 582,331 | 129,794 | 504,633 | 10,662 | 33,406 | 1,260,826 |

| | Dec 2017 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Corporate and private sector | 546,871 | 211,438 | 496,392 | 14,076 | 32,140 | 1,300,917 |
| Public sector | 90,656 | 37,503 | 56,541 | - | 636 | 185,336 |
| | 637,527 | 248,941 | 552,933 | 14,076 | 32,776 | 1,486,253 |

The amounts receivable from supply companies are concentrated mainly in Portugal, Brazil and EDP Renováveis Group, as follows:

- In Portugal, these counterparties present a significantly reduced days sales outstanding, about 20 days, and these entities are subject to the sector regulation that establishes collaterals to reduce credit risk. The collateral provided is updated based on the average of the last quarter monthly sales, which reinforces a low risk profile;

- In Brazil, it refers mainly to: (i) the amounts from sale of electricity to wholesale dealers and supply companies, (ii) accounts receivable relating to energy traded in the Electric Energy Trading Chamber - CCEE; and (iii) charges for the electricity network access;

- In EDPR EU, main customers are operators and distributors in the energy market of their respective countries. Credit risk is not significant due to the limited days sales outstanding and to the quality of its debtors. Counterparty risk comes from the countries that have renewable energy incentives, and is usually seen as a regulatory risk;

- In EDPR NA, main customers are regulated utilities and regional market agents in the USA. As it occurs in Europe, credit risk is not significant due to the limited days sales outstanding and to the quality of the debtors. However, the exposure to customers in long term contracts also arises from the mark-to-market of these contracts. This exposure is managed by a detailed assessment of the counterparty before signing any long term agreement and by a requirement of collaterals depending on the exposure and on the rating.

Regarding the remaining receivables from companies and individual customers, resulting from the current activity of EDP Group, the credit risk is essentially the result of customers defaults, whose exposure is limited to the supply made until the possible date of supply disruption. A very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

Amounts receivable from public sector customers include amounts receivable from renegotiated debt with payment agreements, which, as the counterparty is a public entity and has already recognised the debt through payment protocols, present a lower risk. These amounts also include debt without payment agreements arising from the normal power supply activity similar to that described for the corporate and individual sector.

Regarding the ageing, as at 31 December 2017, Trade receivables is as follow:

| Thousand Euros | Dec 2017 |
|---|---|
| **Past due but not impaired trade receivables:** | |
| Less than 3 months | 318,938 |
| Between 3 to 6 months | 30,045 |
| Between 6 to 12 months | 9,995 |
| More than 12 months | 14,810 |
| | 373,788 |
| **Impaired trade receivables** | 367,838 |
| **Not past due and not impaired trade receivables** | 1,112,465 |
| | 1,854,091 |

Past due but not impaired trade receivables include debt with payment agreements.

The age of trade receivables that are past due but not impaired may vary significantly depending on the type of customer (Corporate and private sector or public sector).

In accordance with accounting policies - note 2 e), impairment losses are determined using the simplified approach precluded in IFRS 9, based on life time expected losses.

Regarding third-party receivables generated by the Group's day-to-day business, the credit risk arises essentially from customers default, whose exposure is limited to the energy supplied until the supply interruption occurs. The very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

EDP Group believes that the amount that best represents the Group's exposure to credit risk corresponds to the carrying amount of customers and of Contract assets related to energy sales net of the impairment losses recognised. The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exist that have not been recognised as such and provided for.

As at 31 December 2018, in accordance with the methodology for determining impairment losses on amounts receivable from the electric sector, no impairment loss has been booked. The risk levels for amounts receivable from the electric sector have been considered to be the same as the country risk levels for Brazil, Portugal and Spain, which have high credit ratings.

The maximum exposure to credit risk of Contract assets related to energy sales and Amounts receivable from the electric sector is as follows:

| Thousand Euros | Dec 2018 | Dec 2017 |
|---|---|---|
| **Contract assets related to energy sales:** | | |
| Contract assets receivable from energy sales contracts | 1,218,307 | 1,015,112 |
| | 1,218,307 | 1,015,112 |
| **Amounts receivable from the electric sector:** | | |
| Amounts receivable from tariff adjustments - Electricity | 335,156 | 947,435 |
| Amounts receivable relating to CMEC | 832,424 | 1,024,762 |
| Amounts receivable from concessions - IFRIC 12 | 935,237 | 1,290,348 |
| | 2,102,817 | 3,262,545 |
| | 3,321,124 | 4,277,657 |

**Liquidity risk management**

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with international reliable financial institutions as well as term deposits, allowing immediate access to funds. These credit lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see note 33).

**Energy market risk management**

In its operations in the Iberian electricity market, EDP Group purchases fuel to generate electric energy and sells the electric energy generated by its plants in the organised market (OMIE and OMIP) as well as to third parties. Given this, the Group is exposed, since July 2017, to energy market risks. Previously, some electricity generating plants, despite operating in the market, were subject to the CMEC legislation, and the changes in the operating margins were determined essentially by the difference between the prices in the market and the reference indexes defined in the contracts.

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

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

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

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

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

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

| | P@R Distribution by risk factor | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Risk factor** | | |
| Trading | 40,000 | 3,800 |
| Coal | 23,000 | 52,000 |
| Gas | 9,000 | 12,000 |
| CO2 | 43,000 | 19,000 |
| Electricity | 90,000 | 39,000 |
| Hydrological | 414,000 | 153,000 |
| Diversification effect | -237,000 | -146,000 |
| | 382,000 | 132,800 |

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

| | Dec 2018 | Dec 2017 |
|---|---|---|
| **Credit risk rating (S&P)** | | |
| AAA to AA- | 0.16% | - |
| A+ to A- | 34.87% | 63.68% |
| BBB+ to BBB- | 61.12% | 31.54% |
| BB+ to B- | 0.87% | 0.93% |
| No rating assigned | 2.98% | 3.85% |
| | 100.00% | 100.00% |

**Capital management**

EDP is not an entity subject to regulation in terms of capital or solvency ratios. Therefore, capital management is carried out within the financial risk management process of the entity.

Additionally, management describes this aspect of its strategic objectives, policies and processes to manage risks, including the financial risks, in the chapters:
02 Strategic Approach
*2.2.2 Strategic Guidelines Compliance - Continue Financial Deleveraging; and*
*2.3 Risk Management: Key Risks - Financial; Risk Appetite - Financial.*
04 Corporate Governance
*53 The main types of economic, financial and legal risk - Financial risks.*

The Group's goal in managing capital is to safeguard the Group's capacity to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimum capital structure to reduce equity cost.

In conformity with other groups operating in this sector, the Group controls its financing structure based on several control mechanisms and ratios.

**6. Consolidation Perimeter**

During 2018, the following changes occurred in the EDP Group consolidation perimeter:

**Companies acquired:**

- EDP Renewables Italia Holding, S.r.L. acquired 100% of the company Breva Wind S.r.L. in the first quarter of 2018, and 100% of the company Sarve, S.r.l. in the third quarter of 2018. These operations were classified as asset purchases, out of scope of IFRS 3 – Business Combinations, due to the substance of these transactions, the type of assets acquired and the very early stage of the projects.
- EDP Renováveis Brasil, S.A. acquired 100% of the companies Central Eólica Aventura III, S.A., Central Eólica Aventura IV, S.A., Central Eólica Aventura V, S.A., Central Eólica SRMN I, S.A., Central Eólica SRMN II, S.A., Central Eólica SRMN III, S.A. and Central Eólica SRMN IV, S.A. in the first quarter of 2018, 100% of the companies Central Eólica SRMN V, S.A., Central Eólica Monte Verde I, S.A., Central Eólica Monte Verde II, S.A., Central Eólica Monte Verde III, S.A., Central Eólica Monte Verde IV, S.A. and Central Eólica Monte Verde V, S.A. in the third quarter of 2018, and 100% of the companies Central Solar Pereira Barreto I, Ltda., Central Solar Pereira Barreto II, Ltda., Central Solar Pereira Barreto III, Ltda., Central Solar Pereira Barreto IV, Ltda. and Central Solar Pereira Barreto V, Ltda. in the fourth quarter of 2018. These operations were classified as asset purchases, out of scope of IFRS 3 – Business Combinations, due to the substance of these transactions, the type of assets acquired and the very early stage of the projects.
- In the first quarter of 2018, EDP Energias do Brasil, S.A. acquired 14.46% of the share capital of Centrais Elétricas de Santa Catarina, S.A. - Celesc. In the second quarter of 2018, with the Voluntary Public Tender Offer's Auction for the acquisition of preferred shares in Centrais Elétricas De Santa Catarina, S.A. - Celesc, EDP holds 2,427,820 preferred shares that, added to the 5,140,868 ordinary shares, are equivalent to 19.62% of the total share capital of Celesc. During the fourth quarter of 2018, EDP Energias do Brasil, S.A. acquired additional preferred shares issued by Celesc. The Group now holds 3,945,820 preferred shares, plus 5,140,868 ordinary shares, which together represent 23,56% of Celesc´s share capital.

  With reference to the date of acquisition by EDP - Energias do Brasil, S.A., EDP Group has determined the fair value of the assets acquired and liabilities assumed, based on a preliminary valuation performed by an independent entity. This preliminary valuation determined a fair value of the assets and liabilities as follows:

| Thousands of Reais | |
|---|---|
| Amount paid (14.46% of participation) | 244,004 |
| Amount paid (5.16% of participation) | 53,730 |
| Amount paid (3.94% of participation) | 63,653 |
| **Total paid** | 361,387 |
| | |
| Fair value of the net assets of Celesc on 31/03/2018 | 1,896,448 |
| Fair value of the net assets acquired (19.62%) | 372,129 |
| | |
| Fair value of the net assets of Celesc on 31/12/2018 | 2,010,402 |
| Fair value of the net assets acquired (3.94%) | 79,120 |
| | |
| **Cost of acquisition** | -10,982 |
| **Net gain on the acquisition** | 78,880 |
| | |
| **Net gain on the acquisition in thousand Euros (see note 13)** | 18,314 |

- The acquisition, by EDP Renewables Europe, S.L.U., of 100% of the companies Energiaki Arvanikou M.epe and Wind Park Aerorrachi A.E., in the second quarter of 2018, was classified as an asset purchase, out of scope of IFRS 3 – Business Combinations, due to the substance of the transaction, the type of assets acquired and the very early stage of the projects.
- The acquisition, by EDPR France Holding, S.A.S., of 100% of the companies La Plaine de Nouaille, S.A.S., Le Chemin de la Corvée, S.A.S., Le Chemin de Saint Druon, S.A.S., Parc Éolien des 7 Domaines, S.A.S. and Parc Éolien de la Côte du Cerisat, S.A.S. in the third quarter of 2018, was classified as an asset purchase out of scope of IFRS 3 – Business Combinations due to the substance of the transaction, the type of assets acquired and the very early stage of the projects.

- EDP Renováveis Brasil, S.A. acquired 100% of the share capital of the companies Aventura Holding, S.A. and SRMN Holding, S.A. in the third quarter of 2018 and 100% of share capital of the companies Central Eólica Jerusalém I, S.A., Central Eólica Jerusalém II, S.A., Central Eólica Jerusalém III, S.A., Central Eólica Jerusalém IV, S.A., Central Eólica Jerusalém V, S.A., Central Eólica Jerusalém VI, S.A., in the fourth quarter of 2018.
- EDP Renováveis, S.A. acquired 20.19% of the share capital of the company Solar Works! B.V., in the third quarter of 2018.
- EDP Renewables Polska, Sp. z o.o. acquired 100% of the company Rampton, Sp. z o.o. in the fourth quarter of 2018.
- EDPR Offshore North America LLC acquired 50% of the company Mayflower Wind Energy LLC in the fourth quarter of 2018.
- The EDP CleanTech FCR Fund acquired 33.3% of the share capital of WPVT, S.A. in the fourth quarter of 2018.

**Sale of companies with loss of control:**

- In the third quarter of 2018, Moray Offshore Renewable Power Limited sold to Delphis Holdings Limited 33% of its direct and indirect interests in the following companies:
  - Moray West Holdings Limited;
  - Moray Offshore Windfarm (West) Limited.

  In accordance with the Shareholders Agreement and other relevant contracts, it has been established a shared control of the Company which led to a loss of control over the company and its consolidation by the equity method. This disposal with loss of control genetared a gain on a consolidated basis of 314 thousand Euros, which was recorded in the income statement.
- In the fourth quarter of 2018, EDPR Wind Ventures XIX, LLC concluded the sale to Quatro Wind AquisitionCo LLC of 80% of its direct financial interest in 2018 Vento XIX LLC and indirect interests in Meadow Lake Wind Farm VI LLC and Prairie Queen Wind Farm LLC by 58,608 thousand Euros the equivalent to 69,219 thousand US Dollars (which corresponds to a sale price of 230,000 thousand US Dollars, plus the fair value of contigent prices identified in the operation of 27,296 thousand US Dollars (see note 25 and 38) and deducted from assumed liabilities of 188,077 thousand US Dollars (see note 37)).

  In accordance with the Shareholders Agreement and other relevant contracts, it has been established a shared control of the Companies which led to a loss of control over the companies and their consolidation by the equity method. This disposal with loss of control generated a gain on a consolidated basis of 108,976 thousand Euros, which was recorded in the income statement (see note 8).
- In the fourth quarter of 2018, EDP Renewables Canada LP Ltd concluded the sale to Axium Quatro NR Wind Limited Partnership of 75% of its direct and indirect interests in the following companies: Nation Rise Wind Farm Gp II Inc. and Nation Rise Wind Farm Limited Partnership by 6,340 thousand Euros the equivalent to 9,696 thousand Canadian Dollars (which corresponds to a sale price of 47,813 thousand Canadian Dollars, less the fair value of contigent prices identified in the operation of 36,991 Canadian Dollars (see note 25 and 38), deducted from assumed liabilities of 1,005 thousand Canadian Dollars (see note 37) and transaction costs in the amount of 121 thousand Canadian Dollars).

  In accordance with the Shareholders Agreement and other relevant contracts, it has been established a shared control of the Companies which led to a loss of control over the companies and their consolidation by the equity method.

**Companies sold and liquidated:**

- EDP - Energias de Portugal, S.A. liquidated O e M Serviços – Operação e Manutenção Industrial, S.A.
- EDP Gestão Produção Energia, S.A. liquidated EDERG - Produção Hidroeléctrica, Lda.
- Sãvida - Medicina Apoiada, S.A. liquidated SCS - Serviços Complementares de Saúde, S.A.
- EDP Energias do Brasil, S.A. sold 51% of Costa Rica Energética, Ltda. by 10,130 thousand Euros and generated a gain of 5,447 thousand Euros (see note 8).
- EDP Renewables Italia Holding, S.r.L. liquidated the Italian companies Laterza Wind, S.R.L. and Castellaneta Wind, S.R.L..
- EDP Renovables España S.L. sold 100% stake in the companies Parque Eólico La Estancia, S.L. and Parque Eólico Cañete, S.L, which had been incorporated in the beginning of the year.
- EDP - Gestão de Produção de Energia, S.A. sold the 100% financial interests in the companies EDP Small Hydro, S.A. and Pebble Hydro - Consultoria, Investimento e Serviços, Lda. for 79,611 thousand Euros (which corresponds to a sale price of 80,826 thousand Euros deducted from transaction costs in the amount of 1,215 thousand Euros), generated a gain of 1,542 thousand Euros.
- EDP - Energias de Portugal, S.A., EDP Gestão Produção Energia, S.A. and EDP Imobiliária e Participações, S.A. sold the 50% equity interest in EDP Produção Bioeléctrica, S.A., for 40,838 thousand Euros (which corresponds to a sale price of 55,569 deducted from loans in the amount of 14,731 thousand Euros of loans), generated a gain of 23,886 thousand Euros (see note 13).
- EDP Energias do Brasil, S.A. sold 100% of its financial interest in Santa-Fé Energia, S.A. for 63,632 thousand Euros the equivalent to 274,076 thousand Reais (which corresponds to a sale price of 275,731 thousand Reais deducted of transaction costs in the amount of 1,655 thousand Reais) and generated a gain of 26,469 thousand Euros (see note 8).
- EDP Energias do Brasil, S.A. sold 100% of its financial interest in EDP Pequenas Centrais Hidroelectricas S.A. for 74,822 thousand Euros the equivalent to 322,271 thousand Reais (which corresponds to a sale price of 325,030 thousand Reais deducted of transaction costs in the amount of 2,759 thousand Reais) and generated a gain of 50,433 thousand Euros (see note 8).

**Companies merged:**

- EDP Renewables Canada LP Holdings, Ltd. was merged into EDP Renewables Canada Ltd.
- The following companies were merged into EDPR PT - Promoção e Operação, S.A.:
  - Gravitangle - Fotovoltaica Unipessoal, Lda;
  - Stirlingpower, Unip. Lda.
- The following companies were merged into EDPR Villa Galla, S.R.L.:
  - Villa Castelli Wind, S.R.L.;
  - Pietragalla Eolico, S.R.L.

**Companies incorporated:**

- 2018 Vento XIX LLC *;
- 2018 Vento XVIII LLC;
- Bayou Bend Solar Park LLC *;
- Blue Bridge Solar Park GP Ltd *;
- Blue Bridge Solar Park LP;
- Bromhead Solar Park GP Ltd *;
- Bromhead Solar Park LP;
- Casa Grande Carmel Solar LLC *;
- Cielo Solar Park LLC *;
- EDP Energia Italia S.R.L.;
- EDP Energie France;
- EDP Energia Polska;
- EDP Renewables Canada Management Services Ltd;
- EDP Renewables Sask SE GP Ltd *;
- EDP Renewables Sask SE Limited Partnership;
- EDP Renewables SH II Project GP Ltd *;
- EDP Renewables SH II Project LP *;
- EDP Ventures Brasil S.A.;
- EDPR Wind Ventures XIX LLC *;
- EDPR Wind Ventures XVIII LLC;
- Halbrite Solar Park GP Ltd *;
- Halbrite Solar Park LP *;
- Headwaters Wind Farm III LLC *;
- Helena Harbor Solar Park LLC *;
- Kennedy Wind Farm GP Ltd *;
- Kennedy Wind Farm LP;
- Leprechaun Solar Park LLC *;
- Lobolly Hill Solar Park LLC *;
- Loki Solar Park LLC *;
- Loma de la Gloria Solar Park LLC *;
- Loyal Wind Farm LLC *;
- Marathon Wind Farm LLC *;
- Meadow Lake Wind Farm VIII LLC *;
- Moray East Holdings Limited;
- Moray West Holdings Limited;
- Nation Rise Wind Farm GP II Inc.;
- Parque Eólico Valdelugo, S.L.;
- Prospector Solar Park LLC *;
- Quatro Limited Partnership;
- Quilt Block Wind Farm II LLC *;
- Rye Patch Solar Park LLC *;
- San Clemente Solar Park LLC *;
- Shullsburg Wind Farm LLC *;
- Wrangler Solar Park LLC *.

* EDP Group holds, through EDP Renováveis and its subsidiaries, a set of subsidiaries legally established in the United States without share capital and that, as at 31 December 2018, do not have any assets, liabilities or any operating activity.

**Other changes:**

- According to the sale agreement celebrated in 2017, Moray Offshore Renewable Power Limited sold 20% of Moray Offshore Windfarm (East) Limited to Diamond Generation Europe Limited by 20,168 thousand Euros the equivalent of 17,817 thousand Pounds (which corresponds to a sale price of 35,766 thousand Pounds deducted from 17,751 thousand Pounds of loans and transaction costs in the amount of 198 thousand Pounds) generated a gain of 14,688 thousand Euros in the first quarter of 2018 (see note 13). Additionally, Moray Offshore Renewable Power Limited sold an additional 13,4% of the equity consolidated company Moray East Holdings Limited (new holder of the company Moray Offshore Windfarm (East) Limited) to Diamond Generation Europe Limited in the fourth quarter of 2018 by 12,864 thousand Euros the equivalent of 11,381 thousand Pounds (which corresponds to a sale price of 54,031 thousand Pounds deducted from 41,961 thousand Pounds of loans and transaction costs in the amount of 689 thousand Pounds) generating a gain of 9,176 thousand Euros (see note 13).
- In the second quarter of 2018, EDP Renewables SGPS, S.A. has acquired 60% of shareholding in Windplus S.A., in which it previously held 19.4% and had significant influence, being therefore consolidated by the equity method. In accordance with the new Shareholders Agreement, it has been concluded that the company would be jointly controlled, so its consolidation method has not changed. Subsequently, in the fourth quarter of 2018, EDP Renewables, SGPS, S.A completed the sale of 25% shareholding in the company Windplus S.A. to Engie Services International, S.A. After this transaction, was established the shared control of the company in accordance with the Shareholders Agreement, thus maintaining the method of consolidation by the equity method.
- Due to a corporate reorganisation that led to a new Shareholders Agreement, EDP Inovação, S.A. now holds 29.54% of the share capital of Vertequip, Equipamentos e Trabalhos Verticais, Lda. According to the new Shareholders Agreement, EDP Inovação has now significant influence in the company, what led to its consolidation by the equity method.

- According to the sale agreement celebrated in 2018 between CTG and EDPR, Moray Offshore Renewable Power Limited sold 10% of the equity consolidated company Moray East Holdings Limited to China Three Gorges (UK) Limited in the fourth quarter of 2018 by 2,736 thousand Euros the equivalent of 2,421 thousand Pounds (which corresponds to a sale price of 37,564 thousand Pounds deducted from 35,143 thousand Pounds of loans) (see note 43).
- EDP Renewables Europe S.L. sold 13,5% of the equity consolidated company Éoliennes en Mer Dieppe - Le Tréport, S.A.S. to SRPT SAS by 39,077 thousand Euros (which corresponds to a sale price of 27,599 thousand Euros, plus the fair value of contigent prices identified in the operation of 16,408 thousand Euros (see note 25) and deducted from 3,700 thousand Euros of loans and transaction costs in the amount of 1,230 thousand Euros) generated a gain of 35,210 thousand Euros (see note 13).
- EDP Renewables Europe S.L. sold 13,5% of the equity consolidated company Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S. to SRPN SAS by 32,408 thousand Euros (which corresponds to a sale price of 15,053 thousand Euros, plus the fair value of contigent prices identified in the operation of 20,143 thousand Euros (see note 25) and deducted from 2,020 thousand Euros of loans and transaction costs in the amount of 768 thousand Euros) generated a gain of 27,885 thousand Euros (see note 13).

The companies included in the consolidation perimeter of EDP Group as at 31 December 2018 and 2017 are disclosed in Annex I.

## 7. Revenues and cost of Energy Sales and Services and Other

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

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Electricity and network access | 13,732,751 | 14,328,626 | 2,846,718 | 2,417,206 |
| Gas and network access | 701,529 | 831,090 | - | 33,159 |
| Sales of CO2 Licenses | - | - | 670,171 | 92,656 |
| Revenue from assets assigned to concessions | 438,920 | 422,801 | - | - |
| Other | 404,885 | 163,470 | 158,150 | 163,728 |
| | 15,278,085 | 15,745,987 | 3,675,039 | 2,706,749 |

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

| | Dec 2018 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Electricity and network access | 7,106,232 | 2,856,408 | 2,942,162 | 553,137 | 274,812 | 13,732,751 |
| Gas and network access | 150,487 | 551,042 | - | - | - | 701,529 |
| Revenue from assets assigned to concessions | 196,559 | - | 242,361 | - | - | 438,920 |
| Other | 279,506 | 47,052 | 77,186 | - | 1,141 | 404,885 |
| | 7,732,784 | 3,454,502 | 3,261,709 | 553,137 | 275,953 | 15,278,085 |

| | Dec 2017 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Electricity and network access | 7,197,552 | 2,991,007 | 3,228,983 | 580,646 | 330,438 | 14,328,626 |
| Gas and network access | 234,001 | 597,089 | - | - | - | 831,090 |
| Revenue from assets assigned to concessions | 255,745 | - | 167,056 | - | - | 422,801 |
| Other | 44,436 | 32,163 | 86,203 | - | 668 | 163,470 |
| | 7,731,734 | 3,620,259 | 3,482,242 | 580,646 | 331,106 | 15,745,987 |

The caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 754,648 thousand Euros (revenue in 31 December 2017: 1,427,303 thousand Euros) regarding tariff adjustments of the period (see notes 24 and 37). This caption also includes a net revenue of 61,515 thousand Euros (31 December 2017: net profit of 22,637 thousand Euros) related to recognition of tariff adjustments for the period in Brazil (see notes 24 and 37).

Additionally, the caption Electricity and network access includes, on a consolidated basis, a positive amount of 62,192 thousand Euros (31 December 2017: positive amount of 177,582 thousand Euros) related to the contractual stability compensation (CMEC) as a result of the power purchase agreements (PPA) termination, including a income of 1,015 thousand Euros related to the CMEC final adjustment (31 December 2017: positive amount of 37,727 thousand Euros), net from the recognised provision due to the final adjustment official approval (see note 4).

The caption Electricity and network access, on a company basis, includes 1,147,717 thousand Euros (31 December 2017: 949,144 thousand Euros) related with energy sales under the purchase and sale agreement of evolutive energy between EDP, S.A. and EDP Comercial.

The breakdown of Revenues from energy sales and services and other by segment, are as follows (see note 50 - Operating Segments).

| Thousand Euros | Dec 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Reported Operating Segments | | | | Other Segm / Adjustm | Group |
| | Iberia | EDP R | EDP Brasil | Total | | |
| Electricity and network access | 9,877,786 | 974,902 | 2,891,008 | 13,743,696 | -10,946 | 13,732,750 |
| Gas and network access | 701,529 | - | - | 701,529 | | 701,529 |
| Revenue from assets assigned to concessions | 196,559 | - | 242,361 | 438,920 | | 438,920 |
| Other | 324,032 | 3,421 | 77,185 | 404,638 | 248 | 404,886 |
| | 11,099,906 | 978,323 | 3,210,554 | 15,288,783 | -10,698 | 15,278,085 |

| Thousand Euros | Dec 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Operating Segments | | | | Other Segm / Adjustm | Group |
| | Iberia | EDP R | EDP Brasil | Total | | |
| Electricity and network access | 9,795,452 | 1,354,455 | 3,178,030 | 14,327,937 | 689 | 14,328,626 |
| Gas and network access | 831,090 | - | - | 831,090 | - | 831,090 |
| Revenue from assets assigned to concessions | 255,745 | - | 167,056 | 422,801 | - | 422,801 |
| Other | 74,649 | 2,365 | 86,203 | 163,217 | 253 | 163,470 |
| | 10,956,936 | 1,356,820 | 3,431,289 | 15,745,045 | 942 | 15,745,987 |

Revenues from energy sales and services and other by segment are considered globally as "overtime" and not as "at a point in time".

Cost of energy sales and other are as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Cost of electricity** | 7,732,715 | 7,990,062 | 2,838,289 | 2,427,577 |
| **Cost of gas** | 885,988 | 885,523 | - | - |
| **Expenditure with assets assigned to concessions** | 421,911 | 422,801 | - | - |
| **Changes in inventories and cost of raw materials and consumables used** | | | | |
| Fuel, steam and ashes | 581,994 | 661,539 | - | - |
| Gas | 36,264 | 115,338 | - | 33,159 |
| CO2 Licenses | 346,269 | 108,137 | 664,278 | 92,656 |
| Own work capitalised | -2,391 | -93,037 | - | - |
| Other | 176,153 | 264,546 | 12 | 6 |
| | 1,138,289 | 1,056,523 | 664,290 | 125,821 |
| | 10,178,903 | 10,354,909 | 3,502,579 | 2,553,398 |

Cost of electricity includes, on a company basis, costs of 1,464,385 thousand Euros (31 December 2017: 1,207,504 thousand Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to external specialised entities. The revenue and the expenditure with the acquisition of these assets are as follows:

| Thousand Euros | Group | |
|---|---|---|
| | Dec 2018 | Dec 2017 |
| **Revenue from assets assigned to concessions** | 438,920 | 422,801 |
| **Expenditure with assets assigned to concessions** | | |
| Subcontracts and other materials | -335,770 | -329,866 |
| Personnel costs capitalised (see note 10) | -76,924 | -84,820 |
| Capitalised borrowing costs (see note 13) | -9,217 | -8,115 |
| | -421,911 | -422,801 |

Revenue from assets assigned to concessions include 348.522 thousand Euros (see note 17) relative to electricity distribution concessions in Portugal and in Brasil resulting from the aplication of the mixed model. Additionaly, it also includes the revenue related to the asset to be received by EDP Group under the transmission concessions in Brazil (see note 24).

The main varations on the captions Revenues and cost of Energy Sales and Services and Other are described in the Chapter 3 - Performance mainly in 3.1 - Group's financial analysis and 3.4 - Business area analysis.

The Directive 13/2018, of 15 December, on tariffs to be in force in 2019, clarified the performance of EDP Distribuição in the purchase and sale of access to the transmission network (CVART). Therefore, as EDP Distribuição is only an agent in this activity, as of 15 December 2018, the amounts associated are recorded at net value, with an expected reduction of approximately 1,000 million Euros in Revenues and Cost of Energy Sales for 2019, with no effects on profit or loss for the period.

## 8. Other Income

Other income, for the Group, are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| Income arising from institutional partnerships - EDPR NA (see note 36) | 185,171 | 225,568 |
| Gains on disposals - electricity and gas business assets | 193,159 | 619,699 |
| Gains from contractual indemnities and insurance companies | 19,404 | 17,711 |
| Other | 164,943 | 174,021 |
| | 562,677 | 1,036,999 |

Income arising from institutional partnerships - EDPR NA relates to income arising from production and investment tax credits (PTC/ITC), mostly from accelerated tax depreciation, regarding Vento I to XVIII, Sol I, Sol II and Blue Canyon I projects, in wind farms and solar plants in USA (see note 36).

As at 31 December 2018, the caption Gains on disposals - electricity and gas business assets is essentially related with: (i) the gain on the sale of 80% of the financial investment in 2018 Vento XIX LLC, fully owned by EDPR, in the amount of 108,976 thousand Euros; (ii) the gain on the sale of 100% of Pequenas Centrais Hidroelétricas S.A. and Santa Fé Energia S.A, in the amount of 50,433 thousand Euros and 26,469 thousand Euros, respectively; (iii) and the gain on the sale of 51% of Costa Rica Energética, Ltda., in the amount of 5,447 thousand Euros (see note 6).

As at 31 December 2017, the caption Gains on disposals - electricity and gas business assets was essentially related with: (i) the gain on the sale of 100% of Naturgás Energía Distribución, S.A.U. to a Consortium comprising institutional investors in the amount of 590,873 thousand Euros; and (ii) the gain on the sale of 23.3% of Moray Offshore Windfarm (East) Limited to Engie in the amount of 28,548 thousand Euros, which include a gain with the shares held revaluation of 18,666 thousand Euros.

The caption Other includes gains on the reinsurance activity, recovery of doubtful debts, gains in the adjustment of contingent prices of sale operations and gains on the sale of property, plant and equipment.

In the third quarter of 2017, the Lisbon headquarters building was used as an in-kind contribution to the Medical and Death Subsidy Fund. The transaction price, which is the best estimate of the building and land fair values, is greater than its carrying amount, generating a gain of 30,773 thousand Euros, on a Group basis, and 19,118 thousand Euros, on a Company basis (as the land was originally from EDP Distribuição, its carrying amount was lower on a consolidated basis than it was on an individual basis, as there was a gain in the sale from EDP Distribuição to EDP S.A.). Subsequently to this transaction, EDP celebrated a lease contract for a period of 25 years (see notes 16 and 38). These gains are included in the caption Other.

## 9. Supplies and Services

Supplies and services are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Consumables and communications | 41,586 | 50,610 | 7,968 | 8,312 |
| Rents and leases | 131,275 | 128,746 | 49,689 | 46,846 |
| Maintenance and repairs | 388,318 | 391,452 | 36,244 | 35,183 |
| Specialised works: | | | | |
| - Commercial activity | 153,698 | 175,425 | 655 | 601 |
| - IT services, legal and advisory fees | 55,463 | 50,408 | 7,807 | 9,801 |
| - Other services | 47,576 | 50,948 | 24,890 | 25,087 |
| Provided personnel | - | - | 8,072 | 11,932 |
| Other supplies and services | 139,045 | 142,944 | 25,869 | 28,740 |
| | 956,961 | 990,533 | 161,194 | 166,502 |

## 10. Personnel Costs and Employee Benefits

Personnel costs and employee benefits are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Personnel costs** | | | | |
| Board of Directors remuneration | 16,250 | 16,403 | 6,897 | 6,518 |
| Employees' remuneration | 471,650 | 491,730 | 37,809 | 35,369 |
| Social charges on remuneration | 115,174 | 121,095 | 9,741 | 8,982 |
| Performance, assiduity and seniority bonus | 80,224 | 87,069 | 13,889 | 16,387 |
| Other costs | 25,004 | 25,646 | 301 | 342 |
| Own work capitalised: | | | | |
| - Assigned to concessions (see note 7) | -76,924 | -84,820 | - | - |
| - Other (see note 16) | -60,468 | -59,391 | -4 | - |
| | 570,910 | 597,732 | 68,633 | 67,598 |
| **Employee benefits** | | | | |
| Pension plans costs | 28,886 | 30,814 | 3,211 | 3,645 |
| Medical plans costs and other benefits (see note 34) | 5,591 | 7,718 | 234 | 366 |
| Pension plans past service cost (Curtailment/Plan amendments) | 17,579 | 17,426 | - | - |
| Other benefits plans past service cost (Curtailment/Plan amendments) | 676 | 770 | - | - |
| Other | 27,898 | 26,373 | 2,347 | 1,900 |
| | 80,630 | 83,101 | 5,792 | 5,911 |
| | 651,540 | 680,833 | 74,425 | 73,509 |

Pension plans costs include 13,612 thousand Euros (31 December 2017: 15,308 thousand Euros) related to defined benefit plans (see note 34) and 15,274 thousand Euros (31 December 2017: 15,506 thousand Euros) related with defined contribution plans.

As at 31 December 2018, Past service cost (Curtailment/Plan amendments) is essentially related to the increase in liabilities under the permanent employees reduction program that covered 204 portuguese employees, from which 56 were considered as a curtailment since weren´t met the pre-retirement conditions foreseen in the ACT of 2014 (see note 34).

During 2018, EDP Group distributed treasury stocks to employees (464,358 shares) totalling 1,393 thousand Euros.

The breakdown by management positions and category of professional staff is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Executive Board of Directors | 9 | 8 | 9 | 8 |
| Senior management | 709 | 750 | 97 | 91 |
| Managers | 754 | 766 | 24 | 30 |
| Specialists | 4,369 | 4,092 | 381 | 382 |
| Support, Operational and Administrative Technicians | 5,790 | 6,041 | 87 | 87 |
| | 11,631 | 11,657 | 598 | 598 |

## 11. Other Expenses and Impairment losses on trade receivables and debtors

Other Expenses and Impairment losses on trade receivables and debtors are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Other Expenses** | | |
| Concession rents paid to local authorities and others | 283,024 | 279,279 |
| Direct and indirect taxes | 293,504 | 326,242 |
| Irrecoverable debts | 12,058 | 25,640 |
| Trade receivables (see note 24) | - | 19,692 |
| Debtors (see note 24) | - | -3,341 |
| Donations | 21,655 | 20,563 |
| Write-off of tangible assets - EDP Renováveis Group | 9,147 | 5,864 |
| Losses on disposals - gas business assets in Portugal | - | 16,370 |
| Other | 95,991 | 76,453 |
| | 715,379 | 766,762 |
| **Impairment losses** | | |
| - Trade receivables (see note 24) | 19,450 | - |
| - Debtors (see note 24) | 1,400 | - |
| | 20,850 | - |

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

The caption Direct and indirect taxes includes the tax of 7% over electricity generation in Spain since 1 January 2013, following the publication of Law 15/2012 of 27 December. The decrease with respect to the previous year results mainly from the entry into force of the Spanish Royal Decree 15/2018, which suspended this tax for a period of six months, being this period from October 2018 to March 2019 (see note 4).

In 2018, the EDPR Group proceeded to the write-off of assets under construction, which mainly refer to 8,914 thousand Euros related to the abandonment of ongoing projects in EDPR NA (31 December 2017: 335 thousand Euros).

The caption Other includes losses on the reinsurance activity and losses on property, plant and equipment.

## 12. Amortisation and Impairment

Amortisation and impairment are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Depreciation/impairment of Property, plant and equipment (see note 16) | 1,083,264 | 1,316,557 | 27,667 | 21,404 |
| Amortisation/impairment of Intangible assets (see note 17) | 363,282 | 386,361 | 1,726 | 995 |
| | 1,446,546 | 1,702,918 | 29,393 | 22,399 |
| Amortisation/impairment of Investment property | 1,894 | 567 | 2,570 | 1,068 |
| | 1,448,440 | 1,703,485 | 31,963 | 23,467 |
| Compensation of depreciation<br>Partially-funded property, plant and equipment (see note 37) | -24,063 | -27,826 | - | -445 |
| Amortisation of Incremental costs of obtaining contracts with customers | 20,435 | - | - | - |
| | 1,444,812 | 1,675,659 | 31,963 | 23,022 |

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

With IFRS 15's adoption, incremental costs of obtaining contracts with customers are recognised as an asset, as the entity expects to recover these costs over the respective contracts, and amortised over a period of 6 to 8 years, in accordance with accounting policy (see notes 2 o), 3 and 24).

The Group has booked an impairment loss in the polish Property, plant and equipment in the amount of 3,437 thousand Euros (see note 16) that result from the recoverability assessment of a wind project in Poland.

In addition, considering also recent regulatory changes in Portugal occurred in 2017 related to energy generation activities, with the elimination of the exemption of the oil tax (ISP) to carbon and the surcharge over CO2 from 2018 onwards, as well as the unfavorable revision of other costs, namely CO2 costs, EDP Group has reviewed its future estimates for production assets.

The above-mentioned impairment tests led to an impairment loss of 13,460 thousand Euros in Sines carbon thermoelectric plant in Portugal, and 3,560 thousand Euros in Soto 3 carbon thermoelectric plant in Spain.

In the scope of impairment tests on these assets, sensitivity analyzes were performed on key variables, namely discount rates. Given the sensitivity of Sines and Soto 3 coal thermoelectric power plants to assumptions' changes, a sensitivity analysis of +0.5% in discount rate would determine an additional impairment loss of around 2 million Euros in Sines and of around 1 million Euros in Soto 3.

## 13. Financial Income and Expenses

Financial income and expenses are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Financial income | 456,245 | 439,636 | 1,296,027 | 2,093,354 |
| Financial expenses | -1,010,390 | -1,248,089 | -562,246 | -1,306,072 |
| | -554,145 | -808,453 | 733,781 | 787,282 |

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| Interest income from bank deposits and other investments | 33,901 | 55,376 |
| Interest from derivative financial instruments | 8,644 | 18,300 |
| Interest income on tariff deficit: | | |
| - Portugal - Electricity (see notes 24 and 37) | 9,695 | -9,172 |
| - Brazil - Electricity (see notes 24 and 37) | 3,831 | 4,077 |
| Capitalised borrowing costs: | | |
| - Assigned to concessions (see note 7) | 9,217 | 8,115 |
| - Other (see note 16) | 24,547 | 25,182 |
| Interest expense on financial debt | -633,653 | -745,314 |
| Bonds buyback | -34,485 | -19,145 |
| Other interest | 13,774 | 4,700 |
| Derivative financial instruments | 24,942 | -28,199 |
| Foreign exchange | -29,873 | -7,214 |
| CMEC: | | |
| - Interest on the initial CMEC | 39,616 | 29,845 |
| - Financial effect considered in the calculation | 12,333 | 13,124 |
| - Unwinding | -15,617 | -13,756 |
| Gains on the sale of financial investments | 115,490 | 29,192 |
| Gains on the sale of the electricity tariff deficit - Portugal (see note 24) | 8,425 | 24,986 |
| Impairment of available-for-sale investments | - | -1,041 |
| Net interest on the net pensions plan liability (see note 34) | -11,117 | -11,642 |
| Net interest on the medical liabilities and other benefits (see note 34) | -28,036 | -33,025 |
| Unwinding of discounted liabilities | -125,943 | -128,857 |
| Equity Instruments at Fair Value through Profit or Loss (see note 21) | 2,582 | - |
| Other financial results | 17,582 | -23,985 |
| **Financial income/(expenses)** | -554,145 | -808,453 |

The caption Gains on the sale of financial investments includes the impact of the following operations performed by EDP Group during 2018: (i) sale of 20% of share capital and shareholder loans in Moray Offshore Windfarm (East) Limited to Diamond Generation Europe Limited (DGE), which generated a gain of 14,688 thousand Euros (see note 6); (ii) sale of 13.4% in Moray East Holdings Limited to DGE, which generated a gain of 9,175 thousand Euros (see note 6); (iii) sale of the equity stake in EDP Produção Bioeléctrica, S.A., which generated a gain of 23,886 thousand Euros (see note 6); (iv) sale of its equity stake in offshore wind projects Yeu-Noirmoutier and Dieppe-Le Tréport, which generated a gain of 63,095 thousand Euros (see note 6).

Capitalised borrowing costs includes the interest capitalised in assets under construction according to Group accounting policy (see note 2 h)). Regarding the rate applicable to borrowing costs related with tangible/intangible assets under construction that is used in the determination of the amount of borrowing costs eligible for capitalisation (see notes 16 and 17), it varies depending on the country and currency, since EDP Group incorporates in its scope of consolidation (see Annex I) a significant number of subsidiaries in several geographies with different currencies. Therefore, for the most representative geographies, the weighted average funding rates, in use in 2018, ranged from 2.35% e 2.40% in Portugal, from 4.1% to 7.0% in Spain, from 0.9% to 8.3% in the United States of America and from 6.56% to 9.46% in Brazil, depending on related assets under construction and related financing.

The Unwinding of discounted liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 6,143 thousand Euros (31 December 2017: 5,976 thousand Euros) (see note 35); (ii) the implied financial return in institutional partnership in USA of 80,684 thousand Euros (31 December 2017: 88,561 thousand Euros) (see note 36); and (iii) the financial expenses related to the discount of the liability associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe of 21,467 thousand Euros (31 December 2017: 16,741 thousand Euros).

During 2018, EDP Energias do Brasil, S.A. acquired 23.56% of the share capital of Centrais Elétricas de Santa Catarina, S.A. - Celesc. With reference to the date of acquisition, EDP Group has determined the fair value of the financial investment acquired which resulted in a gain of 18,314 thousand Euros (see note 6). This amount is included in "Other financial results".

The Derivative financial instruments caption includes income and expenses related with financial assets and liabilities measured and fair value through profit and loss, while the remaining captions of financial income and expenses are registed at amortised cost, based on the effective interest rate method.

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

| | Company | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| Interest income from loans to subsidiaries and related parties (see note 43) | 152,195 | 345,933 |
| Interest from derivative financial instruments | 20,727 | 41,373 |
| Interest expense on financial debt | -305,981 | -440,752 |
| Derivative financial instruments | -16,775 | 18,870 |
| Income from equity investments (see note 43) | 818,342 | 835,400 |
| Gains on the sale of financial investments | - | 20,271 |
| Other financial results | 65,273 | -33,813 |
| **Financial income/(expenses)** | 733,781 | 787,282 |

The caption Other financial results includes 24,060 thousand Euros related to nominal interests from bonds issued by EDP Finance B.V., repurchased by EDP S.A. in 2016, 2017 and 2018 (see notes 25 and 43). The effective interest of these instruments amounts to 10,345 thousand Euros (includes the recognition of premium and transaction costs associated with the buyback transaction by the effective interest rate method).

## 14. Income Tax

The following note includes an analysis on the reconciliation between the theoretical and the effective income tax rate applicable at an individual level and at the level of the EDP Group, on a consolidated basis. In general terms, this analysis aims to quantify the impact of the income tax, recognised in the income statement, which includes both current and deferred tax.

As the EDP Group prepares and discloses its financial statements in accordance with IFRS, an alignment between the accounting of income tax expense or income and the corresponding cash flow is not mandatory. Accordingly, this analysis does not represent the income tax paid or received by the EDP Group for the correspondent reporting period.

The overall tax contribution borne by the EDP Group (which includes comments on the contributions paid to the respective states where the Group operates), as well as other relevant information (such as EDP Group's tax footprint, specific taxation over energy sector and measures to control and manage adverse tax exposures), are disclosed on the annual Sustainability Report, available on EDP website (www.edp.com).

The general principles concerning EDP Group's mission and tax policy are also addressed in the same report. This document also describes the key principles with respect to transfer pricing policy applicable to the EDP Group, under which the Group's policy is to abide within the international rules, guidelines and best practises applicable in the various geographies where it operates.

It should be noted that, as a multinational group, the EDP Group fully complies with the annual obligation of communication and report, which results from the transposition to the Portuguese domestic Law of the disposals of Action 13 of the Base Erosion and Profit Shifting (named Country-by-Country Reporting), as a part of a set of measures adopted by OECED and G20 countries to enhance transparency for tax administrations. Furthermore, this obligation is fulfilled in Portugal by the parent company, within the deadlines foreseen by law.

**Main features of the tax systems of the countries in which EDP Group operates**

The statutory corporate income tax rates applicable in the main countries in which EDP Group operates are as follows:

| | Dec 2018 | Dec 2017 |
|---|---|---|
| **Europe:** | | |
| Portugal | 21% - 31.5% | 21% - 29.5% |
| Spain | 25% - 26% | 25% - 28% |
| Netherlands | 25% | 25% |
| **America:** | | |
| Brazil | 34% | 34% |
| United States of America | 24.9% | 38.2% |

EDP Group companies are taxed, whenever possible, on a Group consolidated basis as allowed by the tax legislation of the respective countries.

As per the applicable legislation, in general terms, tax periods may be subject to review and reassessment by the various tax authorities during a limited number of years. Statutes of limitation differ from country to country, as follows: Portugal 4 years or, if tax losses or credits have been used, the number of years that such tax losses or credits may be carried forward; Spain 4 years; USA and The Netherlands 3 years; and Brazil 5 years.

Tax losses generated in each year are also subject to tax authorities review and reassessment and may be used to offset yearly taxable income assessed in the subsequent periods, as follows: in Portugal 5 years (for tax losses of 2013, 2017 and 2018); and 12 years (for tax losses of 2014, 2015 and 2016); 9 years in the Netherlands, and without term in the USA, Brazil and Spain. Moreover, in the Netherlands the tax losses of a given year may be used to recover current tax of the previous year. However, the deduction of tax losses in the USA, Portugal, Spain and Brazil may be limited to a percentage of the taxable income of each period.

EDP Group companies may, in accordance with the law, benefit from certain tax benefits or incentives in specific conditions, namely the Production Tax Credits in the USA (see note 1), which are the dominant form of wind remuneration in this country, and represent an extra source of revenue per unit of electricity, over the first 10 years of the asset's life. Wind facilities that qualify for the application of the Production Tax Credits prior to 1 January 2017, benefit from 100% of the credit ($24/MWh in 2017 and 2018 – the rate is adjusted each year for inflation). The credit amount is reduced by 20% for wind facilities qualifying in 2017, 40% in 2018 and 60% in 2019.

**Changes in the law with relevance to EDP Group in 2018**

In Portugal, according to the State Budget Law for 2018 (Law 114/2017, of 29 of December), which entered into force on 1 January 2018, the maximum state surcharge ("derrama estadual"), applicable to companies in which the tax basis is higher than 35 million euros, increased from 7% to 9%.

In the USA, the tax reform signed into law on 22 December 2017, introduced extensive changes to the US tax system. For EDP Group, the most significant change is the reduction of the US federal corporate income tax rate, from the existing 35% to 21%, from 1 January 2018 onwards. Thus, when combined with average state corporate income taxes, the US combined tax rate drops to 24.91% in 2018.

Furthermore, according to the above mentioned tax reform, the utilization of carried forward tax losses in the USA will be limited to 80% of the taxable income in each year, for fiscal years beggining after 1 January 2018. Moreover, tax losses generated after that period will be carried forward for an indefinite period, but will not be carried back. There is no change to the rules applied to net operating losses generated before the end of 2017.

In Spain, particularly in the Basque Country, the legal document Norma Foral 2/2018, of 21 March, introduced certain tax changes related to the taxation of corporate income in Vizcaya, of which the most relevant relates to the progressive reduction of tax rates (from 28% in 2017, to 26% in 2018 and 24% from 2019 onwards).

**Corporate income tax provision**

Income tax expense is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Current tax | -245,613 | -178,419 | 88,626 | 34,185 |
| Deferred tax | 145,947 | 168,115 | -2,142 | 30,239 |
| | -99,666 | -10,304 | 86,484 | 64,424 |

**Reconciliation between the theoretical and the effective income tax expense**

The effective income tax rate is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Profit before tax | 1,041,092 | 1,520,985 | 652,102 | 701,003 |
| Income tax expense | -99,666 | -10,304 | 86,484 | 64,424 |
| Effective income tax rate | 9.6% | 0.7% | -13.3% | -9.2% |

The difference between the theoretical and the effective income tax expense results from the application of the law provisions in the determination of the taxable base, as demonstrated below.

The reconciliation between the theoretical and the effective income tax expense for the Group, in 2018, is as follows:

| Thousand Euros | Dec 2018 |
|---|---|
| **Profit before income tax and CESE** | 1,041,092 |
| Theoretical income tax rate * | 29.5% |
| **Theoretical income tax expense** | 307,122 |
| | |
| Different tax rates (includes state surcharge) and CIT rate changes | 15,778 |
| Tax losses and tax credits | -75,227 |
| Dividends | -28,533 |
| Tax benefits | -26,488 |
| Differences between accounting and fiscal provisions/depreciations | 22,551 |
| Accounting/fiscal differences on the recognition/derecognition of assets | -95,469 |
| Taxable differences attributable to non-controlling interests (USA) | -18,169 |
| Other adjustments and changes in estimates | -1,899 |
| **Effective income tax expense as per the Consolidated Income Statement** | 99,666 |

* Average tax rate considering the different tax rates applicable to EDP Group companies in Portugal

The reconciliation between the theoretical and the effective income tax expense for the Group, in 2017, is as follows:

| Thousand Euros | Dec 2017 |
|---|---|
| **Profit before income tax and CESE** | 1,520,985 |
| Theoretical income tax rate * | 29.5% |
| **Theoretical income tax expense** | 448,691 |
| | |
| Different tax rates (includes state surcharge) | -50,875 |
| Tax losses and tax credits | -23,866 |
| Dividends | -13,636 |
| Tax benefits | -31,920 |
| Differences between accounting and fiscal provisions/depreciations | -52,372 |
| Accounting/fiscal differences on the recognition/derecognition of assets | -240,398 |
| Taxable differences attributable to non-controlling interests (USA) | -37,855 |
| Other adjustments and changes in estimates | 12,535 |
| **Effective income tax expense as per the Consolidated Income Statement** | 10,304 |

* Statutory Corporate Income Tax rate applicable in Portugal (21%), municipal surcharge (1.5%) and the state surcharge (7%)

The caption Different tax rates (includes state surcharge) mainly refer to: (i) the difference between the tax rates applicable in the countries in which the EDP Group operates as compared to the tax rate used as reference for the theoretical income tax expense calculation; and (ii) the effect of the CIT rate change over taxable and deductible temporary differences of EDPR NA due to the aforementioned US tax reform. The caption Taxable differences attributable to non-controlling interests (USA) include the effect inherent in the attribution of taxable income to non-controllable interests in EDPR Group in the USA, as determined by the tax legislation of that geography.

As at 31 December 2018, the caption Accounting/fiscal differences on the recognition/derecognition of assets mainly includes, essentially, the impacts inherent to transactions of electricity and gas business assets in the several geographies in which the Group operates as a result of its

In 2017, the caption Accounting/fiscal differences on the recognition/derecognition of assets mainly includes the impacts inherent to: (i) the differential between the accounting and tax bases of certain gas distribution assets in Spain, following the need for an intragroup restructuring of those assets; and (ii) the non-taxation of the gain on the disposal of the gas distribution business in the same geography, according to the applicable tax law.

The reconciliation between the theoretical and the effective income tax expense for the Company, in 2018, is as follows:

| Thousand Euros | Dec 2018 |
|---|---|
| **Profit before income tax** | 652,102 |
| Nominal income tax rate (*) | 22.5% |
| **Theoretical income tax expense** | 146,723 |
| | |
| Tax losses and tax credits | -46,078 |
| Dividends | -184,127 |
| Other adjustments and changes in estimates | -3,002 |
| **Effective income tax expense as per the Company Income Statement** | -86,484 |

***** Statutory Corporate Income Tax rate applicable in Portugal (21%) and municipal surcharge (1.5%),

The reconciliation between the theoretical and the effective income tax expense for the Company, in 2017, is as follows:

| Thousand Euros | Dec 2017 |
|---|---|
| **Profit before income tax** | 701,003 |
| Nominal income tax rate (*) | 29.5% |
| **Theoretical income tax expense** | 206,796 |
| | |
| Tax losses and tax credits | -17,075 |
| Dividends | -245,500 |
| Differences between accounting and fiscal provisions/depreciations | -13,835 |
| Accounting/fiscal temporary differences on the recognition / derecognition of assets | -10,796 |
| Other adjustments and changes in estimates | 15,986 |
| **Effective income tax expense as per the Company Income Statement** | -64,424 |

***** Statutory Corporate Income Tax rate applicable in Portugal (21%), the maxium municipal surcharge (1.5%) and the maxium state surchage (7%)

### 15. Extraordinary Contribution to the Energy Sector (CESE)

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

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

The general rate is 0.85%. However, in case of natural gas combined cycle power plants with an annual utilization equivalent of installed capacity equal or higher to 1,500 hours and lower than 3,000 hours, is expected a reduced rate of 0.565%. Nervertheless, this rate could be 0.285% in case the annual utilization of installed capacity is lower than 1,500 hours.

Regarding the current law in 2018, same exemptions are also foreseen, namely to the assets of wind generation, mini-hydric power plants, and power plants with licenses granted on a public tender and land belonging to the public domain.

The CESE scheme has been extended for the years 2015, 2016, 2017 and 2018 by Law 82-B/2014, of 31 December, Law 159-C/2015 of 30 December, Law 42/2016 of 28 December and Law 114/2017 of 29 December, respectively.

EDP Group has paid this contribution for 2014, 2015 and 2016 in an global amount of 250.8 million Euros and has contested the legal basis and the constitutionality of this measure. Regarding 2017 and 2018, and due to the revenues collected by the Portuguese Government were not assigned for the purposes underlying its creation, the EDP Group decided, in a first stage, not to proceed to its payment. However, due to the commitments assumed by the Government - and formalized in the State Budget Law for 2019, in order to recognize the temporary nature of the CESE associated with the evolution of the tariff deficit of the National Electricity System, as well as the allocation of the respective revenues to the sector, on 19 December 2018 EDP Group decided to amend its practice. On that date, EDP Group has paid an amount around 135 million Euros corresponding to CESE for 2017 (negative amount of 69.246 thousand Euros) and 2018 (negative amount of 65.345 thousand Euros), with the associated default interest, maintaining the legal challenge to this tax.

### 16. Property, Plant and Equipment

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Cost** | | | | |
| Land and natural resources | 90,996 | 94,961 | 4,581 | 7,863 |
| Buildings and other constructions | 484,282 | 500,052 | 94,672 | 80,488 |
| Plant and machinery: | | | | |
| - Hydroelectric generation | 10,589,186 | 10,742,276 | 254 | 254 |
| - Thermoelectric generation | 8,453,937 | 8,700,510 | - | - |
| - Renewable generation | 18,423,748 | 17,026,048 | - | - |
| - Electricity distribution | 1,619,918 | 1,602,404 | - | - |
| - Other plant and machinery | 39,172 | 34,865 | 196 | 196 |
| Other | 484,536 | 1,004,888 | 82,840 | 172,712 |
| Assets under construction | 1,252,074 | 1,373,994 | 10,255 | 37,647 |
| | 41,437,849 | 41,079,998 | 192,798 | 299,160 |
| **Accumulated depreciation and impairment losses** | | | | |
| Depreciation charge of the period (see note 12) | -1,037,184 | -1,067,814 | -20,650 | -21,404 |
| Accumulated depreciation in previous periods | -17,293,876 | -16,921,858 | -70,461 | -116,627 |
| Impairment losses of the period (see note 12) | -46,080 | -248,743 | -7,017 | - |
| Impairment losses in previous periods | -353,198 | -110,968 | -1,500 | -4,782 |
| | -18,730,338 | -18,349,383 | -99,628 | -142,813 |
| **Carrying amount** | 22,707,511 | 22,730,615 | 93,170 | 156,347 |

The movements in Property, plant and equipment, for the Group, for the period ended 31 December 2018, are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Exchange Differences | Perimeter Variations/ Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Land and natural resources | 94,961 | 637 | -3,284 | - | -3,982 | 2,664 | 90,996 |
| Buildings and other constructions | 500,052 | -51 | -770 | 3,450 | -26,680 | 8,281 | 484,282 |
| Plant and machinery | 38,106,103 | 33,719 | -284,724 | 1,402,414 | 158,800 | -290,351 | 39,125,961 |
| Other | 1,004,888 | 25,339 | -12,404 | 71,050 | 2,204 | -606,541 | 484,536 |
| Assets under construction | 1,373,994 | 1,596,997 | -11,567 | -1,476,914 | 2,892 | -233,328 | 1,252,074 |
| | 41,079,998 | 1,656,641 | -312,749 | - | 133,234 | -1,119,275 | 41,437,849 |

| Thousand Euros | Balance at 1 January | Charge/ Impairment losses | Disposals/ Write-offs | Transfers | Exchange Differences | Perimeter Variations/ Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Land and natural resources | 4,032 | -750 | -3,282 | - | - | 3,929 | 3,929 |
| Buildings and other constructions | 156,354 | 14,623 | -496 | - | -7,022 | 7,315 | 170,774 |
| Plant and machinery | 17,378,628 | 979,269 | -278,801 | - | 48,938 | -34,766 | 18,093,268 |
| Other | 746,078 | 78,168 | -11,453 | - | 2,028 | -430,992 | 383,829 |
| Assets under construction | 64,291 | 11,954 | - | - | -1,127 | 3,420 | 78,538 |
| | 18,349,383 | 1,083,264 | -294,032 | - | 42,817 | -451,094 | 18,730,338 |

Assets under construction are as follows:

| Thousand Euros | Dec 2018 | Dec 2017 |
|---|---|---|
| Wind and solar farms in North America | 521,361 | 513,269 |
| Wind and solar farms in Europe | 367,247 | 321,080 |
| Hydric Portugal | 196,206 | 195,873 |
| Other assets under construction | 167,260 | 343,772 |
| | 1,252,074 | 1,373,994 |

The capitalised costs for Property, plant and equipment for the period, except Land and natural resources, are as follows:

| Thousand Euros | Dec 2018 | Dec 2017 |
|---|---|---|
| Subcontracts and other materials | 1,453,240 | 1,401,856 |
| Purchase price allocation | 104,812 | 12,319 |
| Dismantling and decommissioning costs (see note 35) | 12,937 | 16,080 |
| Personnel costs (see note 10) | 60,468 | 59,391 |
| Borrowing costs (see note 13) | 24,547 | 25,182 |
| | 1,656,004 | 1,514,828 |

Additions include the investment in wind and solar farms by the subgroups EDPR NA, EDPR EU and EDPR BR. In Portugal, the Group is carrying out hydroelectric investments in the construction of several power plants (Foz Tua, Caniçada and Ribeiradio-Ermida) and improvements and repairs in thermoelectric power plants (Lares, Ribatejo e Sines).

Disposals/Write-offs include essentially 215,502 thousand Euros in cost and accumulated amortisations related to the write-off of two groups of Setúbal thermoelectric power plant and 8,914 thousand Euros related to the abandonment of ongoing projects in EDPR North America (see note 11).

Transfers refer mainly to wind and solar farms of EDP Renováveis that become operational in United States of America, Brazil, Spain, France, Italy and Portugal.

The movement in Exchange differences in the period results mainly from the net effect of the appreciation of US Dollar and the depreciation of Brazilian Real, against the Euro.

The caption Perimeter Variations/Regularisations mainly includes: (i) a decrease amounting to 300,097 thousand Euros related to the loss of control of the Vento XIX portfolio due to the sale of 80% of shareholding in the portfolio (see note 6); (ii) a decrease amounting to 11,179 thousand Euros related to the loss of control of the Nation Rise project due to the sale of 75% shareholding in the project (see note 6); (iii) a decrease amounting to 73,565 thousand Euros related to the sale of 100% of financial interest in Santa-Fé Energia, S.A. and EDP Pequenas Centrais Hidroelectricas S.A. (see note 16); (iv) a decrease amounting to 5,055 thousand Euros related to the loss of control of the Moray West Offshore project as a consequence of the sale of 33% of the project (see note 6); finally, the remaining variation refers to a more detailed study carried out by the Group in 2018, which resulted in the transfer of certain items of Property, Plant and Equipment to Intangible Assets (see note 17).

Charge/Impairment losses includes impairment in termoelectric plants Soto 3 and Sines as well as in wind farms in Poland (see note 12).

As at 31 December 2018, the Group has an agreement, which constitutes a financial lease as defined by IFRIC 4, in which the net value of the assets allocated amounts to 15,361 thousand Euros (31 December 2017: 16,764 thousand Euros).

The movements in Property, plant and equipment, for the Group, for the period ended 31 December 2017 are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Exchange Differences | Perimeter Variations/ Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Land and natural resources | 105,153 | 2,949 | -2,616 | -1,329 | -8,770 | -426 | 94,961 |
| Buildings and other constructions | 565,919 | 57,611 | -94,518 | 18,256 | -41,468 | -5,748 | 500,052 |
| Plant and machinery | 38,414,997 | 48,983 | -34,409 | 2,007,686 | -1,504,005 | -827,149 | 38,106,103 |
| Other | 969,856 | 25,289 | -65,426 | 99,526 | -7,958 | -16,399 | 1,004,888 |
| Assets under construction | 2,338,676 | 1,382,945 | -20,066 | -2,136,748 | -94,613 | -96,200 | 1,373,994 |
| | 42,394,601 | 1,517,777 | -217,035 | -12,609 | -1,656,814 | -945,922 | 41,079,998 |

| Thousand Euros | Balance at 1 January | Charge/ Impairment losses | Disposals/ Write-offs | Transfers | Exchange Differences | Perimeter Variations/ Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Land and natural resources | 4,032 | - | - | - | - | - | 4,032 |
| Buildings and other constructions | 158,589 | 21,316 | -6,578 | -1,175 | -11,428 | -4,370 | 156,354 |
| Plant and machinery | 17,273,834 | 1,191,257 | -44,265 | -3,571 | -365,293 | -673,334 | 17,378,628 |
| Other | 764,410 | 67,715 | -65,037 | -361 | -6,277 | -14,372 | 746,078 |
| Assets under construction | - | 36,269 | - | - | 696 | 27,326 | 64,291 |
| | 18,200,865 | 1,316,557 | -115,880 | -5,107 | -382,302 | -664,750 | 18,349,383 |

Additions include the investment in wind farms by the subgroups EDPR NA and EDPR EU, namelly the allocation of the acquisition cost of the American companies Hog Creek Wind Project, LLC, Cameron Solar, LLC, Estill Solar I, LLC and Hampton Solar, II LLC amounting to 34,068 thousand Euros and the French company Parc Éolien de Paudy, S.A.S. amounting to 3,543 thousand Euros due to the nature of the transactions, the type of assets and the initial stage of completion of the projects acquired.

Transfers refer mainly to the entry into operation of the Venda Nova III power enhancement and the power plant in Foz Tua in the amount of 427,483 thousand Euros and 506,283 thousand Euros, respectively, as well as wind and solar farms that become operational in the United States of America and wind farms that become operational in Brazil, France and Italy. Additionally, this caption includes the transfer of assets classified as assets held for sale of 5,070 thousand Euros and the transfer of land and building to investment property of 2,432 thousand Euros.

Perimeter Variations/Regularisations includes the impact of the acquisition of control of Eólica de Coahuila, S.A. de C.V. (327,558 thousand Euros) and Tébar Eólica, S.A. (9,813 thousand Euros); the sale of gas distribution assets in Spain and the loss of control of electricity assets in United Kingdom (Moray) by the net amount of 512,099 thousand Euros (cost in the amount of 1,197,412 thousand Euros and accumulated amortisation and impairment losses in the amount of 685,313 thousand Euros) and 86,272 thousand Euros (cost in the amount of 88,655 thousand Euros and accumulated amortisation and impairment losses in the amount of 2,383 thousand Euros), respectively (see note 8).

Charge/Impairment losses includes 238,204 thousand Euros related with impairment in termoelectric plants Soto 3 and Sines as well as in wind farms in Poland.

The movement in Exchange differences in the period results mainly from the depreciation of Brazilian Real and US Dollar, against the Euro.

As at 31 December 2018, Property, plant and equipment financed through lease contracts, for the Group, amounts to 12,044 thousand Euros (31 December 2017: 15,238 thousand Euros), with accumulated depreciation of 6,931 thousand Euros (31 December 2017: 7,453 thousand Euros) and the respective future lease payments amount to 4,618 thousand Euros (31 December 2017: 7,144 thousand Euros). Property, plant and equipment financed by lease contracts is detailed as follows:

| | Dec 2018 | | | Dec 2017 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Principal | Interest | Future lease payments | Principal | Interest | Future lease payments |
| Less than one year | 2,336 | 41 | 2,377 | 3,140 | 81 | 3,221 |
| Between one and three years | 2,199 | 22 | 2,221 | 3,513 | 51 | 3,564 |
| Between three and five years | 20 | - | 20 | 357 | 2 | 359 |
| | 4,555 | 63 | 4,618 | 7,010 | 134 | 7,144 |

During 2018, the costs incurred with these assets amounted to 712 thousand Euros and are booked the income statement under Supplies and services.

The movements in Property, plant and equipment, for the Company, for the period ended 31 December 2018 are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Regulari- sations | Balance at 31 December |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land and natural resources | 7,863 | 3 | -3,285 | - | - | 4,581 |
| Buildings and other constructions | 80,488 | 15 | -649 | 1,353 | 13,465 | 94,672 |
| Other | 173,162 | 6,489 | -972 | 15,423 | -110,812 | 83,290 |
| Assets under construction | 37,647 | 34,584 | - | -16,776 | -45,200 | 10,255 |
| | 299,160 | 41,091 | -4,906 | - | -142,547 | 192,798 |

| Thousand Euros | Balance at 1 January | Charge/ Impairment losses | Disposals/ Write-offs | Transfers | Regulari- sations | Balance at 31 December |
|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | | | |
| Land and natural resources | 4,032 | -750 | -3,282 | - | - | - |
| Buildings and other constructions | 15,090 | 1,961 | -375 | - | 14,143 | 30,819 |
| Other | 123,691 | 17,939 | -799 | - | -80,539 | 60,292 |
| Assets under construction | - | 8,517 | - | - | - | 8,517 |
| | 142,813 | 27,667 | -4,456 | - | -66,396 | 99,628 |

A more detailed study carried out by the Group in 2018 resulted in the transfer of certain items of Property, Plant and Equipment to Intangible Assets. We can see the impact of this transfer in the regularizations column.

The movements in Property, plant and equipment, for the Company, for the period ended 31 December 2017 are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Regulari- sations | Balance at 31 December |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land and natural resources | 21,388 | - | -13,525 | - | - | 7,863 |
| Buildings and other constructions | 112,966 | 55,247 | -94,149 | 6,422 | 2 | 80,488 |
| Other | 174,610 | 9,343 | -14,299 | 3,508 | - | 173,162 |
| Assets under construction | 25,013 | 22,620 | - | -9,930 | -56 | 37,647 |
| | 333,977 | 87,210 | -121,973 | - | -54 | 299,160 |

| Thousand Euros | Balance at 1 January | Charge/ Impairment losses | Disposals/ Write-offs | Transfers | Regulari- sations | Balance at 31 December |
|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | |
| Land and natural resources | 4,032 | - | - | - | - | 4,032 |
| Buildings and other constructions | 18,127 | 3,312 | -6,349 | - | - | 15,090 |
| Other | 119,859 | 18,092 | -14,260 | - | - | 123,691 |
| | 142,018 | 21,404 | -20,609 | - | - | 142,813 |

Disposals/Write-offs include 101,082 thousand Euros regarding the Lisbon headquarters, which was given as an in-kind contribution to the EDP Medical and Death Subsidy Fund. Subsequently, was celebrated a lease contract for a period of 25 years with the EDP Medical and Death Subsidy Fund.

As at 31 December 2018, for the Company, Property, plant and equipment financed by lease contracts amounts to 2,911 thousand Euros (31 December 2017: 4,246 thousand Euros), with accumulated depreciation of 1,800 thousand Euros (31 December 2017: 2,060 thousand Euros) and the respective future lease payments amount to 955 thousand Euros (31 December 2017: 1,830 thousand Euros). Property, plant and equipment financed by lease contracts is detailed as follows:

| | Dec 2018 | | | Dec 2017 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Principal | Interest | Future lease payments | Principal | Interest | Future lease payments |
| Less than one year | 545 | 9 | 554 | 830 | 20 | 850 |
| Between one and three years | 437 | 4 | 441 | 900 | 13 | 913 |
| Between three and five years | - | - | - | 67 | - | 67 |
| | 982 | 13 | 995 | 1,797 | 33 | 1,830 |

During 2018, the costs incurred related to these assets amount to 165 thousand Euros and are booked in the income statement under Supplies and services.

## 17. Intangible Assets

This caption is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Cost** | | |
| Concession rights | 12,996,364 | 13,408,547 |
| CO2 Licenses | 197,273 | 110,887 |
| Other intangibles | 906,544 | 311,679 |
| Intangible assets in progress | 469,372 | 495,562 |
| | 14,569,553 | 14,326,675 |
| **Accumulated amortisation and impairment losses** | | |
| Amortisation of concession rights of the period (see note 12) | -359,246 | -377,303 |
| Amortisation of other intangibles of the period (see note 12) | -4,036 | -7,661 |
| Accumulated amortisation in previous periods | -9,442,698 | -9,167,294 |
| Impairment losses of the period | - | -1,397 |
| Impairment losses in previous periods | -27,043 | -25,660 |
| | -9,833,023 | -9,579,315 |
| **Carrying amount** | 4,736,530 | 4,747,360 |

The concession rights over the electricity distribution networks in Brazil, namely in EDP São Paulo Distribuição de Energia S.A. and in EDP Espírito Santo Distribuição de Energia S.A. are amortised on a straight-line basis over the concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the public hydric domain for hydroelectric generation (EDP Produção and Hidroeléctrica do Guadiana), which useful life does not exceed 75 years.

The concession rights over electricity generation in Brazil, namely for Lajeado Energia and Investco, are amortised over the concession period until 2032.

The movements in Intangible assets during the period ended 31 December 2018, for the Group, are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa-tions | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 1,034,556 | - | - | - | -36,063 | 9,249 | 1,007,742 |
| - Hydric Portugal | 1,418,592 | - | - | 295 | - | - | 1,418,887 |
| CO2 licenses | 110,887 | 282,450 | -196,064 | - | - | - | 197,273 |
| Assigned to concessions (IFRIC 12): | | | | | | | |
| - Intangible assets | 10,955,399 | 36,749 | -400,451 | 140,726 | -167,538 | 4,850 | 10,569,735 |
| - Intangible assets in progress | 153,516 | 311,773 | 1,274 | -458,747 | -6,765 | -1,051 | - |
| Other intangibles | 311,679 | 19,429 | -120 | 777 | 691 | 574,088 | 906,544 |
| Other intangible in progress | 342,046 | 12,498 | -7,918 | -1,072 | -1,286 | 125,104 | 469,372 |
| | 14,326,675 | 662,899 | -603,279 | -318,021 | -210,961 | 712,240 | 14,569,553 |

| Thousand Euros | Balance at 1 January | Charge/ Impairment losses | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa-tions | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 640,294 | 37,278 | - | - | -14,886 | -1,151 | 661,535 |
| - Hydric Portugal | 391,225 | 39,416 | - | - | - | - | 430,641 |
| Assigned to concessions (IFRIC 12) | 8,468,604 | 282,552 | -390,775 | - | -125,465 | 96 | 8,235,012 |
| Other intangibles | 79,192 | 4,036 | -11 | - | -749 | 423,367 | 505,835 |
| | 9,579,315 | 363,282 | -390,786 | - | -141,100 | 422,312 | 9,833,023 |

The assets allocated to concession contracts (IFRIC 12) currently in force in EDP Group fall within the Intangible Asset Model, for the electricity special regime production concessions (PRE) in Portugal and within the Mixed Model, for the electricity distribution concessions in Portugal and in Brazil, as referred in the Group's accounting policies (see note 2 z)).

Additions of CO2 Licenses includes 50,901 thousand Euros refers to CO2 Licenses granted free of charge to EDP Group power plants operating in Portugal and Spain and 231,549 thousand Euros of licences purchased in the market for own consumption. The Disposals/Write-offs of CO2 licences correspond, essentially, to the licences consumed during 2017 and which were delivered to regulatory authorities.

Disposals/Write-offs of intangible assets assigned to concessions (IFRIC 12) include essentially 368,654 thousand Euros in cost and accumulated amortisations related to extraordinary write-offs since the maximum technical useful life has been exceeded.

Transfers refer to the net transfers of intangible assets in progress assigned to concessions of 125,985 thousand Euros related to increases of the financial assets under IFRIC 12, transfered to Debtors and other assets from commercial activities (see note 24). Additionally, as a result of the amendment to IFRIC 12 - Concessions for the adoption of IFRS 15 by the Group, the amount of 192,036 thousand Euros related to assets under construction assigned to concessions, which qualify as the new category of contractual assets, was reclassified to the caption Debtors and other assets from commercial activities - Non-Current (see note 24).

A more detailed study carried out by the Group in 2018, has resulted in the transfer of certain items of Property, Plant and Equipment to Intangible Assets. We can see the impact of this transfer in the regularizations column.

The capitalised costs of the period related to construction of intangible assets are included in own work capitalised in notes 7, 10 and 13.

The movements in Intangible assets during the period ended 31 December 2017, for the Group, are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa-tions | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 1,091,484 | - | - | -4,762 | -52,166 | - | 1,034,556 |
| - Hydric Portugal | 1,419,798 | - | - | -1,206 | - | - | 1,418,592 |
| CO2 Licenses | 98,598 | 75,391 | -93,363 | 30,261 | - | - | 110,887 |
| Assigned to concessions (IFRIC 12): | | | | | | | |
| - Intangible assets | 11,486,121 | 193 | -296,870 | 11,036 | -246,609 | 1,528 | 10,955,399 |
| - Intangible assets in progress | 157,909 | 399,245 | 1,042 | -391,535 | -12,681 | -464 | 153,516 |
| Other intangibles | 293,163 | 3,281 | -467 | 2,640 | -20,012 | 33,074 | 311,679 |
| Other intangible in progress | 442,329 | 10,823 | -15,776 | -92,774 | -1,997 | -559 | 342,046 |
| | 14,989,402 | 488,933 | -405,434 | -446,340 | -333,465 | 33,579 | 14,326,675 |

| Thousand Euros | Balance at 1 January | Charge/ Impairment losses | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa-tions | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 628,329 | 35,516 | - | -2,742 | -20,809 | - | 640,294 |
| - Hydric Portugal | 387,556 | 43,275 | - | -39,606 | - | - | 391,225 |
| Assigned to concessions (IFRIC 12): | 8,772,073 | 298,511 | -287,274 | -130,944 | -183,767 | 5 | 8,468,604 |
| Other intangibles | 72,900 | 9,059 | -14,287 | - | -3,916 | 15,436 | 79,192 |
| | 9,860,858 | 386,361 | -301,561 | -173,292 | -208,492 | 15,441 | 9,579,315 |

Additions of CO2 Licenses includes 11,727 thousand Euros refers to CO2 Licenses granted free of charge to EDP Group plants operating in Portugal and Spain and 63,664 thousand Euros of licences purchased in the market for own consumption. The Disposals/Write-offs of CO2 licences correspond, essentially, to the licences consumed during 2016 and which were delivered to regulatory authorities. Additionally, the transfer amount refers to CO2 licenses held for trading transferred to be used in the generation process.

Disposals/Write-offs of intangible assets assigned to concessions (IFRIC 12) include essentially 208,841 thousand Euros in cost and accumulated amortisations related to extraordinary write-offs since the maximum technical useful life has been exceeded.

The caption Other intangibles in progress includes the concession rights of hydric projects in Portugal namely Fridão, in the amount of 287,343 thousand Euros. The amount of 90,066 thousand Euros related with Foz Tua hydro project was transfered from Other intangible assets in progress to Concession Rights in 2017.

Transfers refer to the net transfers of intangible assets in progress assigned to concessions of 184,157 thousand Euros related to increases of the financial assets under IFRIC 12, transfered to Debtors and other assets from commercial activities. Additionally, this caption includes the transfer of electricity generation assets in Brazil and Portugal classified as assets held for sale in the net amount of 2,020 thousand Euros and 109,046 thousand Euros, respectively, and of intangible assets assigned to concessions under IFRIC 12 to investment property in the net amount of 8,087 thousand Euros.

Perimeter variations/Regularisations include the sale of gas distribution assets in Spain by the net amount of 38,419 thousand Euros (see note 8).

The caption Other intangibles includes 98,317 thousand Euros related to wind generation licenses of EDPR NA subgroup and 106,551 thousand Euros related with deferred green certificates in Romania.

## 18. Goodwill

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| EDP España Group | 884,574 | 884,574 |
| EDP Renováveis Group | 1,325,850 | 1,295,515 |
| EDP Brasil Group | 34,150 | 45,644 |
| Other | 6,887 | 6,935 |
| | 2,251,461 | 2,232,668 |

The movements in Goodwill, during the period ended 31 December 2018, are analysed as follows:

| Thousand Euros | Balance at 1 January | Increases | Decreases / Regulariz. | Impairment | Exchange differences | Balance at 31 December |
|---|---|---|---|---|---|---|
| EDP España Group | 884,574 | - | - | - | - | 884,574 |
| EDP Renováveis Group | 1,295,515 | - | - | - | 30,335 | 1,325,850 |
| EDP Brasil Group | 45,644 | - | -10,604 | - | -890 | 34,150 |
| Other | 6,935 | - | -48 | - | - | 6,887 |
| | 2,232,668 | - | -10,652 | - | 29,445 | 2,251,461 |

The movements in Goodwill, during the period ended 31 December 2017, are as follows:

| Thousand Euros | Balance at 1 January | Increases | Decreases | Impairment | Exchange differences | Balance at 31 December |
|---|---|---|---|---|---|---|
| EDP España Group | 1,940,712 | - | -1,056,138 | - | - | 884,574 |
| EDP Renováveis Group | 1,384,780 | - | -221 | - | -89,044 | 1,295,515 |
| EDP Brasil Group | 48,842 | - | -250 | - | -2,948 | 45,644 |
| Other | 40,518 | - | -33,583 | - | - | 6,935 |
| | 3,414,852 | - | -1,090,192 | - | -91,992 | 2,232,668 |

*EDP España Group*

The goodwill held in EDP España Group is as follows:

| | EDP España Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| Liberalised activities | 592,487 | 592,487 |
| Regulated networks | 292,087 | 292,087 |
| | 884,574 | 884,574 |

The decrease in goodwill in EDP España Group that occured in 2017 in the amount of 1,056,138 thousand Euros was due to the sale of the financial investment in Naturgas Energía Distribución S.A.U.

*EDP Renováveis Group*

The goodwill held in EDP Renováveis Group is as follows:

| | EDP Renováveis Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| Goodwill in EDPR Europe Group | 635,161 | 635,376 |
| Goodwill in EDPR North America Group | 689,799 | 659,144 |
| Other | 890 | 995 |
| | 1,325,850 | 1,295,515 |

*EDPR Europe Subgroup*

There are no significant movements during 2018 and 2017 except those related to exchange differences.

*EDPR North America Subgroup*

The goodwill movement in EDPR North America relates with the appreciation of the US Dollar against the Euro.

*EDP Brasil Group*

During the last quarter of 2017, goodwill related to the company Costa Rica Energética, Ltda, in the amount of 250 thousand Euros, was reclassified to non-current assets held for sale and the sale was concluded in the third quarter of 2018 (see note 6).

*Others*

During the last quarter of 2017, goodwill related to the company Pebble Hydro - Consultoria, Investimento e Serviços, Lda, in the amount of 33,583 thousand Euros, was reclassified to non-current assets held for sale and the sale was concluded in the last quarter of 2018 (see note 6).

*Goodwill impairment test analysis – EDP Group*

The recoverable amount of the goodwill in subsidiaries is assessed annually, as at 30 September, independently of the existence of any indicators of impairment. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks. Any impairment losses are recognized in the income statement for the period.

The EDP Group is composed by a significant number of subsidiaries in several locations, as mentioned in its consolidation perimeter. Therefore, the impairment tests at subgroup level are carried out for each cash generating unit (CGU) identified in each country where the EDP Group develops its activities, namely:

- EDP Espanã - Distribution, Generation & Supply of electricity;
- EDPR Europe – Renewable generation;
- EDPR North America and EDPR Brasil - Renewable generation;
- EDP Brasil - Generation, Distribution and Supply of electricity.

At EDP Group level, these cash generating units are subsequently aggregated by business units, ensuring however that goodwill impairment analysis does not exceed a business segment.

For the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of the main investments by each cash generating unit, being presented by aggregation in each business units after the impairment tests carried out at each subgroup/cash generating unit.

*Goodwill impairment test analysis – EDP España Group*

The discount rates after taxes used by EDP España Group in the impairment test analysis range between 3.7% and 4.8% (2017: between 3.9% and 4.8% respectively).

Regarding to generation business, the evaluation of the assets (power plants) considers a portfolio logic based in the future cash flow projection of the remaining useful life. In the electricity distribution business the cash flow projection period considers the perpetuity of the business as assets are operating under a license with no foreseen end date. For the retail segment a perpetuity of the business was also considered.

The main assumptions on which impairment tests are based are as follows:

- In the generation business, the estimated energy produced by the power plants considers the best estimate of future market demand and total installed capacity;

- Prices of electricity, gas and coal were defined considering the market expectations regarding future price curves and considering the regulation in force and the best expectation for the future. For gas and coal prices were also used the contracted prices for future long term purchases, namely the acquisition contracts for gas;

- Investment costs: the best available estimates of the future investments were used in order to guarantee a regular use of existing assets, as well as the estimates that resulted from legislative changes;

- Operating costs: operating costs were projected consistent with the company's historical experience and internal models;

- In the regulated business, the distribution of electricity, we used the most recent proposal from CNMC regarding allowed returns, considering the regulated mechanisms for the annual remuneration updates. In generation, the elimination of generation taxes has occured in the last quarter of 2018 and capacity payments have been considered from 2020 onwards;

- The projections for the generation and electricity distribution businesses are based on the long-term estimates of the various assumptions used in the analysis;

- The long-term projections for the electricity supply business were extrapolated through a Margin/EBITDA estimate which changes with the inflation rate;

- Discount rate: the discount rates used reflect EDP Group's best estimate regarding the specific risks associated to each CGU.

The Group has performed a series of sensitivity analyses to the results of impairment tests in respect to the discount rates. The sensitivity analysis results show that an increase of 50 bps on the discount rate do not result in any impairment indicators in goodwill.

*Goodwill impairment test analysis – EDP Renováveis Group*

The future cash flows projection used is based in the useful life of the assets (at the end of December 2017 EDPR Group has changed the useful life of the renewable assets from 25 to 30 years (see note 3)) which is consistent with the current depreciation method. This projection also incorporates the long-term energy sale contracts in place and long-term estimates of energy prices, for the assets with market exposure.

The main assumptions used for the impairment tests are as follows:

- Power produced: net capacity factors used for each CGU utilize the wind studies carried out, which takes into account the long-term predictability of wind output and that wind generation is supported in nearly all countries by regulatory mechanisms that allow for production and priority dispatching whenever weather conditions permit;

- Electricity remuneration: regulated or contracted remuneration has been applied where available, as for the CGUs that benefit from regulated remuneration or that have signed contracts to sell their output during all or part of their useful life; where this is not available, prices were derived using price curves projected by the company based on its experience, internal models and using external data references;

- New capacity: tests were based on the best information available on the wind farms expected to be built in coming years, adjusted by probability of success and by the growth prospects of the company based on the Business Plan Targets, its historical growth and market size projections. The tests considered the contracted and expected prices to buy turbines from various suppliers;

- Operating costs: established contracts for land leases and maintenance agreements were used. Other operating costs were projected consistent with the company's experience and internal models;

- Terminal value: considered as a 15% of the initial investment in each wind farm, considering inflation; and

- Discount rate: the discount rates used are post-tax, reflect EDPR Group's best estimate of the risks specific to each CGU and range as follows:

| | 2018 | 2017 |
|---|---|---|
| Europe | 3.3% - 6.4% | 3.2% - 6.2% |
| North America | 5.1% - 6.6% | 4.5% - 6.5% |
| Brazil | 9.9% | 9.6% |

Impairment tests were performed taking into account the regulation changes in each country, disclosed in note 1.

A series of sensitivity analysis were performed on the results of impairment tests namely in some of the key variables, such as:

- 5% reduction of Merchant Prices used in the base case. This sensitivity analyses performed for this assumption independently would not suppose any impairment for the goodwill allocated to each country;

- 50 basis points increase of the discount rate used in base case. This sensitivity analyses performed for this assumption independently would not suppose any impairment for the goodwill allocated to each country.

*Goodwill impairment test analysis – EDP Brasil Group*

For EDP Brasil Group, cash flows' projections include the assumption of the extension of concession contracts in generation and distribution businesses. These cashflows are estimated by considering production and consumption volumes, installed capacity, tariff evolution prospects in the different markets and power purchase agreements.

The discount rates used reflect the specific risks for each activities and range between 9.2% to 10.4% for the different business of the Group (2017: between 9.0% and 10.1%).

The terminal value of the distribution business corresponds to the present value of the assets at the end of the concession period (Regulatory Asset Base). In the supply business, it is considered the perpetuity of the business.

A sensitivity analysis increasing 50 basis points in the discount rate used has not determined the existence of impairment indicators for goodwill and concession rights.

For generation companies, the sensitivity analysis has been performed to 50 basis points increase over the discount rate used in base case. This sensitivity analysis has not determined any existence of impairment in goodwill or concession rights.

For distribution companies, the sensitivity analysis has also been performed to 50 basis points increase over the discount rate used in the base case. This sensitivity analysis have not determined any existence of impairment in goodwill and concession rights.

## 19. Investments in Subsidiaries (Company Basis)

This caption is as follows:

| | Company | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| Acquisition cost | 16,118,120 | 12,518,576 |
| Effect of equity method (transition to IFRS) | -785,593 | -785,593 |
| Equity investments in subsidiaries | 15,332,527 | 11,732,983 |
| Impairment losses on equity investments in subsidiaries | -230,481 | -231,281 |
| | 15,102,046 | 11,501,702 |

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

Investments in subsidiaries are as follows:

| | Company | |
|---|---|---|
| | Dec 2018 | Dec 2017 |
| Thousand Euros | Net amount | Net amount |
| **Equity investments in subsidiaries:** | | |
| EDP Renováveis, S.A. | 4,154,431 | 4,154,431 |
| EDP Gestão de Produção de Energia, S.A. | 5,756,366 | 2,156,054 |
| EDP España, S.A.U. | 2,105,002 | 2,105,002 |
| EDP Distribuição de Energia, S.A. | 1,686,158 | 1,686,145 |
| EDP Servicios Financieros España, S.A.U. | 482,695 | 482,695 |
| EDP Comercial - Comercialização de Energia, S.A. | 299,091 | 299,073 |
| EDP International Investments and Services, S.L. | 281,854 | 281,854 |
| Other | 336,449 | 336,448 |
| | 15,102,046 | 11,501,702 |

In the context of impairment tests carried out at EDP Group, the financial investments held by EDP, S.A. in subsidiaries are reviewed, based on the higher of the value in use and the fair value less costs related to the sale. The main assumptions considered in the valuation models of the main financial holdings in Portugal of EDP, S.A. (EDP Produção, EDP Distribuição and EDP Comercial) are as follows:

- The discount rates used reflect the best estimate regarding the specific risks associated to each subsidiary activity within a range between 3.8% and 5.0% (2017: between 4.2% and 5.3%);

- In regulated business, officially approved asset remuneration was used, considering the regulated mechanisms for the annual remuneration updates, the concession renewals expectation and the best CAPEX and regulatory framework evolution estimates;

- The estimates for the prices of electricity, brent, gas, coal and CO2 licenses were defined considering the market expectations regarding future price curves and the application of curve prices internal models considering the regulation in force and the best estimate of its future evolution. For gas and coal prices were also used the contracted prices for future long term purchases, namely the acquisition contracts for gas. Assets from generation business were evaluated from a portfolio perspective and an individual analysis of recoverability, based on the market share development estimate.

- The long-term projections for the electricity supply business were extrapolated through a Margin/EBITDA estimate which changes with the inflation rate;

- In generation business, estimates were based on an average hydrologic year over the projection period for hydro plants, estimated demand evolution, market share projections and current installed and under construction capacity, as well as the best estimate for decommissioning plants in the projection period. Additionally, it was considerer other system costs such as: ISP and the surcharge over CO2, CESE until 2020, social tariff and other income (namely capacity payments);

- Operating costs considered were based on extrapolations of current operating costs (knowledge acquired in each activity).

Sensitivity analysis were performed, such as a 50 basis points increase in the discount rate did not determined the existence of evidence of impairment in EDP S.A.'s financial investments.

The assumptions used in the valuation models of EDP S.A.'s financial holdings in other geographies, as well as the respective sensitivity analyses are described in note 18.

The positive variation in the caption Investments in subsidiaries on a company basis results, essentially, from the share capital increase in the amount of 386,715 thousand Euros and share premium increase in the amount of 3,213,597 thousand Euros, of EDP Gestão de Produção de Energia, S.A.

**20. Investments in Joint Ventures and Associates**

This caption is as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Investments in joint ventures | 805,381 | 781,327 | 2 | 6,597 |
| Investments in associates | 146,232 | 61,755 | - | - |
| | 951,613 | 843,082 | 2 | 6,597 |

As at 31 December 2018, for the Group, this caption includes goodwill in investments in joint ventures of 42,226 thousand Euros (31 December 2017: 42,226 thousand Euros) and goodwill in investments in associates of 11,084 thousand Euros (31 December 2017: 9,154 thousand Euros).

The movement in Investments in joint ventures and associates, for the Group, is as follows:

| Thousand Euros | Group | |
|---|---|---|
| | Dec 2018 | Dec 2017 |
| **Balance as at 1 January** | 843,082 | 820,565 |
| Acquisitions/Entries | 174,914 | 20,605 |
| Increases/Decreases of share capital | 7,119 | 148,977 |
| Disposals | -16,954 | -31,835 |
| Share of profit in joint ventures and associates | 10,858 | 11,521 |
| Dividends | -26,015 | -29,865 |
| Exchange differences | -39,676 | -97,458 |
| Cash flow hedging reserve | -17,543 | - |
| Other | 15,828 | 572 |
| **Balance as at 31 December** | 951,613 | 843,082 |

The movement in Investments in joint ventures is mainly explained by: (i) the sale of the investment in EDP Produção Bioeléctrica, S.A. in the amount of 16,952 thousand Euros for the Group and in the amount of 6,595 thousand Euros for the Company, corresponding to its historical acquisition cost (see note 6); (ii) the positive impact of 48,707 thousands Euros due to the sale of 80% of the financial investment of 2018 Vento XIX LLC, which began to be treated as a joint venture (see note 6); and (iii) the positive impact of 10,468 thousands Euros due to the sale of 75% of the financial investment of Nation Rise Wind Farm GP Inc., which began to be treated as a joint venture (see note 6).

The movement in Investments in associates is mainly explained by difference between the acquisition price and the variation of equity method of Centrais Elétricas de Santa Catarina, S.A. - Celesc in the amount of 111,990 thousand Euros (see note 6).

In 2017, the movement in Investments in joint ventures and associates is mainly explained by: (i) the capital increase in Empresa de Energia São Manoel, S.A. in the amount of 64,731 thousand Euros; (ii) the capital increase in Companhia Energética do Jari, S.A. in the amount of 17,921 thousand Euros; (iii) the capital increase in Empresa de Energia Cachoeira Caldeirão, S.A. no valor de 14,009 thousand Euros; (iv) the capital increase in Hydro Global Investment Limited in the amount of 34,754 thousand Euros; (v) the positive impact of 20,370 thousands Euros due to the sale of 23.3% of the financial investment of Moray Offshore Renewable Power Limited, which began to be treated as a joint venture and the decrese of 13,987 thousand Euros regarding the 53.4% of the financial investment to be sold in 2018; and (vi) by the negative impact of 14,367 thousands Euros due to the gain of control of Eólica de Coahuila, S.A. de C.V., which began to be fully consolidated.

The following table resumes the companies' financial information of joint ventures whose investment is included under the equity method in the Group consolidated accounts, as at 31 December 2018:

| Thousand Euros | Grupo Jari | Energia Cachoeira Caldeirão | Energia São Manoel | Flat Rock Windpower II | Flat Rock Windpower | Hydro Global Investment |
|---|---|---|---|---|---|---|
| **Companies' financial information of joint ventures** | | | | | | |
| Non-Current Assets | 389,451 | 310,332 | 862,799 | 97,703 | 240,383 | 141,796 |
| Current Assets | 21,872 | 27,984 | 29,982 | 2,358 | 7,537 | 88,680 |
| Cash and cash equivalents | 7,701 | 13,363 | 10,158 | 1,906 | 5,576 | 88,272 |
| Total Equity | 185,976 | 141,645 | 433,518 | 96,826 | 239,426 | 68,906 |
| Long term Financial debt | 134,088 | 169,667 | 402,905 | - | - | 121,732 |
| Non-Current Liabilities | 194,054 | 176,865 | 419,898 | 1,462 | 3,870 | 148,616 |
| Short term Financial debt | 12,308 | 10,713 | 23,783 | - | - | - |
| Current Liabilities | 31,293 | 19,806 | 39,365 | 1,773 | 4,624 | 12,954 |
| | | | | | | |
| Revenues | 59,816 | 35,951 | 73,201 | 4,820 | 12,541 | - |
| Property plant and equipment and intangibles amortization/impairment | -12,060 | -10,605 | -29,278 | -5,097 | -13,359 | -86 |
| Other financial expenses | -17,005 | -18,865 | -46,007 | -24 | -53 | -19,223 |
| Income tax expense | -1,320 | 1,609 | 11,527 | - | - | 770 |
| Net profit for the period | 9,677 | -3,135 | -22,400 | -5,618 | -14,388 | -3,160 |
| | | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | 132,320 | 71,176 | 144,509 | 48,413 | 132,198 | 34,462 |
| *Goodwill* | - | - | - | - | - | - |
| Dividends paid | 850 | - | - | - | 7,200 | - |

| Thousand Euros | Compañía Eólica Aragonesa | CIDE HC Energía | Grupo EDP Asia | Moray Offshore East | Portfolio Vento XIX | Outras |
|---|---|---|---|---|---|---|
| **Companies' financial information of joint ventures** | | | | | | |
| Non-Current Assets | 120,245 | 2,311 | 109,650 | 534,988 | 300,878 | 217,196 |
| Current Assets | 6,203 | 46,947 | 2 | 87,152 | 27,812 | 61,455 |
| Cash and cash equivalents | 4,106 | 1,273 | 2 | 62,826 | 25,150 | 21,174 |
| Total Equity | 106,064 | 14,573 | 107,872 | -73,943 | -7,107 | 98,313 |
| Long term Financial debt | - | - | - | 412,546 | - | 23,405 |
| Non-Current Liabilities | 17,483 | 4,359 | - | 587,743 | 170,949 | 126,348 |
| Short term Financial debt | - | - | - | 294 | 95 | 6,555 |
| Current Liabilities | 2,901 | 30,326 | 1,780 | 108,340 | 164,848 | 53,989 |
| | | | | | | |
| Revenues | 19,451 | 258,638 | - | - | 1,277 | 45,502 |
| Property plant and equipment and intangibles amortization/impairment | -11,922 | -66 | - | - | - | -3,707 |
| Other financial expenses | -138 | -572 | - | -3,666 | - | -572 |
| Income tax expense | 1,057 | -1,145 | -1,724 | - | - | -714 |
| Net profit for the period | 1,922 | 2,896 | 19,737 | -1,331 | 1 | 3,376 |
| | | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | 48,408 | 7,209 | 91,179 | - | 48,643 | 46,864 |
| *Goodwill* | 39,558 | - | - | - | - | 2,668 |
| Dividends paid | 5,288 | - | 7,231 | - | - | 1,501 |

The following table resumes the companies' financial information of joint ventures whose investment is included under the equity method in the Group consolidated accounts, as at 31 December 2017:

| Thousand Euros | Jari Group | Energia Cachoeira Caldeirão | Energia São Manoel | Flat Rock Windpower II | Flat Rock Windpower |
|---|---|---|---|---|---|
| **Companies' financial information of joint ventures** | | | | | |
| Non-Current Assets | 449,117 | 355,769 | 895,741 | 98,446 | 242,890 |
| Current Assets | 17,790 | 23,646 | 48,301 | 898 | 2,278 |
| Cash and cash equivalents | 5,601 | 10,176 | 28,773 | 684 | 1,264 |
| Total Equity | 181,209 | 161,100 | 489,575 | 97,708 | 241,088 |
| Long term Financial debt | 162,144 | 193,712 | 338,946 | - | - |
| Non-Current Liabilities | 230,252 | 198,973 | 355,136 | 1,372 | 3,642 |
| Short term Financial debt | 43,641 | 9,410 | 86,004 | - | - |
| Current Liabilities | 55,446 | 19,342 | 99,331 | 264 | 438 |
| | | | | | |
| Revenues | 66,004 | 36,438 | 687 | 4,050 | 10,813 |
| Property plant and equipment and intangibles amortization/impairment | -15,397 | -13,452 | -1,957 | -5,499 | -14,057 |
| Other financial expenses | -26,470 | -22,769 | -3,304 | -25 | -56 |
| Income tax expense | -2,769 | 3,529 | 1,480 | - | - |
| Net profit for the period | 5,532 | -7,035 | -2,874 | -6,305 | -17,354 |
| | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | |
| Net assets | 136,293 | 80,960 | 163,195 | 48,854 | 131,873 |
| *Goodwill* | - | - | - | - | - |
| Dividends paid | 489 | - | - | - | 14,143 |

| Thousand Euros | EDP Asia Group | Compañía Eólica Aragonesa | Bioeléctrica Group | CIDE HC Energía | Hydro Global Investment | Other |
|---|---|---|---|---|---|---|
| **Companies' financial information of joint ventures** | | | | | | |
| Non-Current Assets | 98,003 | 123,215 | 123,848 | 1,741 | 56,284 | 146,288 |
| Current Assets | 1 | 7,773 | 19,863 | 50,009 | 91,526 | 26,958 |
| Cash and cash equivalents | 1 | 4,652 | 13,145 | 1,277 | 81,943 | 9,943 |
| Total Equity | 98,004 | 105,890 | 32,321 | 11,177 | 68,063 | 22,996 |
| Long term Financial debt | - | - | 43,242 | - | 79,213 | 17,728 |
| Non-Current Liabilities | - | 20,753 | 57,223 | 3,955 | 79,213 | 35,836 |
| Short term Financial debt | - | - | 9,694 | - | 141 | 5,704 |
| Current Liabilities | - | 4,345 | 54,167 | 36,618 | 534 | 114,414 |
| | | | | | | |
| Revenues | - | 21,283 | 48,468 | 246,789 | - | 40,565 |
| Property plant and equipment and intangibles amortization/impairment | - | -14,444 | -9,250 | -62 | -74 | -3,628 |
| Other financial expenses | - | -145 | -872 | -422 | -2,145 | -770 |
| Income tax expense | - | 1,489 | -1,622 | -412 | 669 | -1,488 |
| Net profit for the period | 21,281 | 618 | 4,987 | 8,367 | -1,108 | -369 |
| | | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | 89,727 | 52,734 | 16,158 | 5,573 | 34,041 | 21,919 |
| *Goodwill* | - | 39,558 | - | - | - | 2,668 |
| Dividends paid | 7,380 | 5,000 | - | - | - | - |

The following table resumes the companies' financial information of associates whose investment is included in the Group consolidated accounts under the equity method, as at 31 December 2018:

| Thousand Euros | Mabe Brasil | Celesc | Parque Eólico Belmonte | Parque Eólico Madero | Principle Power Inc. | Other |
|---|---|---|---|---|---|---|
| **Companies' financial information of associates** | | | | | | |
| Non-Current Assets | 2,402 | 448,022 | 19,417 | 50,083 | 18,858 | 54,283 |
| Current Assets | 17,744 | 8,594 | 5,462 | 18,548 | 9,448 | 28,138 |
| Total Equity | -3,536 | 452,386 | 6,798 | 30,757 | 18,571 | 42,083 |
| Non-Current Liabilities | 20,691 | 1,491 | 12,182 | 5,258 | 3,811 | 30,809 |
| Current Liabilities | 2,991 | 2,739 | 5,900 | 32,616 | 5,924 | 9,530 |
| Revenues | 220 | - | 3,870 | 11,565 | 3,714 | 38,881 |
| Net profit for the period | -1,664 | 42,323 | 925 | 3,527 | -3,012 | 8,157 |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | - | 106,573 | 3,758 | 12,918 | 2,827 | 20,156 |
| *Goodwill* | - | - | 1,726 | - | 967 | 8,391 |
| Dividends paid | - | - | - | - | - | 3,945 |

Other include companies with financial statements as of 31 December 2018, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2018, since the accounts as at 31 December 2018 were not timely approved.

The following table resumes the companies' financial information of associates whose investment is included in the Group consolidated accounts under the equity method, as at 31 December 2017:

| Thousand Euros | Mabe Brasil | Les Eoliennes en Mer Noirmoutier | Parque Eólico Belmonte | Parque Eólico Madero | Principle Power Inc. | Other |
|---|---|---|---|---|---|---|
| **Companies' financial information of associates** | | | | | | |
| Non-Current Assets | 2,351 | 35,748 | 20,258 | 50,596 | 12,401 | 99,844 |
| Current Assets | 19,864 | 10,726 | 3,823 | 12,304 | 4,576 | 46,385 |
| Total Equity | -2,152 | 33,823 | 5,873 | 27,230 | 10,409 | 67,360 |
| Non-Current Liabilities | 20,809 | 5,500 | 13,338 | 1,825 | 4,134 | 48,163 |
| Current Liabilities | 3,558 | 7,151 | 4,870 | 33,845 | 2,434 | 30,706 |
| Revenues | -1,153 | - | 4,112 | 10,896 | 841 | 48,101 |
| Net profit for the period | -1,970 | -648 | 1,283 | 3,224 | -4,281 | 6,212 |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | - | 14,544 | 3,482 | 11,437 | 3,341 | 28,951 |
| *Goodwill* | - | - | 1,726 | - | 924 | 6,504 |
| Dividends paid | - | - | - | - | - | 2,853 |

Other include companies with financial statements as of 31 December 2017, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2017, since the accounts as at 31 December 2017 were not timely approved.

As at 31 December 2018, the significant companies' financial information of joint ventures and associates presents the following reconciliation of net assets proportionally attributed to EDP Group:

| Thousand Euros | Equity | % EM | Fair Value Adjustments | Goodwill | Other | Net Assets |
|---|---|---|---|---|---|---|
| Companhia Energética do JARI | 185,976 | 50.00% | 39,332 | - | - | 132,320 |
| Empresa de Energia Cachoeira Caldeirão S.A. | 141,645 | 50.00% | 353 | - | - | 71,176 |
| Empresa de Energia São Manoel S.A. | 433,518 | 33.33% | - | - | - | 144,509 |
| Flat Rock Windpower II LLC | 96,826 | 50.00% | - | - | - | 48,413 |
| Flat Rock Windpower LLC | 239,426 | 50.00% | - | - | 12,485 | 132,198 |
| Hydro Global Investment, Ltda | 68,906 | 50.00% | - | - | 9 | 34,462 |
| Compañía Eólica Aragonesa, S.A. | 106,064 | 50.00% | -4,624 | - | - | 48,408 |
| CIDE HC Energía, S.A. | 14,573 | 50.00% | - | - | -78 | 7,209 |
| EDP ASIA - Investimento e Consultadoria, Lda | 107,872 | 50.00% | 37,243 | | | 91,179 |
| Moray Offshore East | -73,943 | 33.30% | 19,611 | - | 5,012 | - |
| Portfolio Vento XIX | -7,107 | 20.00% | 50,064 | - | - | 48,643 |
| Mabe Construções e Administração Projetos, Lda | -3,536 | 50.00% | - | - | 1,768 | - |
| Centrais Elétricas de Santa Catarina, S.A. - Celesc | 452,386 | 23.56% | - | - | - | 106,573 |
| Parque Eólico de Belmonte, S.A. | 6,798 | 29.90% | - | 1,726 | - | 3,758 |
| Parque Eólico Sierra del Madero S.A. | 30,757 | 42.00% | - | - | - | 12,918 |
| Principle Power, Inc. | 18,571 | 21.39% | - | 967 | -2,113 | 2,827 |

As at 31 December 2017, the significant companies' financial information of joint ventures and associates presents the following reconciliation of net assets proportionally attributed to EDP Group:

| Thousand Euros | Equity | % EM | Fair Value Adjustments | Goodwill | Other | Net Assets |
|---|---|---|---|---|---|---|
| Companhia Energética do Jari | 181,209 | 50.00% | 45,688 | - | - | 136,293 |
| Empresa de Energia Cachoeira Caldeirão S.A. | 161,100 | 50.00% | 410 | - | - | 80,960 |
| Empresa de Energia São Manoel S.A. | 489,575 | 33.33% | - | - | - | 163,195 |
| Flat Rock Windpower II LLC | 97,708 | 50.00% | - | - | - | 48,854 |
| Flat Rock Windpower LLC | 241,088 | 50.00% | - | - | 11,329 | 131,873 |
| EDP ASIA - Investimento e Consultadoria, Lda | 98,004 | 50.00% | 40,725 | - | - | 89,727 |
| Compañía Eólica Aragonesa, S.A. | 105,890 | 50.00% | -211 | - | - | 52,734 |
| EDP Produção Bioeléctrica, S.A. | 32,321 | 50.00% | - | - | -3 | 16,158 |
| CIDE HC Energía, S.A. | 11,177 | 50.00% | - | - | -16 | 5,573 |
| Hydro Global Investment, Ltda | 68,063 | 50.00% | - | - | 10 | 34,041 |
| Mabe Construções e Administração Projetos, Lda | -2,152 | 50.00% | - | - | 1,076 | - |
| Les Eoliennes en Mer Iles d'Yeu Noirmountier, SAS | 33,823 | 43.00% | - | - | - | 14,544 |
| Parque Eólico de Belmonte, S.A. | 5,873 | 29.90% | - | 1,726 | - | 3,482 |
| Parque Eólico Sierra del Madero S.A. | 27,230 | 42.00% | - | - | - | 11,437 |
| Principle Power, Inc. | 10,409 | 22.72% | - | 924 | 53 | 3,341 |

Operating and real guarantees granted by joint ventures, included in the Group consolidated accounts under the equity method, are disclosed as follows:

| Thousand Euros | Dec 2018 | Dec 2017 |
|---|---|---|
| **Operating guarantees** | | |
| Companhia Energética do Jari | 222 | 293 |
| Empresa de Energia Cachoeira Caldeirão S.A. | 156 | 186 |
| Empresa de Energia São Manoel S.A. | 18 | 8,427 |
| | 396 | 8,906 |
| **Real guarantees** | - | - |

The commitments relating to short and medium-long term financial debt, future lease payments under operating leases and other purchase obligations of joint ventures included in the Group consolidated accounts under the equity method, as at 31 December 2018 and 2017, are disclosed by maturity as follows:

| | Dec 2018 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Short and long term financial debt (inc. falling due interest) | 744,576 | 51,728 | 102,078 | 203,434 | 387,336 |
| Finance lease commitments | 718 | 152 | 211 | 197 | 158 |
| Operating lease commitments | 545 | 244 | 280 | 15 | 6 |
| Purchase obligations | 48,177 | 15,400 | 11,286 | 2,809 | 18,682 |
| Other long term commitments | 128,777 | 111,801 | 16,976 | - | - |
| | 922,793 | 179,325 | 130,831 | 206,455 | 406,182 |

| | Dec 2017 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Short and long term financial debt (inc. falling due interest) | 663,274 | 89,744 | 103,166 | 95,991 | 374,373 |
| Finance lease commitments | 938 | 219 | 263 | 199 | 257 |
| Operating lease commitments | 26,271 | 11,408 | 2,962 | 2,393 | 9,508 |
| Purchase obligations | 541,398 | 187,738 | 56,349 | 39,758 | 257,553 |
| | 1,231,881 | 289,109 | 162,740 | 138,341 | 641,691 |

The summarised financial information for subsidiaries with material non-controlling interests, namely EDP Brasil and EDP Renováveis, as at 31 December 2018, are disclosed in note 50 and in the Annex I.

## 21. Equity Instruments at Fair Value

In the context of the adoption of IFRS 9, the category of "Available-for-sale financial investments", previously foreseen in IAS 39, ceases to exist (see notes 2 and 3). Accordingly, on 1 January 2018, the Group performed an analysis of the business model applicable to its financial assets and classified them in accordance with the new categories set forth in IFRS 9. The equity instruments held by the Group were classified as equity at fair value, measured through other comprehensive income (OCI) (see note 21.1) or through profit or loss (PL) (see note 21.2). The debt instruments held by the Group at 31 December 2017 were classified as other financial assets measured at amortised cost (see note 25).

The detail of the reclassifications made following the Group's analysis for the adoption of IFRS 9 is as follows:

| | Available-for-sale financial assets | Equity Instruments at Fair Value | | |
|---|---|---|---|---|
| Thousand Euros | | Through OCI | Through PL | Total |
| Available-for-sale financial assets at 31 December 2017 | 124,016 | - | - | - |
| Reclassification of Financial Assets for Equity Instruments at Fair Value through OCI (see note 21.1) | -96,290 | 96,290 | - | 96,290 |
| Reclassification of Financial Assets for Equity Instruments at Fair Value through PL (see note 21.2) | -27,707 | - | 27,707 | 27,707 |
| Reclassification of Financial Assets for Other Assets at amortised Cost (see note 25) | -19 | - | - | - |
| **Equity Instruments at Fair Value at 1 January 2018** | - | 96,290 | 27,707 | 123,997 |

As at 31 December 2018, this caption is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | 1 Jan 2018 | Dec 2018 | 1 Jan 2018 |
| Equity Instruments at Fair Value through OCI (see note 21.1) | 93,287 | 96,290 | 1,537 | 1,537 |
| Equity Instruments at Fair Value through PL (see note 21.2) | 31,860 | 27,707 | - | - |
| | 125,147 | 123,997 | 1,537 | 1,537 |

Under IFRS 13 (note 44), equity instruments at fair value are classified into three levels of fair value: level 1 includes essentially financial investments that are indexed to quoted market prices; level 2 includes the fund of stocks and bonds held by Energia RE; and level 3 covers all other equity instruments at fair value. As at 31 December 2018, there are no equity instruments at fair value within level 1.

### 21.1 Equity Instruments at Fair Value through Other Comprehensive Income (OCI)

As a result of the analysis of the business model applicable to available-for-sale financial assets at the date of adoption of IFRS 9, the EDP Group classified equity instruments held for long-term strategic purposes as Equity instruments measured at fair value through other comprehensive income.

The Zephyr Fund represents the participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During 2018, Zephyr had an increase of 5,000 thousand Euros and a decrease of 4,289 thousand Euros, as well as a decrease in its fair value, that was booked against fair value reserves, in the amount of 3,749 thousand Euros (see note 30).

In 2018, the movements in Equity Instruments at Fair Value through OCI are as follows:

| Thousand Euros | Balance at 1 Jan | Acquisitions | Disposals | Change in fair value | Other variations | Balance at 31 Dec |
|---|---|---|---|---|---|---|
| Zephyr Fund (Energia RE portfolio) | 77,573 | 5,000 | -4,289 | -3,749 | - | 74,535 |
| Other | 18,717 | 697 | -940 | 129 | 149 | 18,752 |
| | 96,290 | 5,697 | -5,229 | -3,620 | 149 | 93,287 |

As at 31 December 2018, the fair value reserve attributable to the Group is as follows:

| Thousand Euros | Dec 2018 |
|---|---|
| Zephyr Fund (Energia RE portfolio) | 6,453 |
| Other | 5,538 |
| | 11,991 |

### 21.2 Equity Instruments at Fair Value through Profit or Loss (PL)

As a result of the analysis of the business model applicable to available-for-sale financial assets at the date of adoption of IFRS 9, the EDP Group decided to classify the remaining equity instruments held for trading purposes as equity instruments measured at fair value through PL.

Regarding Feedzai - Consultadoria e Inovação Tecnológica, S.A., it fair value in the amount of 15,526 thousand Euros was determined according to the last transation sales of the society EQ/sales amounting to 6,3x. The sensitivity analysis considering a reduction or a 0,5x increase of the multiple, determines a fair value of 14,3 million Euros and 16,8 million Euros, respectively.

During 2018 a increase in the fair value in the amount of 2,582 thousand Euros was booked against Profit or Loss (see note 13 and 44).

| Thousand Euros | Balance at 1 Jan | Acquisitions | Disposals | Change in fair value | Other variations | Balance at 31 Dec |
|---|---|---|---|---|---|---|
| EDA - Electricidade dos Açores, S.A. | 13,045 | - | - | 621 | - | 13,666 |
| Feedzai - Consultadoria e Inovação Tecnológica, S.A. | 13,565 | - | - | 1,961 | - | 15,526 |
| Others | 1,097 | 1,571 | - | - | - | 2,668 |
| | 27,707 | 1,571 | - | 2,582 | - | 31,860 |

## 22. Deferred Tax Assets and Liabilities

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

| Thousand Euros | Net Deferred tax assets Dec 2018 | Net Deferred tax assets Dec 2017 | Net Deferred tax liabilities Dec 2018 | Net Deferred tax liabilities Dec 2017 |
|---|---|---|---|---|
| **Europe** | | | | |
| Tax losses and tax credits | 306,105 | 210,836 | - | - |
| Provisions for social benefits, bad debts and other risks | 573,115 | 489,823 | 16,165 | 17,282 |
| Financial instruments | 106,187 | 41,233 | 17,185 | 7,143 |
| Property plant and equipment | 200,330 | 170,786 | 176,604 | 173,932 |
| Reinvested gains | - | - | 3,213 | 3,213 |
| Financial and equity instruments at fair value | 357 | 565 | 3,993 | 3,902 |
| Tariff adjustments and tariff deficit | 39,906 | 69,788 | 80,337 | 251,679 |
| Allocation of fair value to assets and liabilities acquired | 24,761 | 33,684 | 441,278 | 403,663 |
| Fiscal revaluations | 464,233 | 500,667 | 70,138 | 74,564 |
| Deferred income relating to CMEC | - | - | 198,055 | 185,631 |
| Other temporary differences | 16,713 | 33,478 | 83,427 | 56,722 |
| Assets/liabilities compensation of deferred taxes | -718,007 | -909,068 | -718,007 | -909,068 |
| | 1,013,700 | 641,792 | 372,388 | 268,663 |
| **Brazil** | | | | |
| Tax losses and tax credits | 98,304 | 124,719 | - | - |
| Provisions for social benefits, bad debts and other risks | 120,969 | 126,860 | - | - |
| Allocation of fair value to assets and liabilities acquired | - | - | 127,458 | 133,108 |
| Use of public property | 24,068 | 25,842 | 7,499 | 8,869 |
| Fair value of financial assets | - | - | 35,506 | 34,717 |
| Other temporary differences | 3,804 | 4,461 | 34,658 | 37,820 |
| Assets/liabilities compensation of deferred taxes | -109,702 | -115,740 | -109,702 | -115,740 |
| | 137,443 | 166,142 | 95,419 | 98,774 |
| **United States of America and Canada** | | | | |
| Tax losses and tax credits | 579,121 | 553,644 | - | - |
| Property, plant and equipment | 3,436 | 3,200 | 253,529 | 253,080 |
| Allocation of fair value to assets and liabilities acquired | - | - | 129,306 | 112,716 |
| Gains from institutional partnerships in USA wind farms | - | - | 336,895 | 291,041 |
| Other temporary differences | 31,276 | 2,909 | -55 | 1,424 |
| Assets/liabilities compensation of deferred taxes | -612,781 | -559,166 | -612,781 | -559,166 |
| | 1,052 | 587 | 106,894 | 99,095 |
| | 1,152,195 | 808,521 | 574,701 | 466,532 |

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

On a Company basis, EDP, S.A. records the tax effect arising from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis which is as follows:

| Thousand Euros | Net Deferred tax assets Dec 2018 | Net Deferred tax assets Dec 2017 | Net Deferred tax liabilities Dec 2018 | Net Deferred tax liabilities Dec 2017 |
|---|---|---|---|---|
| Tax losses and tax credits | 89,383 | 75,681 | - | - |
| Provisions for social benefits, bad debts and other risks | 6,945 | 6,432 | - | - |
| Financial instruments | 21,431 | 15 | 21,042 | 1,687 |
| Financial and equity instruments at fair value | - | 834 | - | - |
| Allocation of fair value to assets and liabilities acquired | - | - | 3,546 | - |
| Property, plant and equipment | 4,322 | 4,188 | - | - |
| Fiscal revaluations | - | - | 199 | 205 |
| Other temporary differences | 3,083 | 3,074 | 7,718 | 10,074 |
| Assets/liabilities compensation of deferred taxes | -32,505 | -11,966 | -32,505 | -11,966 |
| | 92,659 | 78,258 | - | - |

The deferred tax movement, for the Group and for the Company, in 2018 and 2017 is as follows:

| | Deferred taxes | | Deferred taxes | |
|---|---|---|---|---|
| | Group | | Company | |
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Balance at 31 December 2017** | 341,989 | 182,011 | 78,258 | 45,115 |
| Adjustments due to IFRS 9 and IFRS 15 adoption (see note 3) | 27,387 | - | - | - |
| **Balance at 1 January 2018** | 369,376 | 182,011 | 78,258 | 45,115 |
| Charges to the profit and loss account | 145,947 | 168,115 | -2,142 | 30,239 |
| Charges against reserves | 77,367 | 64,465 | 2,309 | 11,442 |
| Exchange differences and other variations | -15,196 | -72,602 | 14,234 | -8,538 |
| **Balance at 31 December 2018** | 577,494 | 341,989 | 92,659 | 78,258 |

At 31 December 2017, the caption Exchange differences and other variations mainly includes the variation due to the above mentioned derecognition of deferred tax amounts related to the disposal of the gas distribution business in Spain.

Taxes recorded against reserves are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Deferred tax** | | | | |
| Financial instruments and fair value | 43,661 | 40,446 | 2,060 | 14,308 |
| Transactions with non-controlling interests | 12,684 | - | - | - |
| Actuarial gains and losses | 19,242 | 27,415 | 249 | -125 |
| Changes in fair value of financial assets held for sale | 1,780 | -3,396 | - | -2,741 |
| | 77,367 | 64,465 | 2,309 | 11,442 |

The Group tax losses carried forward are analysed as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Expiry date:** | | |
| 2018 | - | 2,808 |
| 2019 | 6,585 | 11,547 |
| 2020 | 15,151 | 13,108 |
| 2021 | 50,102 | 61,713 |
| 2022 | 21,698 | 21,202 |
| 2023 | 36,394 | 31,907 |
| 2024 to 2038 | 2,275,234 | 2,184,184 |
| Without expiry date | 1,374,629 | 1,273,121 |
| | 3,779,793 | 3,599,590 |

Of the total of EDP Group's tax losses available to carry forward as at 31 December 2018, the amount of 476.257 thousand Euros does not have deferred tax asset, in accordance with the applicable accounting standards since, at the present date, there is still not sufficient visibility about the future period in which such tax losses will be used.

## 23. Inventories

This caption is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| Merchandise | 48,194 | 21,982 |
| Finished, intermediate products and sub-products | 38,910 | 37,738 |
| Raw and subsidiary materials and consumables (coal and other fuels) | 132,428 | 100,276 |
| Nuclear fuel | 16,159 | 16,700 |
| CO2 licenses (see note 45) | - | - |
| Other | 106,346 | 89,079 |
| | 342,037 | 265,775 |

The caption CO2 Licenses, includes licenses held for trading, measured at the lower of acquisition cost and net realisable value, which corresponds to the market quote, as described in accounting policy 2 x).

## 24. Debtors and Other Assets from Commercial Activities

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

| Thousand Euros | Group Dec 2018 | Group Dec 2017 |
|---|---|---|
| **Assets measured at amortised cost:** | | |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 7,691 | 521,062 |
| Amounts receivable from tariff adjustments - Electricity - Brazil | 27,551 | 49,999 |
| Amounts receivable relating to CMEC | 647,667 | 806,014 |
| Amounts receivable from concessions - IFRIC 12 | 882,087 | 1,229,370 |
| Accrued income relating to energy sales activity | - | 8,105 |
| Other assets measured at amortised cost | 35,585 | 87,068 |
| Impairment losses on other assets measured at amortised cost | -2,895 | -3,182 |
| | 1,597,686 | 2,698,436 |
| **Trade receivables at amortised cost:** | | |
| Trade receivables | 116,479 | 141,517 |
| Impairment losses on trade receivables | -52,629 | -61,929 |
| | 63,850 | 79,588 |
| **Assets measured at fair value through other comprehensive income:** | | |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 9,743 | - |
| **Assets measured at fair value through profit or loss:** | | |
| Amounts receivable from concessions - IFRIC 12 | 519,544 | - |
| **Contract assets:** | | |
| Contract assets receivable from energy sales contracts | 2,093 | - |
| Incremental costs of obtaining contracts with customers | 66,850 | - |
| Contract assets receivable from concessions - IFRIC 12 (see note 17) | 192,036 | - |
| | 260,979 | - |
| **Other assets:** | | |
| Other assets out of scope of IFRS 9 | 70,838 | 61,355 |
| | 2,522,640 | 2,839,379 |

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

| Thousand Euros | Group Dec 2018 | Group Dec 2017 | Company Dec 2018 | Company Dec 2017 |
|---|---|---|---|---|
| **Assets measured at amortised cost:** | | | | |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 204,626 | 348,990 | - | - |
| Amounts receivable from tariff adjustments - Electricity - Brazil | 82,392 | 27,384 | - | - |
| Receivables relating to other goods and services | 30,864 | 18,328 | 25,081 | 24,516 |
| Amounts receivable relating to CMEC | 184,757 | 218,748 | - | - |
| Amounts receivable from concessions - IFRIC 12 | 53,150 | 60,978 | - | - |
| Accrued income relating to energy sales activity | - | 1,007,007 | - | 226,500 |
| Other assets measured at amortised cost | 141,708 | 187,446 | 129,927 | 61,039 |
| Impairment losses on other assets measured at amortised cost | -5,897 | -12,416 | -153 | -788 |
| | 691,600 | 1,856,465 | 154,855 | 311,267 |
| **Trade receivables at amortised cost:** | | | | |
| Trade receivables | 1,497,576 | 1,712,574 | 190,047 | 306,651 |
| Impairment losses on trade receivables | -304,237 | -305,909 | -306 | -9,699 |
| | 1,193,339 | 1,406,665 | 189,741 | 296,952 |
| **Assets measured at fair value through other comprehensive income:** | | | | |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 3,153 | - | - | - |
| **Contract assets:** | | | | |
| Contract assets receivable from energy sales contracts | 1,219,851 | - | 307,087 | - |
| **Other assets:** | | | | |
| Other assets out of scope of IFRS 9 | 59,536 | 62,600 | 1,721 | 1,411 |
| | 3,167,479 | 3,325,730 | 653,404 | 609,630 |

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

| Thousand Euros | Non-Current | Current |
|---|---|---|
| **Balance as at 31 December 2017** | 521,062 | 348,990 |
| Impact of the tariff deficit measured at fair value through other comprehensive income (adoption of IFRS 9 - see note 3) | -2,727 | 5,466 |
| **Balance as at 1 January 2018** | 518,335 | 354,456 |
| Receipts through the electricity tariff | - | -197,581 |
| Partial sale of 2017 overcosts for the special regime generators | - | -391,691 |
| Partial sale of 2018 overcosts for the special regime generators | - | -871,497 |
| Tariff adjustment of 2017 | - | -1,251 |
| Tariff adjustment of the period | - | 886,325 |
| Fair value of the tariff deficit measured at fair value through other comprehensive income (see note 30) | 2,727 | -5,466 |
| Interest income (see note 13) | - | 10,221 |
| Transfer to/from tariff adjustment payable (see note 37) | 39,085 | -118,450 |
| Transfer from Non-Current to Current | -542,713 | 542,713 |
| **Balance as at 31 December 2018** | 17,434 | 207,779 |

On 1 January 2018, with the adoption of IFRS 9, the EDP Serviço Universal, S.A. tariff deficit included in the caption Debtors and other assets from commercial activities, in the amount of 439,797 thousand Euros, was classified and measured at fair value through other comprehensive income, which led to an increase of 2,739 thousand Euros associated with the difference between the fair value and the amortised cost (see notes 2 and 3). As at 31 December 2018, the caption Debtors and other assets from commercial activities includes the amount of 9,743 thousand Euros as non-current and the amount of 3,153 thousand Euros as current, all of which are classified and measured at fair value through other comprehensive income. According to IFRS 13, the tariff deficit fair value is classified as level 2 (see note 44).

During the first quarter of 2018, EDP Serviço Universal, S.A. (EDP SU) sold, in two independent operations, a portion of the 2017 tariff deficit in the amount of 247,120 thousand Euros. The 2017 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2017 overcosts related to the acquisition of electricity from special regime generators (including the adjustments from 2015 to 2017). In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and respective interest. The sale price amounted to 254,601 thousand Euros and generated a gain net of transaction costs of 2,591 thousand Euros (see note 13).

During the second quarter of 2018, EDP Serviço Universal, S.A. (EDP SU) sold a portion of the 2018 tariff deficit in the amount of 641,069 thousand Euros. The 2018 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2018 overcosts related to the acquisition of electricity from special regime generators (including the adjustments for 2016 and 2017). In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and respective interest. The sale price amounted to 650 million Euros and generated a gain net of transaction costs of 1,204 thousand Euros (see note 13).

During the last quarter of 2018, EDP Serviço Universal, S.A. (EDP SU) sold, in eight independent operations, a portion of the 2017 tariff deficit in the amount of 144,571 thousand Euros and a portion of the 2018 tariff deficit in the amount of 230,429 thousand Euros. The 2017 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2017 overcosts related to the acquisition of electricity from special regime generators (including the adjustments from 2015 to 2017). The 2018 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2018 overcosts related to the acquisition of electricity from special regime generators (including the adjustments for 2016 and 2017). In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 384,074 thousand Euros and generated a gain net of transaction costs of 4,630 thousand Euros (see note 13).

The following table provides details for the caption Amounts receivable from tariff adjustments - Electricity - Portugal, by nature and year of establishment, as well as presents the amounts of tariff deficit that have been sold during the period ended 31 December 2018:

| Thousand Euros | Deficit | Tariff adj. | Sales | Total |
|---|---|---|---|---|
| **Year:** | | | | |
| 2015 | 9,631 | - | - | 9,631 |
| 2016 | 15,213 | - | - | 15,213 |
| 2017 | 391,691 | 225,202 | -391,691 | 225,202 |
| 2018 | 884,394 | -37,730 | -871,497 | -24,833 |
| | 1,300,929 | 187,472 | -1,263,188 | 225,213 |

As at 31 December 2018, in accordance with the methodology for determining impairment losses on amounts receivable from regulatory assets (see note 2 e)), no impairment loss related to the amounts included in the captions Amounts receivable from tariff adjustments - Electricity, Amounts receivable relating to CMEC and Amounts receivable from concessions was recognised.

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments recognised in EDP São Paulo - Distribuição de Energia S.A. and EDP Espírito Santo - Distribuição de Energia S.A. in the accumulated amount, as at 31 December 2018, of 74,099 thousand Euros (31 December 2017: 52,807 thousand Euros) and 35,844 thousand Euros (31 December 2017: 24,576 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 152,963 thousand Euros (see note 7), transfer to tariff adjustment payable of 7,418 thousand Euros (see note 37), amounts received through the electricity tariff of 121,424 thousand Euros, unwinding in the amount of 17,937 thousand Euros (see note 13) and the exchange differences due to depreciation of Brazilian Real against Euro with a negative impact of 9,498 thousand Euros.

The caption Amounts receivable relating to CMEC amounts to 832,424 thousand Euros, and includes 647,667 thousand Euros as non-current and 184,757 thousand Euros as current. The amount receivable relating to CMEC includes 441,454 thousand Euros as non-current and 44,735 thousand Euros as current, which correspond to the initial CMEC granted to EDP Produção (833,467 thousand Euros), deducted from the annuities for the years 2007 to 2017, and 206,213 thousand Euros as non-current and 43,526 thousand Euros as current, relating with the final adjustment recognised in accordance with the result achieved by the EDP/REN working group. The remaining 96,496 thousand Euros as current correspond to the amounts receivable through the revisibility calculation from 2014 to 2017. The revisibility calculation for 2015 to 2017 is still waiting the official approval.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 1,454,781 thousand Euros relates to the financial asset to be received by the EDP Group regarding the electricity distribution concessions in Portugal and Brazil, resulting from the application of the mixed model, and the asset related to electricity transmission concessions in Brazil. The variation of the period includes: (i) the effect of the depreciation of Brazilian Real against Euro in the amount of 57,688 thousand Euros; (ii) transfers from intangible assets assigned to concessions in the amount of 125,985 thousand Euros (see note 17); (iii) the re-measurement of IFRIC 12 indemnity amount in Brazil concessions of 13,567 thousand Euros; and (iv) the increase of brazilian transmission companies investment in the amount of 73,389 thousand Euros.

The movements in Impairment losses on other assets measured at amortised cost are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Non-current | Current | Non-current | Current |
| **Balance as at 31 December 2016** | 3,229 | 21,410 | - | 1,000 |
| Charge of the period | - | 460 | - | 12 |
| Reversal of impairment losses | -1 | -3,800 | - | -224 |
| Charge-off | - | -5,172 | - | - |
| Exchange differences | -46 | -547 | - | - |
| Perimeter variations/Other regularisations | - | 65 | - | - |
| **Balance as at 31 December 2017** | 3,182 | 12,416 | - | 788 |
| Impact of IFRS 9 adoption (see note 3) | - | 924 | - | - |
| **Balance as at 1 January 2018** | 3,182 | 13,340 | - | 788 |
| Charge of the period | - | 2,965 | - | 7 |
| Reversal of impairment losses | -264 | -1,301 | - | -68 |
| Charge-off | - | -1,314 | - | -574 |
| Exchange differences | -23 | -286 | - | - |
| Perimeter variations/Other regularisations | - | -7,507 | - | - |
| **Balance as at 31 December 2018** | 2,895 | 5,897 | - | 153 |

The geographical market Trade receivables' breakdown and the credit risk analysis are disclosed in note 5, under the Counterparty credit risk management.

As at 31 December 2018 and 2017, on a company basis, trade receivables are from Portugal geographical market.

The movements in Impairment losses on trade receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Non-current | Current | Non-current | Current |
| **Balance as at 31 December 2016** | 64,956 | 329,212 | - | 9,935 |
| Charge of the period | 257 | 108,418 | - | 13 |
| Reversal of impairment losses | -2,552 | -86,431 | - | -249 |
| Charge-off | - | -39,102 | - | - |
| Exchange differences | -732 | -8,503 | - | - |
| Perimeter variations/Other regularisations | - | 2,315 | - | - |
| **Balance as at 31 December 2017** | 61,929 | 305,909 | - | 9,699 |
| Impact of IFRS 9 adoption (see note 3) | - | 52,289 | - | -56 |
| **Balance as at 1 January 2018** | 61,929 | 358,198 | - | 9,643 |
| Charge of the period | 1,080 | 91,484 | - | 215 |
| Reversal of impairment losses | -4,447 | -68,667 | - | -12 |
| Charge-off | -5,456 | -64,528 | - | -9,540 |
| Exchange differences | -535 | -6,406 | - | - |
| Perimeter variations/Other regularisations | 58 | -5,844 | - | - |
| **Balance as at 31 December 2018** | 52,629 | 304,237 | - | 306 |

The caption Contract assets receivable from energy sales contracts represents accrued income relating to energy sales activity. The change of the caption's name is due to the adoption of IFRS 15's updated terms. The impairment losses on Trade receivables includes impairment losses related to Contract assets receivable from energy sales contracts.

Contract assets receivable from energy sales contracts - Current include contract assets relating to energy delivered and not yet invoiced, amounts receivable from REN regarding the CMEC Revisibility of 2016 and 2017 which are awaiting approval, and accruals from UNGE's energy management business.

With the adoption of IFRS 15, on 1 January 2018, the caption of Contract assets - Non-Current started to include incremental costs of obtaining contracts with customers in the amount of 65,491 thousand Euros. These costs are eligible to be capitalised under IFRS 15 (see notes 2 and 3). As at 31 December 2018, the caption Incremental costs of obtaining contracts, in the amount of 66,850 thousand Euros, includes the costs identified in the transition as at 1 January 2018 and capitalised costs of 2018, which are amortised under IFRS 15 (see note 12).

## 25. Other Debtors and Other Assets

Other debtors and other assets are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Debtors and other assets - Non-Current** | | | | |
| **Assets measured at amortised cost:** | | | | |
| Loans to subsidiaries | - | - | 2,951,030 | 6,432,068 |
| Loans to related parties | 42,973 | 10,018 | 90 | 90 |
| Guarantees rendered to third parties | 64,162 | 51,041 | - | - |
| Other financial assets at amortised cost (i) | 46,244 | - | 560,358 | - |
| **Assets measured at fair value through profit or loss:** | | | | |
| Derivative financial instruments (see note 41) | 191,923 | 163,874 | 260,931 | 191,610 |
| Contingent price | 170,953 | 154,979 | - | - |
| **Other assets:** | | | | |
| Excess of the pension fund financing (see note 34) | 59,840 | 58,952 | 68 | 63 |
| Other assets out of scope of IFRS 9 | 53,525 | 79,908 | - | - |
| | 629,620 | 518,772 | 3,772,477 | 6,623,831 |
| **Debtors and other assets - Current** | | | | |
| **Assets measured at amortised cost:** | | | | |
| Loans to subsidiaries | - | - | 748,855 | 1,573,553 |
| Dividends attributed by subsidiaries | - | - | - | 50,001 |
| Loans to related parties | 20,738 | 89,735 | - | 11,290 |
| Receivables from the State and concessors | 28,655 | 30,012 | - | - |
| Deposits to third parties | 77,580 | 24,606 | 45,198 | 6,727 |
| Subsidiary companies | - | - | 190,042 | 53,627 |
| Group's financial system (see note 43) | - | - | 675,997 | 688,078 |
| Other financial assets at amortised cost (i) | 16,457 | - | 460,956 | - |
| **Assets measured at fair value through profit or loss:** | | | | |
| Derivative financial instruments (see note 41) | 96,517 | 129,350 | 302,971 | 523,931 |
| Other financial investments measured at fair value | 39,258 | - | - | - |
| Contingent price | 290,900 | - | - | - |
| **Other assets:** | | | | |
| Other assets out of scope of IFRS 9 | 24,703 | 30,925 | - | 15 |
| | 594,808 | 304,628 | 2,424,019 | 2,907,222 |
| | 1,224,428 | 823,400 | 6,196,496 | 9,531,053 |

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 1,580,629 thousand Euros (31 December 2017: 4,875,717 thousand Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 1,808,458 thousand Euros (31 December 2017: 1,921,941 thousand Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 43). Additionally, in the first quarter of 2018, EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España liquidated the loan granted to EDP Servicios Financieros España, S.A., in the amount 885,497 thousand Euros (see note 47).

For the Loans to subsidiaries, EDP, S.A. performs an analysis to evaluate impairment based on the general approach. The company uses several inputs on making its assessment of the credit risk related to these assets, such as the analysis of the historical posible delays and/or impairment losses indications, rating companies (when applicable) and market and macroeconomic informations that may change the probability of default and the expectation of delays in the receivable amounts. According to the analysis performed, as per 31 December 2018 there are no expected credit losses accounted for related to loans with subsidiaries.

Loans to related parties - Non-Current and Current at a consolidated basis, mainly includes loans granted to Parque Eólico Sierra del Madero, S.A., Eoliennes en Mer Dieppe - Le Tréport, S.A.S. and Eoliennes en Mer Iles d'Yeu et de Noirmoutier, S.A.S. Following the disposal, the loans granted to EDP Produção Bioeléctrica, S.A., were received (see notes 6 and 40). During the third quarter of 2018, the loans granted to Empresa de Energia São Manoel S.A. were liquidated.

At 31 December of 2017, Derivative financial instruments – Current, for the Company, included 280,477 thousand Euros, related to a hedging instrument in USD and EUR with EDP Renováveis, S.A., contracted to hedge the foreign exchange rate risk of the debt in US Dollars issued by EDP Finance B.V. and granted to EDP – Energias de Portugal – Sociedade Anónima, Sucursal en España. This instrument is a Cross Currency Interest Rate Swap (CIRS) revalued at each balance sheet date at its market value, which is a spot foreign exchange rate valuation, resulting in a perfect fair value hedge (revaluation of fair value of the derivative instrument and the hedged liability). During the period, EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España did the total repayment of the liabilities hedged, corresponding to a notional of 2,000 million US Dollars (see note 38). The remaining derivative financial instruments, assets and liabilities, are essentially related to derivatives contracted with external entities as a pass-through to hedge EDP Group companies business related risks.

The variation in the caption Contingent prices - Non Current refers, mainly, to the to the partial receipt of 45,970 thousand Euros and to an increase of the fair value in an amount of 18,316 thousand Euros of the contingent price related to the Naturgás sale, registered in 2017, and to the recognition of the fair value of contingent prices related to the sale of 13,5% of the companies Eoliennes en Mer Dieppe - Le Tréport, S.A.S. e Eoliennes en Mer Iles d'Yeu et de Noirmoutier, S.A.S. in an amount of 36,551 thousand Euros (see Note 6).

The variation in the caption Contingent prices - Current refers to the recognition of the fair value of contingent prices related to the sale of 80% of the company 2018 Vento XIX LLC and its subsidiaries in an amount of 181,016 thousand Euros (206,400 thousand US Dollars) and to the sale of 75% of the companies Nation Rise Wind Farm Gp II Inc. e Nation Rise Wind Farm Limited Partnership in an amount of 109,884 thousand Euros (171,474 thousand Canadian Dollars) (see Note 6).

**(i) Other financial assets at amortised cost**

On a consolidated basis, this caption includes the securities issued by Tagus - Sociedade de Titularização de Créditos, S.A. (a limited liability company incorporated under the laws of Portugal for the purpose of carrying out securitization transactions through the acquisition, management and transmission of credits and the issuance of securitized bonds for the payment of the acquired credits, which share capital is fully owned by Deutsche Bank Aktiengesellschaft), in the context of the transmission of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, owned by EDP Distribuição, S.A. and EDP Serviço Universal, S.A. In accordance with the requirements of IFRS 9, after analysing their respective business model, on 1 January 2018, these securities, in the amount of 37,544 thousand Euros, were classified as financial assets measured at amortised cost and included under Other debtors and other assets (see notes 2 and 3).

In Portugal, Decree - Law 237-B/2006 of 19 December and Decree - Law 165/2008 of 21 August, refer to the transfer to third parties of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, through which the EDP Group has made, since 2008, a number of transfer operations of financial assets.

Under the following operations, assets were transferred to securitisation companies, that financed their purchases through debt securities registered in the Securities Commission (CMVM):

• In December 2014, EDP Distribuição de Energia, S.A. sold without recourse to Tagus, the right to recover part of the 2012 CMEC compensation adjustment in the amount of 228,826 thousand Euros. The transaction was performed by the amount of 239,832 thousand Euros generating a gain of 10,711 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Distribuição of Expense Reserve Notes issued by Tagus at par value in the amount of 317 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,690 thousand Euros, both maturing in 2019. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account. As at 31 December 2018, the amortised cost of these Notes corresponds to 346 thousand Euros;

• In March 2015, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2014 overcost of the acquisition of electricity activity from special regime production, in the amount of 465,418 thousand Euros. The transaction was performed by the amount of 499,461 thousand Euros, generating a gain of 31,737 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 410 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,488 thousand Euros, both maturing in 2019. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account. As at 31 December 2018, the amortised cost of these Notes corresponds to 193 thousand Euros;

• In August 2016, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2016 overcost of the acquisition of electricity activity from special regime production, in the amount of 598,883 thousand Euros. The transaction was performed by the amount of 599,987 thousand Euros, generating a loss of 7,417 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 381 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 3,635 thousand Euros, both maturing in 2021. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account. As at 31 December 2018, the amortised cost of these Notes corresponds to 2,286 thousand Euros;

• In December 2017, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2017 overcost of the acquisition of electricity activity from special regime production, in the amount of 583,539 thousand Euros. The transaction was performed by the amount of 600,000 thousand Euros, generating a gain of 13,004 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 372 thousand Euros, Liquidity Notes issued by Tagus at par value in the amount of 1,275 thousand Euros and Senior Notes issued by Tagus at par value in the amount of 30,000 thousand Euros, all maturing in 2021. The Liquidity and Class R Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses. As at 31 December 2018, the amortised cost of the Notes corresponds to 25,250 thousand Euros;

• In June 2018, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2018 overcost of the acquisition of electricity activity from special regime production, in the amount of 641,069 thousand Euros. The transaction was performed by the amount of 650,000 thousand Euros, generating a gain of 1,204 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 375 thousand Euros, Liquidity Notes issued by Tagus at par value in the amount of 1,788 thousand Euros and Senior Notes issued by Tagus at par value in the amount of 32,500 thousand Euros, all maturing in 2023. The Liquidity and Class R Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses. As at 31 December 2018, the amortised cost of the Notes corresponds to 34,607 thousand Euros.

On a Company basis, this caption, in the amount of 1,021,314 thousand Euros (560,358 in Non-Current and 460,956 thousand Euros in Current), corresponds to the amortised cost of the securities issued by EDP Finance B.V. reacquired in a market operation by EDP, S.A., which in accordance with IFRS 9 requirements were classified as financial assets measured at amortised cost (see notes 2 and 3).

On 6 December 2016, EDP, S.A. has bought an amount of 500,000 thousand US Dollars of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 500,624 thousand Euros. This amount includes a premium paid over the nominal debt of 21,101 thousand Euros and accrued interest as at the acquisition date. On 15 December 2017, EDP, S.A. has bought an amount of 500,000 thousand US Dollars of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 446,802 thousand Euros. This amount includes a premium paid over the nominal debt of 18,016 thousand Euros and accrued interest as at the acquisition date. On 11 December 2018, EDP, S.A. has bought an amount of 499,998 thousand Euros of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 541,751 thousand Euros. This amount includes a premium paid over the nominal debt of 33,705 thousand Euros and accrued interest as at the acquisition date.

The detail of these bonds issued by EDP Finance B.V., purchased on the market by EDP, S.A., is as follows:

| Issuer | Maturity date | Currency | Interest rate | Nominal value in Currency '000 | Acquired in Currency '000 |
|---|---|---|---|---|---|
| EDP Finance B.V. | 14 Apr 2019 | EUR | 2.63% | 650,000 | 98,809 |
| EDP Finance B.V. | 1 Oct 2019 | USD | 4.90% | 1,000,000 | 363,462 |
| EDP Finance B.V. | 15 Jan 2020 | USD | 4.13% | 750,000 | 167,076 |
| EDP Finance B.V. | 29 Jun 2020 | EUR | 4.13% | 300,000 | 66,628 |
| EDP Finance B.V. | 14 Sep 2020 | EUR | 4.88% | 750,000 | 287,778 |
| EDP Finance B.V. | 20 Jan 2021 | EUR | 4.13% | 600,000 | 46,783 |
| | | | | | 1,030,536 |

During the first quarter of 2018, EDP Finance B.V. repaid, at maturity, 1,000 million US Dollars of securities issued, of which EDP, S.A. had already reacquired 469,462 thousand US Dollars.

As at 31 December 2018, these investments' fair value amounts to 1,006,402 thousand Euros (31 December 2017: 863,930 thousand Euros).

On a consolidated basis, this operation represents a debt extinction, so the premium paid and the respective transaction costs are recognised as costs (see note 13).

## 26. Tax Assets

Current tax assets are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Income tax | 239,465 | 364,731 | 90,092 | 177,984 |
| Value added tax (VAT) | 78,580 | 83,415 | 7,123 | 6,395 |
| Special taxes Brazil | 85,420 | 130,977 | - | - |
| Other taxes | 4,320 | 2,170 | 877 | 877 |
| | 407,785 | 581,293 | 98,092 | 185,256 |

The detail of this item is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Non-Current | 53,728 | 60,793 | - | - |
| Current | 354,057 | 520,500 | 98,092 | 185,256 |
| | 407,785 | 581,293 | 98,092 | 185,256 |

The Special taxes Brazil caption relates to the following taxes: CSLL (Social Contribution on net profits), PIS (Social integration programme) and COFINS (Social Security Financing Contribution).

In December 2014, the distribution companies EDP São Paulo and EDP Espírito Santo began to recognise tariff adjustments as payable and receivable amounts, considering that the triggering event for the recognition of the various taxes (e.g. IRPJ, CSLL, PIS and COFINS) would only be verified when the respective energy was consumed, in accordance with the legal opinion of independent consultants. This understanding was consistent with the interpretation of Brazilian Fiscal Authorities ("Receita Federal do Brasil" - RFB), made public through the consultation no. 26/02 of the COSIT.

On 30 June 2016, RFB approved the COSIT opinion no. 101/16 where it concluded that the receivables over tariff adjustments should integrate the basis for tax calculation at the time of the accounting recognition. Thus, companies requested independent consultants to update their legal opinions, and they kept their initial understanding.

In the third quarter of 2017, considering that the new COSIT procedure is more conservative and the possibility of appealing to the Tax Regularisation Special Programme ("Programa Especial de Regularização Tributária" - PERT), created by Provisional Measure no. 783/17 and regulated by Normative Instruction RFB 1711/17, the distribution companies changed their criteria and started to recalculate all taxes since the initial recognition of payable and receivable amounts related with tariff adjustments.

Additionally, Enerpeixe identified energy sale contracts, signed before 31 December 2003, with the possibility of being integrated in the cumulative fiscal regime with the consequential application of a PIS and COFINS tax rate of 3.65% compared to the 9.25% previously considered. These contracts were submitted to the evaluation of an independent consultant, who demonstrated that the pre-determined price did not decrease, in accordance with Law 11196/05 and Normative Instruction RFB 658/06.

Following these operations, the companies recognised tax receivables totaling 161,741 thousand Euros (718,779 thousand Brazilian Reais) and tax payables totaling 115,868 thousand euros (514,917 thousand Brazilian Reais) (see note 39).

As at 31 December 2018, the captions Income tax and Special taxes Brazil include the amount of 48,396 thousand Euros (215,074 thousand Brazilian Reais), corresponding to the recognised asset of 161,741 thousand Euros net of compensations.

## 27. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Cash** | 258 | 217 | 33 | 14 |
| | | | | |
| **Bank deposits** | | | | |
| Current deposits | 1,167,042 | 781,853 | 334,570 | 348,746 |
| Term deposits | 552,982 | 1,516,533 | - | 675,000 |
| Specific demand deposits in relation to institutional partnerships | 82,923 | 101,474 | - | - |
| | 1,802,947 | 2,399,860 | 334,570 | 1,023,746 |
| **Operations pending cash settlement** | | | | |
| Current deposits | - | - | 150,000 | 115,000 |
| | 1,803,205 | 2,400,077 | 484,603 | 1,138,760 |

Specific demand deposits in relation to institutional partnerships corresponds to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 36), under the Group accounting policy.

As at 31 December 2018, on a Company basis, the caption Operations pending cash settlement represents commercial paper issued by EDP, S.A., which is booked as financial debt at the issuance trade date, under the Group accounting policy (see note 2 f)). This caption of 150,000 thousand Euros (31 December 2017: 115,000 thousand Euros) refers to commercial paper issued on 28 December 2018, acquired by EDP Finance B.V., which settlement date occurred on 2 January 2019.

## 28. Share Capital and Share Premium

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

On 11 May 2012, regarding EDP's eighth privatisation phase, the Portuguese State sold to China Three Gorges (Europe), S.A. (former - CWEI (Europe), S.A.), the ownership of 780,633,782 shares representing 21.35% of the share capital and the voting rights of EDP, S.A.

On 21 February 2013, Parpública – Participações Públicas (SGPS) S.A. (Parpública) notified EDP that, on 19 February 2013, it sold 151,517,000 shares, which correspond to 4.14% of EDP's share capital.

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

On 29 September 2017, China Three Gorges (Europe), S.A. acquired 70,143,242 shares representing around 1.92% of EDP's share capital and voting rights. After this acquisition, an off-market transaction, CTG Europe became the holder of 850,777,024 shares.

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

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2018 is as follows:

| | No. of Shares | % Capital | % Voting |
|---|---|---|---|
| China Three Gorges Corporation | 850,777,024 | 23.27% | 23.27% |
| CNIC Co., Ltd | 182,081,216 | 4.98% | 4.98% |
| Oppidum Capital, S.L. | 263,046,616 | 7.19% | 7.19% |
| BlackRock, Inc. | 182,733,180 | 5.00% | 5.00% |
| Mubadala Investment Company | 115,236,553 | 3.15% | 3.15% |
| Paul Elliott Singer | 89,650,554 | 2.45% | 2.55% |
| Millennium BCP Group and Pension Fund | 88,989,949 | 2.43% | 2.43% |
| State Street Corporation | 87,703,470 | 2.40% | 2.40% |
| Sonatrach | 87,007,433 | 2.38% | 2.38% |
| Qatar Investment Authority | 82,868,933 | 2.27% | 2.27% |
| Norges Bank | 81,100,067 | 2.22% | 2.22% |
| EDP (Treasury Stock) | 21,771,966 | 0.60% | |
| Remaining Shareholders | 1,523,570,754 | 41.66% | |
| | **3,656,537,715** | **100.00%** | |

This breakdown should be read together with note 46 – Relevant or subsequent events, where the changes occurred in the shareholder structure after 31 December 2018 are disclosed.

Share capital and Share premium are as follows:

| | Group and Company | |
|---|---|---|
| Thousand Euros | Share capital | Share premium |
| **Balance as at 1 January** | 3,656,538 | 503,923 |
| Movements during the period | - | - |
| **Balance as at 31 December** | 3,656,538 | 503,923 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Net profit attributable to the equity holders of EDP (in Euros) | 519,189,303 | 1,113,168,602 | 738,586,257 | 765,427,037 |
| Net profit from continuing operations attributable to the equity holders of EDP (in Euros) | 519,189,303 | 1,113,168,602 | 738,586,257 | 765,427,037 |
| Weighted average number of ordinary shares outstanding | 3,634,649,659 | 3,634,756,353 | 3,636,162,660 | 3,636,269,353 |
| Weighted average number of diluted ordinary shares outstanding | 3,634,649,659 | 3,634,756,353 | 3,636,162,660 | 3,636,269,353 |
| Basic earnings per share attributable to equity holders of EDP (in Euros) | 0.14 | 0.31 | | |
| Diluted earnings per share attributable to equity holders of EDP (in Euros) | 0.14 | 0.31 | | |
| Basic earnings per share from continuing operations (in Euros) | 0.14 | 0.31 | | |
| Diluted earnings per share from continuing operations (in Euros) | 0.14 | 0.31 | | |

EDP Group calculates basic and diluted earnings per share attributable to equity holders of EDP using the weighted average number of ordinary shares outstanding during the period, net of changes in treasury stock during the period. Basic earnings per share and diluted earnings per share are equal because there are no dilution factors.

The average number of shares was determined as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Ordinary shares issued at the beginning of the period | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 |
| Effect of shares issued during the period | - | - | - | - |
| **Average number of realised shares** | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 |
| Effect of treasury stock | -21,888,056 | -21,781,362 | -20,375,055 | -20,268,362 |
| **Average number and diluted average number of shares during the period** | 3,634,649,659 | 3,634,756,353 | 3,636,162,660 | 3,636,269,353 |

## 29. Treasury Stock

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Book value of EDP, S.A.'s treasury stock (thousand Euros) | 62,410 | 62,957 | 56,315 | 56,862 |
| Number of shares | 21,771,966 | 21,906,324 | 20,258,966 | 20,393,324 |
| Market value per share (in Euros) | 3.049 | 2.885 | 3.049 | 2.885 |
| Market value of EDP, S.A.'s treasury stock (thousand Euros) | 66,383 | 63,200 | 61,770 | 58,835 |

Shares' transactions occurred between 1 January and 31 December 2018:

| | EDP, S.A. | Energia RE |
|---|---|---|
| Volume acquired (number of shares) | 330,000 | - |
| Average purchase price (in Euros) | 2.883 | - |
| Total purchases (thousand Euros) | 952 | - |
| Volume sold (number of shares) | -464,358 | - |
| Average selling price (in Euros) | 3.000 | - |
| Total sales (thousand Euros) | 1,393 | - |
| Final position (number of shares) | 20,258,966 | 1,513,000 |
| Highest market price (in Euros) | 3.541 | - |
| Lowest market price (in Euros) | 2.640 | - |
| Average market price (in Euros) | 3.158 | - |

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

## 30. Reserves and Retained Earnings

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Legal reserve | 739,024 | 739,024 | 739,024 | 739,024 |
| Fair value reserve (cash flow hedge) (see note 41) | -285,739 | -103,578 | -1,662 | 7,496 |
| Tax effect of fair value reserve (cash flow hedge) (see note 41) | 72,424 | 27,436 | 334 | -1,726 |
| Fair value reserve (financial assets) | 12,026 | 36,649 | - | - |
| Tax effect of fair value reserve (financial assets) | -1,739 | -5,394 | - | - |
| Exchange differences arising on consolidation | -483,410 | -361,956 | - | - |
| Treasury stock reserve (EDP, S.A.) | 56,315 | 56,862 | 56,315 | 56,862 |
| Other reserves and retained earnings | 4,242,037 | 3,946,222 | 1,848,174 | 1,773,887 |
| | 4,350,938 | 4,335,265 | 2,642,185 | 2,575,543 |

*Legal reserve*

In accordance with article no. 295 of "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

*Fair value reserve (cash flow hedge)*

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

*Fair value reserve (financial assets at fair value through other comprehensive income)*

In the context of the adoption of IFRS 9, the category of "Available-for-sale financial investments" previously foreseen in IAS 39 ceases to exist (see note 21). The equity instruments held by the Group were classified as equity at fair value, measured through other comprehensive income (OCI) (see note 21.1) or through profit or loss (PL) (see note 21.2). Also in the context of the adoption of IFRS 9, the EDP Serviço Universal, S.A. tariff deficit began being classified and measured at fair value through other comprehensive income (see note 24).

The detail of the reclassifications made following the Group's analysis for the adoption of IFRS 9 is as follows:

| Thousand Euros | Fair value reserve |
|---|---|
| **Fair value reserve - Available for sale investments at 31 December 2017** | 36,649 |
| Fair value reserve - Financial assets for equity instruments at fair value through profit or loss | -21,037 |
| Fair value reserve - EDP Serviço Universal, S.A. tariff deficit | 2,739 |
| **Fair value reserve - Financial assets at 1 January 2018** | 18,351 |

The changes in this consolidated caption for the period are as follows:

| Thousand Euros | Group FV reserve |
|---|---|
| **Balance as at 1 de January 2018** | 18,351 |
| Positive changes in fair value | 347 |
| Negative changes in fair value | -5,323 |
| Transfer of reserves from assets sold to profit or loss | -1,349 |
| **Balance as at 31 December 2018** | 12,026 |

Changes in fair value reserve attributable to the EDP Group during the period ended 31 December 2018 are as follows:

| Thousand Euros | Increases | Decreases | Profit or loss |
|---|---|---|---|
| Zephyr Fund (Energia RE portfolio) (see note 21) | - | -3,749 | - |
| EDP Serviço Universal, S.A. tariff deficit (see note 24) | - | -1,421 | -1,318 |
| Other (see note 21) | 347 | -153 | -31 |
| | 347 | -5,323 | -1,349 |

*Exchange differences on consolidation*

Exchange differences on consolidation corresponds to the amounts resulting from changes in the value of net assets of subsidiaries, joint ventures and associated companies resulting from changes in exchange rates. The exchange rates used in the preparation of the financial statements are as follows:

| | | Exchange rates at Dec 2018 | | Exchange rates at Dec 2017 | |
|---|---|---|---|---|---|
| **Currency** | | **Closing** | **Average** | **Closing** | **Average** |
| US Dollar | USD | 1.145 | 1.181 | 1.199 | 1.129 |
| Brazilian Real | BRL | 4.444 | 4.307 | 3.973 | 3.605 |
| Macao Pataca | MOP | 9.237 | 9.537 | 9.653 | 9.063 |
| Canadian Dollar | CAD | 1.561 | 1.529 | 1.504 | 1.465 |
| Polish Zloty | PLN | 4.301 | 4.261 | 4.177 | 4.258 |
| Romanian Leu | RON | 4.664 | 4.654 | 4.659 | 4.569 |
| Pound Sterling | GBP | 0.895 | 0.885 | 0.887 | 0.877 |
| South African Rand | ZAR | 16.459 | 15.615 | 14.805 | 15.047 |
| Mexican Peso | MXN | 22.492 | 22.709 | 23.661 | 21.330 |
| Chinese Yuan | CNY | 7.875 | 7.808 | 7.804 | 7.628 |

*Treasury stock reserve (EDP, S.A.)*

In accordance with the article 324º of "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code), EDP, S.A. has created an unavailable reserve with an amount equal to the book value amount of treasury stock held in the company statements.

*Dividends*

On 5 April 2018, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2017 in the amount of 694,742 thousand Euros, corresponding to a dividend of 0.19 Euros per share (including the treasury stock dividend owned by EDP, S.A. and Energia RE in the amount of 3,938 thousand Euros and 287 thousand Euros, respectively). This distribution occurred on 2 May 2018.

## 31. Non-Controlling Interests

This caption is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| Non-controlling interests in income statement | 356,892 | 328,266 |
| Non-controlling interests in equity and reserves | 3,575,257 | 3,606,056 |
| | 3,932,149 | 3,934,322 |

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| EDP Renováveis Group | 2,738,878 | 2,653,911 |
| EDP Brasil Group | 1,225,164 | 1,308,065 |
| Other | -31,893 | -27,654 |
| | 3,932,149 | 3,934,322 |

The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits attributable to non-controlling interests of 209,680 thousand Euros; (ii) a negative impact of 71,566 thousand Euros related to dividends attributable to non-controlling interests; (iii) a positive impact of 31,710 thousand Euros resulting from exchange differences; (iv) a negative impact of 76,084 thousand Euros resulting from share capital increases/decreases and other acquisitions/sales without change of control; and (v) a negative impact of 8,577 thousand Euros resulting from changes in fair value reserve, cash flow hedge (net of taxes).

The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 151,147 thousand Euros of profits attributable to non-controlling interests; (ii) a decrease of 112,193 thousand Euros resulting from exchange differences; (iii) a negative impact of 125,286 thousand Euros related to dividends attributable to non-controlling interests; (iv) a negative impact of 4,251 thousand Euros resulting from impacts related with adoption of IFRS 9 and IFRS 15; (v) a negative impact of 2,004 thousand Euros resulting from the sale of Costa Rica Energética, Ltda (see note 6); and (vi) a positive impact of 5,743 thousand Euros from recognised actuarial losses (net of taxes).

## 32. Hydrological Account

The movements in the Hydrological account are as follows:

| | Group and Company | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Balance at the beginning of the period** | 1,574 | 1,574 |
| Amounts received/(paid) during the period | -1,574 | - |
| **Balance at the end of the period** | - | 1,574 |

The hydrological account was established by Decree-Law 23/89, of 19 January, and reflects the accounting movements resulting from the application of the hydrological correction mechanism established by the mentioned Decree-Law. This legal mechanism is designed to match a sharp interannual irregularity of production costs with a tariff stability policy, which, as a rule, affects consumers by the average of the hydrological conditions.

Given the evolution of the national electricity sector, in particular with the liberalised market, the legislature sought to adapt the mechanism of hydrological correction account to the market conditions, and for such, issued Decree-Law 110/2010 of 14 October, which provides the termination of this mechanism by 31 December 2016 and establishes a transitional regime applicable until that date. Under the terms of this Decree-Law, the differential of hydrological adjustment should be reflected in the tariff calculation applicable to all energy consumers, to cover the variation risk of tariff costs and revenues associated to the hydrological variability in Portugal.

The positive differentials of the hydrological correction account must be delivered by EDP, S.A. to the National Distribution Network's (RND) concessionaire, against the hydrological correction account, in benefit of the overall system usage tariff or another tariff applicable to all electricity consumers. Thus, the negative differentials must be recovered in favor of the hydrological correction account through the same tariff and delivered by the RND concessionaire to EDP, S.A.

The financial charges or income that have always been associated with the accumulated balance of this account are booked against results.

This Decree-Law establishes that the hydrological correction account, which has always been applied to the accounts of the EDP Group, should be evidenced in EDP, S.A.'s financial position statement and the corresponding annual movements explained in the notes to the financial statements.

According with Decree-Law 110/2010 of 14 October, the hydrological correction account mechanism ceased in the end of 2016. In that year, the amount in the hydrological account was exclusively financial charges supported by EDP, S.A. The document "Tariffs and prices for the electricity and other services for 2017", published by ERSE, determined the tariffs of that year that did not considered any amount related to this mechanism, so the amount remained unchanged.

On December 2017, ERSE published the document "Tariffs and prices for the electricity and other services for 2018 and standards for 2018-2020 regulation" which integrates the annex "Profits allowed and Adjustments for Regulated Companies on Electricity Sector on 2018" which determines the amount considering on global use tariffs of system on 2018 in a negative amount of 1,574 thousand Euros, which corresponds to the amount on 31 December 2017.

Having fulfilled the established by ERSE, on 31 December 2018 the balance of the Hydrological Account is zero.

**33. Financial Debt**

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Debt and borrowings - Non-current** | | | | |
| Bank loans: | | | | |
| - EDP, S.A. | 225,704 | 288,137 | 225,704 | 288,137 |
| - EDP Finance B.V. | 381,030 | 1,942,285 | - | - |
| - EDP Brasil Group | 331,722 | 454,786 | - | - |
| - EDP Renováveis Group | 767,821 | 825,927 | - | - |
| | 1,706,277 | 3,511,135 | 225,704 | 288,137 |
| Non-convertible bond loans: | | | | |
| - EDP, S.A. | - | - | 8,850,000 | 4,350,000 |
| - EDP Finance B.V. | 9,724,157 | 10,000,982 | - | - |
| - EDP Brasil Group | 969,699 | 679,445 | - | - |
| | 10,693,856 | 10,680,427 | 8,850,000 | 4,350,000 |
| Hybrid bond: | | | | |
| - EDP, S.A. | 739,168 | 739,168 | 739,168 | 739,168 |
| | 739,168 | 739,168 | 739,168 | 739,168 |
| Commercial paper: | | | | |
| - EDP, S.A. | 200,000 | 408,455 | 200,000 | 408,455 |
| - EDP Brasil Group | 45,005 | 32,722 | - | - |
| | 245,005 | 441,177 | 200,000 | 408,455 |
| Other loans | 13,890 | 16,923 | - | - |
| | 13,398,196 | 15,388,830 | 10,014,872 | 5,785,760 |
| Accrued interest | 5,195 | 1,249 | - | - |
| Other liabilities: | | | | |
| - Fair value of the issued debt hedged risk | 58,999 | 79,557 | - | - |
| **Total Debt and Borrowings** | 13,462,390 | 15,469,636 | 10,014,872 | 5,785,760 |
| **Collateral Deposits - Non-current *** | -25,466 | -34,874 | - | - |
| | 13,436,924 | 15,434,762 | 10,014,872 | 5,785,760 |

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Debt and borrowings - Current** | | | | |
| Bank loans: | | | | |
| - EDP, S.A. | 64,973 | 64,984 | 64,973 | 76,433 |
| - EDP Finance B.V. | - | 29,990 | - | - |
| - EDP Brasil Group | 126,592 | 110,779 | - | - |
| - EDP Renováveis Group | 113,705 | 166,101 | - | - |
| - Other | 2,325 | 20 | - | - |
| | 307,595 | 371,874 | 64,973 | 76,433 |
| Non-convertible bond loans: | | | | |
| - EDP, S.A. | - | 50,000 | - | 4,550,000 |
| - EDP Finance B.V. | 1,272,547 | 549,035 | - | - |
| - EDP Brasil Group | 117,385 | 205,561 | - | - |
| | 1,389,932 | 804,596 | - | 4,550,000 |
| Commercial paper: | | | | |
| - EDP, S.A. | 218,341 | 6,000 | 2,658,341 | 2,961,519 |
| - EDP Brasil Group | 49,505 | - | - | - |
| - EDP Finance B.V | 400,000 | - | - | - |
| | 667,846 | 6,000 | 2,658,341 | 2,961,519 |
| Other loans | 2,544 | 3,836 | - | - |
| | 2,367,917 | 1,186,306 | 2,723,314 | 7,587,952 |
| Accrued interest | 252,952 | 260,116 | 72,295 | 114,585 |
| Other liabilities: | | | | |
| - Fair value of the issued debt hedged risk | 1,640 | 1,707 | - | - |
| **Total Debt and Borrowings** | 2,622,509 | 1,448,129 | 2,795,609 | 7,702,537 |
| **Collateral Deposits - Current *** | -167,425 | -10,381 | - | - |
| | 2,455,084 | 1,437,748 | 2,795,609 | 7,702,537 |

***** Deposits constituted as collateral for financial guarantee

Commercial Paper non-current refers to a Commercial Paper program with firm underwriting commitment for a period of over one year, in the amount of 200,000 thousand Euros and 200,000 thousand Reais.

Main events of the period:

In March 2018, EDP canceled a Syndicated Loan of 2,000 million Euros that matured in February 2020 and which consisted of a Term Loan (fully disbursed) of 1,500 million Euros and a Revolving Credit Facility (RCF) of 500 million Euros. On the same date, EDP entered a syndicated RCF of 2,240 million Euros with a term of 5 years, extendable for 2 additional years, subject to the authorisation of the creditors.

In June 2018, EDP issued debt securities under its "Debt Issuance Program (MTN)" of 750 million Euros maturing in January 2026.

In October 2018, EDP issued debt securities under its "Debt Issuance Program (MTN)" of 600 million Euros maturing in October 2025, which was the first Green bond issued in Portugal.

In December 2018, EDP S.A. concluded a "Tender Offer" over the issues “2.650% NOTES DUE APRIL 15, 2019”, “4.125% NOTES DUE JUNE 29, 2020”, "4.8750% NOTES DUE SEPTEMBER 14, 2020" and "4.125% NOTES DUE JANUARY 20, 2021" limited to a total value of 500 million Euros. As a result of the offer, EDP S.A. acquired 98,909 thousand Euros of the “2.650% NOTES DUE APRIL 15, 2019”, 66,628 thousand Euros of "4.1250% NOTES DUE JUNE 29, 2020", 287,778 thousand Euros of "4.875% NOTES DUE SEPTEMBER 14, 2020" and 46,783 thousand Euros of the "4.125% NOTES DUE JANUARY 20, 2021" (see note 25).

The nominal value of outstanding Bond loans placed with external counterparties, as at 31 December 2018, is as follows:

| Issuer | Issue date | Interest rate | Type of hedge | Conditions / Redemption | Nominal Value in Million Currency | Thousand Euros | |
|---|---|---|---|---|---|---|---|
| | | | | | | Group | Company |
| **Hybrid by EDP S.A.** | | | | | | | |
| EDP, S.A. (iv) | Sep-15 | Fixed rate EUR 5.375% (v) | n.a. | Sep-75 | 750 EUR | 750,000 | 750,000 |
| | | | | | | 750,000 | 750,000 |
| **Issued under the Euro Medium Term Notes program** | | | | | | | |
| EDP Finance B.V. | Dec-02 | Fixed rate EUR (iii) | n.a. | Dec-22 | 93 EUR | 93,357 | - |
| EDP Finance B.V.(i)(ii) | Jun-05 | Fixed rate EUR 4.125% | n.a. | Jun-20 | 233 EUR | 233,372 | - |
| EDP Finance B.V.(i) | Nov-08 | Fixed rate GBP 8.625% | Fair Value | Jan-24 | 325 GBP | 410,314 | - |
| EDP Finance B.V. | Nov-08 | Zero coupon EUR (iii) | n.a. | Nov-23 | 160 EUR | 160,000 | - |
| EDP Finance B.V.(i) | Jun-09 | Fixed rate JPY (iii) | n.a. | Jun-19 | 10.000 JPY | 91,327 | - |
| EDP Finance B.V.(ii) | Sep-09 | Fixed rate USD 4.90% | Net Investment | Oct-19 | 637 USD | 555,928 | - |
| EDP Finance B.V.(i)(ii) | Sep-13 | Fixed rate EUR 4.875% | Fair Value | Sep-20 | 462 EUR | 462,222 | - |
| EDP Finance B.V.(ii) | Nov-13 | Fixed rate EUR 4.125% | n.a. | Jan-21 | 553 EUR | 553,217 | - |
| EDP Finance B.V. | Jan-14 | Fixed rate USD 5.25% | Net Investment | Jan-21 | 750 USD | 655,022 | - |
| EDP Finance B.V.(i)(ii) | Apr-14 | Fixed rate EUR 2.625% | Fair Value | Apr-19 | 551 EUR | 551,191 | - |
| EDP Finance B.V. | Jun-14 | Variable rate (iii) | Net Investment | Jun-19 | 100 USD | 87,336 | - |
| EDP Finance B.V.(i) | Sep-14 | Fixed rate EUR 2.625% | Fair Value | Jan-22 | 1.000 EUR | 1,000,000 | - |
| EDP Finance B.V.(ii) | Nov-14 | Fixed rate USD 4.125% | Net Investment | Jan-20 | 583 USD | 509,104 | - |
| EDP Finance B.V.(i) | Apr-15 | Fixed rate EUR 2.00% | Fair Value | Apr-25 | 750 EUR | 750,000 | - |
| EDP Finance B.V. | Mar-16 | Fixed rate EUR 2.375% | n.a. | Mar-23 | 600 EUR | 600,000 | - |
| EDP Finance B.V.(i) | Aug-16 | Fixed rate EUR 1.125% | n.a. | Feb-24 | 1.000 EUR | 1,000,000 | - |
| EDP Finance B.V. | Jan-17 | Fixed rate EUR 1.875% | n.a. | Sep-23 | 600 EUR | 600,000 | - |
| EDP Finance B.V. | Jun-17 | Fixed rate USD 3.625% | Net Investment | Jul-24 | 1.000 USD | 873,362 | - |
| EDP Finance B.V. | Nov-17 | Fixed rate EUR 1.50% | n.a. | Nov-27 | 500 EUR | 500,000 | - |
| EDP Finance B.V. | Jun-18 | Fixed rate EUR 1.625% | n.a. | Jan-26 | 750 EUR | 750,000 | - |
| EDP Finance B.V. | Oct/18 | Fixed rate EUR 1.875% | n.a. | Oct/25 | 600 EUR | 600,000 | - |
| | | | | | | 11,035,752 | - |

(i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.
(ii) Consolidated nominal value after the repurchase of securities by EDP - Energias de Portugal, S.A.
(iii) These issues correspond to private placements.
(iv) There is a call option exercisable at par by EDP at March 2021, March 2026 and subsequently, on each interest payment date.
(v) Fixed rate in the first 5.5 years, subsequently updated every 5 years.

| Issuer | Issue date | Interest rate | Type of hedge | Conditions / Redemption | Nominal Value in Million Currency | Thousand Euros | |
|---|---|---|---|---|---|---|---|
| | | | | | | Group | Company |
| **Issued by the EDP Energias do Brasil Group in the Brazilian domestic market** | | | | | | | |
| Lajeado Energia | Nov-13 | CDI + 1.20% | n.a. | Nov-19 | 150 BRL | 33,760 | - |
| EDP São Paulo | Apr-14 | CDI + 1.39% | n.a. | Apr-19 | 36 BRL | 8,101 | - |
| EDP Espírito Santo | Aug-14 | CDI + 1.50% | n.a. | Aug-20 | 141 BRL | 31,827 | - |
| Energias do Brasil | Sep-15 | IPCA + 8.3201% | n.a. | Sep-21 | 210 BRL | 47,174 | - |
| Energias do Brasil | Sep-15 | IPCA + 8.2608% | n.a. | Sep-24 | 56 BRL | 12,605 | - |
| Energias do Brasil | Apr-16 | IPCA + 8.3479% | n.a. | Apr-22 | 277 BRL | 62,404 | - |
| Energest | Apr-16 | CDI + 2.265% | n.a. | Apr-20 | 32 BRL | 7,291 | - |
| Enerpeixe | Nov-16 | 114.50% * CDI | n.a. | Nov-19 | 175 BRL | 39,379 | - |
| Pecém | Dec-16 | CDI + 2.95% | n.a. | Nov-21 | 330 BRL | 74,257 | - |
| EDP São Paulo | Apr-17 | 108.75% * CDI | n.a. | Apr-22 | 150 BRL | 33,753 | - |
| EDP Espírito Santo | Apr-17 | 108.75% * CDI | n.a. | Apr-22 | 190 BRL | 42,754 | - |
| Enerpeixe | Nov-17 | 116.00% * CDI | n.a. | Dec-22 | 320 BRL | 72,007 | - |
| EDP São Paulo | Dec-17 | 107.50% * CDI | n.a. | Jan-21 | 100 BRL | 22,502 | - |
| EDP Espírito Santo | Dec-17 | 107.50% * CDI | n.a. | Jan-21 | 120 BRL | 27,003 | - |
| Lajeado Energia | Dec-17 | 109.00% * CDI | n.a. | Dec-20 | 100 BRL | 22,502 | - |
| Lajeado Energia | Dec-17 | 113.70% * CDI | n.a. | Dec-22 | 200 BRL | 45,005 | - |
| EDP São Paulo | Jan-18 | 107.50% * CDI | n.a. | Jan-21 | 100 BRL | 22,502 | - |
| EDP Espírito Santo | Jan-18 | 107.50% * CDI | n.a. | Jan-21 | 100 BRL | 22,502 | - |
| EDP Transmissão | May-18 | IPCA + 7.0267% | n.a. | May/33 | 118 BRL | 26,521 | - |
| EDP Espírito Santo | Aug-18 | IPCA + 5.91% | n.a. | Jul/25 | 191 BRL | 43,023 | - |
| EDP São Paulo | Aug-18 | IPCA + 5.91% | n.a. | Aug/25 | 262 BRL | 58,874 | - |
| EDP Transmissão | Oct-18 | IPCA + 6.72% | n.a. | Oct/28 | 1200 BRL | 270,027 | - |
| Lajeado Energia | Nov-18 | 109.25% * CDI | n.a. | Oct/22 | 100 BRL | 22,502 | - |
| Enerpeixe | Dec-18 | 112.48% * CDI | n.a. | Nov/23 | 255 BRL | 57,381 | - |
| | | | | | | 1,105,656 | - |
| | | | | | | 12,891,408 | 750,000 |

Some of the loans contracted by the EDP Group, mainly debt issued under the EMTN programme, include some usual clauses in this type of operations, namely, "change-of-control", "negative pledge", "pari-passu" and "cross-default" clauses, each one only applicable under a restricted set of circumstances.

The Group has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects (see note 42). As at 31 December 2018 and 31 December 2017 these loans amounted to 891,475 thousand Euros and 1,249,771 thousand Euros, respectively.

EDP Group has several credit facilities it uses for liquidity management. EDP Group has short-term credit facilities of 226 million Euros, and a RCF of 75 million Euros, both indexed to Euribor for the agreed period of use with spread conditions agreed in advance, with a firm underwriting commitment, which as at 31 December 2018 were totally available. EDP Group also has a Commercial Paper program of 50 million Euros with guaranteed placement, which as at 31 December 2018 was totally available. EDP Group has a medium term RCF of 3,300 million Euros, maturing in 2023, with firm underwritting commitment and totally available at 31 December 2018. The Group also has a RCF of 2,240 million Euros, with a firm underwriting commitment and maturing in 2023, which as at 31 December 2018 are available in 2,010 million Euros.

As at 31 December 2018, future debt and interest payments, by type of loan and currency, are as follows:

| Thousand Euros | Dec 2019 | Dec 2020 | Dec 2021 | Dec 2022 | Dec 2023 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Bank loans:** | | | | | | | |
| Euro | 117,541 | 97,158 | 89,216 | 241,297 | 125,886 | 148,490 | 819,588 |
| Brazilian Real | 151,126 | 79,717 | 76,947 | 73,171 | 64,049 | 251,632 | 696,642 |
| US Dollar | 12,495 | 12,175 | 12,368 | 12,115 | 191,889 | 156,700 | 397,742 |
| Other | 36,931 | 11,151 | 12,236 | 12,651 | 12,929 | 27,147 | 113,045 |
| | 318,093 | 200,201 | 190,767 | 339,234 | 394,753 | 583,969 | 2,027,017 |
| **Bond loans:** | | | | | | | |
| Euro | 695,522 | 708,048 | 550,518 | 1,194,152 | 1,303,905 | 3,999,963 | 8,452,108 |
| Brazilian Real | 131,878 | 195,549 | 222,048 | 110,867 | 107,390 | 335,676 | 1,103,408 |
| US Dollar | 769,031 | 507,961 | 651,697 | - | - | 866,913 | 2,795,602 |
| | 1,596,431 | 1,411,558 | 1,424,263 | 1,305,019 | 1,411,295 | 5,202,552 | 12,351,118 |
| **Hybrid Bond:** | | | | | | | |
| Euro | 32,140 | - | - | - | - | 739,168 | 771,308 |
| | 32,140 | - | - | - | - | 739,168 | 771,308 |
| **Commercial paper:** | | | | | | | |
| Euro | 400,070 | - | 200,000 | - | - | - | 600,070 |
| Brazilian Real | 49,505 | 45,723 | - | - | - | - | 95,228 |
| US Dollar | 222,539 | - | - | - | - | - | 222,539 |
| | 672,114 | 45,723 | 200,000 | - | - | - | 917,837 |
| **Other loans:** | | | | | | | |
| Euro | 1,335 | 109 | 64 | - | - | - | 1,508 |
| Brazilian Real | 2,396 | 705 | 383 | - | - | 12,627 | 16,111 |
| | 3,731 | 814 | 447 | - | - | 12,627 | 17,619 |
| | 2,622,509 | 1,658,296 | 1,815,477 | 1,644,253 | 1,806,048 | 6,538,316 | 16,084,899 |

As at 31 December 2017, future debt and interest payments, by type of loan and currency, are as follows:

| Thousand Euros | Dec 2018 | Dec 2019 | Dec 2020 | Dec 2021 | Dec 2022 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Bank loans:** | | | | | | | |
| Euro | 144,427 | 111,999 | 1,592,654 | 255,313 | 74,308 | 230,083 | 2,408,784 |
| Brazilian Real | 127,779 | 161,513 | 75,823 | 64,615 | 65,306 | 263,268 | 758,304 |
| US Dollar | 25,426 | 302,658 | 11,624 | 11,808 | 11,566 | 161,008 | 524,090 |
| Other | 83,741 | 19,189 | 19,932 | 21,675 | 18,494 | 38,683 | 201,714 |
| | 381,373 | 595,359 | 1,700,033 | 353,411 | 169,674 | 693,042 | 3,892,892 |
| **Bond loans:** | | | | | | | |
| Euro | 303,583 | 652,500 | 1,070,299 | 596,102 | 1,183,316 | 3,960,257 | 7,766,057 |
| Brazilian Real | 217,235 | 131,014 | 200,433 | 221,015 | 122,320 | 4,662 | 896,679 |
| US Dollar | 499,769 | 686,261 | 483,958 | 620,755 | - | 826,708 | 3,117,451 |
| | 1,020,587 | 1,469,775 | 1,754,690 | 1,437,872 | 1,305,636 | 4,791,627 | 11,780,187 |
| **Hybrid Bond:** | | | | | | | |
| Euro | 32,140 | - | - | - | - | 739,168 | 771,308 |
| | 32,140 | - | - | - | - | 739,168 | 771,308 |
| **Commercial paper:** | | | | | | | |
| Euro | 6,046 | - | - | 200,000 | - | - | 206,046 |
| Brazilian Real | - | 33,971 | - | - | - | - | 33,971 |
| US Dollar | 2,973 | 208,455 | - | - | - | - | 211,428 |
| | 9,019 | 242,426 | - | 200,000 | - | - | 451,445 |
| **Other loans:** | | | | | | | |
| Euro | 1,283 | 91 | 42 | - | - | - | 1,416 |
| Brazilian Real | 3,727 | 1,746 | 894 | 428 | - | 13,722 | 20,517 |
| | 5,010 | 1,837 | 936 | 428 | - | 13,722 | 21,933 |
| | 1,448,129 | 2,309,397 | 3,455,659 | 1,991,711 | 1,475,310 | 6,237,559 | 16,917,765 |

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

| | Dec 2018 | | Dec 2017 | |
|---|---|---|---|---|
| Thousand Euros | Carrying amount | Market value | Carrying amount | Market value |
| Debt and borrowings - Non-Current | 13,462,390 | 14,046,767 | 15,469,636 | 16,747,971 |
| Debt and borrowings - Current | 2,622,509 | 2,646,263 | 1,448,129 | 1,094,003 |
| | 16,084,899 | 16,693,030 | 16,917,765 | 17,841,974 |

In accordance with the Group's accounting policies as described in note 2 d) and f), the financial liabilities whose risks are being hedged by derivative financial instruments and that comply with hedge accounting requirements of IAS 39, are accounted at fair value. Other financial liabilities are booked at amortised cost (see note 5).

For fair value of debt purposes, the Hybrid bond was valued considering the maturity of the first call date (March 2021).

## 34. Employee Benefits

Employee benefits are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Provisions for social liabilities and benefits | 759,376 | 763,249 | 5,225 | 4,137 |
| Provisions for medical liabilities and other benefits | 647,926 | 759,004 | 1,900 | 2,002 |
| | 1,407,302 | 1,522,253 | 7,125 | 6,139 |

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Non-Current | 1,099,049 | 1,198,362 | 5,683 | 5,763 |
| Current | 308,253 | 323,891 | 1,442 | 376 |
| | 1,407,302 | 1,522,253 | 7,125 | 6,139 |

As at 31 December 2018, Provisions for social liabilities and benefits relate to retirement pension defined benefit plans.

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Balance at the beginning of the period** | 763,249 | 815,264 |
| Charge for the period | 24,729 | 26,950 |
| Past service cost (Curtailment/Plan amendments) | 17,579 | 17,426 |
| Actuarial (gains)/losses | 98,411 | 43,724 |
| Charge-off | -144,479 | -140,808 |
| Surplus/(Deficit) pension funding (see note 25) | 888 | 1,367 |
| Transfers, reclassifications and exchange differences | -1,001 | -674 |
| **Balance at the end of the period** | 759,376 | 763,249 |

The breakdown of actuarial gains and losses is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| Actuarial gains and losses arising from: | | |
| - changes in financial assumptions | -28,368 | 64,255 |
| - experience adjustments | 97,665 | 39,927 |
| Actuarial gains and losses arising from return on plan assets | 29,385 | -70,322 |
| Actuarial gains and losses of asset ceiling | -271 | 9,864 |
| | 98,411 | 43,724 |

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Balance at the beginning of the period** | 759,004 | 911,581 |
| Charge for the period | 33,627 | 40,743 |
| Past service cost (Curtailment/Plan amendments) | 676 | 770 |
| Actuarial (gains)/losses | -32,980 | 22,650 |
| Charge-off | -22,951 | -24,144 |
| Fund contributions | -69,006 | -163,888 |
| Transfers, reclassifications and exchange differences | -20,444 | -28,708 |
| **Balance at the end of the period** | 647,926 | 759,004 |

The breakdown of actuarial gains and losses is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| Actuarial gains and losses arising from: | | |
| - changes in financial assumptions | -8,341 | 28,001 |
| - experience adjustments | -36,508 | 3,017 |
| Actuarial gains and losses arising from return on plan assets | 11,869 | -8,368 |
| | -32,980 | 22,650 |

In accordance with accounting policies - note 2 m), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefits plans. The impact in reserves at 31 December 2004 amounted to 1,162,000 thousand Euros. In the following periods, actuarial gains and losses were recognised directly in reserves. As at 31 December 2018 losses of 65,431 thousand Euros (31 December 2017: losses of 66,374 thousand Euros).

During 2018, under the employees' reduction program, EDP Group entered into early retirement and anticipation of retirement agreements with 56 portuguese employees that cease their services in 2018 and 2019. This increase in liabilities with employee benefits was measured and recognised in the income statement in the amount of 18,255 thousand Euros (see note 10).

The weighted average duration of the defined benefit liabilities in Portugal is 11 years.

Following the decision and implementation of the autonomisation of the Medical Plan and Death Subsidy Plan in Portugal, EDP Group has made contributions of 69,006 thousand Euros in 2018 ((31 December 2017: 163,888 thousand Euros). In the following years, until the end of 2027, the Group estimates to make additional contributions in the approximate total amount of 314,470 thousand Euros, in line with the financing plan approved by Insurance and Pension Funds Supervisory Authority (ASF).

**Employee benefit plans**

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

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

**I. Defined benefit pension plans**

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

This Pension Fund covers the liability for retirement pension complementary benefits for age. The responsibilities for early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

In Spain, following the revision of the collective labour agreement ("Convénio Colectivo") signed in December 2007, EDP España Group companies implemented an early retirement program.

EDP São Paulo in Brazil has two defined benefit plans managed by a closed complementary welfare entity, sponsored by companies of EDP Brasil Group, in order to manage a set of benefit plans for employees and ex-employees of the company:

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

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

EDP Espírito Santo, EDP São Paulo and Energest have Defined Benefit Plans that grant complementary pensions for retirement and early retirement.

In the pension plans in Portugal, and according with the Pension Funds regulation, the surplus amount of the assets fund, under certain conditions, can be reimbursed to the company.

In the pension plans in Brazil, the surplus amount of the assets fund generally can not be reimbursed to the company, since there are very strict rules on the amount that can be recovered, therefore the asset amount to be recognised is greatly reduced.

The number of participants covered by the pension plans and similar obligations was as follows:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Portugal | Spain | Brazil | Portugal | Spain | Brazil |
| **Number of participants:** | | | | | | |
| Retirees and pensioners | 17,974 | 1,242 | 1,790 | 17,831 | 1,451 | 1,807 |
| Active workers | 3,468 | 1,456 | 820 | 4,088 | 1,315 | 919 |
| | 21,442 | 2,698 | 2,610 | 21,919 | 2,766 | 2,726 |

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

| | Dec 2018 | | | | |
|---|---|---|---|---|---|
| | Portugal | Spain | Brazil | | |
| | | | EDP São Paulo | EDP Espírito Santo | Energest |
| **Assumptions** | | | | | |
| Discount rate | 1.75% | 1.75% | 9.83% | 9.83% | 9.83% |
| Salary increase rate | 1.50% until 2020 // 1.75% after 2021 | 2.50% | 5.40% | 5.40% | 5.40% |
| Pension increase rate | 1.50% | 0.50% | 4.52% | 4.52% | 4.52% |
| Social Security salary appreciation | 2019 - 1.40% // after 2019 - 1.50% | não aplicável | 4.52% | 4.52% | 4.52% |
| Inflation rate | 1.50% | 2.00% | 4.52% | 4.52% | 4.52% |
| Mortality table | Born< 1950 -- TV99/01 (+1) // Born>= 1950 -- TV99/01 | PERM/F-2000P | AT-2000 | AT-2000 | AT-2000 |
| Disability table | 50%EKV 80 | not applicable | Muller | Muller | Muller / TASA 1927 |
| Expected % of eligible employees accepting early retirement | (a) | not applicable | not applicable | not applicable | not applicable |

| | Dec 2017 | | | | |
|---|---|---|---|---|---|
| | Portugal | Spain | Brazil | | |
| | | | EDP São Paulo | EDP Espírito Santo | Energest |
| **Assumptions** | | | | | |
| Discount rate | 1.70% | 1.50% | 10.34% | 10.34% | 10.34% |
| Salary increase rate | 1.60% until 2019 // 1.85% after 2020 | 2.50% | 5.14% | 5.14% | 5.14% |
| Pension increase rate | 1.60% | 0.50% | 4.65% | 4.65% | 4.65% |
| Social Security salary appreciation | 2018 - 1.00% // after 2018 - 1.50% | not applicable | 4.65% | 4.65% | 4.65% |
| Inflation rate | 1.60% | 1.50% | 4.65% | 4.65% | 4.65% |
| Mortality table | Born< 1950 -- TV99/01 (+1) // Born>= 1950 -- TV99/01 | PERM/F-2000P | AT-2000 | AT-2000 | AT-2000 / RP 2000 Generational |
| Disability table | 50%EKV 80 | not applicable | Muller | Muller | Muller / Wyatt 1985 |
| Expected % of eligible employees accepting early retirement | (a) | not applicable | not applicable | not applicable | not applicable |

(a) 45% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).

The assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2018.

The liability for retirement pensions and related coverage for the Group is as follows:

| | Dec 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| **Liability at the end of the period** | 1,436,616 | 98,481 | 249,424 | 1,784,521 |
| Plan assets at the end of the period | -849,606 | - | -286,975 | -1,136,581 |
| Surplus/(Deficit) pension funding (see note 25) | 59,840 | - | - | 59,840 |
| Asset ceiling | - | - | 51,596 | 51,596 |
| **Provision at the end of the period** | 646,850 | 98,481 | 14,045 | 759,376 |

| | Dec 2017 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| **Liability at the end of the period** | 1,541,225 | 89,208 | 252,458 | 1,882,891 |
| Plan assets at the end of the period | -933,337 | - | -303,454 | -1,236,791 |
| Surplus/(Deficit) pension funding (see note 25) | 58,952 | - | - | 58,952 |
| Asset ceiling | - | - | 58,197 | 58,197 |
| **Provision at the end of the period** | 666,840 | 89,208 | 7,201 | 763,249 |

The caption Asset ceiling refers to the unrecognised assets in the respective accounting periods. The reconciliation between the opening balance and the closing balance is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Asset ceiling at the beginning of the period** | 58,197 | 56,905 |
| Effect of changes in restricted net assets of benefits to the asset ceiling | -335 | 9,864 |
| Exchange differences | -6,266 | -8,572 |
| **Asset ceiling at the end of the period** | 51,596 | 58,197 |

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

| Thousand Euros | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Liability at the end of the period** | 1,784,521 | 1,882,891 | 1,948,791 | 1,979,411 | 2,162,044 |
| Plan assets at the end of the period | -1,136,581 | -1,236,791 | -1,248,017 | -1,182,979 | -1,271,247 |
| Surplus / (Deficit) pension funding | 59,840 | 58,952 | 57,585 | 58,724 | - |
| Asset ceiling | 51,596 | 58,197 | 56,905 | 27,113 | 36,344 |
| **Provision at the end of the period** | 759,376 | 763,249 | 815,264 | 882,269 | 927,141 |

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

| Thousand Euros | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Experience adjustments for the Plan liabilities | -91,575 | -55,281 | -51,686 | -16,902 | 11,260 |
| Experience adjustments for the Plan assets | -37,567 | 64,044 | -2,061 | 16,025 | 34,347 |

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Pension Funds are as follows:

| Thousand Euros | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Experience adjustments for the Plan liabilities | -6,090 | 15,354 | -8,941 | -2,271 | -11,923 |
| Experience adjustments for the Plan assets | 8,182 | 6,278 | 30,772 | -9,465 | 5,524 |

The past service liability of the pension plans for the Group is as follows:

| | Dec 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| **Liability at the beginning of the period** | 1,541,225 | 89,208 | 252,458 | 1,882,891 |
| Current service cost | 7,234 | 6,905 | -527 | 13,612 |
| Net interest on the pensions plan liability | 24,691 | 1,146 | 23,235 | 49,072 |
| Benefits paid | -193,517 | -10,763 | -15,878 | -220,158 |
| Past service cost (Curtailment/Plan amendments) | 17,579 | - | - | 17,579 |
| Actuarial losses and gains | 39,382 | 11,984 | 17,400 | 68,766 |
| Exchange differences | - | - | -27,511 | -27,511 |
| Other | 22 | 1 | 247 | 270 |
| **Liability at the end of the period** | 1,436,616 | 98,481 | 249,424 | 1,784,521 |

| | Dec 2017 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| **Liability at the beginning of the period** | 1,586,902 | 87,815 | 274,074 | 1,948,791 |
| Current service cost | 8,810 | 7,228 | -730 | 15,308 |
| Net interest on the pensions plan liability | 25,528 | 1,350 | 30,049 | 56,927 |
| Benefits paid | -192,306 | -9,249 | -19,115 | -220,670 |
| Past service cost (Curtailment/Plan amendments) | 17,426 | - | - | 17,426 |
| Actuarial losses and gains | 94,865 | 3,074 | 6,243 | 104,182 |
| Exchange differences | - | - | -39,032 | -39,032 |
| Other | - | -1,010 | 969 | -41 |
| **Liability at the end of the period** | 1,541,225 | 89,208 | 252,458 | 1,882,891 |

The components of the consolidated net cost of this pension plans recognised during the period are as follows:

| | Dec 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| Current service cost (see note 10) | 7,234 | 6,905 | -527 | 13,612 |
| Past service cost (Curtailment/Plan amendments) (see note 10) | 17,579 | - | - | 17,579 |
| **Operational component** | 24,813 | 6,905 | -527 | 31,191 |
| Net interest on the net pensions plan liability | 9,381 | 1,146 | 590 | 11,117 |
| **Financial component (see note 13)** | 9,381 | 1,146 | 590 | 11,117 |
| | 34,194 | 8,051 | 63 | 42,308 |

| | Dec 2017 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| Current service cost (see note 10) | 8,810 | 7,228 | -730 | 15,308 |
| Past service cost (Curtailment/Plan amendments) (see note 10) | 17,426 | - | - | 17,426 |
| **Operational component** | 26,236 | 7,228 | -730 | 32,734 |
| Net interest on the net pensions plan liability | 10,487 | 1,350 | -195 | 11,642 |
| **Financial component (see note 13)** | 10,487 | 1,350 | -195 | 11,642 |
| | 36,723 | 8,578 | -925 | 44,376 |

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

| | Dec 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| **Assets value at the beginning of the period** | 933,337 | - | 303,454 | 1,236,791 |
| Group contribution | - | - | 1,144 | 1,144 |
| Plan participants contributions | - | - | 588 | 588 |
| Benefits paid | -61,468 | - | -15,943 | -77,411 |
| Interest on the pensions plan assets | 15,310 | - | 22,645 | 37,955 |
| Actuarial gains/(losses) | -37,573 | - | 7,593 | -29,980 |
| Exchange differences | - | - | -32,668 | -32,668 |
| Other variations | - | - | 162 | 162 |
| **Assets value at the end of the period** | 849,606 | - | 286,975 | 1,136,581 |

The actuarial gains/losses in Brazil include the negative amount of 335 thousand Euros (1,439 thousand Reais) related to actuarial gains and losses of the asset ceiling not recognised in reserves (31 December 2017: positive in 9,864 thousand Euros).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 51,596 thousand Euros (229,294 thousand Reais). As at 31 December 2017, the asset ceiling amounted to 58,197 thousand Euros (230,718 thousand Reais).

| | Dec 2017 | | | |
|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | Group |
| **Assets value at the beginning of the period** | 917,393 | - | 330,624 | 1,248,017 |
| Group contribution | - | - | 1,421 | 1,421 |
| Plan participants contributions | - | - | 923 | 923 |
| Benefits paid | -63,141 | - | -19,065 | -82,206 |
| Interest on the pensions plan assets | 15,041 | - | 30,244 | 45,285 |
| Actuarial gains/(losses) | 64,044 | - | 6,278 | 70,322 |
| Exchange differences | - | - | -46,971 | -46,971 |
| **Assets value at the end of the period** | 933,337 | - | 303,454 | 1,236,791 |

**Assumptions regarding the discount rate**

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

As at 31 December 2018 the amount of future benefits expected to be paid, related to the activity in Portugal, Spain and Brazil, is as follows:

| | Portugal | | | Spain | Brazil | | |
|---|---|---|---|---|---|---|---|
| Years | Pensions | Medical plan and other benefits | Total | Other Benefits | Pensions | Medical Plans and Other Benefits | Total |
| 2019 | 196,295 | 36,601 | 232,896 | 9,616 | 16,000 | 9,246 | 25,246 |
| 2020 | 178,903 | 35,117 | 214,020 | 8,987 | 16,672 | 9,900 | 26,572 |
| 2021 | 159,500 | 34,600 | 194,100 | 9,099 | 17,564 | 10,683 | 28,247 |
| 2022 | 136,262 | 34,542 | 170,804 | 9,214 | 18,370 | 11,526 | 29,896 |
| 2023 | 116,204 | 34,620 | 150,824 | 9,333 | 19,167 | 12,295 | 31,462 |
| 2024 | 96,948 | 34,568 | 131,516 | 9,456 | | | |
| 2025 | 81,694 | 34,597 | 116,291 | 9,584 | | | |
| 2026 | 69,632 | 34,251 | 103,883 | 9,715 | 109,207 | 74,700 | 183,907 |
| 2027 | 60,296 | 33,770 | 94,066 | 9,850 | | | |
| 2028 | 53,045 | 33,506 | 86,551 | 9,989 | | | |

In 2018, the pensions paid by the funds in Portugal amounted 61,468 thousand Euros (31 December 2017: 63,141 thousand Euros), in Spain amounted to 10,763 thousand Euros (31 December 2017: 9,249 thousand Euros) and in Brazil amounted to 15,943 thousand Euros (31 December 2017: 19,065 thousand Euros). The contributions made to the Pension funds in Brazil amounted to 1,144 thousand Euros (31 December 2017: 1,421 thousand Euros), which were fully paid in cash.

The Pension Plans in Portugal and in Brazil are subject to several risks, in which are included the risk of changes in market rates (which impacts the discount rate and the fixed rate of return rate on assets), the risk of changes on the expected lifetime of plan participants, the risk of changes on the pension increase rate and the risk of changes on the social security pension increase, to which are made the following sensitivity analysis for the liabilities at the end of the period:

| | Portugal | | Brazil | |
|---|---|---|---|---|
| Thousand Euros | Increase | Decrease | Increase | Decrease |
| Discount rate (0.5% movement) | -47,806 | 51,520 | 12,968 | -13,983 |
| Pension increase (0.5% movement) | 316,976 | -135,610 | - | - |
| Social Security Pension increase (0.5% movement) | -89,864 | 201,173 | - | - |
| Mortality (increase of 1 year in expected lifetime of plan participants) | 43,020 | | -3,613 | |

The solvency level of the fund for the financing of pension plan liabilities in Portugal may vary not only from the risks described above, but also from the performance of the different classes of assets that comprise it. Considering the nature of the defined benefit of the plan and despite the fund's low risk profile (mostly composed of fixed income assets), the joint materialization of adverse risks (including those above referred) may lead to the need for additional contributions to the fund.

**II. Defined Contribution Pension Plan**

EDPR Europe and EDP España, EDP São Paulo in Brazil and several subsidiaries in Portugal, have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

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

The EDP Group companies in Portugal resulting from the EDP spin-off in 1994 have a Medical Care and Death Subsidy Plans partially funded by a closed Pension Fund, complemented by a specific provision. The responsibilities regarding the remaining defined benefit plans are fully covered by a provision.

In Brazil, EDP Espírito Santo, Energest and Investco also have Medical and other benefits plans for retired employees which are also fully covered by provisions.

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, survival benefits, life insurance, antiquity and retirement benefits, power and gas tariff discounts, among others.

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

| | Dec 2018 | | Dec 2017 | |
|---|---|---|---|---|
| | Portugal | Brazil | Portugal | Brazil |
| **Assumptions** | | | | |
| Discount rate | 1.75% | 9.83% | 1.70% | 10.34% |
| Annual increase rate of medical service costs | 1.50% | 10.79% (e) | 1.80% | 10.92% (b) |
| Estimated administrative expenses per beneficiary per year (Euros) | 209 €/year (d) | not applicable | 306€/year (c) | not applicable |
| Mortality | Born<1950 -- TV99/01 (+1) // Born>=1950 -- TV99/01 | RP-2000 Combined Healthy | Born<1950 -- TV99/01 (+1) // Born>=1950 -- TV99/01 | RP-2000 Geracional |
| Disability table | 50%EKV 80 | Wyatt 85 Class 1 | 50%EKV 80 | Wyatt 85 Class 1 |
| Expected % of eligible employees accepting early retirement | (a) | not applicable | (a) | not applicable |

(a) 45% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).
(b) 10.92% in the first year, decreasing to 6.74% in 10 years.
(c) With 8% of reduction for the next two years, and increase of 1.6% after that date.
(d) Decrease of 10% for 2020, decrease of 2.3% for 2021 and an increase after that date.
(e) 10.79% in the first year, decreasing to 6.61% in 10 years.

The number of participants covered by the Medical care and other benefits plans is as follows:

| | Dec 2018 | | Dec 2017 | |
|---|---|---|---|---|
| | Portugal | Brazil | Portugal | Brazil |
| **Number of participants** | | | | |
| Retirees and pensioners | 17,962 | 1,366 | 17,815 | 1,276 |
| Active workers | 5,903 | 747 | 6,232 | 607 |
| | 23,865 | 2,113 | 24,047 | 1,883 |

The liability for medical care and other benefits and related coverage for the Group is as follows:

| | Dec 2018 | | |
|---|---|---|---|
| Thousand Euros | Portugal | Brazil | Group |
| **Provision for medical care and other benefits** | | | |
| Liability at the end of the period | 763,959 | 159,921 | 923,880 |
| Plan assets at the end of the period | -275,954 | - | -275,954 |
| **Provision at the end of the period** | 488,005 | 159,921 | 647,926 |

| | Dec 2017 | | |
|---|---|---|---|
| Thousand Euros | Portugal | Brazil | Group |
| **Provision for medical care and other benefits** | | | |
| Liability at the end of the period | 796,501 | 197,772 | 994,273 |
| Plan assets at the end of the period | -235,269 | - | -235,269 |
| **Provision at the end of the period** | 561,232 | 197,772 | 759,004 |

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

| Thousand Euros | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Provision for medical care and other benefits** | | | | | |
| Liability at the end of the period | 923,880 | 994,273 | 993,506 | 940,046 | 949,982 |
| Plan assets at the end of the period | -275,954 | -235,269 | -81,925 | - | - |
| **Provision at the end of the period** | 647,926 | 759,004 | 911,581 | 940,046 | 949,982 |

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

| Thousand Euros | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Experience adjustments for the Medical Plan liabilities | -1,265 | -452 | -5,816 | 1,087 | 5,828 |
| Experience adjustments for the Plan assets | -11,869 | 8,368 | -8 | - | - |

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

| Thousand Euros | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Experience adjustments for the Medical Plan liabilities | 37,773 | -2,565 | -6,245 | -24,833 | 44,054 |

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

| | Dec 2018 | | | Dec 2017 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Brazil | Group | Portugal | Brazil | Group |
| **Liability at the beginning of the period** | 796,501 | 197,772 | 994,273 | 809,319 | 184,187 | 993,506 |
| Current service cost | 4,765 | 826 | 5,591 | 6,884 | 834 | 7,718 |
| Net interest on the net medical liabilities and other benefits | 13,327 | 18,507 | 31,834 | 13,585 | 20,643 | 34,228 |
| Benefits paid | -33,827 | -9,377 | -43,204 | -34,117 | -10,142 | -44,259 |
| Past service cost (Curtailment/ Plan amendments) | 676 | - | 676 | 770 | - | 770 |
| Actuarial gains and losses | -17,483 | -27,366 | -44,849 | 48 | 30,970 | 31,018 |
| Exchange differences | - | -20,428 | -20,428 | - | -29,102 | -29,102 |
| Other and "mútua" | - | -13 | -13 | 12 | 382 | 394 |
| **Liability at end of the period** | 763,959 | 159,921 | 923,880 | 796,501 | 197,772 | 994,273 |
| **Provision at end of the period** | 763,959 | 159,921 | 923,880 | 796,501 | 197,772 | 994,273 |

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

| | Dec 2018 | | | Dec 2017 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Brazil | Group | Portugal | Brazil | Group |
| Current service cost (see note 10) | 4,765 | 826 | 5,591 | 6,884 | 834 | 7,718 |
| Past service cost (Curtailment/Plan amendments) (see note 10) | 676 | - | 676 | 770 | - | 770 |
| **Operational component** | 5,441 | 826 | 6,267 | 7,654 | 834 | 8,488 |
| Net interest on the net medical liabilities and other benefits | 9,529 | 18,507 | 28,036 | 12,382 | 20,643 | 33,025 |
| **Financial component (see note 13)** | 9,529 | 18,507 | 28,036 | 12,382 | 20,643 | 33,025 |
| **Net cost for the period** | 14,970 | 19,333 | 34,303 | 20,036 | 21,477 | 41,513 |

The evolution of the consolidated assets of the Medical care and Death subsidy Funds is as follows:

| | Portugal | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Assets value at the beginning of the period** | 235,269 | 81,925 |
| Group contribution | 69,009 | 163,888 |
| Benefits paid | -20,253 | -20,115 |
| Interest on the pensions plan assets | 3,798 | 1,203 |
| Actuarial gains/(losses) | -11,869 | 8,368 |
| **Assets value at the end of the period** | 275,954 | 235,269 |

The Medical care and other benefits Plans in Portugal and in Brazil are subject to several risks, in which are included the risk of changes in market rates (which impacts the discount rate and the fixed rate of return rate on assets), the risk of changes in the health care costs and the risk of changes on the expected lifetime of plan participants, to which are made the following sensitivity analysis for the liabilities at the end of the period:

| | Portugal | | Brazil | |
|---|---|---|---|---|
| Thousand Euros | Increase | Decrease | Increase | Decrease |
| Discount rate (0.5% movement) | -50,288 | 56,220 | -11,815 | 13,116 |
| Health care cost trend (0.5% movement) | 11,827 | -10,881 | - | - |
| Mortality (increase of 1 year in expected lifetime of plan participants) | 16,184 | | 7,319 | |

The level of solvency of the fund for the financing of post-employment medical care liabilities in Portugal may vary not only from the risks described above, but also from the performance of the different classes of assets that comprise it. Considering the nature of the defined benefit of the plan and despite the fund's low risk profile (mostly composed of fixed income assets), the joint materialization of adverse risks (including those above referred) may lead to changes in the financing plan approved by Insurance and Pension Funds Supervisory Authority (ASF).

**Composition of the assets portfolio funds**

The assets of the pension funds, medical care and death subsidy in Portugal are as follows:

| | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2018 | -5,605 | 454,242 | 391,824 | 199,448 | 85,651 | 1,125,560 |
| 31 December 2017 | 5,859 | 424,939 | 441,394 | 215,467 | 80,947 | 1,168,606 |

| | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| % | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2018 | -0.50% | 40.35% | 34.81% | 17.72% | 7.62% | 100.00% |
| 31 December 2017 | 0.50% | 36.36% | 37.77% | 18.44% | 6.93% | 100.00% |

The portfolio of shares and bonds have a quoted market price in an active market.

Properties included in the fund, that are being used by the Group amount to 182,905 thousand Euros as at 31 December 2018 (31 December 2017: 187,018 thousand Euros). Bonds includes 5,573 thousand Euros (31 December 2017: 7,178 thousand Euros) relating to bonds issued by EDP Finance B.V. and EDP, S.A.

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

| Thousand Euros | 2018 | 2017 |
|---|---|---|
| Shares: | | |
| EDP Renováveis | 10,551 | 10,005 |
| | 10,551 | 10,005 |

The real return rate on assets of the pension Fund in 2018 was negative in 2.45% (2017: positive in 8.97%).

Pension fund assets in Brazil are as follows:

| | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2018 | - | 274,051 | 10,207 | 2,717 | - | 286,975 |
| 31 December 2017 | - | 250,451 | 49,759 | 1,012 | 2,232 | 303,454 |

| | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| % | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2018 | - | 95.50% | 3.55% | 0.95% | | 100.00% |
| 31 December 2017 | - | 82.53% | 16.40% | 0.33% | 0.74% | 100.00% |

The portfolio of shares and bonds have a quoted market price in an active market.

## 35. Provisions

Provisions are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Provision for legal and labour matters and other contingencies | 92,034 | 85,049 | - | - |
| Provision for customer guarantees under current operation | 15,686 | 6,235 | - | - |
| Provision for dismantling and decommissioning | 480,508 | 463,556 | - | - |
| Provision for other liabilities and charges | 430,217 | 197,989 | 2,980 | 10,455 |
| | 1,018,445 | 752,829 | 2,980 | 10,455 |

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Non-Current | 982,515 | 726,771 | 1,808 | 8,902 |
| Current | 35,930 | 26,058 | 1,172 | 1,553 |
| | 1,018,445 | 752,829 | 2,980 | 10,455 |

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Balance at the beginning of the period** | 85,049 | 98,574 |
| Charge for the period | 18,257 | 16,717 |
| Reversals | -8,300 | -18,620 |
| Charge-off for the period | -14,155 | -16,428 |
| Exchange differences and other | 11,183 | 4,806 |
| **Balance at the end of the period** | 92,034 | 85,049 |

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

Provision for legal and labour matters and other contingencies includes provisions for litigation in progress and other labour contingencies, which are related essentially with:

i) Requests for the refund of tariff increases paid by industrial consumers of the brazilian subsidiaries EDP São Paulo and EDP Espírito Santo in the amount of 12,112 thousand Euros (31 December 2017: 13,566 thousand Euros). These requests result from the application of Administrative Orders DNAEE no. 38 of 27 February 1986 and no. 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;

ii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousand Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, as at 31 December 2016, the estimated liability amounted to 5,836 thousand Euros, corresponding to the indemnity discounted amount. The appeal presented by EDP Produção was denied, and confirmed the court sentence that determined the legitimacy for Terriminas to collect the amount in which EDP Produção was condemned. EDP Produção paid 6,371 thousand Euros and appeal for the payment of the remaining amount of 1,629 thousand Euros (interest from 2 February 2013 to 30 September 2017) for lack of an enforceable instrument. On February 2019, a decision was delivered regarding EDP's claim, considering it as an undue payment. The process awaits for a new settlement.

iii) During April 2015, ERSE has notified EDP Comercial on its decision regarding the opening of an administrative infraction proceeding, within the framework of the Energy Sector Sanctions Regime (RSSE), requesting several information. In July 2015, ERSE sent a statement of objection to EDP Comercial whose response with defense arguments was prepared and submitted within the deadlines set by law. On 10 December 2015, ERSE issued a decision condemning EDP Comercial to a fine of 7,500 thousand Euros. It was decided to appeal the decision within the legal deadline set for this purpose, and a provision in the above-mentioned amount was recognised. Following the appeal made by EDP Comercial, the case returned to the Competition, Regulation and Supervision Court (TCRS), for trial. On 2 March 2017, this Court decided to consider null the statement of objection and the final decision of ERSE. The Court dismissed the appeal filed by ERSE against the judgment of the TCRS, confirming in full the TCRS judgment. The process was sent to ERSE to, if it wishes to do so, issue a new statement of objection without the technical flaws that were recognised. The provision was reversed in accordance with these developments. On 17 May 2018, ERSE issued a new statement of objection in which notified EDP Comercial with 18 administrative infraction. At the time given for the presentation of EDP Pronunciation, it was possible to achieve an agreement, in which EDP Comercial was notified for 8 administrative infractions, with a fine of 950 thousand Euros and a payment to 140 consumers in an amount around 14 thousand Euros. The case is now closed.

iv) The remaining legal litigations correspond mainly to indemnities for damages allegally suffered in consequence of interruption of electricity supply, power accidents and fires.

In accordance with IFRS 3, during an acquisition, the acquiring company shall recognise, at the acquisition date, a contingent liability for the present obligations resulting from past events which fair value can be reliably measured. Within the process of acquisition of control of Porto do Pecém in 2015, the Board of Directors identified a contingency, which estimated responsibility amounts to 4,893 thousand Euros (31 December 2017: 5,473 thousand Euros).

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Balance at the beginning of the period** | 6,235 | 10,435 |
| Charge for the year | - | 255 |
| Charge-off for the period | -4,988 | -9,099 |
| Exchange differences and other | 14,439 | 4,644 |
| **Balance at the end of the period** | 15,686 | 6,235 |

Provisions for customer guarantees under current operations include essentially provisions for commercial losses.

The movement in Provision for dismantling and decommissioning is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Balance at the beginning of the period** | 463,556 | 462,887 |
| Changes in the perimeter | -3,725 | -5,895 |
| Unwinding (see note 13) | 6,143 | 5,976 |
| Increase of the responsibility (see note 16) | 12,937 | 16,080 |
| Reversals | -537 | -401 |
| Exchange differences and other | 2,134 | -15,091 |
| **Balance at the end of the period** | 480,508 | 463,556 |

As at 31 December 2018, Provision for dismantling and decommissioning includes the following situations:

i) The Group has recognised a provision of 44,205 thousand Euros (31 December 2017: 44,035 thousand Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. The assumptions used in the calculation of the provision include an inflation rate of 2% and discount rates between 0.35% and 0.42%. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;

ii) Provisions for dismantling wind farms of 288,503 thousand Euros (31 December 2017: 269,454 thousand Euros) to cover the costs of bringing the sites to their original conditions, of which 119,082 thousand Euros refer to the wind farms in North America, 166,810 thousand Euros refer to the wind farms in Europe and 2,611 thousand Euros refer to the wind farms in Brazil.

The assumptions used when computing these provisions, are the following:

| | Europe | North America | Brazil |
|---|---|---|---|
| Average cost per MW (Euros): | | | |
| Wind (steel structure) | 25,873 | 26,715 | 28,954 |
| Wind (concrete structure) | 33,954 | - | 29 915 |
| Salvage value per MW (Euros): | | | |
| Wind (steel structure) | 35,603 | 33,942 | 46,338 |
| Wind (concrete structure) | 19,787 | - | 17 421 |
| Discount rate: | | | |
| Euro | [0,00% - 1,77%] | - | - |
| US Dollar | - | [0,72% - 2,94%] | - |
| Brazilian Real | - | - | [11,91% - 12,47%] |
| Inflation rate: | | | |
| Euro Zone | [1,01% - 2,35%] | - | - |
| USA | - | [2,00% - 2,30%] | - |
| Brazil | - | - | [4,20% - 5,64%] |
| Capitalisation (number of years) | 30 to 35 | 30 to 35 | 30 to 35 |

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the Group recognises provisions to cover the costs with the decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 31 December 2018, the provision amounts to 86,963 thousand Euros (31 December 2017: 89,273 thousand Euros) and 58,900 thousand Euros (31 December 2017: 58,555 thousand Euros) for the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 n), these provisions are calculated at the present value of the future liability and are accounted against an increase in property, plant and equipment and are depreciated on a straight line basis over the average useful life of the assets. The calculation of these provisions was based on an inflation rate between 1.38% and 2% and discount rates between 0% and 1.48%.

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

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Balance as at 31 December 2017** | 197,989 | 99,596 | 10,455 | 8,303 |
| Adjustment due to IFRS 15 adoption (see note 3) | -17,625 | - | - | - |
| **Balance as at 1 January 2018** | 180,364 | 99,596 | 10,455 | 8,303 |
| Charge for the period | 297,499 | 10,927 | 618 | 3,057 |
| Reversals | -18,981 | -12,505 | -8,093 | -905 |
| Charge-off for the period | -3,217 | -5,828 | - | - |
| CESE Charge-off (see note 15) | -131,053 | - | - | - |
| CESE (see note 15) | 65,446 | 65,431 | - | - |
| CMEC | 36,090 | - | - | - |
| "Lesividad" | 12,020 | 41,664 | - | - |
| Exchange differences and other | -7,951 | -1,296 | - | - |
| **Balance as at 31 December 2018** | 430,217 | 197,989 | 2,980 | 10,455 |

As at 31 December 2017, the caption Provisions included the amount of 17,625 thousand Euros corresponding to liabilities recognized under IAS 18 that do not qualify for recognition under IFRS 15 (see note 3).

The BOE 223/2017 published during the third quarter of 2017 opened the hearing process of the Order of the Minister of Energy, Tourism and Digital Agenda of 13 September, introducing a "lesividad" declaration procedure for the public interest Order IET/980/2016, which established a remuneration for electricity distribution companies until 2016. Thus, the remuneration that was determined was allegedly higher than it should be for 2016. Due to the fact that the remuneration for the distribution activity in 2017 and 2018 was not yet fixed, EDP España has been calculating the remuneration based on the remuneration of 2016. As at 31 December 2018, EDP España recorded a provision in the amount of 12,020 thousand Euros, (31 December 2017: 24,040 thousand Euros) related to the potential "lesividad" effect of 2016, 2017 and 2018.

On 3 May 2018, it has come to EDP's knowledge (through a DGEG's letter) that the CMEC final adjustment had been officially approved, according to ERSE's proposal, in the amount of 154 million Euros. On 8 October 2018, EDP submitted a gracious complain, and due to not receiving any response, on 1 February 2019 EDP Produção challenged in court both dispatchs: the refered dispatch and the dispatch of 4 October which declared the annulment of the annual adjustments in the part in which they considered the alleged "innovative aspect" concerning the procedures for calculating the coefficient of availability (see note 4).

On 26 September, DGEG notified EDP about a dispatch issued by the Secretary of State for Energy (SSE) on 29 August 2018, which quantifies at 285 million Euros the alleged overcompensation of EDP related to the calculation of the real availability factor of the plants under the CMEC regime. Thus, even though the Group is still analysing the technical and legal foundations of this dispatch, this has been reflected in the financial statements as at 31 December 2018, through a provision of the same amount.

Banco de Portugal (BdP) claimed for an alleged default of the Legal Framework of Credit Institutions and Financial Companies, by EDP Soluções Comerciais, for performing activities related with payment services (which are legally reserved to credit institutions and similar entities) and non-compliance with some BdP premises. The accusation was addressed to EDP Soluções Comerciais and EDP S.A., being both companies notified on 2 January 2019 about the decision of BdP from 18 December 2018, recording a provision in an amount of 125 thousand Euros for EDP, S.A and 2,250 thousand Euros for EDP Soluções Comerciais.

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

The processes whose losses were considered as possible, do not require the recognition of provisions and are periodically reassessed. The detail of possible contingencies is analised as follows:

| | Dec 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Subsidiaries based in Portugal | Subsidiaries based in Spain | Subsidiaries based in Brazil | Total |
| Administrative and Civil | 39,653 | 5,304 | 197,240 | 242,197 |
| Fiscal | 4,763 | 1,294 | 422,226 | 428,283 |
| Other | 29,700 | 1,021 | 28,352 | 59,073 |
| | 74,116 | 7,619 | 647,818 | 729,553 |

| | Dec 2017 | | | |
|---|---|---|---|---|
| Thousand Euros | Subsidiaries based in Portugal | Subsidiaries based in Spain | Subsidiaries based in Brazil | Total |
| Administrative and Civil | 35,271 | 24,443 | 203,409 | 263,123 |
| Fiscal | 11,436 | 11,068 | 407,771 | 430,275 |
| Other | 45,761 | 1,047 | 28,403 | 75,211 |
| | 92,468 | 36,558 | 639,583 | 768,609 |

The possible contingencies more relevant in Portugal, are as follows:

i) Within EDP Distribuição there is a contingency regarding the liability for supply and assembly costs of electricity distribution grids, including public illumination, with respect to the urbanistic reconversion and intervention area in Parque Expo 98. In this context, Parque Expo 98 claims that, between 1996 and 2014, it supported the costs that are responsibility of EDP Distribuição. In November 2015, Parque Expo 98 in liquidation addressed EDP Distribuição a separate judicial notice, in order to interrupt the limitation period (which would occur 20 years from the date of the referred agreement). Meanwhile Parque Expo 98, in liquidation, claims a reimbursement from EDP Distribuição of those costs in the amount of 15,811 thousand Euros. EDP Distribuição contested this claim on 28 June 2017 and is still waiting for further developments.

ii) On 29 July 2016, the Portuguese Competition Authority (AdC) has notified EDP, S.A. and EDP Comercial, S.A. with a notice for alleged violation of competition laws, regarding the process about the commercial campaign done in partnership with Modelo Continente, designated as "Plano EDP Continente". This was an occasional campaign, limited to two years, which was one of several campaigns usually performed by several other market agents. On 5 May 2017, EDP, S.A. and EDP Comercial, S.A. received AdC final decision which applied a fee of 2,900 thousand Euros to EDP,S.A. and 25,800 thousand Euros to EDP Comercial. EDP Group is convinced that this campaign has brought real benefits to consumers and competition in markets and that no transgression has been committed. The companies filed their appeal on 19 June 2017 and are still awainting sentence. Subsequently, a dispatch was delivered by Competing, Regulation and Supervision Court (TCRS) that considered unconstitutional the law from AdC which demanded a fine payment or a security before a decision about the case. This view was confirmed with a Constitutional Court judgment on 4 October 2018. The Public Prossecuters as well as AdC presented a new appeal about this judgement for Constitutional Court, with EDP, S.A and EDP Comercial presenting its counter-allegations.

iii) Within EDP Distribuição there is a contingency established by Gás Natural Comercializador, S.A. (GNC), for the undue payment of tariffs for access to networks charged by EDP Distribuição and surplus consumption by Repsol Polimeros, S.A. The situation is related with the attribution of a proper consumption producer status to Repsol Polimeros, S.A. in June 2014, being this energy invoiced only from October 2015 onwards. Regarding the year 2015, GNC was reimbursed for the over paid amounts, therefore the claim is only on payments about the second half of 2014, in the amount of 5,724 thousand Euros;

iv) On 3 September 2018, the Portuguese Competition Authority (AdC) notified EDP Produção with Statement of Objections, under which EDP Produção is accused of abuse of a dominant position in the secondary regulation band market (a part of the ancillary services market). AdC claims that EDP Produção has deliberately limited the participation of CMEC plants in the secondary regulation market between 2009 and 2013, benefitting its non-CMEC power plants. The alleged benefit, in detriment of consumers, would be twofold: receiving higher compensation under CMEC annual adjustment regime; profiting from higher market prices in said market. AdC estimates that the alleged practice of EDP Produção has generated damages to the national electricity system and to consumers of around 140 million Euros. AdC points out that the adoption of a Statement of Objections does not determine the result of the investigation, which began in September 2016 and is still in course. On 28 November 2018, EDP Produção presented to AdC its facts about the accusation, awaiting a final decision from AdC.

The possible contingencies more relevant in Brazil, are as follows:

i) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 21,720 thousand Euros (31 December 2017: 24,742 thousand Euros);

ii) There is a public civil action filed against EDP São Paulo and EDP Espírito Santo by ADIC – Associação de Defesa dos Interesses Colectivos, claiming a compensation arising from a tariff readjustment on part A from 43 concessionaires. The estimated value attributable to Bandeirante and Escelsa amounts to 45,939 thousand Euros (31 December 2017: 43,834 thousand Euros);

iii) EDP São Paulo is a party to a lawsuit related to the COFINS (Contribution for social security financing) from 1993 to 1995 in joinder with AES Eletropaulo, where is discussed the application of the tax amnesty introduced by the Provisional Measures paragraphs 1858-6 and 1858-8, granted to taxpayers who did not collect COFINS, considering it improper. In the trial of 2nd Instance, was partially confirmed the right to amnesty, and applied the Decree-Law 1,025/69, which established the payment of procedural costs in favor of the National Treasury. From this decision, an appeal was presented, which holds trial. The updated amount as at 31 December 2018 is 16,957 thousand Euros (31 December 2017: 18,709 thousand Euros);

iv) EDP São Paulo and EDP Espírito Santo have administrative and judicial actions regarding tax compensations not ratified by the Brazilian Federal Revenue Bureau, which: (i) are protected by judicially recognised credits (IRPJ - Corporate tax income and CSLL - Social Contribution on net profits) and (ii) that result from tax contributions in 2001 of IRPJ, CSLL, PIS (Social integration programme) and COFINS considered to be excessive as a consequence of the application of "Parecer COSIT 26/2002" (Extraordinary Tariff Adjustment - RTE) published by the Brazilian Tax Authorities. According to this opinion, the amounts resulting from tariffs updated under RTE should be recognised and taxed only as of 2002. As at 31 December 2018, the updated values amount to 83,758 thousand Euros (31 December 2017: 94,018 thousand Euros);

v) Lajeado has a judicial tax action initiated by the Brazilian Tax Authorities in 2014 aimed at collecting tax contributions (IRPJ and CSLL) resulting from the disallowance of expenses regarding goodwill arising from a business combination (acquisition). As at 31 December 2018, this contingency amounts to 24,799 thousand Euros (31 December 2017: 22,259 thousand Euros);

vi) Porto do Pecém was subject to a tax execution procedure in the amount of 18,688 thousand Euros, related to an alleged non-taxation under IRPJ and CSLL of prior years' financial income and exchange rate gains (31 December 2017: 20,537 thousand Euros);

vii) The companies of EDP – Energias do Brasil (Energest, Lajeado, Investco, Enerpeixe, Santa Fé, Porto do Pecém and Costa Rica), through the Brazilian Association of Independent Power Producers - APINE and the Brazilian Association of Power Generation - ABRAGEL, filed a lawsuit seeking to suspend the effects of CNPE Resolution 03/13, which established the apportionment among all agents of the electricity market of part of the costs incurred with the excessive use of energy from thermic sources (oil, coal and gas), due to the scarcity of the rainfall regime (ancillary service Charge - ESS). The updated value as at 31 December 2018 is 37,295 thousand Euros (31 de December 2017: 28,670 thousand Euros);

viii) Following a period of drought in the State of Ceará, the local government, through Decree 32,044 of 16 September 2016, introduced an extraordinary rate called the Emergency Water Charge (EHE) over the actual water consumption of thermoelectric power plants, and in particular the Porto do Pecém. On 13 October 2016, the Porto do Pecém submitted an administrative request to ANEEL for the purpose of transferring this additional cost to the Unit Variable Cost (CVU), in order to restore the economic-financial balance of the contract (CCEAR). ANEEL, through Order 3,293 of 19 December 2016, denied the request of the Porto do Pecém, which initiated proceedings against ANEEL.

In May 2017, the Porto de Pecém obtained an injunction that allows the full transfer of the EHE to the CVU. This injunction further determines the suspension of ANEEL's application of any penalty for possible reduction and/or interruption of energy production due to problems with water supply, including penalties for non-availability, suspension of commercial operation and replacement of "lastro", preventing this means any type of suspension of the payment of the fixed revenue to which the Porto de Pecém is entitled under the Contracts for Contracting of Energy in a Regulated Environment (CCEAR). Following this court decision athe Porto do Pecém booked an amount receivable (assets) which will be invoiced to customers in the coming months. The financial impacts arising from the new Decree No. 32.305 /2017, published on 11 August by the Government of the State of Ceará, are currently being analysed, as it extended the term of this charge for an indeterminate period.

As at 31 December 2018, the lawsuit against ANEEL requiring the guarantee of the economic-financial balance of the CCEARs by transferring the EHE to the CVU awaits judgment, and the likelihood of the contingency associated with the eventual need to return the now classified amount graduated as possible and the estimated total amount of 14,966 thousand Euros (31 December 2017: 31,665 thousand euros), referring to the estimate of EHE values during the period of validity of the first decree (1 October 2016 until 31 August 2017). The variation ocurred during this period is related with the revision of assumptions used to calculate the contingency which previously was considering the estimative of the value of EHE to be paid following the historical average. The new calculation is based on the claim effective risk considering the transference of CVU.

Finally, it is important to identify litigation and contingencies that, although the EDP Group classifies its risk as remote, assume materially relevant values, namely:

i) On 27 October 2009 and 5 January 2010, the EDP Group received two tax settlements regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely EDP Espírito Santo and Enersul. As at 31 December 2018, the amount of this tax contingency amounts to 282 million Euros (31 December 2017: 273 million Euros).

Considering the analysis made, the technical advice received and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes as established in article 75 no. 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at that date (existing article 81).

Given the above, and considering that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional settlements. Thus, following the implied rejection of the hierarchical appeal, EDP presented a judicial claim, on 6 June 2012. In November 2018, EDP Group was notified with a decision in favour. The Treasuary filed an appeal on that decision.

ii) EDP São Paulo through the Power Industry Union of the State of São Paulo - SindiEnergia, filed two claims against the Treasury Department of the State of São Paulo, seeking the suspension of the effects of Decrees 55.421/2010 and 55.867/2010. Both claims deal with VAT incidence on energy technical losses (theft, deviation or fraud) and obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts, however, given that the higher courts jurisprudence supports the thesis discussed in this process, the EDP Group classifies as remote the risk of losing this action. The estimated value at 31 December 2018 amounts to 120,488 thousand Euros (31 December 2017: 117,883 thousand Euros).

## 36. Institutional Partnerships in USA

The caption Institutional partnerships in USA is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| Deferred income related to benefits provided | 961,783 | 914,612 |
| Liabilities arising from institutional partnerships in USA | 1,269,466 | 1,249,110 |
| | 2,231,249 | 2,163,722 |

EDPR North America recognises under this caption the receipts of institutional investors associated with wind and solar projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, and recognised over the useful life of the related projects (see note 8). Additionally, this liability is increased by the estimated interest based on the liability outstanding and the expected rate of return of the institutional investors (see note 13).

The movements in Institutional partnerships in USA wind farms are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Balance at the beginning of the period** | 2,163,722 | 2,339,425 |
| Proceeds received from institutional investors | 402,046 | 449,067 |
| Cash paid for deferred transaction costs | -3,011 | -3,870 |
| Cash paid to institutional investors | -173,682 | -195,175 |
| Other Income (see note 8) | -185,171 | -225,568 |
| Unwinding (see note 13) | 80,684 | 88,561 |
| Exchange differences | 101,530 | -289,891 |
| Loss of control of companies with institutional partnerships (see note 6) | -162,123 | - |
| Other | 7,254 | 1,173 |
| **Balance at the end of the period** | 2,231,249 | 2,163,722 |

During 2018, EDPR NA has received proceeds amounting to 228,537 thousand Euros (269,908 thousand US Dollars) related to institutional equity financing from a leading financial institution, in exchange for an interest in the Arkwright and Tutle Creek projects, both located in the state of New York.

Additionally, EDPR NA has secured and received proceeds amounting to 163,860 thousand Euros (193,522 thousand US Dollars) related to institutional equity financing from a leading financial institution, in exchange for an interest in the Meadow Lake VI project that is located in the state of Indiana. After this funding being executed, EDPR NA has lost control over this project upon the completion of the sale of 80% of equity shareholding (see note 6).

During 2017, EDPR NA has received proceeds amounting to 389,196 thousand Euros (439,552 thousand US Dollars) related to institutional equity financing with Bank of New York Mellon, in exchange for an interest in the Vento XVII portfolio, and 59,871 thousand Euros (67,618 thousand US Dollars) related to institutional equity financing, in exchange for an interest in three solar plants located in the state of South Carolina.

**37. Trade payables and other liabilities from commercial activities**

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Contract liabilities:** | | |
| Energy sales contracts - EDPR NA | 11,496 | - |
| Deferred income - CMEC | 283,530 | - |
| | 295,026 | - |
| **Other liabilities:** | | |
| Investment government grants | 583,603 | 491,008 |
| Amounts payable for tariff adjustments - Electricity - Portugal | 77,447 | 10,632 |
| Amounts payable for tariff adjustments - Electricity - Brazil | 38,678 | 38,698 |
| Amounts payable for concessions | 201,527 | 209,117 |
| Property, plant and equipment suppliers | 8,233 | 110,986 |
| Energy sales contracts - EDPR NA | - | 13,686 |
| Deferred income - CMEC | - | 364,428 |
| Other creditors and sundry operations | 151,731 | 104,616 |
| | 1,061,219 | 1,343,171 |
| | 1,356,245 | 1,343,171 |

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

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Contract liabilities:** | | | | |
| Deferred income - CMEC | 80,897 | - | - | - |
| Amounts received from the Fund for systemic sustainability of the energy sector | 155,594 | - | - | - |
| | 236,491 | - | - | - |
| **Other liabilities:** | | | | |
| Suppliers | 956,608 | 947,702 | 412,960 | 366,401 |
| Accrued costs related with commercial activities | 704,975 | 881,733 | 314,433 | 272,958 |
| Property, plant and equipment suppliers | 1,028,188 | 639,345 | 837 | 715 |
| Holiday pay, bonus and other charges with employees | 160,847 | 162,902 | 30,201 | 31,165 |
| CO2 emission Licenses | 137,746 | 101,693 | - | - |
| Amounts payable for tariff adjustments - Electricity - Portugal | 8,840 | 249,914 | - | - |
| Amounts payable for tariff adjustments - Electricity - Brazil | 253 | 13,157 | - | - |
| Deferred income - CMEC | - | 83,012 | - | - |
| Amounts payable - securitisations | 134,841 | 133,107 | - | - |
| Amounts payable - CMEC | 222,245 | 73,479 | - | - |
| Other creditors and sundry operations | 271,211 | 212,087 | 30,452 | 15,224 |
| | 3,625,754 | 3,498,131 | 788,883 | 686,463 |
| | 3,862,245 | 3,498,131 | 788,883 | 686,463 |

At the moment of EDPR NA acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousand US Dollars, being booked as a non-current liability under Energy sales contract - EDPR NA, and amortised over the useful life of the contracts in Other operating income - Other.

Deferred income - CMEC Non-current and Current, in the amount of 364,427 thousand Euros (31 December 2017: 447,440 thousand Euros) includes the initial CMEC amount (833,467 thousand Euros) deducted from the amortisation of initial CMEC during the years 2007 to 2017 and accrued with unwinding (see note 13), in the amount of 170,987 thousand Euros. This caption also includes 193,440 thousand Euros relating with the final adjustment recognised in accordance with the result achieved by EDP/REN working group (256,539 thousand Euros), deducted from amortisation and accrued with corresponding unwinding charges of the period (see note 13).

The Amounts received from the Fund for systemic sustainability of the energy sector refer to amounts transferred to EDP SU in December 2018, related with the electricity tariffs for 2019, which represent extraordinary contribution to the energy sector (CESE) amounts intended to reduce the National Electric System's tariff debt (see note 1).

Investment government grants are amortised through the recognition of a revenue in the income statement over the useful life of the related assets, which amounts to 24,063 thousand Euros as at 31 December 2018 (see note 12). This caption includes grants received by EDPR NA subgroup under the "American Recovery and Reinvestment Act" promoted by the United States of America Government.

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

| Thousand Euros | Non-Current | Current |
|---|---|---|
| **Balance as at 31 December 2017** | 10,632 | 249,914 |
| Payment through the electricity tariff | - | -227,097 |
| Tariff adjustment of the period | 39,634 | 92,043 |
| Interest expense (see note 13) | 42 | 484 |
| Transfer to/from tariff adjustment receivable (see note 24) | 39,085 | -118,450 |
| Transfer from Non-Current to Current | -11,946 | 11,946 |
| **Balance as at 31 December 2018** | 77,447 | 8,840 |

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments recognised in EDP São Paulo and EDP Espírito Santo in the accumulated amount of 28,681 thousand Euros (31 December 2017: 35,127 thousand Euros) and 10,250 thousand Euros (31 December 2017: 16,728 thousand Euros), respectively. The variation occurred includes the tariff deficit of the period with a positive impact of 91,453 thousand Euros (see note 7), the transfer from tariff adjustment receivable of 7,418 thousand Euros (see note 24), the unwinding in the amount of 14,106 thousand Euros (see note 13), the decrease in the amount received through the electricity tariff of 118,914 thousand Euros and the exchange differences due to depreciation of Brazilian Real against Euro with a negative impact of 5,260 thousand Euros. During 2018, EDP Espírito Santo and EDP São Paulo received cash, as financial component of the tariff readjustment of 2018, in the amount of 5,194 thousand Euros (22,369 thousand Brazilian Reais) and 7,915 thousand Euros (34,113 thousand Brazilian Reais), respectively. These amounts will be returned through the tariff of EDP Espírito Santo starting on the tariff readjustment of August 2018, and through the tariff of EDP São Paulo starting on the tariff readjustment of October 2018.

Amounts payable for concessions includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA in the amount of 137,237 thousand Euros (31 December 2017: 139,809 thousand Euros) and the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil in the amount of 64,291 thousand Euros (31 December 2017: 69,072 thousand Euros).

The increase of the caption Property, plant and equipment suppliers - Current includes the recognition of 164,260 thousand Euros (188,077 thousand US Dollars) and 644 thousand Euros (1,005 thousand Canadian Dollars) related with the liabilities arising from the sale of 80% of financial interest in 2018 Vento XIX LLC, and from the sale of 75% of financial interests in the companies Nation Rise Wind Farm Gp II Inc. and Nation Rise Wind Farm Limited Partnership, respectively (see note 6). The remaining variation is mainly due to the amounts payable related with wind farms and solar parks under construction in EDPR NA, EDPR Brasil, EDPR PT and EDPR Itália.

The decrease of the caption Property, plant and equipment suppliers - Non-current is mainly related with the supply of renewable asset for certain wind farms in Brazil where terms of payments were agreed in the long-term with a short-term maturity as of 31 December 2018.

The caption CO2 emission licenses includes the CO2 consumptions during 2018 in Portugal and Spain, in the amount of 81,701 thousand Euros and 56,045 thousand Euros, respectively (31 December 2017: 58,789 thousand Euros and 42,904 thousand Euros). The variation includes the consumptions of 2018 and the delivery in 2018 of the 2017 consumption licenses, which are returned to regulatory authorities until April of the year following its consumption.

In the energy distribution activity, the subsidiaries of EDP Group in Portugal and Spain recover the deficits and tariff adjustment assets through the tariffs charged to their customers. The caption Amounts payable - securitizations includes the amounts payable to entities that have acquired the right to receive these assets in securitisation or direct sales operations in Portugal of 134,841 thousand Euros (31 December 2017: 133,107 thousand Euros ), and the caption Other creditors and sundry operations - Current includes the settlements to be made to the regulatory entity in Spain , which amounts to 9,538 thousand Euros (31 December 2017: 13,092 thousand Euros). These liabilities refer to the assets recovered through the tariffs that will be transferred to these entities.

The caption Amounts payable - CMEC refers to amounts received by EDP Distribuição, through the tariff, regarding the CMEC Revisibility of 2016 and 2017, which delivery to REN is awating approval (see note 4).

The caption Other creditors and sundry operations - Non-current includes the amount of 69,178 thousand Euros related with the reinsurance activity (31 December 2017: 48,328 thousand Euros). The caption Other creditors and sundry operations - Current includes the amount of 14,317 thousand Euros related to tariff adjustment payable (31 December 2017: 14,317 thousand Euros).

## 38. Other Liabilities and Other Payables

Other liabilities and other payables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Other liabilities and other payables - Non-Current** | | | | |
| Loans from non-controlling interests | 401,257 | 591,779 | - | - |
| Derivative financial instruments (see note 41) | 196,496 | 91,092 | 205,570 | 112,714 |
| Group companies | - | - | 66,297 | 199,280 |
| Amounts payable and contingent prices for acquisitions/sales | 75,234 | 94,660 | - | - |
| Lease contracts with EDP Pension and Medical and Death Subsidy Funds | 77,959 | 79,414 | 77,959 | 79,414 |
| Other creditors and sundry operations | 5,953 | 18,039 | - | - |
| | 756,899 | 874,984 | 349,826 | 391,408 |
| **Other liabilities and other payables - Current** | | | | |
| Loans from non-controlling interests | 241,617 | 121,023 | - | - |
| Dividends attributed to related companies | 57,752 | 42,207 | - | - |
| Derivative financial instruments (see note 41) | 155,848 | 94,522 | 188,502 | 190,643 |
| Group companies | - | - | 31,339 | 1,591,110 |
| Group's financial system (see note 43) | - | - | 1,030,481 | 197,174 |
| Amounts payable and contingent prices for acquisitions/sales | 303,459 | 14,525 | - | - |
| Lease contracts with EDP Pension and Medical and Death Subsidy Funds | 6,496 | 6,434 | 6,496 | 6,434 |
| Other creditors and sundry operations | 5,750 | 5,429 | 36,362 | 109,268 |
| | 770,922 | 284,140 | 1,293,180 | 2,094,629 |
| | 1,527,821 | 1,159,124 | 1,643,006 | 2,486,037 |

The caption Loans from non-controlling interests Current and Non-Current mainly includes:

i) loans granted by ACE Portugal (CTG Group) due to the sale in 2017 of 49% of shareholding in EDPR PT – Parques Eólicos S.A and subsidiaries for a total amount of 31,108 thousand Euros, including accrued interests (31 December 2017: 37,362 thousand Euros), bearing interest at a fixed rate of 3.75% (see note 43);

ii) loans granted by Vortex Energy Investments II due to the sale in 2016 of 49% of shareholding in EDPR Participaciones S.L. and subsidiaries for a total amount of 215,620 thousand Euros, including accrued interests (31 December 2017: 231,751 thousand Euros), bearing interest at a fixed rate of a range between 3.32% and 7.55%;

iii) loans granted by ACE Poland (CTG Group) due to the sale in 2016 of 49% of shareholding in EDP Renewables Polska HoldCo, S.A. and subsidiaries for a total amount of 119,826 thousand Euros, including accrued interests (31 December 2017: 123,430 thousand Euros), bearing interest at a fixed rate of a range between 1.33% and 7.23% (see note 43);

iv) loans granted by ACE Italy (CTG Group) due to the sale in 2016 of 49% of shareholding in EDP Renewables Italia, S.r.l. and subsidiaries for a total amount of 63,304 thousand Euros, including accrued interests (31 December 2017: 78,436 thousand Euros), bearing interest at a fixed rate of 4.5% (see note 43);

v) loans granted by Vortex Energy Investments I due to the sale in 2014 of 49% of shareholding in EDPR France and subsidiaries for a total amount of 52,258 thousand Euros, including accrued interests (31 December 2017: 58,388 thousand Euros), bearing interest at a fixed rate of a range between 3.1% and 7.18%;

vi) loans granted by CITIC CWEI Renewables (CTG Group) due to the sale in 2013 of 49% of shareholding in EDP Renováveis Portugal, S.A. for a total amount of 50,202 thousand Euros, including accrued interests (31 December 2017: 61,140 thousand Euros), bearing interest at a fixed rate of 5.5% (see note 43); and

vii) loans from Sonatrach to Central Térmica Ciclo Combinado Grupo 4 in the amount of 58,220 thousand Euros (31 December 2017: 58,220 thousand Euros).

The Amounts payable and contingent prices for acquisitions/sales includes the estimated remaining costs to be incurred due to the sale of 80% of the company 2018 Vento XIX LLC and its subsidiaries and the sale of 75% of the companies Nation Rise Wind Farm Gp II Inc. e Nation Rise Wind Farm Limited Partnership in the amount of 156,423 thousand Euros (179,104 thousand US Dollars) and 133,589 thousan Euros (208,465 Canadian Dollars), respectively (see note 6). This caption also includes the contingent prices related to the sale of gas distribution business in Spain and Portugal, in the amount of 35,634 thousand Euros and 45,786 thousand Euros, respectively.

The variation in the caption Group companies Current, on a Company basis, corresponds to the repayment of two loans of EDP S.A. Sucursal en España, one in the amount of 1,000 million US Dollars, which maturity occurred in February 2018 and another in the amount of 1.000 million US Dollars, which maturity occurred in October 2018 (see notes 25 and 47).

The caption Lease contracts with EDP Pension and Medical and Death Subsidy Funds corresponds to the lease contract regarding the building units of Porto headquarters acquired by EDP Pension Fund in December 2015 and the Lisbon headquarters building given as an in-kind contribution to EDP Medical and Death Subsidy Fund in September 2017.

Regarding the building units of Porto's headquarters, the lease contract is for a period of 25 years, with a monthly expense of 271 thousand Euros and an implicit rate of 6.42%. As at 31 December 2018, it amounts to 30,221 thousand Euros (31 December 2017: 30,808 thousand Euros) (see note 43).

Regarding the Lisbon headquarters' building, the building component was booked as an asset of EDP, S.A. in Property, Plant and Equipment, at the present value of the minimum lease payments. The lease contract is for a period of 25 years, with a monthly expense of 494 thousand Euros and an implicit rate of 5.82%. As at 31 December 2018, it amounts to 54,198 thousand Euros (31 December 2017: 55,040 thousand Euros) (see note 43).

## 39. Tax Liabilities

Tax liabilities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Income tax | 162,835 | 86,645 | 114,820 | - |
| Withholding tax | 41,465 | 36,269 | 1,150 | 1,176 |
| Value Added Tax (VAT) | 130,588 | 133,896 | 1,655 | 17,042 |
| Special taxes Brazil | 188,899 | 193,901 | - | - |
| Other taxes | 139,939 | 204,296 | 1,021 | 955 |
| | 663,726 | 655,007 | 118,646 | 19,173 |

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Non-Current | 97,637 | 91,551 | - | - |
| Current | 566,089 | 563,456 | 118,646 | 19,173 |
| | 663,726 | 655,007 | 118,646 | 19,173 |

As at 31 December 2018, the captions Income tax and Special taxes Brazil include the amount of 87,362 thousand Euros (388,236 thousand Brazilian Reais), corresponding to the recognised liability value of 115,868 thousand Euros (514,917 thousand Brazilian Reais) net of payments (see note 26).

## 40. Non-Current Assets and Liabilities Held for Sale

The criteria for classifying assets and liabilities as held for sale and discontinued operations, as well as their presentation in EDP Group's consolidated financial statements, are described in the Group's accounting policies.

This caption is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| **Assets held for sale** | | |
| Electricity generation assets - United Kingdom | 7,546 | 58,179 |
| Electricity generation assets - Brazil | - | 10,271 |
| Electricity generation assets - Portugal | - | 161,819 |
| Other assets | 3,519 | 866 |
| | 11,065 | 231,135 |
| **Liabilities held for sale** | | |
| Electricity generation liabilities - Brazil | - | 3,262 |
| Electricity generation liabilities - Portugal | - | 111,419 |
| | - | 114,681 |
| | 11,065 | 116,454 |

In 2017, EDPR Group committed to the plan of selling and consequent loss of control of Moray Offshore Windfarm (East) Limited, so, according to the analysis performed under IFRS 5, this sale was considered highly probable, and as at 30 June 2017, its assets and liabilities were classified as held for sale. During to 2017, EDPR Group finished the sale to Engie of 23.3% of the equity shareholding and shareholder loans of the company with a subsequent loss of control. On 23 March 2018, EDPR Group sold 20% of the equity shareholding and shareholder loans of the company to Diamond Generation Europe Limited (DGE) for an amount of 36 million Pounds (see notes 6 and 13). On 14 November 2018, EDPR Group sold 13.4% of the equity shareholding and shareholder loans of the company to DGE for an amount of 54 million Pounds (see notes 6 and 13). In addition, on 28 December 2018, EDPR Group sold 10% of the equity shareholding and shareholder loans of the company to China Three Gorges (Europe) S.A. (CTG EU) for an amount of 38 million Pounds (see notes 6 and 13). As at 31 December 2018, the assets attributable to the remaining capital shares and respective loans that will be disposed are recognised in non-current assets held for sale in the amount of 7,546 thousand Euros.

During the last quarter of 2017, the EDP Brasil Group has started the process of selling Costa Rica Energética, Ltda. As at 31 December 2017, the assets and liabilities attributable to the remaining capital shares and respective loans that will be disposed are recognised in non-current assets held for sale. On 6 September 2018, the sale to CEI - Energética Ltda was concluded for the amount of 10,130 thousand Euros, generating a gain of 5,447 thousand Euros (see notes 6 and 8). At the transaction date, Costa Rica held 1,007 thousand Euros in the caption of Cash and cash equivalents.

In the last quarter of 2017, the EDP Group started the sale process of EDP Small Hydro, S.A. and Pebble Hydro - Consultoria, Investimento e Serviços, Lda. As at 31 December 2017, the assets and liabilities attributable to the remaining capital shares and respective loans that will be disposed are recognised in non-current assets held for sale. On 19 December 2018, the sale to Aguia Enlica, Lda. was concluded for the amount of 81 million Euros, generating a gain of 1,542 thousand Euros (see notes 6 and 8). At the transaction date, EDP Small Hydro, S.A. e Pebble Hydro - Consultoria, Investimento e Serviços, Lda. held 17,233 thousand Euros in the caption of Cash and cash equivalents.

In 2018, the EDP Group started the sale process of EDP Produção Bioeléctrica, S.A. As at 30 September 2018, the financial interest included in the financial statements of the EDP Group accounted by the equity method (16,952 thousands of Euros) and the loans granted (14,794 thousands of Euros) to EDP Produção Bioeléctrica, S.A. were presented as non-current assets held for sale (see notes 20 and 24). For the Company, the financial investment, recorded at historical cost, and the loans granted to EDP Produção Bioeléctrica, S.A., were reclassified to non-current assets held for sale. On 28 November 2018, EDP Group sold 50% of the equity shareholding and shareholder loans of the company to Altri, SGPS, S.A. for an amount of 56 million Euros (see notes 6 and 13).

These reclassifications were made only for financial statement presentation purposes, without changing the measurement criteria of these assets and liabilities, as it is expected that the fair value less costs to sell is higher than its book value, in accordance with IFRS 5.

## 41. Derivative Financial Instruments

In accordance with IAS 39, the Group classifies derivative financial instruments as fair value hedge of a recognised asset or liability (Fair value hedge), as cash flow hedge of recognised liabilities and highly probable future transactions (Cash flow hedge), as net investment hedge in foreign operations (Net investment hedge), or as held for trading, if or when they are not eligible for hedge accounting.

The fair value of the derivative financial instruments in EDP Group is as follows:

| | Dec 2018 | | Dec 2017 | |
|---|---|---|---|---|
| Thousand Euros | Assets | Liabilities | Assets | Liabilities |
| **Net Investment hedge** | | | | |
| Cross-currency interest rate swaps | 35,466 | -34,818 | 47,565 | -5,377 |
| Currency forwards | 2,696 | -15 | - | - |
| **Fair value hedge** | | | | |
| Interest rate swaps | 90,091 | - | 96,117 | -1,706 |
| Cross-currency interest rate swaps | 27,354 | -1,593 | 46,966 | - |
| **Cash flow hedge** | | | | |
| Interest rate swaps | 3,626 | -19,530 | 2,307 | -22,987 |
| Swaps related to gas commodity | 406 | -189,011 | 46,801 | -49,463 |
| Electricity swaps | 13,020 | -89,642 | 22,084 | -57,189 |
| Currency forwards associated to commodities | 67,507 | -2,001 | 21 | -8,208 |
| **Trading** | | | | |
| Interest rate swaps | 10,758 | -724 | 14,311 | -688 |
| Cross-currency interest rate swaps | 5,168 | -421 | 2,468 | -18,740 |
| Commodity swaps | 28,752 | -10,946 | 13,557 | -15,816 |
| Currency forwards | 1,553 | -442 | 180 | -4,109 |
| Commodity forwards | 2,043 | - | - | - |
| Commodity options purchased and sold | - | -3,201 | 847 | -1,331 |
| | 288,440 | -352,344 | 293,224 | -185,614 |

As at 31 December 2018, EDP Group holds contracts for the purchase and sale of commodities traded on futures exchange market, namely Chicago Mercantile Exchange, Intercontinental Exchange, European Energy Exchange and OMIP, whose fair value of the contracted operations is settled on a daily basis, and therefore it is not included in the balance sheet. The notional amount of these futures contracts amount to 1,950,088 thousand Euros with maturities ranged between 2019 and 2024 (31 December 2017: 827,571 thousand Euros, with maturity in 2018 and 2019), and the fair value held in EDP Group cash flow hedge reserves related to these operations is a negative amount of 76,482 thousand Euros (31 December 2017: negative amount of 37,968 thousand Euros).

The management of financial risk of EDP, S.A. and other EDP Group companies, is carried out centrally by EDP, S.A. (note 5). On this basis, EDP, S.A. negotiates derivative financial instruments with external entities to hedge its own individual business risks, as well as for other companies of the Group, performing for these entities' as an intermediate in their contracting.

The fair value of the derivative financial instruments at Company level is as follows:

| | Dec 2018 | | Dec 2017 | |
|---|---|---|---|---|
| Thousand Euros | Assets | Liabilities | Assets | Liabilities |
| **Cash flow hedge** | | | | |
| Swaps related to gas commodity | - | -95,180 | - | - |
| Electricity swaps | 31,921 | - | 3,298 | - |
| Currency forwards associated to commodities | 59,890 | -3 | - | - |
| **Fair value hedge** | | | | |
| Cross-currency interest rate swaps | - | - | 280,477 | - |
| **Trading** | | | | |
| Interest rate swaps | 99,066 | -91,357 | 109,910 | -96,278 |
| Cross-currency interest rate swaps | 94,298 | -30,003 | 84,857 | -15,441 |
| Commodity swaps | 233,550 | -129,685 | 206,344 | -165,147 |
| Currency forwards | 10,931 | -9,415 | 17,525 | -12,339 |
| Commodity forwards | 30,826 | -35,225 | 12,363 | -12,164 |
| Options purchased and sold | 3,420 | -3,204 | 767 | -1,988 |
| | 563,902 | -394,072 | 715,541 | -303,357 |

The fair value of derivative financial instruments is booked in Other debtors and other assets (see note 25) and Other liabilities and other payables (see note 38), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities, which are compared in each date of report to fair values available in common financial information platforms. Therefore, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of level 2 (see note 44) and no changes of level were made during this period. These entities use generally accepted discounted cash flow techniques and data from public markets.

Derivative financial instruments classified as trading are financial hedging instruments contracted for economic hedging at EDP Group level (see note 5), however such instruments are not eligible for hedge accounting under IFRS.

In 2018, the notional amounts per measurement unit of the derivative financial instruments in EDP Group, are as follows:

| Thousand Units | Unit | 2019 | 2020 | 2021 | 2022 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Net Investment hedge** | | | | | | | |
| Cross-currency interest rate swaps | Euros | 108,272 | 77,093 | 77,505 | 49,558 | 816,321 | 1,128,749 |
| Currency forwards | Euros | 567,352 | - | - | - | - | 567,352 |
| **Fair value hedge** | | | | | | - | |
| Interest rate swaps | Euros | 350,000 | 450,000 | - | 1,000,000 | 600,000 | 2,400,000 |
| Cross-currency interest rate swaps | Euros | - | - | - | - | 410,314 | 410,314 |
| **Cash flow hedge** | | | | | | | |
| Interest rate swaps | Euros | 109,678 | 118,326 | 120,560 | 151,091 | 288,992 | 788,647 |
| Swaps related to gas commodity | MWh | 32,850 | 40,262 | 24,482 | 22,713 | 37,913 | 158,220 |
| Electricity swaps | MWh | 10,870 | 5,018 | 1,831 | 772 | 585 | 19,076 |
| Currency forwards associated to commodities | Euros | 432,906 | 290,214 | 180,144 | 155,983 | 259,746 | 1,318,993 |
| **Trading** | | | | | | | |
| Interest rate swaps | Euros | - | 600,000 | - | - | 300,000 | 900,000 |
| Cross-currency interest rate swaps | Euros | 192,191 | - | - | - | - | 192,191 |
| Swaps related to gas commodity | MWh | 5,911 | 3,182 | - | - | - | 9,093 |
| Electricity swaps | MWh | 3,584 | 2,332 | 718 | 530 | 3,145 | 10,309 |
| Currency forwards | Euros | 79,438 | 10,744 | - | - | - | 90,182 |
| CO2 forwards | MT | 1,956 | - | - | - | - | 1,956 |
| Options purchased and sold | MWh | 438 | 439 | - | - | - | 877 |

In 2017, the notional amounts per measurement unit of the derivative financial instruments in EDP Group, were as follows:

| Thousand Units | Unit | 2018 | 2019 | 2020 | 2021 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Net Investment hedge** | | | | | | | |
| Cross-currency interest rate swaps | Euros | 30,535 | 29,723 | 66,450 | 63,274 | 549,558 | 739,540 |
| **Fair value hedge** | | | | | | | |
| Interest rate swaps | Euros | - | 350,000 | 500,000 | - | 1,600,000 | 2,450,000 |
| Cross-currency interest rate swaps | Euros | 103,922 | - | - | - | 410,314 | 514,235 |
| **Cash flow hedge** | | | | | | | |
| Interest rate swaps | Euros | 96,804 | 107,610 | 115,777 | 116,948 | 418,682 | 855,821 |
| Swaps related to gas commodity | MWh | 23,824 | 11,386 | 3,280 | - | - | 38,490 |
| Electricity swaps | MWh | 12,914 | 6,393 | 3,051 | 332 | 434 | 23,124 |
| Currency forwards associated to commodities | Euros | 164,134 | - | - | - | - | 164,134 |
| **Trading** | | | | | | | |
| Interest rate swaps | Euros | 470 | - | 600,000 | - | 300,000 | 900,470 |
| Cross-currency interest rate swaps | Euros | 150,000 | 130,703 | - | - | - | 280,703 |
| Swaps related to gas commodity | MWh | 4,444 | 1,549 | 3 | - | - | 5,996 |
| Electricity swaps | MWh | 3,020 | 1,673 | 312 | - | - | 5,005 |
| Currency forwards | Euros | 116,954 | 9,854 | 2,035 | - | - | 128,843 |
| Options purchased and sold | MWh | 1,586 | 438 | - | - | - | 2,024 |

In 2018, the notional amounts per measurement unit of the derivative financial instruments at Company level, are as follows:

| Thousand Units | Unit | 2019 | 2020 | 2021 | 2022 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Cash flow hedge** | | | | | | | |
| Swaps related to gas commodity | MWh | - | 22,698 | 22,706 | 22,713 | 37,913 | 106,030 |
| Electricity swaps | MWh | 15,785 | 659 | - | - | - | 16,444 |
| Currency forwards associated to commodities | Euros | 2,623 | 174,117 | 165,069 | 155,983 | 259,746 | 757,538 |
| **Trading** | | | | | | | |
| Interest rate swaps | Euros | 700,000 | 1,550,000 | - | 2,000,000 | 1,500,000 | 5,750,000 |
| Cross-currency interest rate swaps | Euros | 541,869 | 154,187 | 155,010 | 99,116 | 1,132,641 | 2,082,823 |
| Swaps related to gas commodity | MWh | 76,722 | 41,514 | 3,849 | - | - | 122,085 |
| Coal swaps | MT | 2,889 | - | - | - | - | 2,889 |
| Electricity swaps | MWh | 13,148 | 6,579 | 876 | 438 | 3,068 | 24,109 |
| Currency forwards | Euros | 1,898,520 | 224,036 | - | - | - | 2,122,556 |
| CO2 forwards | MT | 14,246 | - | - | - | - | 14,246 |
| Options purchased and sold | MWh | 876 | 878 | - | - | - | 1,754 |

In 2017, the notional amounts per measurement unit of the derivative financial instruments at Company level, were as follows:

| Thousand Units | Unit | 2018 | 2019 | 2020 | 2021 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Cash flow hedge** | | | | | | | |
| Electricity swaps | MWh | 437 | - | - | - | - | 437 |
| **Fair value hedge** | | | | | | | |
| Cross-currency interest rate swaps | Euros | 1,387,347 | - | - | - | - | 1,387,347 |
| **Trading** | | | | | | | |
| Interest rate swaps | Euros | - | 700,000 | 1,600,000 | - | 3,500,000 | 5,800,000 |
| Cross-currency interest rate swaps | Euros | 568,914 | 243,690 | 132,899 | 126,548 | 599,116 | 1,671,167 |
| Swaps related to gas commodity | MWh | 61,928 | 26,202 | 7,348 | - | - | 95,478 |
| Coal swaps | MT | 1,140 | - | - | - | - | 1,140 |
| Electricity swaps | MWh | 19,618 | 3,048 | 659 | - | - | 23,325 |
| Currency forwards | Euros | 906,713 | 9,854 | 2,035 | - | - | 918,602 |
| CO2 forwards | MT | 10,303 | - | - | - | - | 10,303 |
| Options purchased and sold | MWh | 1,314 | 876 | - | - | - | 2,190 |

In 2018, the future undiscounted cash flows of the derivative financial instruments in EDP Group, are as follows:

| Thousand Euros | 2019 | 2020 | 2021 | 2022 | Following years | Total |
|---|---|---|---|---|---|---|
| **Net Investment hedge** | | | | | | |
| Cross-currency interest rate swaps | -33,469 | -21,016 | -20,018 | -17,344 | -53,959 | -145,806 |
| Currency forwards | 2,681 | - | - | - | - | 2,681 |
| | -30,788 | -21,016 | -20,018 | -17,344 | -53,959 | -143,125 |
| **Fair value hedge** | | | | | | |
| Interest rate swaps | 32,263 | 27,032 | 16,538 | 26,557 | 16,011 | 118,401 |
| Cross-currency interest rate swaps | 15,847 | 15,741 | 15,867 | 15,825 | -6,158 | 57,122 |
| | 48,110 | 42,773 | 32,405 | 42,382 | 9,853 | 175,523 |
| **Cash flow hedge** | | | | | | |
| Interest rate swaps | -6,606 | -5,495 | -4,426 | -2,799 | -224 | -19,550 |
| Swaps related to gas commodity | -72,592 | -57,701 | -30,197 | -17,948 | -14,124 | -192,562 |
| Electricity swaps | -48,899 | -21,641 | -6,327 | -477 | -726 | -78,070 |
| Currency forwards associated to commodities | 3,160 | 15,215 | 16,968 | 13,337 | 18,223 | 66,903 |
| | -124,937 | -69,622 | -23,982 | -7,887 | 3,149 | -223,279 |
| **Trading** | | | | | | |
| Interest rate swaps | 2,687 | 7,508 | -89 | -90 | -223 | 9,793 |
| Cross-currency interest rate swaps | 3,022 | - | - | - | - | 3,022 |
| Commodity swaps | -1,582 | 6,773 | 2,785 | 1,437 | 12,234 | 21,647 |
| Currency forwards | 835 | 466 | 80 | - | - | 1,381 |
| Options purchased and sold | -2,538 | -664 | - | - | - | -3,202 |
| | 2,424 | 14,083 | 2,776 | 1,347 | 12,011 | 32,641 |
| Total | -105,191 | -33,782 | -8,819 | 18,498 | -28,946 | -158,240 |

In 2018, the future undiscounted cash flows of the derivative financial instruments at Company level, are as follows:

| Thousand Euros | 2019 | 2020 | 2021 | 2022 | Following Years | Total |
|---|---|---|---|---|---|---|
| **Cash flow hedge** | | | | | | |
| Swaps related to gas commodity | - | -35,186 | -30,281 | -17,948 | -14,124 | -97,539 |
| Electricity swaps | 26,193 | 5,677 | - | - | - | 31,870 |
| Currency forwards associated to commodities | -3 | 13,820 | 14,509 | 13,337 | 18,223 | 59,886 |
| | 26,190 | -15,689 | -15,772 | -4,611 | 4,099 | -5,783 |
| **Trading** | | | | | | |
| Interest rate swaps | 1,691 | 6,144 | -89 | -90 | -223 | 7,433 |
| Cross-currency interest rate swaps | 32,398 | -10,177 | -10,167 | -10,177 | -81 | 1,796 |
| Commodity swaps | 49,491 | 38,447 | 3,058 | 1,437 | 12,234 | 104,667 |
| Currency forwards | 1,240 | 466 | 80 | - | - | 1,786 |
| Commodity forwards | -4,397 | - | - | - | - | -4,397 |
| Commodity options purchased and sold | 110 | 110 | - | - | - | 220 |
| | 80,533 | 34,990 | -7,118 | -8,830 | 11,930 | 111,505 |
| Total | 106,723 | 19,301 | -22,890 | -13,441 | 16,029 | 105,722 |

The changes in the fair value, including accrued interest, of hedging instruments and risks being hedged are as follows:

| | | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|
| | | | Changes in fair value | | Changes in fair value | |
| Thousand Euros | Hedging instrument | Hedged risk | Instrument | Risk | Instrument | Risk |
| Net investment | Cross-curr. int. rate swaps | Subsidiaries in PLN, BRL, GBP, USD and CAD | -41,540 | 49,430 | 54,326 | -60,211 |
| Net investment | Currency forwards | Subsidiaries in USD | 2,681 | -2,681 | - | - |
| Fair value | Interest rate swap | Interest rate | -4,320 | 4,347 | -34,311 | 34,256 |
| Fair value | Cross-curr. int. rate swaps | Exchange and interest rate | -21,205 | 19,739 | 33,731 | -27,669 |
| Cash flow | Interest rate swap | Interest rate | 4,776 | -4,776 | 32,650 | -32,650 |
| Cash flow | Currency forwards | Exchange rate | 73,693 | -73,693 | -15,904 | 15,904 |
| Cash flow | Commodity swaps | Commodity prices | -227,460 | 227,460 | -75,203 | 75,203 |
| | | | -213,375 | 219,826 | -4,711 | 4,833 |

Considering that hedging derivative financial instruments are contracted with a high correlation of critical terms, namely in the same currency and at the same indexes, the hedge ratio between the hedging instruments and the hedged instruments is 1:1.

During 2018 and 2017 the following market inputs were considered for the fair value calculation:

| Instrument | Market input |
|---|---|
| Cross-curr. int. rate swaps | Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Libor 3M, Libor 6M, Daily CDI, Wibor 3M and Robor 3M; and exchange rates: EUR/CHF, EUR/GBP, EUR/BRL, EUR/PLN, EUR/CAD, USD/BRL, USD/JPY, EUR/RON and EUR/USD. |
| Interest rate swaps | Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Wibor 6M, US Libor 3M and CAD Libor 3M. |
| Currency forwards | Fair value indexed to the following exchange rates: EUR/USD, EUR/PLN, EUR/BRL, EUR/GBP and USD/BRL. |
| Commodity swaps | Fair value indexed to the market quotes of the following commodities: Brent, NBP Natural Gas, Electricity, Henry Hub, TTF, Coal and CO2. |

The changes in the fair value reserve related to cash flow hedges in 2018 and 2017 by nature of derivative financial instruments in EDP Group, were as follows:

| Thousand Euros | Interest rate swaps | Commodity swaps | Currency forwards associated to commodities | Gross Amount | Deferred Tax | Total |
|---|---|---|---|---|---|---|
| **Balance as at 31 December 2016** | -47,150 | 72,207 | 18,178 | 43,235 | -13,749 | 29,486 |
| Fair value changes | 18,965 | -253,733 | -25,095 | -259,863 | 74,943 | -184,920 |
| Transfer to results from hedging | -5,383 | 39,155 | -579 | 33,193 | -10,815 | 22,378 |
| Transfers included in the initial cost of inventories from hedging of commodity prices | - | 81,300 | -1,894 | 79,406 | -22,788 | 56,618 |
| Changes resulting from acquisitions/sales without | 74 | 377 | - | 451 | -155 | 296 |
| **Balance as at 31 December 2017** | -33,494 | -60,694 | -9,390 | -103,578 | 27,436 | -76,142 |
| Fair value changes | 16,220 | -167,554 | 70,290 | -81,044 | 22,206 | -58,838 |
| Transfer to results from hedging | 6,409 | -125,832 | 1,503 | -117,920 | 30,217 | -87,703 |
| Transfers included in the initial cost of inventories from hedging of commodity prices | - | 34,262 | -7 | 34,255 | -10,403 | 23,852 |
| Comprehensive Income changes in associates | -17,452 | - | - | -17,452 | 2,968 | -14,484 |
| **Balance as at 31 December 2018** | -28,317 | -319,818 | 62,396 | -285,739 | 72,424 | -213,315 |

The changes in the fair value reserve related to cash flow hedges in 2018 and 2017 by nature of derivative financial instruments at Company level, were as follows:

| Thousand Euros | Commodity swaps | Currency forwards associated to commodities | Gross Amount | Deferred Tax | Total |
|---|---|---|---|---|---|
| **Balance as at 31 December 2016** | 54,218 | - | 54,218 | -16,035 | 38,183 |
| Fair value changes | 88,465 | - | 88,465 | -19,903 | 68,562 |
| Transfer to results from hedging | -135,187 | - | -135,187 | 34,212 | -100,975 |
| **Balance as at 31 December 2017** | 7,496 | - | 7,496 | -1,726 | 5,770 |
| Fair value changes | 13,251 | 59,886 | 73,137 | -16,456 | 56,681 |
| Transfer to results from hedging | -82,295 | - | -82,295 | 18,516 | -63,779 |
| **Balance as at 31 December 2018** | -61,548 | 59,886 | -1,662 | 334 | -1,328 |

Changes in fair value for the period, on consolidated and individual basis, in the fair value reserve include: (i) contracts for the purchase and sale of commodities traded on futures exchange market whose fair values are settled on a daily basis, and therefor are not in the statement of financial position; and (ii) fair value variation of derivative financial instruments contracted and settled within the same period.

The gains and losses on the financial instruments portfolio, excluding accrued interest, booked in the Income Statement in 2018 and 2017 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Commodity derivatives held for trading | 10,055 | -33,681 | -1,816 | -15,404 |
| Debt derivatives held for trading | 10,390 | 10,006 | -16,774 | 34,274 |
| Net investment hedge - ineffectiveness | 9,583 | -5,148 | - | - |
| Fair value hedges: | | | | |
| -Derivatives | -25,525 | -580 | 8,033 | -296,317 |
| -Hedged liabilities | 24,086 | 6,587 | -8,033 | 296,317 |
| Cash flow hedges: | | | | |
| -Transfer to results from hedging of financial liabilities | 6,409 | -5,383 | - | - |
| -Transfer to results from hedging of commodity prices | -75,443 | 95,058 | 82,295 | 135,187 |
| | -40,445 | 66,859 | 63,705 | 154,057 |

The amount transferred to the Income Statement related to the hedging of commodity derivatives is included in the caption of Revenues and cost of Energy Sales and Services and Other.

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2018 are as follows:

| | Group | | | |
|---|---|---|---|---|
| | Notional Euro'000 | Currency | EDP Pays | EDP Receives |
| **Interest rate contracts:** | | | | |
| Interest rate swaps | 3,974,360 | EUR | [ 4,45% - -0,83% ] | [ 4,88% - -0,83% ] |
| Interest rate swaps | 50,189 | PLN | [ 2,78% - 2,48% ] | 1.81% |
| Interest rate swaps | 50,311 | USD | 1.86% | 1.00% |
| Interest rate swaps | 13,788 | CAD | 2.59% | 2.02% |
| **Currency and interest rate contracts:** | | | | |
| CIRS (currency interest rate swaps) | 428,723 | EUR/GBP | 3.67% | 8.63% |
| CIRS (currency interest rate swaps) | 79,460 | USD/JPY | 6.80% | 3.11% |
| CIRS (currency interest rate swaps) | 214,560 | EUR/PLN | [ 4,69% - 1,6% ] | [ 2,13% - -0,37% ] |
| CIRS (currency interest rate swaps) | 150,000 | EUR/RON | [ 3,79% - 3,34% ] | [ -0,31% - -0,32% ] |
| CIRS (currency interest rate swaps) | 32,724 | EUR/BRL | [ 6,01% - 5,94% ] | -0.31% |
| CIRS (currency interest rate swaps) | 42,192 | BRL/USD | [ 9,13% - 7,6% ] | [ 5,38% - 4,72% ] |
| CIRS (currency interest rate swaps) | 33,595 | EUR/CAD | [ 2,7% - 2,39% ] | [ -0,31% - -0,37% ] |
| CIRS (currency interest rate swaps) | 750,000 | USD/EUR | [ 3,68% - 3,20% ] | [ 1,5% - 1,130% ] |

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2017 were as follows:

| | Group | | | |
|---|---|---|---|---|
| | Notional Euro'000 | Currency | EDP Pays | EDP Receives |
| **Interest rate contracts:** | | | | |
| Interest rate swaps | 4,117,189 | EUR | [ 4.45% - -0.85% ] | [ 4.88% - -0.85% ] |
| Interest rate swaps | 14,511 | PLN | [ 2.78% - 2.48% ] | 1.81% |
| Interest rate swaps | 57,807 | USD | 1.86% | 1.00% |
| Interest rate swaps | 16,785 | CAD | 2.59% | 1.43% |
| **Currency and interest rate contracts:** | | | | |
| CIRS (currency interest rate swaps) | 410,314 | EUR/GBP | 3.66% | 8.63% |
| CIRS (currency interest rate swaps) | 74,069 | USD/JPY | 6.80% | 3.11% |
| CIRS (currency interest rate swaps) | 174,087 | EUR/PLN | [ 2.11% - 1.39% ] | -0,33% |
| CIRS (currency interest rate swaps) | 150,000 | EUR/RON | [ 2.23% - 2.10% ] | -0,33% |
| CIRS (currency interest rate swaps) | 45,719 | EUR/BRL | [ 6.48% - 5.37% ] | -0,33% |
| CIRS (currency interest rate swaps) | 56,634 | BRL/USD | [ 12.66% - 11.13% ] | [ 4.34% - 3.53% ] |
| CIRS (currency interest rate swaps) | 103,922 | EUR/CHF | [ 3.96% - 3.80% ] | 4.01% |
| CIRS (currency interest rate swaps) | 19,734 | EUR/CAD | [ 1.93% - 1.82% ] | -0,33% |
| CIRS (currency interest rate swaps) | 500,000 | USD/EUR | [ 3.27% - 3.20% ] | 1.13% |

## 42. Commitments

Financial, operating and real guarantees granted by EDP Group, not included in the Statement of Financial Position, are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Financial guarantees** | | | | |
| EDP, S.A. | 114,862 | - | 114,862 | - |
| EDP Brasil Group | 1,340,507 | 1,297,333 | - | - |
| EDP Renováveis Group | 61,944 | 6,955 | - | - |
| | 1,517,313 | 1,304,288 | 114,862 | - |
| **Operating guarantees** | | | | |
| EDP, S.A. | 916,103 | 902,592 | 916,103 | 902,592 |
| EDP España Group | 271,908 | 303,101 | - | - |
| EDP Brasil Group | 597,453 | 604,285 | - | - |
| EDP Renováveis Group | 2,641,135 | 2,789,736 | - | - |
| | 4,426,599 | 4,599,714 | 916,103 | 902,592 |
| **Total** | 5,943,912 | 5,904,002 | 1,030,965 | 902,592 |
| **Real guarantees** | 3,360 | 7,762 | - | - |

The financial guarantees contracted as at 31 December 2018 and 2017 include 1,067,578 thousand Euros and 942,646 thousand Euros, respectively, related with loans obtained by Group companies and are already included in the consolidated debt.

The operating guarantees contracted as at 31 December 2018 and 2017, includes the amounts of 587,746 thousand Euros and 393,944 thousand Euros which, respectively, refer to corporate guarantees provided by EDP Renováveis relating to EDPR Renováveis Group commercial commitments already reflected in the Statement of Financial Position. Additionally, EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation, distribution and supply activities. The total guarantees outstanding include, at 31 December 2018 and 2017, 887,493 thousand Euros and 784,049 thousand Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

In addition to the information disclosed above:

i) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, willful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 31 December 2018 and 2017, EDPR's obligations under the tax equity agreements, in the amount of 1,131,899 thousand Euros and 1,258,661 thousand Euros, respectively, are already reflected under the caption Institutional Partnerships in USA; and

ii) The Group has also project finance loans and deposits constituted as collateral for financial guarantee, which are disclosed in note 33.

In the Group, the commitments relating to future lease payments under operating leases and purchase obligations are disclosed by maturity, as follows:

| | Dec 2018 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Operating lease commitments | 1,403,184 | 77,800 | 134,956 | 125,572 | 1,064,856 |
| Purchase obligations | 22,489,188 | 4,293,287 | 4,732,110 | 2,910,149 | 10,553,642 |
| | 23,892,372 | 4,371,087 | 4,867,066 | 3,035,721 | 11,618,498 |

| | Dec 2017 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Operating lease commitments | 1,407,125 | 89,961 | 135,379 | 117,551 | 1,064,234 |
| Purchase obligations | 20,597,417 | 4,524,876 | 5,108,130 | 2,784,960 | 8,179,451 |
| | 22,004,542 | 4,614,837 | 5,243,509 | 2,902,511 | 9,243,685 |

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

Purchase obligations include 12,451,745 thousand Euros essentially related with very long-term contracts for energy acquisition in the brazilian market (by regulatory imposition) which are updated with the respective projected rates and discounted at present value by a rate that represents the weighted average cost of capital (WACC) of the EDP Brasil Group, as follows:

| Thousand Euros | Dec 2018 | Dec 2017 |
|---|---|---|
| Purchase obligation - Present value | 12,451,745 | 14,481,883 |
| Purchase obligation - Nominal amount | 17,630,575 | 18,313,855 |

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

The nature of purchase obligations breaks down as follows:

| Thousand Euros | Dec 2018 | Dec 2017 |
|---|---|---|
| Fuel acquisition | 7,000,047 | 3,380,444 |
| Electricity acquisition | 11,387,475 | 12,900,272 |
| O&M contracts | 1,085,743 | 1,091,670 |
| Fixed assets, equipment and miscellaneous materials acquisition | 1,814,828 | 1,573,712 |
| Supply and assembly contract | 377,339 | 655,067 |
| Other supplies and services | 823,756 | 996,252 |
| | 22,489,188 | 20,597,417 |

The reduction in electricity purchase obligations is essentially due to the depreciation of Brazilian Real against the Euro during 2018.

The commitments for fuel and electricity acquisition are disclosed, by maturity, as follows:

| | Dec 2018 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Fuel acquisition | 7,000,047 | 1,037,552 | 1,280,406 | 883,382 | 3,798,707 |
| Electricity acquisition | 11,387,475 | 1,275,773 | 2,112,075 | 1,817,071 | 6,182,556 |
| | 18,387,522 | 2,313,325 | 3,392,481 | 2,700,453 | 9,981,263 |

| | Dec 2017 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Fuel acquisition | 3,380,444 | 1,004,412 | 1,208,262 | 539,094 | 628,676 |
| Electricity acquisition | 12,900,272 | 1,463,858 | 2,478,446 | 2,095,030 | 6,862,938 |
| | 16,280,716 | 2,468,270 | 3,686,708 | 2,634,124 | 7,491,614 |

As at 31 December 2018, purchase obligations of fixed assets, equipment and miscellaneous materials correspond to: (i) 1,533,404 thousand Euros relating to property, plant and equipment acquisition; (ii) 139,166 thousand Euros relating to intangible assets acquisition; and (iii) 142,258 thousand Euros relating to equipment and miscellaneous materials acquisition.

The commitments relating to future lease payments under finance leases and to short and medium-long term financial debt are disclosed in notes 16 and 33, respectively. The commitments relating to pension and medical plans and other benefits are disclosed in note 34. The commitments related to the joint ventures are disclosed in note 20.

EDP Group has the following liabilities arising from put options on investments, held by third parties:

- Put option related to 25% of the share capital of Tivano S.r.l., exercisable under certain conditions, between July 2016 and July 2020. The exercise price is 450 thousand Euros, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 31 December 2018 the put option amounts to 450 thousand Euros (31 December 2017: 1,618 thousand Euros);

- Put option related to 25% of the share capital of San Mauro S.r.l., exercisable under certain conditions, between March 2017 and March 2022. The exercise price corresponds to 25% of the final purchase price of the company, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 31 December 2018 the put option amounts to 1,301 thousand Euros (31 December 2017: 259 thousand Euros); and

- Put option related to 25% of the share capital of AW 2 S.r.l., exercisable under certain conditions, between April 2017 and April 2022. The exercise price corresponds to 25% of the final purchase price of the company, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 31 December 2018 the put option amounts to 292 thousand Euros (31 December 2017: 292 thousand Euros).

Some of the transactions related to the disposal of non-controlling interests while retaining control, carried out in previous years, incorporate contingent assets and liabilities according to the terms of the corresponding agreements.

At Company level, the commitments relating to future lease payments under operating leases and purchase obligations are disclosed, by maturity, as follows:

| | Dec 2018 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Operating lease commitments | 225,723 | 11,966 | 18,615 | 18,645 | 176,497 |
| Purchase obligations | 4,469,958 | 62,003 | 523,792 | 474,556 | 3,409,607 |
| | 4,695,681 | 73,969 | 542,407 | 493,201 | 3,586,104 |

| | Dec 2017 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Operating lease commitments | 237,620 | 12,134 | 21,076 | 18,571 | 185,839 |
| Purchase obligations | 110,693 | 51,796 | 58,897 | - | - |
| | 348,313 | 63,930 | 79,973 | 18,571 | 185,839 |

The caption Purchase obligations relates to O&M contracts.

## 43. Related Parties

**Shares held by company officers**

The number of shares of EDP S.A. held or attributable to company officers as at 31 December 2018 and 31 December 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| | Nr. of shares | Nr. of shares |
| **General and Supervisory Board** | | |
| China Three Gorges Corporation (represented by Eduardo de Almeida Catroga [1]) | - | 850,777,024 |
| China Three Gorges Corporation (represented by Dingming Zhang [3]) | 850,777,024 | - |
| China Three Gorges International Corp. (represented by Shengliang Wu [3]) | 850,777,024 | - |
| China Three Gorges (Europe), S.A. (represented by Dingming Zhang [1]) | - | 850,777,024 |
| China Three Gorges (Europe), S.A. (represented by Ignacio Herrero Ruiz [3]) | 850,777,024 | - |
| Draursa, S.A. (represented by Felipe Fernández Fernández) | 1,350 | 1,350 |
| Fernando Maria Masaveu Herrero | 265,065,136 | 265,065,136 |
| Mubadala Investment Company (represented by Mohammed Issa Khalfan Alhuraimel Alshamsi) | 115,236,553 | 148,431,999 |
| Sonatrach (represented by Ferhat Ounoughi [1]) | - | 87,007,433 |
| Sonatrach (represented by Karim Djebbour [2]) | 87,007,433 | - |
| Vasco Joaquim Rocha Vieira | 3,203 | 3,203 |
| Banco Comercial Português, S.A. (represented by Nuno Manuel da Silva Amado) | 88,989,949 | 89,126,167 |
| João Carvalho das Neves | 7,429 | 7,429 |
| | | |
| **Executive Board of Directors** | | |
| António Luís Guerra Nunes Mexia | 91,000 | 91,000 |
| António Fernando Melo Martins da Costa | 54,299 | 54,299 |
| João Manuel Manso Neto | 1,268 | 1,268 |
| João Manuel Veríssimo Marques da Cruz | 79,578 | 79,578 |
| Miguel Nuno Simões Nunes Ferreira Setas | 7,382 | 7,382 |
| Miguel Stilwell de Andrade | 140,000 | 140,000 |
| Nuno Maria Pestana de Almeida Alves [1] | - | 150,000 |
| Maria Teresa Isabel Pereira [2] | 71,281 | - |
| Rui Manuel Rodrigues Lopes Teixeira | 31,733 | 31,733 |

[1] Representative until 5 April 2018 therefore no information was reported related to 2018.
[2] Representative after 5 April 2018 therefore no information was reported related to 2017.
[3] Representative after 10 December 2018 therefore no information was reported related to 2017.

The EDP, S.A bonds and the number of shares of other EDP group companies held or attributable to company officers are disclosed in part I section A - Ownership structure of chapter 4 - Corporate governance.

**Remuneration of company officers**

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remunerations Committee appointed by the Shareholders' General Meeting, except for the remuneration of the members of the Executive Board of Directors (EBD), which is set by a Remunerations Committee appointed by the General and Supervisory Board (GSB).

*Short-term employee benefits*

During 2018, the annual fixed and variable remuneration cost accounted for the members of the EBD and the fixed remuneration of the GSB, was as follows:

| Thousand Euros | EBD | GSB |
|---|---|---|
| President | 1,572 | 515 |
| Members | 6,867 | 1,318 |
| | **8,439** | **1,833** |

The remuneration costs accounted with the EBD includes the amount of 2,688 thousand Euros related to the annual variable remuneration. This amount was calculated considering the best estimation of the variable remuneration for the year of 2018, in accordance with Remunerations Committee policy of the GSB, deducted from the correction of the accrual from the previous year compared with the amount paid.

Additionally, the Remunerations Committee policy of the GSB foresees, in certain circumstances, a variable multi-annual remuneration to the EBD members, corresponding to the current mandate (2016-2018). On this basis, an estimated amount of 12,835 thousand Euros was accrued (31 December 2017: 11,510 thousand Euros).

During 2018, the remuneration costs of the members of the Remunerations Committee of the General Assembly and Sustainability Committee amounted to 35,000 Euros and 15,750 Euros, respectively.

*Post-employment benefits*

EDP has no specific retirement benefits system in place for its directors. The remuneration fixed by the Remuneration Committee of the General and Supervisory Board provides for a retirement savings plan-type standard financial product for the members of the Executive Board of Directors, who contribute 10% (ten percent) of their net fixed annual remuneration. It was granted by decision of the General Meeting of 5 April 2018 as part of the remuneration policy statement. This financial product does not entail any cost to EDP in the future, as it is merely a subscription to a financial product while the members of the managing body hold their positions and is not covered by Article 402 (1) of the "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code).

**Audit and non audit fees**

In 2018, PwC fees relating to external audit and statutory audit of all subsidiaries of EDP Group, except Group EDP Brasil, amounted to 5,198,720 Euros. Additionally, the total fees charged by PwC for other assurance services, and other non audit services amounted to 875,459 Euros and 407,126 Euros, respectively.

In 2018, PwC Portugal fees relating to external audit and statutory audit of all subsidiaries of EDP Group in Portugal, amounted to 2,277,292 Euros. The total fees charged by PwC Portugal for other assurance of reliability services and other non audit services to subsidiaries of EDP Group in Portugal amounted to 639,465 Euros and 350,316 Euros, respectively.

**Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP**

In the course of its activity and regardless of their relevance, EDP concludes businesses and operations under normal market conditions for similar transactions with different entities, namely financial institutions, including holders of qualified shareholdings in EDP's share capital and those related parties.

On 11 May 2012, after the strategic partnership agreement concluded with China Three Gorges Corporation (CTG) came into effect in December 2011, this company (and three other group companies) became part of EDP's General and Supervisory Board.

Under the strategic partnership with China Three Gorges Corporation, on 28 June 2013 EDP Renováveis, S.A. sold for a total final price of 368 million Euros to a CTG Group company (CITIC CWEI Renewables S.C.A.) a 49% shareholding in EDP Renováveis Portugal and 25% of the shareholder loans capital and supplementary capital contributions under the applicable rules for additional contributions granted to this company.

Also under this partnership, on 6 December 2013, EDP Brasil signed a memorandum of understanding with CWE Investment Corporation (CWEI), currently designated as China Three Gorges Corporation, a wholly owned subsidiary of CTG, setting out the main guidelines for a future partnership in joint investments between EDP Brasil and CWEI and that governs parties' participation in joint projects in Brazil. These investments by CWEI Brasil will be considered for purposes of fulfilment of the strategic partnership agreement in relation to the total investment of 2 billion Euros to be made by CTG up to 2015 (including co-funding of operating investments) in ready-to-build and operational renewable energy generation projects.

On 19 May 2015, EDP Renováveis, S.A. has completed the sale to CTG, of a 49% equity shareholding in selected wind farms in Brazil. This transaction was recognised as a sale without loss of control, having the Group recognised non-controlling interests of 50,943 thousand Euros and an impact in reserves attributable to the Group of 10,337 thousand Euros in 2015.

On 27 October 2016, the transaction relating with the sale of the minority interest in the wind generation assets of EDP Renováveis in Italy and Poland to CTG which purchase and sale agreement was signed on 28 December 2015. CTG, through ACE Poland S.A.R.L. and ACE Italy S.A.R.L., both owned in 100% by ACE Investment Fund LP, an entity owned by China Three Gorges Hong Kong Ltd, subsidiary of CTG, formalised the payment of approximately 363 million Euros corresponding to the final price agreed between the parties.

On 30 June 2017, EDP Renewables, SGPS, S.A. has completed the sale to ACE Portugal S.A.R.L. (CTG Group), of a 49% equity shareholding in EDPR PT-PE. This transaction was recognised as a sale without loss of control, having the Group recognised non-controlling interests of 135,679 thousand Euros and an impact in reserves attributable to the Group of 74,419 thousand Euros in 2017.

On 28 December 2018, EDP Renováveis S.A. has completed the sale to CTG, of a 10% equity stake and respective shareholder loans on Moray Offshore Windfarm (East) Limited, for the total amount of 35 million Pounds (see note 6).

**Balances and transactions with companies of China Three Gorges Group**

In accordance with the EDP/CTG strategic partnership, EDP Renováveis Group has completed the sale of 49% of EDPR Portugal, EDPR Brasil, EDPR PT-PE, EDPR Italia and EDPR Polska to CTG Group.

Following these transactions, CTG Group granted shareholders loans to the EDPR Group in the amount of 264,440 thousand Euros including accrued interests (31 December 2017: 300,368 thousand Euros) (see note 38), and interests were booked in the amount of 3,036 thousand Euros (31 December 2017: 7,167 thousand Euros).

During 2018, EDPR Portugal distributed dividends to CTG in the amount of 23,520 thousand Euros.

**Balances with EDP Pension and Medical and Death Subsidy Funds**

In December 2015, EDP, S.A. signed a lease contract related with the building units of the Porto headquarters (sold to the EDP Pension Fund in December 2015) for a period of 25 years with an implicit rate of 6.42%. As at 31 December 2018, the present value of the contract amounts to 30,221 thousand Euros (31 December 2017: 30,808 thousand Euros) (see note 38).

In September 2017, EDP, S.A. signed a lease contract related with the building of the Lisbon headquarters (given as an in-kind contribution to the EDP Medical and Death Subsidy Funds) for a period of 25 years with an implicit rate of 5.82%. As at 31 December 2018, the present value of the contract amounts to 54,198 thousand Euros (31 December 2017: 55,040 thousand Euros) (see note 38).

Following the decision and implementation of the automisation of the Medical Plan and Death Subsidy Plan and in line with the financing plan approved by Insurance and Pension Funds Supervisory Authority (ASF), EDP Group has committed to make a total estimated contribution of 577 million Euros until 2023. During 2018, a contribution of 69,006 thousand Euros was made (see note 34).

**Balances and transactions with subsidiaries, joint ventures and associates**

In their ordinary course of business, EDP Group companies establish commercial transactions and operations with other Group companies, whose terms reflect current market conditions.

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

**Credits held**

| | 31 December 2018 | | | |
|---|---|---|---|---|
| Thousand Euros | Intra-Group Financial Mov. | Loans and Interests receivable | Other Credits | Total |
| EDP Comercial, S.A. | - | 75,479 | 240,528 | 316,007 |
| EDP Distribuição, S.A. | - | 1,808,458 | 35,446 | 1,843,904 |
| EDP España, S.A.U. | - | - | 7,153 | 7,153 |
| EDP Finance B.V. | - | 979,173 | 59,306 | 1,038,479 |
| EDP Produção, S.A. | - | 1,580,629 | 302,922 | 1,883,551 |
| EDP Imobiliária e Participações, S.A. | 753 | - | 1,490 | 2,243 |
| EDP IS, Lda. | - | 192,714 | 3,925 | 196,639 |
| EDP Renováveis, S.A. | - | - | 6,214 | 6,214 |
| EDP Servicios Financieros España, S.A.U. | 634,299 | - | 2,464 | 636,763 |
| EDP Serviço Universal, S.A. | - | - | 132,655 | 132,655 |
| EDP Renewables Europe, S.L.U. | - | - | 64,444 | 64,444 |
| EDP Comercializadora, S.A.U. | - | - | 77,693 | 77,693 |
| EDP GÁS.COM - Comércio de Gás Natural, S.A. | 9,827 | 10,038 | 7,277 | 27,142 |
| Other | 31,118 | 32,657 | 53,966 | 117,741 |
| | 675,997 | 4,679,148 | 995,483 | 6,350,628 |

The amount of 979,173 thousand Euros refers to the repurchase in market by EDP, S.A. of six bond issues issued by EDP Finance B.V.

| | 31 December 2017 | | | |
|---|---|---|---|---|
| Thousand Euros | Intra-Group Financial Mov. | Loans and Interests receivable | Other Credits | Total |
| EDP Comercial, S.A. | - | 75,946 | 303,097 | 379,043 |
| EDP Distribuição, S.A. | - | 1,921,941 | 57,074 | 1,979,015 |
| EDP España, S.A.U. | - | - | 55,405 | 55,405 |
| EDP Finance B.V. | - | 849,849 | 38,944 | 888,793 |
| EDP Produção, S.A. | 280,059 | 4,875,717 | 143,603 | 5,299,379 |
| EDP Imobiliária e Participações, S.A. | - | 15,842 | 264 | 16,106 |
| EDP IS, Lda. | 8,008 | 192,694 | 40 | 200,742 |
| EDP Renováveis, S.A. | - | - | 284,964 | 284,964 |
| EDP Servicios Financieros España, S.A.U. | 354,641 | 885,497 | 10,355 | 1,250,493 |
| EDP Serviço Universal, S.A. | - | - | 38,839 | 38,839 |
| Other | 45,370 | 49,364 | 166,884 | 261,618 |
| | 688,078 | 8,866,850 | 1,099,469 | 10,654,397 |

**Debits held**

| Thousand Euros | 31 December 2018 Intra-Group Financial Mov. | Loans and Interests payable | Other Debits | Total |
|---|---|---|---|---|
| EDP Distribuição, S.A. | 596,126 | - | 11,195 | 607,321 |
| EDP Comercial, S.A. | 32,669 | - | 939 | 33,608 |
| EDP Finance B.V. | - | 11,423,451 | 106,359 | 11,529,810 |
| EDP Produção, S.A. | 355,986 | - | 463,736 | 819,722 |
| EDP Renováveis, S.A. | - | - | 6,261 | 6,261 |
| EDP Serviço Universal, S.A. | 1 | - | 9,976 | 9,977 |
| EDP España, S.A.U. | - | - | 6,359 | 6,359 |
| EDP Comercializadora, S.A.U | - | - | 4,441 | 4,441 |
| Other | 45,699 | - | 46,611 | 92,310 |
| | 1,030,481 | 11,423,451 | 655,877 | 13,109,809 |

The amount of 11,423,451 thousand Euros includes 6 intragroup bonds issued by EDP S.A. and acquired by EDP Finance BV. As at 31 December 2018, its total amount is 8,885,815 thousand Euros, with fixed and variable rate at medium-long term (3, 5, 7 and 10 years).

| Thousand Euros | 31 December 2017 Intra-Group Financial Mov. | Loans and Interests payable | Other Debits | Total |
|---|---|---|---|---|
| EDP Distribuição, S.A. | 62,381 | - | 25,805 | 88,186 |
| EDP Finance B.V. | - | 13,641,435 | 99,116 | 13,740,551 |
| EDP Produção, S.A. | - | - | 401,756 | 401,756 |
| EDP Imobiliária e Participações, S.A. | 7,068 | - | 2,593 | 9,661 |
| Pebble Hydro | - | 41,500 | 1,023 | 42,523 |
| Other | 127,725 | 3,336 | 220,954 | 352,015 |
| | 197,174 | 13,686,271 | 751,247 | 14,634,692 |

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

**Expenses**

| Thousand Euros | 31 December 2018 Interest on Intra-Group Financial Mov. | Interest on Loans Obtained | Other Losses | Total |
|---|---|---|---|---|
| EDP Finance B.V. | - | 251,060 | 98,812 | 349,872 |
| EDP Produção, S.A. | - | - | 1,845,253 | 1,845,253 |
| EDP España, S.A.U. | - | - | 195,031 | 195,031 |
| EDP Comercializadora, S.A.U. | - | - | 22,189 | 22,189 |
| Other | 65 | 2 | 62,393 | 62,460 |
| | 65 | 251,062 | 2,223,678 | 2,474,805 |

| Thousand Euros | 31 December 2017 Interest on Intra-Group Financial Mov. | Interest on Loans Obtained | Other Losses | Total |
|---|---|---|---|---|
| EDP Finance B.V. | - | 384,093 | 103,721 | 487,814 |
| EDP Produção, S.A. | - | - | 1,356,622 | 1,356,622 |
| EDP España, S.A.U. | - | - | 105,647 | 105,647 |
| Other | 24 | 40 | 99,143 | 99,207 |
| | 24 | 384,133 | 1,665,133 | 2,049,290 |

**Income**

| Thousand Euros | 31 December 2018 Interest on Intra-Group Financial Mov. | Interest on Loans Granted | Other Gains | Total |
|---|---|---|---|---|
| EDP Comercial, S.A. | 26 | 2,471 | 1,172,184 | 1,174,681 |
| EDP Distribuição, S.A. | 61 | 59,876 | 121,186 | 181,123 |
| EDP España, S.A.U. | - | - | 918,145 | 918,145 |
| EDP Produção, S.A. | 141 | 74,760 | 515,936 | 590,837 |
| EDP Soluções Comerciais | 128 | - | 23,907 | 24,035 |
| EDP Finance B.V. | - | 24,060 | 97,721 | 121,781 |
| Hidrocantábrico Distribución Eléctrica S.A.U. | - | - | 19,707 | 19,707 |
| EDP Comercializadora, S.A.U | - | - | 127,631 | 127,631 |
| EDP Renováveis, S.A. | - | - | 93,301 | 93,301 |
| EDP Renewables Europe, S.L.U. | - | - | 53,608 | 53,608 |
| Other | 191 | 14,541 | 73,958 | 88,690 |
| | 547 | 175,708 | 3,217,284 | 3,393,539 |

Other gains include income from equity investments of 818,342 thousand Euros (see note 13).

| Thousand Euros | 31 December 2017 Interest on Intra-Group Financial Mov. | Interest on Loans Granted | Other Gains | Total |
|---|---|---|---|---|
| EDP Comercial, S.A. | 115 | 2,471 | 980,106 | 982,692 |
| EDP Distribuição, S.A. | 1,395 | 86,038 | 59,107 | 146,540 |
| EDP España, S.A.U. | - | - | 565,475 | 565,475 |
| EDP Produção, S.A. | 992 | 213,035 | 569,564 | 783,591 |
| EDP Finance B.V. | - | 26,736 | 99,928 | 126,664 |
| EDP Renováveis, S.A. | - | - | 102,589 | 102,589 |
| Other | 500 | 41,387 | 336,517 | 378,404 |
| | 3,002 | 369,667 | 2,713,286 | 3,085,955 |

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

**Assets and Liabilities**

| Thousand Euros | 31 December 2018 Assets | Liabilities | Net Value |
|---|---|---|---|
| **Joint Ventures** | | | |
| Hydro Global Investment, Ltda. | 12,891 | - | 12,891 |
| Empresa de Energia Cachoeira Caldeirão, S.A. | 755 | 58 | 697 |
| Empresa de Energia São Manoel, S.A. | 451 | 605 | -154 |
| Cide HC Energía, S.A. | 3,752 | 2,094 | 1,658 |
| Éoliennes en Mer Dieppe - Le Tréport, S.A.S. | 8,131 | - | 8,131 |
| Moray West Holdings Limited | 5,149 | - | 5,149 |
| Windplus, S.A. | 5,652 | - | 5,652 |
| HC Tudela Cogeneración, S.L. | 1,970 | 1,716 | 254 |
| Other | 12,880 | 1,691 | 11,189 |
| | 51,631 | 6,164 | 45,467 |
| **Associates** | | | |
| MABE Construção e Administração de Projectos, Ltda. | 5,126 | - | 5,126 |
| Parque Eólico Sierra del Madero, S.A. | 12,785 | - | 12,785 |
| Other | 7,259 | 1,660 | 5,599 |
| | 25,170 | 1,660 | 23,510 |
| | 76,801 | 7,824 | 68,977 |

| Thousand Euros | 31 December 2017 Assets | Liabilities | Net Value |
|---|---|---|---|
| **Joint Ventures** | | | |
| EDP Produção Bioeléctrica | 15,214 | 3,635 | 11,579 |
| Empresa de Energia Cachoeira Caldeirão | 499 | 1,209 | -710 |
| Empresa de Energia São Manoel | 28,311 | - | 28,311 |
| Cide HC Energía | 7,677 | 143 | 7,534 |
| Moray Offshore Windfarm (East) | 19,282 | - | 19,282 |
| Other | 6,612 | 3,916 | 2,696 |
| | 77,595 | 8,903 | 68,692 |
| **Associates** | | | |
| MABE Construção e Administração de Projectos | 5,288 | - | 5,288 |
| Parque Eólico Sierra del Madero | 12,785 | - | 12,785 |
| Other | 13,073 | 21 | 13,052 |
| | 31,146 | 21 | 31,125 |
| | 108,741 | 8,924 | 99,817 |

**Transactions**

| Thousand Euros | 31 December 2018 Operating Income | Financial Income | Operating Expenses | Financial Expenses |
|---|---|---|---|---|
| ***Joint Ventures*** | | | | |
| Cide HC Energía, S.A. | 101,547 | 19 | 131 | - |
| Empresa de Energia Cachoeira Caldeirão, S.A. | 4,970 | - | - | - |
| Empresa de Energia São Manoel, S.A. | 2,620 | - | 11,696 | - |
| Moray East Holdings Limited | - | 1,564 | - | - |
| Porto do Pecém Transportadora de Minérios | 305 | - | 6,610 | - |
| Other | 19,789 | 1,077 | 9,332 | - |
| | 129,231 | 2,660 | 27,769 | - |
| **Associates** | | | | |
| MABE Construção e Administração de Projectos, Ltda. | 110 | 312 | - | - |
| Desarrollos Eólicos de Canarias, S.A. | 139 | - | 34 | - |
| Parque Eólico Sierra del Madero | 9 | 456 | - | - |
| Parque Eólico Belmonte, S.A. | 667 | 31 | - | - |
| Other | - | 255 | 34 | 34 |
| | 925 | 1,054 | 68 | 34 |
| | 130,156 | 3,714 | 27,837 | 34 |

| Thousand Euros | 31 December 2017 Operating Income | Financial Income | Operating Expenses | Financial Expenses |
|---|---|---|---|---|
| ***Joint Ventures*** | | | | |
| EDP Produção Bioeléctrica | 1,519 | 188 | 48,466 | - |
| Cide HC Energía | 91,100 | 24 | 253 | - |
| Other | 22,574 | 1,835 | 30,065 | - |
| | 115,193 | 2,047 | 78,784 | - |
| **Associates** | | | | |
| MABE Construção e Administração de Projectos | 132 | 515 | - | - |
| Desarrollos Eólicos de Canarias | 1,087 | - | 7 | - |
| Other | 840 | 815 | 31 | - |
| | 2,059 | 1,330 | 38 | - |
| | 117,252 | 3,377 | 78,822 | - |

## 44. Fair Value of Financial Assets and Liabilities

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through quotations supplied by third parties or through internal models, which are based on cash flow discounting techniques and option valuation models. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors, including credit risk.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg).

As at 31 December 2018 and 2017, the following table presents the interest rate curves of the major currencies to which the Group is exposed used for cash flow discount (in addition to the rates listed below, the Group adjusts discount rates for credit risk):

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Currency | | Currency | |
| | EUR | USD | EUR | USD |
| 3 months | -0.31% | 2.81% | -0.33% | 1.69% |
| 6 months | -0.24% | 2.88% | -0.27% | 1.84% |
| 1 year | -0.12% | 3.01% | -0.19% | 2.11% |
| 2 years | -0.17% | 2.66% | -0.15% | 2.08% |
| 3 years | -0.07% | 2.59% | 0.01% | 2.17% |
| 4 years | 0.06% | 2.57% | 0.17% | 2.21% |
| 5 years | 0.20% | 2.57% | 0.31% | 2.24% |
| 6 years | 0.34% | 2.60% | 0.44% | 2.28% |
| 7 years | 0.47% | 2.62% | 0.56% | 2.31% |
| 8 years | 0.59% | 2.65% | 0.67% | 2.34% |
| 9 years | 0.71% | 2.68% | 0.78% | 2.37% |
| 10 years | 0.81% | 2.71% | 0.89% | 2.40% |

The fair value of financial assets and liabilities is as follows:

| | Dec 2018 | | | Dec 2017 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Carrying amount | Fair value | Difference | Carrying amount | Fair value | Difference |
| **Assets** | | | | | | |
| Available for sale investments | - | - | - | 124,016 | 124,016 | - |
| Equity instruments at fair value | 125,147 | 125,147 | - | - | - | - |
| Debtors/other assets from commercial activities | 5,690,119 | 5,690,119 | - | 6,165,109 | 6,165,109 | - |
| Other debtors and other assets | 935,988 | 935,988 | - | 530,176 | 530,176 | - |
| Derivative financial instruments | 288,440 | 288,440 | - | 293,224 | 293,224 | - |
| Financial assets at fair value through profit or loss | - | - | - | 37,544 | 37,544 | - |
| Collateral deposits/financial debt | 192,891 | 192,891 | - | 45,255 | 45,255 | - |
| Cash and cash equivalents | 1,803,205 | 1,803,205 | - | 2,400,077 | 2,400,077 | - |
| | 9,035,790 | 9,035,790 | - | 9,595,401 | 9,595,401 | - |
| **Liabilities** | | | | | | |
| Financial debt | 16,084,899 | 16,693,030 | 608,131 | 16,917,765 | 17,841,974 | 924,209 |
| Suppliers and accruals | 1,984,796 | 1,984,796 | - | 1,587,047 | 1,587,047 | - |
| Institutional partnerships in USA | 2,231,249 | 2,231,249 | - | 2,163,722 | 2,163,722 | - |
| Trade/other payables from commercial activities | 2,650,091 | 2,650,091 | - | 2,763,247 | 2,763,247 | - |
| Other liabilities and other payables | 1,175,477 | 1,175,477 | - | 973,510 | 973,510 | - |
| Derivative financial instruments | 352,344 | 352,344 | - | 185,614 | 185,614 | - |
| | 24,478,856 | 25,086,987 | 608,131 | 24,590,905 | 25,515,114 | 924,209 |

Given that EDP Group's financial assets and liabilities, recognised at amortised cost, are predominantly short-term and level 2, changes in fair value were not considered. Fair value of EDP Group's loans was determined considering current market interest rates.

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

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

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

| | Dec 2018 | | | Dec 2017 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | | |
| Available for sale investments | - | - | - | - | 77,573 | 46,443 |
| Equity instruments at fair value through | | | | | | |
| other comprehensive income (note 21.1) | - | 74,535 | 18,752 | - | - | - |
| profit or loss (note 21.2) | - | - | 31,860 | - | - | - |
| Tariff deficit at fair value through other comprehensive income (see note 24) | - | 12,896 | - | - | - | - |
| Derivative financial instruments | - | 288,440 | - | - | 293,224 | - |
| Financial assets at fair value through profit or loss | - | - | - | - | - | 37,544 |
| | - | 375,871 | 50,612 | - | 370,797 | 83,987 |
| **Financial liabilities** | | | | | | |
| Derivative financial instruments | - | 352,344 | - | - | 185,614 | - |
| | - | 352,344 | - | - | 185,614 | - |

The movement in financial assets and liabilities included in Level 3 is as follows:

| | At fair value through | |
|---|---|---|
| Thousand Euros | other comprehen-sive income | profit or loss |
| **Balance at beginning of period** | 18,717 | 27,707 |
| Change in fair value | 129 | 2,582 |
| Acquisitions | 697 | 1,571 |
| Disposals | -940 | - |
| Other changes | 149 | - |
| **Balance at the end of the period** | 18,752 | 31,860 |

The balance at beginning of period refers to 1 January 2018, after adopting IFRS 9 (see note 21).

The assumptions used in the determination of Equity Instruments at Fair Value are described in note 21, as required by IFRS 13.

## 45. CO2 Licenses

The movements in the portfolio of CO2 Licenses held for trading and classified as inventories are as follows:

| | Group | |
|---|---|---|
| CO2 (Ton) | Dec 2018 | Dec 2017 |
| CO2 Licenses held for trading on 1 January | - | 5,854,000 |
| Licenses negotiated in the market | 15,967,000 | 10,820,000 |
| Emission Licenses transferred from trading portfolio to intangibles | -15,967,000 | -16,674,000 |
| CO2 Licenses held for trading on 31 December | - | - |
| CO2 Licenses for trading on 31 December (in thousand Euros) | - | - |

Purchases and sales of Licenses are booked based on the listed price on the transaction date. Emission Licenses transferred to the trading portfolios are classified as Inventories (see note 23), in accordance with Accounting policy - note 2 x).

Fair value corresponds to the spot price (closing price) at the end of December in each period.

## 46. Relevant or Subsequent Events

**Amendment of qualified shareholding - State Street Corporation**

On 4 January 2019, State Street Corporation notified EDP, that it had reached a qualifying shareholding of 73,174,854 ordinary shares of EDP, which correspond to a total of 2.00% of EDP's share capital and of the respective voting rights.

Subsequently, on 6 February 2019, State Street Corporation notified EDP about the amendment of its title of imputation on its qualifying shareholding, which represents 1.99% of EDP's share capital and of the respective voting rights. This action represents a reduction below 2.00% level of EDP's share capital.

**EDP issues "Green Hybrid Bond" of 1,000 million Euros**

On 23 January 2019, EDP - Energias de Portugal S.A. issued 1,000 million Euros of subordinated notes, with a first call option exercisable by EDP - Energias de Portugal S.A. 5 years after the issuance date, final maturity date in April 2079 and a yield of 4.5% up to the first reset date to happen 5 years and 3 months after issuance.

This issuance will be used for the financing or refinancing, in whole or in part, of EDP eligible Green project portfolio, which consists of renewable projects - wind and solar - of EDP Renováveis, as set out in EDP Green Bond framework.

**Amendment of qualified shareholding - Credit Suisse Group AG**

On 22 January 2019, Credit Suisse Group AG notified EDP, that it had reached a qualifying shareholding correspond to 2.28% of EDP's share capital and of the respective voting rights.

Credit Suisse Group AG crossed the 2% threshold of shareholding in EDP on 17 January 2019.

Subsequently, on 28 January 2019, Credit Suisse Group AG notified EDP about the amendment of its title of imputation on its qualifying shareholding, which represents 0.76% of EDP's share capital and of the respective voting rights. This action represents a reduction below 2.00% level of EDP's share capital.

**EDPR secures a 104 MW PPA relative to a new wind farm in the US**

On 12 February 2018, EDPR, 82.6% controlled by EDP, secured a Power Purchase Agreement (PPA) with Tri-State Generation & Transmission Association, Inc. which has the objective of selling energy produced by 104 MW from the new wind project, Crossing trails wind farm. This wind farm is located in the state of Colorado, USA, and the start of operations is expected for 2020.

With this new contract, EDPR has now secured, aproximatelly, 1.2 GW of long-term wind energy agreements in the USA for projects to be installed in 2019 and 2020.

## 47. EDP Branch in Spain

The aim of EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, interests in EDP Servicios Financieros (España), S.A.U. and EDP España, S.A.U. are directly allocated to the assets of EDP Sucursal, as well as the majority interest in EDP Renováveis, S.A.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed by an Executive Committee, a Management Committee and, by direct representation on iberian scope EDP Management Committees.

The Executive Committee is composed essentially by five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP in Spain, namely the Department of M&A ("Direcção de Projectos e Novos Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Administration and Finance ("Direcção de Administração e Finanças"), Department of Human Resources ("Direcção de Recursos Humanos"), Department of EDP Spain Foundation ("Direcção da Fundação EDP Espanha") and IT Department ("Direcção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory, being provided with 179 human resources as at 31 December 2018, including 110 in its own payroll. Lastly, the Spanish branch of EDP has direct representation on iberian scope EDP Management Committees, particularly the Energy Planning, Price and Volume, Markets, Distribution Networks, Commercial and Production Committees.

The condensed Statement of Financial Position of the Branch is as follows:

| Thousand Euros | EDP Branch Dec 2018 | EDP Branch Dec 2017 |
|---|---|---|
| Investments in subsidiaries: | | |
| - EDP Renováveis, S.A. | 4,154,431 | 4,154,431 |
| - EDP España, S.A.U. | 2,105,002 | 2,105,002 |
| - EDP Servicios Financieros (España), S.A.U. | 482,695 | 482,695 |
| - EDP International Investments and Services, S.L. | 281,854 | 281,854 |
| Deferred tax assets | 86,314 | 72,487 |
| Other debtors and others assets (see note 25) | 9,693 | 894,059 |
| Total Non-Current Assets | 7,119,989 | 7,990,528 |
| Other debtors and others assets | 666,695 | 733,390 |
| Tax receivable | 84,972 | 80,389 |
| Cash and cash equivalents | 67 | 1,454 |
| Total Current Assets | 751,734 | 815,233 |
| **Total Assets** | 7,871,723 | 8,805,761 |
| Equity | 7,724,853 | 6,933,048 |
| Employee benefits | 2,258 | 3,073 |
| Other liabilities and other payables | 67,351 | 199,279 |
| Provisions | - | 260 |
| Total Non-Current Liabilities | 69,609 | 202,612 |
| Employee benefits | 1,299 | - |
| Other liabilities and other payables (see note 38) | 74,021 | 1,652,768 |
| Tax payable | 1,941 | 17,333 |
| Total Current Liabilities | 77,261 | 1,670,101 |
| **Total Liabilities** | 146,870 | 1,872,713 |
| **Total Equity and Liabilities** | 7,871,723 | 8,805,761 |

## 48. Environmental Matters

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are booked as expenses for the period, except if they qualify to be recognised as an asset according with IAS 16.

Investments of an environmental nature booked as Property, plant and equipment and intangible assets during 2018 and 2017, in the Group, are as follows:

| Thousand Euros | Group Dec 2018 | Group Dec 2017 |
|---|---|---|
| Air and climate protection | 2,056 | 26,755 |
| Water management | 116 | 130 |
| Waste management | 346 | 3 |
| Soil, subterranean and surface water protection | 1,966 | 1,371 |
| Noise and vibration reduction | 262 | 430 |
| Biodiversity protection | 12,283 | 11,571 |
| Landscape protection | 15,687 | 9,382 |
| Energetic efficiency | 19,259 | 12,337 |
| Radiations management | 6 | 5 |
| Research and development in the environmental area | 105 | 9 |
| Other environmental management and protection activities | 16,901 | 11,203 |
| | 68,987 | 73,196 |

The variation of the caption Air and climate protection results essentially from the fact of Soto and Aboño denitrification system, which had a high investment in recent years, were already in place in 2017 and the investment in 2018 has been residual.

During the period, the Group recognised expenses that are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2018 | Dec 2017 |
| Air and climate protection | 144,146 | 115,066 |
| Water management | 13,987 | 8,069 |
| Waste management | 12,493 | 13,573 |
| Soil, subterranean and surface water protection | 1,182 | 2,243 |
| Noise and vibration reduction | 224 | 154 |
| Biodiversity protection | 4,188 | 4,399 |
| Landscape protection | 38 | 19 |
| Energetic efficiency | 7,703 | 8,470 |
| Radiations management | 10 | 15 |
| Research and development in the environmental area | 668 | 393 |
| Other environmental management and protection activities | 10,857 | 11,871 |
| | 195,496 | 164,272 |

In the course of a substantial analytical work about expenses of environmental nature incurred by EDP Group, the environmental matters report were changed. Therefore, the CO2 emissions licenses consumptions were included in the 2018 and 2017 report, as a Group environmental expense, in Air and climate protection (see note 7).

Under current and future socioeconomic trends and practices followed by the EDP Group regarding to environmental sustainability, the group accounts for provisions to cover the costs of dismantling, decommissioning, restoring and decontaminating land where electric power plants are located, of 86,963 thousand Euros and 58,900 thousand Euros for thermoelectric power plants located in Portugal and Spain, respectively. Regarding the liability to dismantle and restore the land where wind farms are located to its original condition, as at 31 December 2018, the provisions amount to 288,503 thousand Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 44,205 thousand Euros (see notes 2 n) and 35).

Environmental income recognised in 2018 relates to the sale of environmental waste of 6,606 thousand Euros (31 December 2017: 7,008 thousand Euros) and the sale of by-products of 248 thousand Euros (31 December 2017: 367 thousand Euros).

## 49. Investigation process about CMEC and DPH

In 2012, the European Commission (EC) and the Portuguese authorities (Public Prosecution Services) received complaints concerning the early termination of the Power Purchase Agreements (PPAs) and the costs for the contractual stability compensation (CMEC), as well as in respect of EDP's rights to use the Public Hydro Domain (DPH).

The above-mentioned investigation conducted by the Portuguese authorities is still pending.

As part of the liberalisation of the power sector in Portugal following changes in European Union legislation, Decree-Law no. 240/2004 was introduced which provided for the early termination of PPAs that were signed in 1996. As a result of this required early termination, EDP and REN - Rede Eléctrica Nacional, S.A. (REN) agreed in 2005 and in 2007 to the early termination of their long-term PPAs, with effect from 1 July 2007. The methodology which was used to determine the amount of the compensation that EDP was entitled to receive in connection with such early termination, the CMEC, was approved by the EC in 2004 (Decision N161/2004) which considered the compensation as effectively and strictly necessary.

On 8 March 2008, the Government, REN and EDP Produção signed several service concession arrangements for which EDP Produção paid approximately 759 million Euros as consideration of the economic and financial balance for the use of the DPH.

Following the complaint received, the EC requested clarifications from the Portuguese State in relation to the early termination of the PPAs and its replacement for the CMEC, having concluded in September 2013 that the compensation payments for early termination did not exceed what was necessary to repay the shortfall in investment costs repayable over the asset's lifetime, and determined that the implementation of the CMEC remains in keeping with the terms notified to and approved by the EC in 2004. Thus, the EC decided that no in depth investigation into the CMEC process was necessary.

In May 2017, the EC formally concluded its investigation into the DPH concession rights and stated that the compensation paid in connection with such concessions was compatible with market conditions. As a result, the EC concluded that the financial methodology used to assess the price of the concessions was appropriate and resulted in a fair market price, and therefore, no state aid had been granted to EDP.

On 2 June 2017, EDP became aware of Portugal's Public Prosecution Services investigation in relation to the amounts due to EDP for the termination of the PPAs and compensation paid by EDP for the DPH concessions. Portugal's Public Prosecution Services stated that the investigations continue and the facts may relate to active and passive corruption and economic participation in business and searches were conducted at the offices of EDP, grid operator REN and the local division of a consulting group. In the context of the Investigation, the Portuguese Public Prosecution Services stated that certain members of EDP's Executive Board of Directors, as well as former EDP directors, that had signed the relevant contracts were named as targets of the Investigation.

EDP does not accept any accusations of wrongdoing on its part nor on the part of any member of the EDP Group and believes that the amounts due for the termination of PPAs under the CMEC and the amount paid for the DPH concession rights were fair and in compliance with market conditions and based on arm's length transactions. However, it is difficult to predict any outcome at this early stage in the process as well as any potential impacts in the financial statements.

## 50. Operating Segments

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

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

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

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

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

The management of financial activities of all EDP Group entities (except Brazil) is undertaken centrally by the Financial Department at holding level, in accordance with policies approved by the Executive Board of Directors. As a result of this management, all financial operations and financial results are disclosed only at Group level.

The segments defined by the Group are the following:

• Generation and Supply in Iberia;
• Regulated Networks in Iberia;
• EDP Renováveis;
• EDP Brasil.

The Generation and Supply segment in Iberia corresponds to the activity of regulated and liberalised generation and supply of electricity in Portugal and Spain. This segment includes, namely, the following companies:

• EDP - Gestão da Produção de Energia, S.A.;
• Fisigen – Empresa de Cogeração, S.A.;
• Pebble-Hydro – Consultoria, Investimentos e Serviços, Lda. (until the closing date);
• EDP Small-Hydro, S.A. (until the closing date);
• Empresa Hidroeléctrica do Guadiana, S.A.;
• Central Térmica Ciclo Combinado Grupo 4, S.A.;
• EDP Comercial - Comercialização de Energia, S.A.;
• EDP - España, S.A.U.;
• EDP Comercializadora, S.A.U.
• EDP Gás.Com - Comércio de Gás Natural, S.A.;
• Greenvouga - Sociedade Gestora do Aproveitamento Hidroeléctrico do Ribeiradio-Ermida, S.A.

Additionally, this segment includes the Iberian energy management business unit (UNGE) as well as the elimination of transactions between companies identified above. UNGE is the EDP Group unit responsible for the management of purchases and sales of energy in the Iberian market, and also for the related hedging transactions.

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

• EDP Distribuição - Energia, S.A.;
• EDP Serviço Universal, S.A.;
• Electra de Llobregat Energía, S.L.;
• Hidrocantábrico Distribucion Eléctrica, S.A.U.;
• EDP Gás Serviço Universal, S.A.

The homologous previous period includes in this segment the gas distribution in Portugal and Spain, in particular the following companies, that were disposed during 2017:

• EDP Gás Distribuição, S.A. (until the closing date);
• Naturgás Energia Distribución, S.A.U. (until the closing date);
• EDP España Distribución Gas, S.A. (until the closing date);
• Naturgas Suministro GLP, S.A.U. (until the closing date).

The EDP Renováveis segment corresponds to the power generation activity through wind and solar energy resources and includes all the companies of EDPR Europe, EDPR North America and EDPR Brasil subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies composing this segment, including consolidation adjustments.

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

**Segment Definition**

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

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

In each business segment, Assets include the Property, Plant and Equipment, Intangible Assets, Goodwill, Trade Receivables and Inventories captions. The captions Debtors and other assets are allocated to each segment according to its nature. The remaining assets are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

In each business segment, Liabilities include the Provisions and Employee benefits captions. The captions Trade payables and other payables are allocated to each segment according to its nature. The remaining liabilities are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

Under IFRS 8, the EDP Group discloses as Operating investment, additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore, in each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment; Intangible Assets; and Amounts receivable from concessions - IFRIC 12 under the financial asset model, excluding CO2 licenses and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period. Goodwill is disclosed in note 18.

In consolidated financial statements, Joint Ventures and associated companies are accounted under the equity method, in accordance with the Group accounting policy disclosed in note 2. These equity accounted investees are disclosed by business segment under IFRS 8 and presented in the business segment correspondent to its operating activity.

**Geographic information**

The Group manages its activity based on business segments mentioned above, however has business in several geographical locations, being its main office located in Portugal.

Revenues from energy sales and services and other by geographic market, for EDP Group, are presented in note 7. Additionally, the geographical information bellow, details the Non-current assets excluding Financial instruments, Deferred tax assets and Employee benefits. In the disclosure of this information, the Revenues from energy sales and services and other, as well as the Non-current assets, are based on companies' geographical location where the Assets are booked.

Non-current assets by geographical market for the Group EDP, are as follows:

| | Dec 2018 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Iberia | Brazil | USA | Other | Group |
| Property, plant and equipment | 6,515,345 | 4,356,962 | 2,005,096 | 7,280,402 | 2,549,706 | 22,707,511 |
| Intangible assets | 3,742,535 | 96,980 | 720,645 | 60,233 | 116,137 | 4,736,530 |
| Goodwill | 49,889 | 1,348,317 | 35,040 | 689,799 | 128,416 | 2,251,461 |
| | 10,307,769 | 5,802,259 | 2,760,781 | 8,030,434 | 2,794,259 | 29,695,502 |

| | Dec 2017 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Iberia | Brazil | USA | Other | Group |
| Property, plant and equipment | 6,869,565 | 4,448,116 | 2,221,150 | 6,762,635 | 2,429,149 | 22,730,615 |
| Intangible assets | 3,602,846 | 58,031 | 904,487 | 82,333 | 99,663 | 4,747,360 |
| Goodwill | 49,937 | 1,348,317 | 46,639 | 659,144 | 128,631 | 2,232,668 |
| | 10,522,348 | 5,854,464 | 3,172,276 | 7,504,112 | 2,657,443 | 29,710,643 |

**EDP Group Operating Segments Information as at 31 December 2018**

| | Iberia | | | | |
|---|---|---|---|---|---|
| Thousand Euros | Generation and Supply | Regulated Networks | EDP Renováveis | EDP Brasil | Total Segments |
| **Revenues from energy sales and services and other** | 8,382,020 | 4,794,660 | 1,527,600 | 3,211,895 | 17,916,175 |
| Revenues inter-segments | 96,759 | 1,980,015 | 549,277 | 1,342 | 2,627,393 |
| Revenues from third parties | 8,285,261 | 2,814,645 | 978,323 | 3,210,553 | 15,288,782 |
| **Gross Profit** | 1,434,303 | 1,280,272 | 1,511,523 | 877,379 | 5,103,477 |
| Other income | 32,436 | 31,079 | 377,123 | 84,098 | 524,736 |
| Supplies and services | -291,130 | -276,063 | -345,317 | -145,639 | -1,058,149 |
| Personnel costs and employee benefits | -158,997 | -136,935 | -114,989 | -113,132 | -524,053 |
| Other costs | -228,237 | -277,481 | -128,820 | -38,315 | -672,853 |
| Impairment losses on trade receivables and debtors | -25,951 | 4,316 | 395 | -15,452 | -36,692 |
| **Gross Operating Profit** | 762,424 | 625,188 | 1,299,915 | 648,939 | 3,336,466 |
| Provisions | -278,412 | -3,434 | -332 | -10,945 | -293,123 |
| Amortisation and impairment | -417,285 | -282,330 | -545,885 | -144,221 | -1,389,721 |
| **Operating Profit** | 66,727 | 339,424 | 753,698 | 493,773 | 1,653,622 |
| **Equity method in joint ventures and associates** | 4,041 | 35 | 1,649 | 690 | 6,415 |
| **Assets** | 11,079,505 | 4,986,296 | 16,145,058 | 4,005,664 | 36,216,523 |
| **Share of net profit in joint ventures and associates** | 11,353 | 63 | 348,725 | 455,491 | 815,632 |
| **Liabilities** | 2,800,925 | 2,238,194 | 1,791,475 | 789,404 | 7,619,998 |
| **Operating Investment** | 167,862 | 275,923 | 1,274,698 | 262,872 | 1,981,355 |

**Reconciliation of information between Operating Segments and Financial Statements for December 2018**

| Thousand Euros | |
|---|---|
| **Total Revenues from energy sales and services and other of Reported Segments** | **17,916,175** |
| Revenues from energy sales and services and others from Other Segments | 334,026 |
| Adjustments and Inter-segments eliminations* | -2,972,116 |
| **Total Revenues from energy sales and services and other of EDP Group** | **15,278,085** |
| | |
| **Total Gross Profit of Reported Segments** | **5,103,477** |
| Gross Profit from Other Segments | 332,285 |
| Adjustments and Inter-segments eliminations* | -336,580 |
| **Total Gross Profit of EDP Group** | **5,099,182** |
| | |
| **Total Gross Operating Profit of Reported Segments** | **3,336,466** |
| Gross Operating Profit from Other Segments | -7,973 |
| Adjustments and Inter-segments eliminations* | -11,364 |
| **Total Gross Operating Profit of EDP Group** | **3,317,129** |
| | |
| **Total Operating Profit of Reported Segments** | **1,653,622** |
| Operating Profit from Other Segments | -42,862 |
| Adjustments and Inter-segments eliminations* | -26,381 |
| **Total Operating Profit of EDP Group** | **1,584,379** |
| | |
| **Total Assets of Reported Segments** | **36,216,523** |
| Assets Not Allocated | 5,506,858 |
| Financial Assets | 2,132,308 |
| Taxes Assets | 1,559,980 |
| Other Assets | 1,814,570 |
| Assets from Other Segments | 831,985 |
| Inter-segments assets eliminations* | -928,406 |
| **Total Assets of EDP Group** | **41,626,960** |
| | |
| **Total Equity accounted Investments in joint ventures and associates of Reported Segments** | **815,632** |
| Equity accounted Investments in joint ventures and associates from Other Segments | 135,981 |
| **Total Equity accounted Investments in joint ventures and associates of EDP Group** | **951,613** |
| | |
| **Total Liabilities of Reported Segments** | **7,619,998** |
| Liabilities Not Allocated | 21,640,445 |
| Financial Liabilities | 16,084,899 |
| Institutional partnership in USA | 2,231,249 |
| Taxes Liabilities | 1,238,427 |
| Other payables | 2,085,870 |
| Hydrological correction account | 0 |
| Liabilities from Other Segments | 804,274 |
| Inter-segments Liabilities eliminations* | -1,338,084 |
| **Total Liabilities of EDP Group** | **28,726,633** |
| | |
| **Total Operating Investment of Reported Segments** | **1,981,355** |
| Operating Investment from Other Segments | 49,812 |
| **Total Operating Investment of EDP Group** | **2,031,167** |
| Discomission of Property, plant and equipment | 12,937 |
| CO2 Licenses and Green Certificates | 301,393 |
| Investment Grants | -62,660 |
| Other Investments | 36,703 |
| **Total Fixed Assets additions of EDP Group (Notes 16 and 17)** | **2,319,540** |

| | Total of Reported Segments | Other Segments | Adjustments and Inter-segments eliminations* | Total of EDP Group |
|---|---|---|---|---|
| **Other income** | **524,736** | 69,516 | -31,575 | **562,677** |
| **Supplies and services** | **-1,058,149** | -242,906 | 344,094 | **-956,961** |
| **Personnel costs and employee benefits** | **-524,053** | -139,398 | 11,911 | **-651,540** |
| **Other costs** | **-672,853** | -27,470 | -15,056 | **-715,379** |
| **Impairment losses on trade receivables and debtors** | **-36,692** | 15,899 | -57 | **-20,850** |
| | | | | |
| **Provisions** | **-293,123** | 5,185 | - | **-287,938** |
| **Amortisation and impairment** | **-1,389,721** | -40,074 | -15,017 | **-1,444,812** |
| | | | | |
| **Equity method in joint ventures and associates** | **6,415** | 4,443 | - | **10,858** |

* Mainly related with intragroup balances and transactions eliminations.

**EDP Group Operating Segments Information as at 31 December 2017**

| Thousand Euros | Iberia: Generation and Supply | Iberia: Regulated Networks | EDP Renováveis | EDP Brasil | Total Segments |
|---|---|---|---|---|---|
| **Revenues from energy sales and services and other** | 7,817,808 | 5,352,487 | 1,636,762 | 3,432,521 | 18,239,578 |
| Revenues inter-segments | 44,802 | 2,168,557 | 279,942 | 1,232 | 2,494,533 |
| Revenues from third parties | 7,773,006 | 3,183,930 | 1,356,820 | 3,431,289 | 15,745,045 |
| **Gross Profit** | 1,235,719 | 1,596,241 | 1,601,619 | 969,205 | 5,402,784 |
| Other income | 43,876 | 46,210 | 320,508 | 3,640 | 414,234 |
| Supplies and services | -313,509 | -321,742 | -326,886 | -171,640 | -1,133,777 |
| Personnel costs and employee benefits | -157,864 | -145,389 | -100,761 | -129,418 | -533,432 |
| Other costs | -253,495 | -277,342 | -128,162 | -56,893 | -715,892 |
| **Gross Operating Profit** | 554,727 | 897,978 | 1,366,318 | 614,894 | 3,433,917 |
| Provisions | 6,012 | 1,948 | 185 | -8,295 | -150 |
| Amortisation and impairment | -589,166 | -309,380 | -563,365 | -164,003 | -1,625,914 |
| **Operating Profit** | -28,427 | 590,546 | 803,138 | 442,596 | 1,807,853 |
| **Equity method in joint ventures and associates** | 7,559 | 120 | 2,708 | -4,532 | 5,855 |
| **Assets** | 11,301,024 | 5,728,072 | 15,347,912 | 4,214,591 | 36,591,599 |
| **Share of net profit in joint ventures and associates** | 25,205 | 69 | 303,518 | 381,190 | 709,982 |
| **Liabilities** | 2,621,617 | 2,205,774 | 1,272,493 | 934,900 | 7,034,784 |
| **Operating Investment** | 195,870 | 348,729 | 1,051,098 | 214,174 | 1,809,871 |

**Reconciliation of information between Operating Segments and Financial Statements for December 2017**

| Thousand Euros | |
|---|---|
| **Total Revenues from energy sales and services and others of Reported Segments** | **18,239,578** |
| Revenues from energy sales and services and others from Other Segments | 390,638 |
| Adjustments and Inter-segments eliminations* | -2,884,229 |
| **Total Revenues from energy sales and services and others of EDP Group** | **15,745,987** |
| | |
| **Total Gross Profit of Reported Segments** | **5,402,784** |
| Gross Profit from Other Segments | 390,261 |
| Adjustments and Inter-segments eliminations* | -401,967 |
| **Total Gross Profit of EDP Group** | **5,391,078** |
| | |
| **Total Gross Operating Profit of Reported Segments** | **3,433,917** |
| Gross Operating Profit from Other Segments ** | 548,461 |
| Adjustments and Inter-segments eliminations* | 7,571 |
| **Total Gross Operating Profit of EDP Group** | **3,989,949** |
| | |
| **Total Operating Profit of Reported Segments** | **1,807,853** |
| Operating Profit from Other Segments | 521,719 |
| Adjustments and Inter-segments eliminations* | -11,655 |
| **Total Operating Profit of EDP Group** | **2,317,917** |
| | |
| **Total Assets of Reported Segments** | **36,591,599** |
| Assets Not Allocated | 5,442,234 |
| Financial Assets | 2,838,027 |
| Taxes Assets | 1,329,021 |
| Other Assets | 1,275,186 |
| Assets from Other Segments | 999,638 |
| Inter-segments assets eliminations* | -958,422 |
| **Total Assets of EDP Group** | **42,075,049** |
| | |
| **Total Equity accounted Investments in joint ventures and associates of Reported Segments** | **709,982** |
| Equity accounted Investments in joint ventures and associates from Other Segments | 133,100 |
| **Total Equity accounted Investments in joint ventures and associates of EDP Group** | **843,082** |
| | |
| **Total Liabilities of Reported Segments** | **7,034,784** |
| Liabilities Not Allocated | 22,040,914 |
| Financial Liabilities | 17,032,446 |
| Institutional partnership in USA | 2,163,722 |
| Taxes Liabilities | 1,029,988 |
| Other payables | 1,813,184 |
| Hydrological correction account | 1,574 |
| Liabilities from Other Segments | 753,046 |
| Inter-segments Liabilities eliminations* | -1,233,955 |
| **Total Liabilities of EDP Group** | **28,594,789** |
| | |
| **Total Operating Investment of Reported Segments** | **1,809,871** |
| Operating Investment from Other Segments | -84,384 |
| **Total Operating Investment of EDP Group** | **1,725,487** |
| Discomission of Property, plant and equipment | 16,080 |
| CO2 Licenses and Green Certificates | 110,520 |
| Investment Grants | 10,642 |
| Other Investments *** | 143,981 |
| **Total Fixed Assets additions of EDP Group** | **2,006,710** |

| | Total of Reported Segments | Other Segments | Adjustments and Inter-segments eliminations* | Total of EDP Group |
|---|---|---|---|---|
| **Other income** | **414,234** | 658,094 | -35,329 | **1,036,999** |
| **Supplies and services** | **-1,133,777** | -275,707 | 418,951 | **-990,533** |
| **Personnel costs and employee benefits** | **-533,432** | -160,541 | 13,140 | **-680,833** |
| **Other costs** | **-715,892** | -63,646 | 12,776 | **-766,762** |
| | | | | |
| **Provisions** | **-150** | 3,777 | - | **3,627** |
| **Amortisation and impairment** | **-1,625,914** | -30,520 | -19,225 | **-1,675,659** |
| | | | | |
| **Equity method in joint ventures and associates** | **5,855** | 5,666 | - | **11,521** |

* Mainly related with intragroup balances and transactions eliminations
** Includes 591 million Euros related with the gain on Naturgás sale;
*** The caption Other Investments is mainly due to the in-kind contribution of the Lisbon headquarter (+ 120 million Euros), lease contract of the Lisbon headquarter (+ 55 million Euros), partially compensated by the held for sale reclassification of the investment in the intangible assets of EDP Gás Distribuição (-14 million Euros), which was sold in the fourth quarter of 2017.

**51. Reconciliation of Changes in the responsibilities of Financing activities at 31 December 2018**

| Thousand Euros | Group<br>Financial debt and Derivative financial instruments (including Collateral Deposits)<br>Loans obtained (Note 33) | Collateral Deposits (Note 33) | Derivative financial instruments (Note 41)* | Institutional partnerships in USA (Note 36) | Loans from non-controlling interests (Note 38) |
|---|---|---|---|---|---|
| **Balance as at 31 de December 2016** | **18,026,676** | **-52,031** | **-78,082** | **2,339,425** | **685,764** |
| **Cash flows:** | | | | | |
| Receipts/(payments) relating to financial debt (including Collateral Deposits) | -447,042 | 6,699 | - | - | - |
| Interest and similar costs of financial debt including hedge derivatives | -830,101 | - | 40,171 | - | - |
| Receipts/(payments) relating to loans from non-controlling interests | - | - | - | - | 8,229 |
| Interest and similar costs relating to loans from non-controlling interests | - | - | - | - | -25,405 |
| Receipts/(payments) relating to derivative financial instruments | - | - | -90,876 | - | - |
| Receipts/(payments) from institutional partnerships - USA | - | - | - | 250,022 | - |
| Perimeter variations | 252,350 | -1,900 | -1,011 | - | 7,168 |
| Exchange rate | -736,865 | 1,977 | -7,541 | -289,892 | 3,002 |
| Fair value changes | -81,415 | - | 84,850 | - | - |
| Interests and accrued and deferred costs | 807,870 | - | -40,643 | 1,174 | 34,044 |
| Unwinding | - | - | - | 88,561 | - |
| ITC/PTC recognition | - | - | - | -225,568 | - |
| Reclassification to Liabilities held for sale | -73,708 | - | -18,244 | - | - |
| **Balance as at 31 de December 2017** | **16,917,765** | **-45,255** | **-111,376** | **2,163,722** | **712,802** |
| **Cash flows:** | | | | | |
| Receipts/(payments) relating to financial debt (including Collateral Deposits) | -775,612 | -154,470 | - | - | - |
| Interest and similar costs of financial debt including hedge derivatives | -635,329 | - | 11,885 | - | - |
| Receipts/(payments) relating to loans from non-controlling interests | - | - | - | - | -61,907 |
| Interest and similar costs relating to loans from non-controlling interests | - | - | - | - | -32,458 |
| Receipts/(payments) relating to derivative financial instruments | - | - | 17,796 | - | - |
| Receipts/(payments) from institutional partnerships - USA | - | - | - | 225,353 | - |
| Perimeter variations | -32,197 | - | -254 | -162,123 | -4,649 |
| Exchange differences | -2,157 | 6,834 | -318 | 101,530 | -2,903 |
| Fair value changes | -21,747 | - | -28,258 | - | - |
| Interests and accrued and deferred costs | 634,176 | - | -8,644 | 7,254 | 31,989 |
| Unwinding | - | - | - | 80,684 | - |
| ITC/PTC recognition | - | - | - | -185,171 | - |
| **Balance as at 31 December 2018** | **16,084,899** | **-192,891** | **-119,169** | **2,231,249** | **642,874** |

* The Group considers as financing activities all derivative financial instruments excluding derivatives related with commodities.

| Thousand Euros | Company<br>Financial debt and Derivative financial instruments (including Collateral Deposits)<br>Loans obtained (Note 33) | Derivative financial instruments (Note 41)* | Group's financial system (Notes 25 and 38) | Group companies (Note 38) |
|---|---|---|---|---|
| **Balance as at 31 de December 2016** | **11,193,266** | **-691,501** | **-567,129** | **2,615,269** |
| **Cash flows:** | | | | |
| Receipts/(payments) relating to financial debt (including Collateral Deposits) | 2,323,319 | - | - | - |
| Interest and similar costs of financial debt including hedge derivatives | -310,404 | -6,296 | - | - |
| Receipts/(payments) relating to loans from related parties | - | - | 76 225 | -520,894 |
| Interest and similar costs of loans from related parties including hedge derivatives | - | 43,974 | - | -138,717 |
| Receipts/(payments) relating to derivative financial instruments | - | 34,380 | - | - |
| Exchange differences | -28,937 | - | - | -296,317 |
| Fair value changes | - | 251,929 | - | - |
| Interests and accrued and deferred costs | 311,053 | -41,372 | - | 131,049 |
| **Balance as at 31 de December 2017** | **13,488,297** | **-408,886** | **-490,904** | **1,790,390** |
| **Cash flows:** | | | | |
| Receipts/(payments) relating to financial debt (including Collateral Deposits) | -633,958 | - | - | - |
| Interest and similar costs of financial debt including hedge derivatives | -309,874 | -2,125 | - | - |
| Receipts/(payments) relating to loans from related parties | - | - | 845 951 | -1,675,615 |
| Interest and similar costs of loans from related parties including hedge derivatives | - | 22,524 | - | -63,496 |
| Receipts/(payments) relating to derivative financial instruments | - | 312,433 | - | - |
| Perimeter variations | - | - | - 563 | - |
| Exchange differences | 9,879 | - | - | 8,032 |
| Fair value changes | - | 23,262 | - | - |
| Interests and accrued and deferred costs | 256,137 | -20,728 | - | 38,325 |
| **Balance as at 31 December 2018** | **12,810,481** | **-73,520** | **354,484** | **97,636** |

* The Group considers as financing activities all derivative financial instruments excluding derivatives related with commodities.

## Annex I. Companies in the Consolidation Perimeter

The subsidiary companies where the Group exercises control as at 31 December 2018 are as follows:

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-18 Euro'000 | Liabilities 31-Dec-18 Euro'000 | Equity 31-Dec-18 Euro'000 | Revenues 31-Dec-18 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **Group's parent holding company and Related Activities:** | | | | | | | | | |
| **Portugal:** | | | | | | | | | |
| EDP - Energias de Portugal, S.A. (EDP Group Parent Company) | Lisbon | 3,656,537,715 EUR | 21,143,641 | 15,288,504 | 5,855,137 | 111,682 | -54,115 | 100.00% | - |
| CEO – Companhia da Energia Oceânica, S.A. | Póvoa do Varzim | 65,435 EUR | 1,612 | 675 | 937 | - | -210 | 52.07% | - |
| EDP Estudos e Consultoria, S.A. | Lisbon | 50,000 EUR | 7,459 | 2,514 | 4,945 | 8,239 | 1,184 | 100.00% | 100.00% |
| EDP Imobiliária e Participações, S.A. | Lisbon | 10,000,000 EUR | 18,093 | 5,804 | 12,289 | 7,397 | 4,762 | 100.00% | 100.00% |
| EDP Inovação, S.A. | Lisbon | 50,000 EUR | 53,457 | 47,473 | 5,984 | 5,009 | -742 | 100.00% | 100.00% |
| EDP Internacional, S.A. | Lisbon | 50,000 EUR | 18,358 | 5,392 | 12,966 | 2,181 | 10,018 | 100.00% | 100.00% |
| EDP IS – Investimentos e Serviços, Sociedade Unipessoal, Lda | Lisbon | 140,309,500 EUR | 450,153 | 196,666 | 253,488 | - | 20,649 | 100.00% | 100.00% |
| EDP Ventures, S.G.P.S., S.A. | Lisbon | 50,000 EUR | 39,500 | 25,739 | 13,761 | 30 | 539 | 100.00% | - |
| ENAGÁS - S.G.P.S., S.A. | Lisbon | 299,400 EUR | 6,725 | 974 | 5,750 | - | -2,315 | 60.00% | - |
| Fundo EDP CleanTech FCR | Lisbon | 25,000,000 EUR | 26,396 | 2,296 | 24,099 | - | -627 | 60.00% | - |
| Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A. | Sacavém | 2,200,000 EUR | 17,330 | 8,354 | 8,976 | 15,241 | 1,348 | 100.00% | 100.00% |
| Sãvida - Medicina Apoiada, S.A. | Lisbon | 450,000 EUR | 16,757 | 9,306 | 7,451 | 27,595 | 2,082 | 100.00% | 100.00% |
| **Other Countries:** | | | | | | | | | |
| EDP - Ásia Soluções Energéticas Limitada | Macao | 1,500,000 MOP | 2,400 | 28 | 2,371 | 686 | 63 | 100.00% | 5.00% |
| EDP Finance, B.V. | Amsterdam | 2,000,000 EUR | 13,933,761 | 13,807,915 | 125,846 | - | -13,641 | 100.00% | 100.00% |
| EDP International Investments and Services, S.L. | Oviedo | 4,702 EUR | 533,951 | 157,064 | 376,888 | - | 29,504 | 100.00% | 36.07% |
| EDP Servicios Financieros España, S.A.U. | Oviedo | 10,300,058 EUR | 2,903,417 | 2,361,202 | 542,215 | - | 7,186 | 100.00% | 100.00% |
| Energia RE - Sociedade Cativa de Resseguro, S.A. | Luxembourg | 3,000,000 EUR | 147,612 | 98,731 | 48,881 | 24 | 963 | 100.00% | 100.00% |
| **Electricity and Gas Activity - Portugal:** | | | | | | | | | |
| **Electricity Generation:** | | | | | | | | | |
| EDP - Gestão da Produção de Energia, S.A. | Lisbon | 1,650,000,000 EUR | 8,950,131 | 3,688,242 | 5,261,888 | 1,531,558 | -34,884 | 100.00% | 100.00% |
| Empresa Hidroeléctrica do Guadiana, S.A. | Lisbon | 72,047,035 EUR | 433,232 | 237,048 | 196,184 | 35,714 | -33,053 | 100.00% | - |
| Energin - Sociedade de Produção de Electricidade e Calor, S.A. | Lisbon | 50,000 EUR | 169 | 2 | 167 | - | -1 | 65.00% | - |
| FISIGEN - Empresa de Cogeração, S.A. | Lisbon | 50,000 EUR | 21,795 | 21,537 | 258 | 24,102 | 1,107 | 51.00% | - |
| Greenvouga - Soc. Gest. do Aproveit. Hidroel. de Ribeiradio-Ermida, S.A. | Lisbon | 1,000,000 EUR | 243,827 | 180,900 | 62,927 | 9,779 | -2,538 | 100.00% | - |
| Tergen - Operação e Manutenção de Centrais Termoeléctricas, S.A. | Carregado | 250,000 EUR | 3,941 | 2,754 | 1,187 | 7,220 | 171 | 100.00% | - |
| **Electricity Distribution:** | | | | | | | | | |
| EDP Distribuição de Energia, S.A. | Lisbon | 200,013,000 EUR | 5,351,027 | 4,169,860 | 1,181,167 | 2,161,138 | 123,400 | 100.00% | 100.00% |
| EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A. | Lisbon | 50,000 EUR | 860 | 830 | 29 | 2 | -206 | 100.00% | - |
| **Electricity Supply:** | | | | | | | | | |
| EDP Comercial - Comercialização de Energia, S.A. | Lisbon | 20,842,695 EUR | 769,681 | 681,727 | 87,955 | 3,272,929 | -14,339 | 100.00% | 100.00% |
| EDP Energia Italia S.R.L. | Milan | 10,000 EUR | 27 | 25 | 2 | - | -8 | 100.00% | - |
| EDP Energie France | Paris | 10,000 EUR | 12 | 13 | -1 | - | -11 | 100.00% | - |
| EDP Energia Polska | Warsaw | 8,505,000 EUR | 1,996 | 49 | 1,947 | - | -31 | 100.00% | - |
| EDP Serviço Universal, S.A. | Lisbon | 10,104,000 EUR | 1,087,490 | 1,049,697 | 37,794 | 2,605,042 | 8,198 | 100.00% | - |
| **Gas Distribution:** | | | | | | | | | |
| EDP Gás Serviço Universal, S.A. | Oporto | 1,050,996 EUR | 19,880 | 10,086 | 9,794 | 15,587 | 469 | 100.00% | 100.00% |
| **Gas Supply:** | | | | | | | | | |
| EDP GÁS.Com - Comércio de Gás Natural, S.A. | Lisbon | 50,000 EUR | 96,908 | 87,293 | 9,615 | 388,873 | 1,841 | 100.00% | 100.00% |
| **Shared Services:** | | | | | | | | | |
| EDP - Soluções Comerciais, S.A. | Lisbon | 50,000 EUR | 46,860 | 46,045 | 815 | 100,264 | 766 | 100.00% | 100.00% |
| EDP Valor - Gestão Integrada de Serviços, S.A. | Lisbon | 4,550,000 EUR | 83,408 | 72,642 | 10,766 | 46,356 | 3,329 | 100.00% | 100.00% |
| **Other Activities:** | | | | | | | | | |
| CNET - Centre for New Energy Technologies, S.A. | Sacavém | 300,000 EUR | 936 | 535 | 401 | 160 | 61 | 60.00% | - |
| EDP Mediadora, S.A. | Lisbon | 50,000 EUR | 7,981 | 3,066 | 4,915 | 3,961 | 2,291 | 100.00% | - |
| EDP Ventures - Sociedade de Capital de Risco, S.A. | Lisbon | 125,000 EUR | 814 | 183 | 631 | 557 | 384 | 100.00% | - |
| SGORME – Soc. Gestora de Operações da Rede de Mobilidade Eléctrica, S.A. | Lisbon | 500,000 EUR | 143 | 835 | -692 | - | -12 | 91.00% | - |
| **Electricity and Gas Activity - Spain:** | | | | | | | | | |
| **Electricity Generation:** | | | | | | | | | |
| EDP España, S.A.U. (EDP España Subgroup Parent Company) | Oviedo | 421,739,790 EUR | 3,606,560 | 1,190,077 | 2,416,483 | 1,498,310 | 52,682 | 100.00% | 100.00% |
| Central Termica Ciclo Combinado Grupo 4, S.L. | Oviedo | 2,117,000 EUR | 152,978 | 334,394 | -181,416 | 51,289 | -19,049 | 75.00% | - |
| EDP Iberia, S.L. | Bilbao | 130,260,000 EUR | 2,690,344 | 116,494 | 2,573,850 | 8,896 | -152,034 | 100.00% | - |
| Iberenergia, S.A.U. | Oviedo | 60,200 EUR | 196,273 | 171,997 | 24,276 | 68,242 | 6,868 | 100.00% | - |
| **Electricity Distribution:** | | | | | | | | | |
| Electra Llobregat Energía, S.L. | Barcelona | 90,000 EUR | 4,819 | 3,360 | 1,458 | 398 | 2,180 | 75.00% | - |
| **Electricity Supply:** | | | | | | | | | |
| EDP Comercializadora de Ultimo Recurso, S.A. | Oviedo | 240,000 EUR | 29,809 | 29,012 | 797 | 105,263 | -4,327 | 100.00% | - |
| EDP Energia Ibérica, S.A. | Oviedo | 60,200 EUR | 189 | 13,105 | -12,916 | 241 | -49 | 100.00% | - |
| EDP Energía, S.A.U. | Oviedo | 1,000,000 EUR | 317,657 | 256,167 | 61,490 | 1,236,125 | -15,326 | 100.00% | - |
| Hidrocantábrico Distribucion Eléctrica, S.A.U. | Oviedo | 44,002,000 EUR | 951,129 | 599,417 | 351,712 | 222,269 | 75,965 | 100.00% | - |
| **Gas Supply:** | | | | | | | | | |
| EDP Comercializadora, S.A.U. | Bilbao | 1,487,895 EUR | 467,589 | 415,933 | 51,656 | 843,945 | 4,016 | 100.00% | - |
| **Electricity Activity - Brazil:** | | | | | | | | | |
| **Parent company and Related Activities:** | | | | | | | | | |
| EDP Energias do Brasil, S.A. (EDP Brasil Subgroup Parent Company) | Sao Paulo | 4,682,715,947 BRL | 2,235,250 | 306,930 | 1,928,320 | 1,195 | 294,026 | 51.26% | - |
| **Electricity Generation:** | | | | | | | | | |
| Energest, S.A. | Sao Paulo | 48,204,770 BRL | 70,801 | 27,539 | 43,262 | 64,357 | 29,573 | 51.26% | - |
| Enerpeixe, S.A. | Sao Paulo | 299,735,967 BRL | 478,408 | 331,806 | 146,602 | 76,032 | 23,142 | 30.76% | - |
| Investco, S.A. | Tocantins | 804,458,842 BRL | 254,724 | 53,131 | 201,593 | 33,639 | 8,803 | 20.90% | - |
| Lajeado Energia, S.A. | Sao Paulo | 6,867,541 BRL | 289,522 | 153,756 | 135,765 | 133,088 | 34,501 | 28.64% | - |
| Porto do Pecém Geração de Energia, S.A. | Ceará | 3,007,810,902 BRL | 959,972 | 420,171 | 539,801 | 408,644 | 52,185 | 51.26% | - |
| Resende Engenharia e Assessoria, Ltda. | Sao Paulo | 21,533,319 BRL | 4,773 | 5 | 4,768 | - | -3 | 51.26% | - |
| **Electricity Distribution:** | | | | | | | | | |
| EDP Espírito Santo Distribuição de Energia S.A. | Espírito Santo | 650,572,403 BRL | 861,869 | 650,105 | 211,764 | 787,479 | 38,994 | 51.26% | - |
| EDP São Paulo Distribuição de Energia S.A. | Sao Paulo | 596,669,107 BRL | 914,605 | 639,868 | 274,737 | 972,582 | 48,989 | 51.26% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-18 Euro'000 | Liabilities 31-Dec-18 Euro'000 | Equity 31-Dec-18 Euro'000 | Revenues 31-Dec-18 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **Electricity Supply:** | | | | | | | | | |
| EDP - Soluções em Energia, S.A. | Rio Grande do Sul | 70,722,773 BRL | 23,749 | 9,199 | 14,550 | 8,476 | 51 | 51.26% | - |
| EDP - Comercialização e Serviços de Energia, LTDA. | Sao Paulo | 26,217,026 BRL | 113,483 | 76,933 | 36,550 | 928,156 | 27,734 | 51.26% | - |
| EDP Comercialização Varejista, Ltda | Sao Paulo | 4,531,000 BRL | 1,312 | 87 | 1,225 | 566 | 213 | 51.26% | - |
| **Transmission of Electricity:** | | | | | | | | | |
| EDP Transmissão, S.A. | Espírito Santo | 8,630,148 BRL | 38,539 | 34,904 | 3,634 | 27,539 | 3,660 | 51.26% | - |
| EDP Transmissão Aliança SC, S.A. | Espírito Santo | 13,000,999 BRL | 324,713 | 321,305 | 3,408 | 41,361 | 691 | 46.14% | - |
| EDP Transmissão SP-MG, S.A. | Espírito Santo | 15,000,999 BRL | 10,174 | 6,667 | 3,508 | 7,403 | 236 | 51.26% | - |
| EDP Transmissão MA I, S.A. | Espírito Santo | 6,400,999 BRL | 4,399 | 2,915 | 1,484 | 2,906 | 68 | 51.26% | - |
| EDP Transmissão MA II, S.A. | Espírito Santo | 4,000,999 BRL | 3,783 | 3,117 | 666 | 2,797 | -202 | 51.26% | - |
| **Other Activities:** | | | | | | | | | |
| EDP Grid Gestão de Redes Inteligentes de Distribuição, S.A. | Espírito Santo | 55,986,011 BRL | 42,681 | 29,693 | 12,988 | 10,764 | -1,764 | 51.26% | - |
| EDP Ventures Brasil S.A. | Sao Paulo | 999 BRL | 225 | 240 | -15 | - | -16 | 51.26% | - |
| **Renewable Energy Activity:** | | | | | | | | | |
| **Parent company and Related Activities:** | | | | | | | | | |
| EDP Renováveis, S.A. (EDP Renováveis Subgroup Parent Company) | Oviedo | 4,361,540,810 EUR | 6,806,941 | 1,378,058 | 5,428,883 | 26,900 | 29,602 | 82.56% | 82.56% |
| EDP Renováveis Servicios Financieros, S.L. | Oviedo | 84,691,368 EUR | 2,985,290 | 2,573,432 | 411,858 | 45 | 7,865 | 82.56% | - |
| **Europe Geography / Platform:** | | | | | | | | | |
| **Spain:** | | | | | | | | | |
| EDP Renewables Europe, S.L.U. (EDPR EU Subgroup Parent Company) | Oviedo | 249,498,800 EUR | 3,061,490 | 597,214 | 2,464,276 | 56,537 | 94,155 | 82.56% | - |
| Acampo Arias, S.L.U. | Zaragoza | 3,314,300 EUR | 44,153 | 38,321 | 5,832 | 6,446 | 2,186 | 78.43% | - |
| Aplicaciones Industriales de Energías Limpias, S.L. | Zaragoza | 131,288 EUR | 1,651 | 1 | 1,650 | - | 1,683 | 50.78% | - |
| Aprofitament D'Energies Renovables de la Terra Alta, S.A. | Barcelona | 1,994,350 EUR | 83 | 71 | 12 | 177 | -3 | 49.61% | - |
| Bon Vent de Corbera, S.L.U. | Barcelona | 7,255,000 EUR | 55,715 | 32,619 | 23,096 | 11,868 | 3,261 | 82.56% | - |
| Bon Vent de L'Ebre, S.L.U. | Barcelona | 12,600,000 EUR | 51,773 | 35,061 | 16,712 | 12,697 | 4,210 | 42.11% | - |
| Bon Vent de Vilalba, S.L.U. | Barcelona | 3,600,000 EUR | 49,999 | 45,090 | 4,909 | 11,203 | 2,889 | 42.11% | - |
| Desarrollos Eólicos de Teruel, S.L. | Zaragoza | 60,100 EUR | 621 | 561 | 60 | - | - | 42.11% | - |
| EDP Renovables España, S.L.U. | Oviedo | 46,128,100 EUR | 1,331,650 | 538,323 | 793,327 | 166,937 | 106,909 | 82.56% | - |
| EDPR Offshore España, S.L. | Oviedo | 385,500 EUR | 2,485 | 399 | 2,086 | 145 | 383 | 82.56% | - |
| EDPR Participaciones, S.L.U. | Oviedo | 7,968,700 EUR | 528,687 | 174,720 | 353,967 | - | 31,270 | 42.11% | - |
| EDPR Yield, S.A.U. | Oviedo | 99,405,403 EUR | 417,571 | 5,078 | 412,493 | - | 37,473 | 82.56% | - |
| Eólica Arlanzón, S.A. | Madrid | 4,508,980 EUR | 17,055 | 5,137 | 11,918 | 3,644 | 779 | 70.18% | - |
| Eólica Campollano, S.A. | Madrid | 6,559,994 EUR | 65,274 | 39,952 | 25,322 | 13,435 | 2,711 | 61.92% | - |
| Eólica de Radona, S.L.U. | Madrid | 22,088,000 EUR | 45,984 | 22,683 | 23,302 | 8,729 | 1,787 | 42.11% | - |
| Eólica del Alfoz, S.L.U. | Madrid | 8,480,000 EUR | 117,809 | 85,136 | 32,673 | 28,531 | 10,161 | 42.11% | - |
| Eólica Don Quijote, S.L.U. | Albacete | 3,006 EUR | 34,008 | 33,276 | 732 | 9,061 | 2,714 | 42.11% | - |
| Eólica Dulcinea, S.L.U. | Albacete | 10,000 EUR | 22,445 | 21,657 | 788 | 5,514 | 1,607 | 42.11% | - |
| Eólica Fontesilva, S.L.U. | La Coruña | 6,860,000 EUR | 43,328 | 27,868 | 15,460 | 7,962 | 1,689 | 82.56% | - |
| Eólica La Brújula, S.A. | Madrid | 3,294,000 EUR | 43,341 | 22,153 | 21,188 | 9,660 | 2,339 | 82.56% | - |
| Eólica La Janda, S.L.U. | Madrid | 4,525,000 EUR | 160,377 | 132,852 | 27,525 | 34,381 | 12,299 | 82.56% | - |
| Eólica La Navica, S.L.U. | Madrid | 10,000 EUR | 25,761 | 24,014 | 1,747 | 6,818 | 2,179 | 42.11% | - |
| Eólica Sierra de Ávila, S.L. | Madrid | 12,977,466 EUR | 96,411 | 59,132 | 37,278 | 14,262 | 1,682 | 82.56% | - |
| Iberia Aprovechamientos Eólicos, S.A. | Zaragoza | 1,918,728 EUR | 19,398 | 15,521 | 3,877 | 4,828 | 1,507 | 77.61% | - |
| Parc Eòlic de Coll de Moro, S.L.U. | Barcelona | 7,808,920 EUR | 79,873 | 69,113 | 10,760 | 11,262 | 2,635 | 82.56% | - |
| Parc Eòlic de Torre Madrina, S.L.U. | Barcelona | 7,754,897 EUR | 73,287 | 57,858 | 15,429 | 12,081 | 3,498 | 82.56% | - |
| Parc Eòlic de Vilalba dels Arcs, S.L.U. | Barcelona | 3,065,739 EUR | 33,607 | 24,169 | 9,439 | 6,642 | 2,454 | 82.56% | - |
| Parc Eòlic Serra Voltorera, S.L.U. | Barcelona | 3,458,010 EUR | 21,698 | 11,016 | 10,682 | 3,960 | 564 | 82.56% | - |
| Parque Eólico Altos del Voltoya, S.A. | Madrid | 6,434,349 EUR | 22,910 | 3,482 | 19,428 | 5,430 | 953 | 76.37% | - |
| Parque Eólico la Sotonera, S.L. | Zaragoza | 2,000,000 EUR | 13,148 | 4,683 | 8,465 | 2,915 | 848 | 57.66% | - |
| Parque Eólico Los Cantales, S.L.U. | Zaragoza | 1,963,050 EUR | 17,260 | 12,191 | 5,069 | 4,859 | 1,868 | 82.56% | - |
| Parque Eólico Santa Quiteria, S.L. | Huesca | 63,006 EUR | 16,843 | 2,380 | 14,462 | 3,751 | 1,143 | 69.32% | - |
| Parque Eólico Valdelugo, S.L. | Madrid | 3,200 EUR | 3 | 1 | 2 | - | -1 | 82.56% | - |
| Renovables Castilla la Mancha, S.A. | Albacete | 60,102 EUR | 24,820 | 21,975 | 2,846 | 6,078 | 1,850 | 74.31% | - |
| Tébar Eólica, S.A. | Madrid | 4,720,400 EUR | 12,804 | 3,833 | 8,971 | 5,739 | 2,404 | 82.56% | - |
| **Portugal:** | | | | | | | | | |
| EDP Renováveis Portugal, S.A. | Oporto | 7,500,000 EUR | 475,416 | 346,496 | 128,920 | 143,182 | 60,621 | 42.11% | - |
| EDP Renewables, SGPS, S.A. | Oporto | 50,000 EUR | 182,392 | 51,941 | 130,452 | - | 8,147 | 82.56% | - |
| EDPR PT - Parques Eólicos, S.A. | Oporto | 50,000 EUR | 140,722 | 71,197 | 69,525 | 7 | 2,638 | 42.11% | - |
| EDPR PT - Promoção e Operação, S.A. | Oporto | 57,500 EUR | 18,915 | 11,374 | 7,541 | 12,803 | -661 | 82.56% | - |
| Eólica do Alto da Teixosa, S.A. | Cinfães | 50,000 EUR | 27,944 | 21,845 | 6,099 | 5,093 | 1,651 | 42.11% | - |
| Eólica da Alagoa, S.A. | Arcos de Valdevez | 50,000 EUR | 7,960 | 2,623 | 5,336 | 3,530 | 2,170 | 25.26% | - |
| Eólica da Coutada, S.A. | Vila Pouca de Aguiar | 50,000 EUR | 157,237 | 126,078 | 31,160 | 27,764 | 8,799 | 42.11% | - |
| Eólica da Lajeira, S.A. | Oporto | 50,000 EUR | 63,745 | 56,396 | 7,349 | 10,097 | 3,553 | 42.11% | - |
| Eólica da Serra das Alturas, S.A. | Boticas | 50,000 EUR | 12,140 | 5,510 | 6,631 | 3,151 | 1,464 | 21.10% | - |
| Eólica das Serras das Beiras, S.A. | Arganil | 50,000 EUR | 100,407 | 77,615 | 22,792 | 17,582 | 5,568 | 42.11% | - |
| Eólica da Terra do Mato, S.A. | Oporto | 50,000 EUR | 44,601 | 38,167 | 6,433 | 7,682 | 2,170 | 42.11% | - |
| Eólica de Montenegrelo, S.A. | Vila Pouca de Aguiar | 50,000 EUR | 19,435 | 9,031 | 10,404 | 5,726 | 2,729 | 21.10% | - |
| Eólica do Alto da Lagoa, S.A. | Oporto | 50,000 EUR | 23,136 | 14,453 | 8,683 | 5,164 | 1,978 | 42.11% | - |
| Eólica do Alto do Mourisco, S.A. | Boticas | 50,000 EUR | 23,785 | 18,526 | 5,259 | 4,583 | 1,702 | 42.11% | - |
| Eólica do Cachopo, S.A. | Oporto | 50,000 EUR | 61,098 | 51,173 | 9,925 | 11,069 | 3,872 | 42.11% | - |
| Eólica do Castelo, S.A. | Oporto | 50,000 EUR | 35,378 | 32,019 | 3,359 | 5,315 | 1,818 | 42.11% | - |
| Eólica do Espigão, S.A. | Miranda do Corvo | 50,000 EUR | 28,525 | 16,614 | 11,911 | 6,025 | 2,334 | 42.11% | - |
| Eólica do Sincelo, S.A. | Oporto | 150,000 EUR | 5,953 | 1,998 | 3,955 | - | -140 | 82.56% | - |
| Eólica do Velão, S.A. | Oporto | 50,000 EUR | 40,227 | 37,473 | 2,754 | 4,049 | 1,983 | 42.11% | - |
| Eólica dos Altos de Salgueiros-Guilhado, S.A. | Vila Pouca de Aguiar | 50,000 EUR | 11,721 | 9,516 | 2,205 | 2,303 | 773 | 42.11% | - |
| Eólica da Linha, S.A. | Oporto | 100,000 EUR | 84,293 | 79,462 | 4,831 | 1,729 | 968 | 82.56% | - |
| Malhadizes - Energia Eólica, S.A. | Oporto | 50,000 EUR | 17,887 | 10,306 | 7,581 | 5,213 | 2,240 | 42.11% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-18 Euro'000 | Liabilities 31-Dec-18 Euro'000 | Equity 31-Dec-18 Euro'000 | Revenues 31-Dec-18 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **France:** | | | | | | | | | |
| EDP Renewables France, S.A.S. | Paris | 151,703,747 EUR | 207,118 | 64,308 | 142,811 | 25,246 | 7,027 | 42.11% | - |
| Bourbriac II, S.A.S. | Paris | 1,000 EUR | 78 | 95 | -17 | - | -6 | 82.56% | - |
| Centrale Eolienne Canet-Pont de Salars, S.A.S. | Paris | 125,000 EUR | 12,406 | 8,872 | 3,535 | 2,431 | 670 | 21.46% | - |
| Centrale Eolienne Gueltas Noyal-Pontivy, S.A.S. | Paris | 761,006 EUR | 5,527 | 1,203 | 4,324 | 1,630 | 687 | 21.47% | - |
| Centrale Eolienne Neo Truc de L'Homme, S.A.S. | Paris | 3,830,700 EUR | 13,248 | 10,073 | 3,174 | 1,825 | 324 | 42.11% | - |
| Centrale Eolienne Patay, S.A.S. | Paris | 131,200 EUR | 11,242 | 5,560 | 5,683 | 2,631 | 1,233 | 21.47% | - |
| Centrale Eolienne Saint Barnabé, S.A.S. | Paris | 96,000 EUR | 11,172 | 6,367 | 4,804 | 2,578 | 1,109 | 21.47% | - |
| Centrale Eolienne Segur, S.A.S. | Paris | 113,050 EUR | 10,487 | 5,743 | 4,744 | 2,564 | 1,078 | 21.47% | - |
| EDPR France Holding, S.A.S. | Paris | 8,500,000 EUR | 88,096 | 79,648 | 8,448 | - | -5,437 | 82.56% | - |
| EDPR Offshore France, S.A.S. | Paris | 500,000 EUR | 493 | 895 | -401 | - | -899 | 82.56% | - |
| Eolienne de Callengeville, S.A.S. | Paris | 37,004 EUR | 2 | 15 | -13 | - | -5 | 82.56% | - |
| Eolienne de Saugueuse, S.A.S. | Paris | 1,000 EUR | 8,973 | 6,348 | 2,625 | 1,885 | 930 | 21.47% | - |
| Eolienne D'Etalondes, S.A.R.L. | Paris | 1,000 EUR | 3 | 64 | -61 | - | -11 | 82.56% | - |
| La Plaine de Nouaille, S.A.S. | Paris | 8,000 EUR | 259 | 272 | -13 | - | -2 | 82.56% | - |
| Le Chemin de la Corvée, S.A.S. | Paris | 123,000 EUR | 481 | 417 | 64 | - | -3 | 82.56% | - |
| Le Chemin de Saint Druon, S.A.S. | Paris | 92,000 EUR | 145 | 65 | 80 | - | -2 | 82.56% | - |
| Monts de la Madeleine Energie, S.A.S. | Paris | 37,000 EUR | 1,594 | 1,567 | 27 | - | -5 | 82.56% | - |
| Monts du Forez Energie, S.A.S. | Paris | 37,000 EUR | 984 | 983 | 1 | - | -3 | 82.56% | - |
| Neo Plouvien, S.A.S. | Paris | 5,040,000 EUR | 8,241 | 5,597 | 2,644 | 1,611 | 249 | 42.11% | - |
| Parc Éolien de Boqueho-Plouagat, S.A.S. | Paris | 1,000 EUR | 11,513 | 10,716 | 797 | 1,500 | 583 | 82.56% | - |
| Parc Éolien de Citernes, S.A.S. | Paris | 1,000 EUR | 1 | 8 | -7 | - | -6 | 82.56% | - |
| Parc Éolien de Dammarie, S.A.R.L. | Paris | 1,000 EUR | 13,983 | 12,773 | 1,210 | 2,561 | 848 | 42.11% | - |
| Parc Éolien de Flavin, S.A.S. | Paris | 1,000 EUR | 14,929 | 14,917 | 12 | 324 | 15 | 82.56% | - |
| Parc Éolien de Francourville, S.A.S. | Paris | 1,000 EUR | 14,115 | 12,309 | 1,806 | 2,656 | 1,032 | 42.11% | - |
| Parc Éolien de la Champagne Berrichonne, S.A.R.L. | Paris | 3,700 EUR | 19,503 | 17,996 | 1,507 | 2,128 | 1,026 | 82.56% | - |
| Parc Éolien de la Côte du Cerisat, S.A.S. | Paris | 27,448 EUR | 12,223 | 12,210 | 13 | - | -3 | 82.56% | - |
| Parc Éolien de La Hetroye, S.A.S. | Paris | 37,004 EUR | 3 | 18 | -15 | - | -5 | 82.56% | - |
| Parc Éolien de Marchéville, S.A.S. | Paris | 1,000 EUR | 862 | 869 | -6 | - | -6 | 82.56% | - |
| Parc Éolien de Mancheville, S.A.R.L. | Paris | 1,000 EUR | 5,809 | 5,677 | 132 | 720 | 243 | 82.56% | - |
| Parc Éolien de Montagne Fayel, S.A.S. | Paris | 37,000 EUR | 14,630 | 12,237 | 2,393 | 2,500 | 843 | 42.11% | - |
| Parc Éolien de Preuseville, S.A.R.L. | Paris | 1,000 EUR | 8,241 | 6,986 | 1,255 | 1,297 | 324 | 42.11% | - |
| Parc Éolien de Prouville, S.A.S. | Paris | 1,000 EUR | 5 | 10 | -6 | - | -5 | 82.56% | - |
| Parc Éolien de Roman, S.A.R.L. | Paris | 1,000 EUR | 8,852 | 7,181 | 1,671 | 1,873 | 619 | 42.11% | - |
| Parc Éolien de Tarzy, S.A.R.L. | Paris | 1,504,692 EUR | 10,531 | 9,213 | 1,318 | 1,843 | 334 | 42.11% | - |
| Parc Éolien de Varimpre, S.A.S. | Paris | 37,003 EUR | 10,504 | 9,503 | 1,001 | 2,342 | 1,030 | 21.47% | - |
| Parc Éolien des 7 Domaines, S.A.S. | Paris | 5,000 EUR | 101 | 107 | -5 | - | -2 | 82.56% | - |
| Parc Éolien des Longs Champs, S.A.R.L. | Paris | 1,000 EUR | 1,414 | 1,515 | -100 | - | -15 | 82.56% | - |
| Parc Éolien des Vatines, S.A.S. | Paris | 841,014 EUR | 9,377 | 9,901 | -523 | 1,744 | 281 | 21.47% | - |
| Parc Éolien d'Escardes, S.A.S. | Paris | 1,000 EUR | 15,514 | 13,367 | 2,146 | 2,715 | 1,005 | 42.11% | - |
| Parc Éolien du Clos Bataille, S.A.S. | Paris | 410,096 EUR | 8,039 | 8,505 | -465 | 1,510 | 276 | 21.47% | - |
| Parc Éolien de Paudy, S.A.S. | Paris | 37,000 EUR | 16,045 | 16,185 | -140 | - | -128 | 82.56% | - |
| SOCPE de la Mardelle, S.A.R.L. | Paris | 3,001,000 EUR | 4,122 | 3,372 | 750 | 885 | -2,391 | 42.11% | - |
| SOCPE de la Vallée du Moulin, S.A.R.L. | Paris | 8,001,000 EUR | 13,293 | 3,957 | 9,335 | 1,820 | 313 | 42.11% | - |
| SOCPE de Sauvageons, S.A.R.L. | Paris | 1,000 EUR | 6,596 | 6,470 | 126 | 824 | -34 | 62.74% | - |
| SOCPE des Quinze Mines, S.A.R.L. | Paris | 1,000 EUR | 13,299 | 16,722 | -3,423 | 1,783 | -389 | 62.74% | - |
| SOCPE Le Mee, S.A.R.L. | Paris | 1,000 EUR | 10,338 | 10,228 | 110 | 1,144 | -194 | 62.74% | - |
| SOCPE Petite Pièce, S.A.R.L. | Paris | 1,000 EUR | 3,169 | 3,087 | 81 | 318 | -118 | 62.74% | - |
| **Poland:** | | | | | | | | | |
| EDP Renewables Polska, Sp. z o.o. | Warsaw | 435,045,000 PLN | 204,652 | 14,252 | 190,400 | 8,175 | -12,647 | 82.56% | - |
| EDP Renewables Polska HoldCo, S.A. | Warsaw | 100,100 PLN | 281,936 | 98,616 | 183,320 | - | 12,531 | 42.11% | - |
| EDP Renewables Polska OPCO, S.A. | Warsaw | 100,000 PLN | 7 | 1 | 5 | - | -6 | 82.56% | - |
| Elektrownia Wiatrowa Kresy I, Sp. z o.o. | Warsaw | 70,210 PLN | 115,638 | 42,702 | 72,935 | 10,544 | 1,724 | 42.11% | - |
| Farma Wiatrowa Starozreby, Sp. z o.o. | Warsaw | 466,000 PLN | 360 | 2 | 357 | - | -16 | 82.56% | - |
| Karpacka Mala Energetyka, Sp. z o.o. | Warsaw | 50,000 PLN | 88 | 464 | -376 | - | -26 | 82.56% | - |
| Korsze Wind Farm, Sp. z o.o. | Warsaw | 38,855,000 PLN | 79,858 | 52,964 | 26,895 | 7,454 | 761 | 42.11% | - |
| Masovia Wind Farm I, Sp. z o.o. | Warsaw | 1,258,000 PLN | 10,135 | 172 | 9,963 | - | -3,461 | 82.56% | - |
| MFW Neptun, Sp. z o.o. | Warsaw | 220,000 PLN | 10 | 0 | 10 | - | -2 | 82.56% | - |
| Miramit Investments, Sp. z o.o. | Warsaw | 55,000 PLN | 505 | 312 | 193 | - | -2 | 82.56% | - |
| Molen Wind II, Sp. z o.o. | Warsaw | 14,600 PLN | 59,750 | 51,511 | 8,238 | 6,706 | -782 | 42.11% | - |
| Radziejów Wind Farm, Sp. z o.o. | Warsaw | 27,605,000 PLN | 30,567 | 28,240 | 2,327 | 2,617 | -1,104 | 42.11% | - |
| Rampton, Sp. z o.o. | Warsaw | 5,000 PLN | 1 | 1 | 0 | - | -1 | 82.56% | - |
| Relax Wind Park I, Sp. z o.o. | Warsaw | 46,540,000 PLN | 134,362 | 117,451 | 16,911 | 18,766 | 2,714 | 42.11% | - |
| Relax Wind Park III, Sp. z o.o. | Warsaw | 59,603,000 PLN | 126,472 | 110,098 | 16,374 | 10,071 | -7,198 | 42.11% | - |
| Relax Wind Park IV, Sp. z o.o. | Warsaw | 4,490,000 PLN | 103 | -1 | 103 | - | -2 | 82.56% | - |
| **Romania:** | | | | | | | | | |
| EDPR RO PV, S.r.l. | Bucharest | 225,000,000 RON | 48,886 | 3,741 | 45,145 | - | -152 | 82.56% | - |
| Cernavoda Power, S.A. | Bucharest | 335,692,400 RON | 175,386 | 120,048 | 55,338 | 9,024 | -3,496 | 70.18% | - |
| Cujmir Solar, S.A. | Bucharest | 41,806,000 RON | 18,177 | 1,333 | 16,844 | 2,007 | 2,140 | 82.56% | - |
| EDPR România, S.R.L. | Bucharest | 840,007,180 RON | 254,043 | 54,218 | 199,825 | 10,778 | -934 | 82.56% | - |
| Foton Delta, S.A. | Bucharest | 14,304,000 RON | 6,524 | 874 | 5,650 | 667 | 705 | 82.56% | - |
| Foton Epsilon, S.A. | Bucharest | 17,304,840 RON | 10,290 | 907 | 9,384 | 1,133 | 1,132 | 82.56% | - |
| Pestera Wind Farm, S.A. | Bucharest | 269,955,070 RON | 101,935 | 63,121 | 38,814 | 6,015 | -1,326 | 70.18% | - |
| Potelu Solar, S.A. | Bucharest | 30,468,040 RON | 12,668 | 907 | 11,760 | 1,304 | 1,236 | 82.56% | - |
| Sibioara Wind Farm, S.r.l. | Bucharest | 81,900,600 RON | 41,533 | 34,843 | 6,689 | 2,927 | -1,495 | 70.18% | - |
| Studina Solar, S.A. | Bucharest | 32,130,000 RON | 14,558 | 1,200 | 13,359 | 1,747 | 1,715 | 82.56% | - |
| Vanju Mare Solar, S.A. | Bucharest | 38,660,000 RON | 14,293 | 1,074 | 13,220 | 1,508 | 1,387 | 82.56% | - |
| VS Wind Farm, S.A. | Bucharest | 216,170,000 RON | 81,033 | 34,156 | 46,877 | 6,393 | 1,397 | 70.18% | - |
| **Great Britain:** | | | | | | | | | |
| EDPR UK Limited | Cardiff | 9,578,002 GBP | 30,465 | 26,053 | 4,411 | - | -353 | 82.56% | - |
| Moray Offshore Renewable Power Limited | Cardiff | 23,027,589 GBP | 50,980 | 370 | 50,610 | - | 25,095 | 82.56% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-18 Euro'000 | Liabilities 31-Dec-18 Euro'000 | Equity 31-Dec-18 Euro'000 | Revenues 31-Dec-18 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **Italy:** | | | | | | | | | |
| EDP Renewables Italia Holding, S.r.l. | Milan | 347,000 EUR | 101,126 | 44,228 | 56,898 | 35 | -3,146 | 82.56% | - |
| AW 2, S.r.l. | Milan | 100,000 EUR | 8,267 | 6,570 | 1,697 | - | -152 | 82.56% | - |
| Breva Wind S.R.L. | Milan | 7,100,000 EUR | 6,505 | 201 | 6,304 | - | -11 | 82.56% | - |
| Conza Energia, S.r.l. | Milan | 456,000 EUR | 12,578 | 8,971 | 3,607 | - | -354 | 82.56% | - |
| EDP Renewables Italia, S.r.l. | Milan | 34,439,343 EUR | 190,860 | 137,963 | 52,896 | 15,821 | 4,476 | 42.11% | - |
| EDPR Villa Galla, S.R.L. | Milan | 9,000,000 EUR | 103,552 | 35,579 | 67,973 | 21,158 | 8,740 | 42.11% | - |
| Lucus Power, S.r.l. | Milan | 10,000 EUR | 26,984 | 25,020 | 1,964 | 159 | -289 | 82.56% | - |
| Re Plus, S.r.l. | Milan | 100,000 EUR | 694 | 694 | - | - | 300 | 82.56% | - |
| San Mauro, S.r.l. | Milan | 70,000 EUR | 25,301 | 20,865 | 4,436 | 1,186 | 282 | 82.56% | - |
| Sarve, S.r.l. | Milan | 10,000 EUR | 157 | 147 | 10 | - | -4 | 82.56% | - |
| T Power, S.p.A. | Milan | 1,000,000 EUR | 2,965 | 79 | 2,885 | - | -135 | 82.56% | - |
| TACA Wind, S.r.l. | Milan | 1,160,000 EUR | 32,530 | 29,626 | 2,904 | 1,728 | 180 | 82.56% | - |
| Tivano, S.r.l. | Milan | 100,000 EUR | 21,630 | 20,488 | 1,143 | 2,659 | 466 | 82.56% | - |
| WinCap, S.r.l. | Milan | 2,550,000 EUR | 33,578 | 30,378 | 3,199 | 106 | -392 | 82.56% | - |
| **Greece:** | | | | | | | | | |
| Energiaki Arvanikou M.Epe | Athens | 772,380 EUR | 517 | 20 | 498 | - | -35 | 82.56% | - |
| Wind Park Aerorrachi A.E. | Athens | 60,000 EUR | 22 | 7 | 15 | - | -19 | 82.56% | - |
| **Other Countries:** | | | | | | | | | |
| EDP Renewables Belgium, S.A. | Brussels | 286,500 EUR | 5,118 | 4,132 | 986 | - | -171 | 82.56% | - |
| EDPR International Investments, B.V. | Amsterdam | 20,000 EUR | 12,389 | 38 | 12,352 | - | 5,211 | 82.56% | - |
| GREEN WIND, S.A. | Brussels | 24,924,000 EUR | 75,970 | 22,565 | 53,405 | 13,397 | 4,901 | 42.11% | - |
| **North America Geography / Platform:** | | | | | | | | | |
| **United States of America:** | | | | | | | | | |
| EDP Renewables North America LLC (EUA Subgroup Parent Company) | Delaware | 4,031,973,714 USD | 3,869,092 | 439,108 | 3,429,984 | 35,998 | -80,483 | 82.56% | - |
| 17th Star Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| 2007 Vento I LLC | Delaware | 623,678,564 USD | 591,438 | 5,540 | 585,898 | 9,230 | 3,686 | 82.56% | - |
| 2007 Vento II LLC | Delaware | 478,315,014 USD | 413,682 | 441 | 413,241 | - | -102 | 42.11% | - |
| 2008 Vento III LLC | Delaware | 576,377,763 USD | 498,096 | 194 | 497,902 | - | 190 | 42.11% | - |
| 2009 Vento IV LLC | Delaware | 206,457,213 USD | 179,490 | 302 | 179,188 | - | -123 | 82.56% | - |
| 2009 Vento V LLC | Delaware | 58,766,732 USD | 51,072 | 848 | 50,224 | - | -108 | 42.11% | - |
| 2009 Vento VI LLC | Delaware | 133,410,235 USD | 115,601 | 25 | 115,576 | - | -109 | 82.56% | - |
| 2010 Vento VII LLC | Delaware | 155,199,607 USD | 134,716 | 43 | 134,673 | - | -111 | 82.56% | - |
| 2010 Vento VIII LLC | Delaware | 154,899,213 USD | 134,325 | 55 | 134,270 | - | -101 | 82.56% | - |
| 2011 Vento IX LLC | Delaware | 105,188,345 USD | 91,215 | 134 | 91,081 | - | -109 | 42.11% | - |
| 2011 Vento X LLC | Delaware | 106,058,023 USD | 92,287 | 401 | 91,886 | - | -102 | 82.56% | - |
| 2014 Sol I LLC | Delaware | 73,832,205 USD | 64,190 | 26 | 64,164 | - | -75 | 42.11% | - |
| 2014 Vento XI LLC | Delaware | 283,618,741 USD | 247,806 | 146 | 247,660 | - | -2 | 42.11% | - |
| 2014 Vento XII LLC | Delaware | 168,194,401 USD | 149,800 | 2,969 | 146,832 | - | -17 | 42.11% | - |
| 2015 Vento XIII LLC | Delaware | 326,951,304 USD | 285,920 | 897 | 285,022 | - | -101 | 42.11% | - |
| 2015 Vento XIV LLC | Delaware | 284,307,619 USD | 248,067 | 58 | 248,009 | - | -92 | 42.11% | - |
| 2016 Vento XV LLC | Delaware | 509,731,364 USD | 445,200 | 232 | 444,968 | - | -107 | 82.56% | - |
| 2016 Vento XVI LLC | Delaware | 192,707,053 USD | 168,238 | 134 | 168,104 | - | -95 | 82.56% | - |
| 2017 Sol II LLC | Delaware | 126,580,712 USD | 110,578 | 43 | 110,535 | - | -20 | 82.56% | - |
| 2017 Vento XVII LLC | Delaware | 551,972,298 USD | 482,111 | 163 | 481,948 | - | -104 | 82.56% | - |
| 2018 Vento XVIII LLC | Delaware | 291,790,756 USD | 255,100 | 287 | 254,814 | - | -25 | 82.56% | - |
| Alabama Ledge Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Antelope Ridge Wind Power Project LLC | Delaware | 12,830,262 USD | - | - | - | - | - | 82.56% | - |
| Arbuckle Mountain Wind Farm LLC | Delaware | 156,335,469 USD | 136,380 | 2,517 | 133,863 | 6,947 | -2,152 | 42.11% | - |
| Arkwright Summit Wind Farm LLC | Delaware | 125,699,099 USD | 163,303 | 55,629 | 107,674 | 2,112 | -2,024 | 82.56% | - |
| Arlington Wind Power Project LLC | Delaware | 95,271,954 USD | 110,392 | 7,638 | 102,754 | 14,624 | 4,821 | 42.11% | - |
| Aroostook Wind Energy LLC | Delaware | 62,491,013 USD | 49,988 | 129 | 49,859 | - | -5 | 82.56% | - |
| Ashford Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Athena-Weston Wind Power Project II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Athena-Weston Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Avondale Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| AZ Solar LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Bayou Bend Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| BC2 Maple Ridge Holdings LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| BC2 Maple Ridge Wind LLC | Delaware | 285,846,258 USD | 222,657 | - | 222,657 | - | -7,195 | 82.56% | - |
| Big River Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Black Prairie Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Black Prairie Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Black Prairie Wind Farm LLC | Delaware | 1,160,841 USD | 1,022 | 11 | 1,012 | - | - | 82.56% | - |
| Blackstone Wind Farm II LLC | Delaware | 225,158,619 USD | 273,753 | 77,303 | 196,450 | 16,459 | 635 | 82.56% | - |
| Blackstone Wind Farm III LLC | Delaware | 6,275,439 USD | - | 7 | -7 | - | -7 | 82.56% | - |
| Blackstone Wind Farm IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blackstone Wind Farm LLC | Delaware | 104,295,183 USD | 125,819 | 34,782 | 91,037 | 9,319 | 1,099 | 82.56% | - |
| Blackstone Wind Farm V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Canyon Wind Power VII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Canyon Windpower II LLC | Texas | 117,870,663 USD | 118,219 | 8,102 | 110,117 | 6,249 | -8,890 | 82.56% | - |
| Blue Canyon Windpower III LLC | Texas | - USD | - | - | - | - | - | 82.56% | - |
| Blue Canyon Windpower IV LLC | Texas | - USD | - | - | - | - | - | 82.56% | - |
| Blue Canyon Windpower V LLC | Texas | 58,476,693 USD | 118,477 | 5,034 | 113,443 | 17,809 | 6,598 | 42.11% | - |
| Blue Canyon Windpower VI LLC | Delaware | 105,666,749 USD | 109,963 | 3,540 | 106,422 | 12,020 | 4,162 | 82.56% | - |
| Blue Harvest Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot IX LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot VI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot VII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot VIII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot XI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Broadlands Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-18 Euro'000 | Liabilities 31-Dec-18 Euro'000 | Equity 31-Dec-18 Euro'000 | Revenues 31-Dec-18 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| Broadlands Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Broadlands Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Buffalo Bluff Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Cameron Solar LLC | Delaware | 36,649,331 USD | 35,744 | 4,500 | 31,244 | 1,053 | -723 | 82.56% | - |
| Casa Grande Carmel Solar LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Castle Valley Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Chateaugay River Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Cielo Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Clinton County Wind Farm LLC | Delaware | 229,823,335 USD | 200,712 | - | 200,712 | - | - | 82.56% | - |
| Cloud County Wind Farm LLC | Delaware | 190,185,839 USD | 198,333 | 5,713 | 192,620 | 20,262 | 4,259 | 42.11% | - |
| Coldwater Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Coos Curry Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Crittenden Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Cropsey Ridge Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Crossing Trails Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Dairy Hills Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Diamond Power Partners LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Drake Peak Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Dry Creek Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| East Klickitat Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park VI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR Offshore North America LLC | Delaware | 1 USD | - | - | - | - | - | 82.56% | - |
| EDPR Solar Ventures I LLC | Delaware | 44,994,783 USD | 68,295 | 25,760 | 42,535 | - | 825 | 42.11% | - |
| EDPR South Table LLC | Nebraska | - USD | - | - | - | - | - | 82.56% | - |
| EDPR Solar Ventures II LLC | Delaware | 62,370,668 USD | 110,551 | 55,704 | 54,847 | - | 443 | 82.56% | - |
| EDPR Vento I Holding LLC | Delaware | 312,746,485 USD | 273,141 | - | 273,141 | - | - | 82.56% | - |
| EDPR Vento IV Holding LLC | Delaware | 68,995,105 USD | 60,258 | - | 60,258 | - | - | 82.56% | - |
| EDPR WF LLC | Delaware | 49,317,020 USD | 43,072 | - | 43,072 | - | - | 82.56% | - |
| EDPR Wind Ventures X LLC | Delaware | 44,661,309 USD | 94,466 | 12,645 | 81,821 | - | 8,142 | 82.56% | - |
| EDPR Wind Ventures XI LLC | Delaware | 92,695,098 USD | 247,702 | 140,685 | 107,017 | - | 7,950 | 42.11% | - |
| EDPR Wind Ventures XII LLC | Delaware | 60,089,740 USD | 146,895 | 91,987 | 54,907 | - | 2,200 | 42.11% | - |
| EDPR Wind Ventures XIII LLC | Delaware | 98,119,045 USD | 285,547 | 185,234 | 100,313 | - | 6,733 | 42.11% | - |
| EDPR Wind Ventures XIV LLC | Delaware | 49,735,840 USD | 248,304 | 190,237 | 58,067 | - | 6,205 | 42.11% | - |
| EDPR Wind Ventures XV LLC | Delaware | 169,582,346 USD | 445,180 | 271,608 | 173,572 | - | 12,784 | 82.56% | - |
| EDPR Wind Ventures XVI LLC | Delaware | 80,195,166 USD | 168,303 | 95,612 | 72,691 | - | 1,595 | 82.56% | - |
| EDPR Wind Ventures XVII LLC | Delaware | 115,285,470 USD | 482,072 | 356,852 | 125,220 | - | 15,640 | 82.56% | - |
| EDPR Wind Ventures XVIII LLC | Delaware | 23,247,382 USD | 254,839 | 232,914 | 21,925 | - | 1,572 | 82.56% | - |
| EDPR Wind Ventures XIX LLC | Delaware | - USD | - | 1,514 | -1,514 | - | 201,339 | 82.56% | - |
| Estill Solar I LLC | Delaware | 40,056,445 USD | 38,519 | 4,480 | 34,039 | 902 | -958 | 82.56% | - |
| Five-Spot LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Ford Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Franklin Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Green Country Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Green Power Offsets LLC | Delaware | 10,515 USD | - | - | - | - | - | 82.56% | - |
| Gulf Coast Windpower Management Company LLC | Delaware | - USD | - | - | - | - | - | 61.92% | - |
| Hampton Solar II LLC | Delaware | 39,080,934 USD | 36,546 | 2,939 | 33,608 | 1,202 | -524 | 82.56% | - |
| Headwaters Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Headwaters Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Headwaters Wind Farm LLC | Delaware | 283,736,600 USD | 288,419 | 6,343 | 282,076 | 24,505 | 6,769 | 42.11% | - |
| Helena Harbor Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Hidalgo Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Hidalgo Wind Farm LLC | Delaware | 357,305,526 USD | 336,269 | 13,599 | 322,670 | 22,982 | 5,363 | 82.56% | - |
| High Prairie Wind Farm II LLC | Delaware | 78,603,193 USD | 98,458 | 10,372 | 88,086 | 11,391 | 1,837 | 42.11% | - |
| High Trail Wind Farm LLC | Delaware | 170,505,432 USD | 230,608 | 6,606 | 224,002 | 19,751 | 17,832 | 82.56% | - |
| Hog Creek Wind Project LLC | Delaware | 73,916,636 USD | 97,981 | 31,138 | 66,843 | 7,465 | 2,122 | 82.56% | - |
| Horizon Wind Chocolate Bayou I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Midwest IX LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest VII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest X LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest XI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Panhandle I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Southwest I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Southwest II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Southwest III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Southwest IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Valley I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind MREC Iowa Partners LLC | Delaware | - USD | - | - | - | - | - | 61.92% | - |
| Horizon Wind Ventures I LLC | Delaware | 193,026,971 USD | 775,792 | 185,195 | 590,598 | - | -3,830 | 82.56% | - |
| Horizon Wind Ventures IB LLC | Delaware | 35,636,045 USD | 417,742 | 197,870 | 219,873 | - | -32,406 | 42.11% | - |
| Horizon Wind Ventures IC LLC | Delaware | 337,069,571 USD | 503,387 | 48,474 | 454,913 | - | 30,443 | 42.11% | - |
| Horizon Wind Ventures II LLC | Delaware | 139,148,922 USD | 180,749 | 45,063 | 135,685 | - | 1,686 | 82.56% | - |
| Horizon Wind Ventures III LLC | Delaware | - USD | 51,325 | 16,065 | 35,260 | - | 3,769 | 42.11% | - |
| Horizon Wind Ventures IX LLC | Delaware | 52,448,949 USD | 91,868 | 50,206 | 41,662 | - | 796 | 42.11% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-18 Euro'000 | Liabilities 31-Dec-18 Euro'000 | Equity 31-Dec-18 Euro'000 | Revenues 31-Dec-18 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| Horizon Wind Ventures VI LLC | Delaware | 78,486,237 USD | 116,515 | 38,165 | 78,350 | - | 1,773 | 82.56% | - |
| Horizon Wind Ventures VII LLC | Delaware | 97,886,701 USD | 135,546 | 39,730 | 95,816 | - | 1,818 | 82.56% | - |
| Horizon Wind Ventures VIII LLC | Delaware | 106,153,144 USD | 135,283 | 36,991 | 98,292 | - | 1,603 | 82.56% | - |
| Horizon Wind Freeport Windpower I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wyoming Transmission LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horse Mountain Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Indiana Crossroads Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Indiana Crossroads Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Jericho Rise Wind Farm LLC | Delaware | 152,446,369 USD | 147,153 | 3,411 | 143,742 | 11,584 | 4,520 | 82.56% | - |
| Juniper Wind Power Partners LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Leprechaun Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Lexington Chenoa Wind Farm II LLC | Delaware | 600,933 USD | - | - | - | - | -1 | 82.56% | - |
| Lexington Chenoa Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Lexington Chenoa Wind Farm LLC | Delaware | 26,549,718 USD | 23,932 | 816 | 23,116 | - | -21 | 82.56% | - |
| Loblolly Hill Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Loki Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Loma de la Gloria Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Lone Valley Solar Park I LLC | Delaware | 26,548,454 USD | 24,545 | 454 | 24,091 | 1,487 | 332 | 42.11% | - |
| Lone Valley Solar Park II LLC | Delaware | 46,728,531 USD | 45,442 | 835 | 44,606 | 3,172 | 1,124 | 42.11% | - |
| Long Hollow wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Lost Lakes Wind Farm LLC | Delaware | 132,362,575 USD | 118,500 | 4,510 | 113,990 | 15,454 | 2,858 | 82.56% | - |
| Loyal Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Machias Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Madison Windpower LLC | Delaware | 15,943,770 USD | 4,456 | 508 | 3,948 | 950 | -583 | 82.56% | - |
| Marathon Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Marble River LLC | Delaware | 229,815,579 USD | 320,081 | 91,455 | 228,625 | 20,364 | 2,037 | 82.56% | - |
| Martinsdale Wind Farm LLC | Delaware | 4,525,758 USD | 3,959 | 30 | 3,928 | - | 3 | 82.56% | - |
| Meadow Lake Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Meadow Lake Wind Farm II LLC | Delaware | 154,065,834 USD | 126,767 | 4,365 | 122,402 | 10,781 | 381 | 82.56% | - |
| Meadow Lake Wind Farm III LLC | Delaware | 105,648,497 USD | 135,601 | 38,814 | 96,787 | 11,138 | 3,603 | 82.56% | - |
| Meadow Lake Wind Farm IV LLC | Delaware | 94,551,006 USD | 109,580 | 31,954 | 77,626 | 7,151 | 776 | 82.56% | - |
| Meadow Lake Wind Farm VIII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Meadow Lake Wind Farm LLC | Delaware | 209,322,205 USD | 236,739 | 70,876 | 165,864 | 14,061 | -1,912 | 82.56% | - |
| Meadow Lake Wind Farm V LLC | Delaware | 166,621,712 USD | 151,842 | 3,330 | 148,512 | 10,334 | 991 | 82.56% | - |
| Mesquite Wind LLC | Delaware | 135,101,420 USD | 189,862 | 13,116 | 176,746 | 18,187 | -639 | 82.56% | - |
| New Trail Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Nine Kings Transco LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| North Slope Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Number Nine Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Old Trail Wind Farm LLC | Delaware | 194,501,407 USD | 240,477 | 7,005 | 233,472 | 31,479 | 11,523 | 42.11% | - |
| OPQ Property LLC | Delaware | -28,865 USD | 152 | - | 152 | - | - | 82.56% | - |
| Pacific Southwest Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Paulding Wind Farm II LLC | Delaware | 104,441,157 USD | 133,765 | 3,891 | 129,874 | 16,648 | 5,053 | 42.11% | - |
| Paulding Wind Farm III LLC | Delaware | 192,382,096 USD | 179,420 | 4,102 | 175,318 | 13,056 | 2,937 | 82.56% | - |
| Paulding Wind Farm IV LLC | Delaware | 5,116,816 USD | 5,338 | 885 | 4,453 | - | -4 | 82.56% | - |
| Paulding Wind Farm LLC | Delaware | 29,067 USD | - | 1 | - | - | -8 | 82.56% | - |
| Paulding Wind Farm V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Paulding Wind Farm VI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Peterson Power Partners LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Pioneer Prairie Wind Farm I LLC | Delaware | 284,861,701 USD | 355,936 | 14,044 | 341,892 | 46,621 | 12,267 | 42.11% | - |
| Plum Nellie Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Poplar Camp Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Post Oak Wind LLC | Delaware | 157,588,094 USD | 213,511 | 8,313 | 205,197 | 21,501 | 3,296 | 42.11% | - |
| Prospector Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Quilt Block Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Quilt Block Wind Farm LLC | Delaware | 157,141,265 USD | 155,717 | 11,989 | 143,728 | 10,812 | 3,697 | 82.56% | - |
| Rail Splitter Wind Farm LLC | Delaware | 205,516,191 USD | 139,755 | 6,338 | 133,417 | 7,711 | -4,482 | 82.56% | - |
| Redbed Plains Wind Farm LLC | Delaware | 148,062,650 USD | 143,283 | 13,800 | 129,483 | 6,687 | -623 | 82.56% | - |
| Reloj del Sol Wind Farm LLC | Delaware | 1,854,526 USD | 1,823 | 203 | 1,620 | - | - | 82.56% | - |
| Renville County Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Rio Blanco Wind Farm LLC | Delaware | 3,090,331 USD | 2,704 | 5 | 2,699 | - | - | 82.56% | - |
| Rising Tree Wind Farm II LLC | Delaware | 30,221,775 USD | 30,320 | 548 | 29,772 | 2,991 | 954 | 42.11% | - |
| Rising Tree Wind Farm III LLC | Delaware | 171,042,432 USD | 170,508 | 2,349 | 168,159 | 16,327 | 4,859 | 42.11% | - |
| Rising Tree Wind Farm LLC | Delaware | 137,535,745 USD | 141,796 | 3,587 | 138,209 | 14,996 | 6,042 | 42.11% | - |
| Riverstart Solar Park II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Riverstart Solar Park III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Riverstart Solar Park IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Riverstart Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Riverstart Solar Park V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Rolling Upland Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Rosewater Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Rush County Wind Farm LLC | Delaware | 2,497,078 USD | 2,293 | 112 | 2,181 | - | - | 82.56% | - |
| Rye Patch Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Saddleback Wind Power Project LLC | Delaware | 1,347,008 USD | - | 2 | -2 | - | -780 | 82.56% | - |
| Sagebrush Power Partners LLC | Delaware | 153,802,143 USD | 119,234 | 3,528 | 115,706 | 13,093 | 3,541 | 82.56% | - |
| San Clemente Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Sardinia Windpower LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Shullsburg Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Signal Hill Wind Power Project LLC | Delaware | 4,502 USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Spruce Ridge Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Stinson Mills Wind Farm LLC | Delaware | 4,128,098 USD | 3,529 | 10 | 3,519 | - | - | 82.56% | - |
| Sustaining Power Solutions LLC | Delaware | 70,223,142 USD | 17,998 | 15,386 | 2,611 | 45,021 | -11,348 | 82.56% | - |
| Sweet Stream Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Telocaset Wind Power Partners LLC | Delaware | 42,970,758 USD | 105,396 | 7,383 | 98,013 | 16,715 | 6,965 | 42.11% | - |
| Timber Road Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-18 Euro'000 | Liabilities 31-Dec-18 Euro'000 | Equity 31-Dec-18 Euro'000 | Revenues 31-Dec-18 Euro'000 | Net Profit/(Loss) 31-Dec-18 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| Tug Hill Windpower LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Tumbleweed Wind Power Project LLC | Delaware | 4,003 USD | - | - | - | - | - | 82.56% | - |
| Turtle Creek Wind Farm LLC | Delaware | 95,246,706 USD | 263,668 | 180,215 | 83,452 | 385 | 272 | 82.56% | - |
| Waverly Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Waverly Wind Farm LLC | Delaware | 284,036,218 USD | 269,112 | 5,331 | 263,781 | 18,054 | 3,502 | 42.11% | - |
| Western Trail Wind Project I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Wheat Field Holding LLC | Delaware | 13,379,720 USD | 11,630 | 13 | 11,617 | - | -14 | 42.11% | - |
| Wheat Field Wind Power Project LLC | Delaware | 13,316,609 USD | 95,297 | 28,875 | 66,422 | 14,310 | 7,386 | 42.11% | - |
| Whiskey Ridge Power Partners LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Whistling Wind WI Energy Center LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| White Stone Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Whitestone Wind Purchasing LLC | Delaware | 3,533,078 USD | 2,493 | 445 | 2,048 | 132 | 5 | 82.56% | - |
| Wildcat Creek Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Wilson Creek Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Wind Turbine Prometheus LP | Delaware | 5,990 USD | - | - | - | - | - | 82.56% | - |
| Wrangler Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| WTP Management Company LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| **Canada:** | | | | | | | | | |
| EDP Renewables Canada, Ltd. (Canada Subgroup Parent Company) | British Columbia | 51,400,000 CAD | 69,108 | 14,360 | 54,748 | - | 15,017 | 82.56% | - |
| Blue Bridge Solar Park GP Ltd | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| Blue Bridge Solar Park LP | British Columbia | - CAD | 47 | 174 | -127 | - | -129 | 82.56% | - |
| Bromhead Solar Park GP Ltd | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| Bromhead Solar Park LP | Alberta | - CAD | 47 | 174 | -127 | - | -129 | 82.56% | - |
| EDP Renewables Canada Management Services Ltd | British Columbia | - CAD | 2,261 | 3,315 | -1,053 | - | - | 82.56% | - |
| EDP Renewables Sask SE GP Ltd | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| EDP Renewables Sask SE Limited Partnership | Saskatchewan | - CAD | 47 | 174 | -127 | - | -129 | 82.56% | - |
| EDP Renewables SH II Project GP Ltd | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| EDP Renewables SH II Project LP | Alberta | - CAD | - | - | - | - | - | 82.56% | - |
| EDP Renewables Sharp Hills Project GP, Ltd. | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| EDP Renewables Sharp Hills Project LP | Alberta | -26,041 CAD | 14,996 | 15,277 | -281 | - | -230 | 82.56% | - |
| Halbrite Solar Park GP Ltd | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| Halbrite Solar Park LP | Saskatchewan | - CAD | 47 | 174 | -127 | - | -129 | 82.56% | - |
| Kennedy Wind Farm GP Ltd | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| Kennedy Wind Farm LP | Saskatchewan | - CAD | 47 | 174 | -127 | - | -129 | 82.56% | - |
| Nation Rise Wind Farm GP II Inc. | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| Quatro Limited Partnership | Ontario | - CAD | - | - | - | - | - | 82.56% | - |
| SBWF GP, Inc. | British Columbia | 1,026 CAD | 2 | - | 2 | - | - | 42.11% | - |
| South Branch Wind Farm II GP Inc. | British Columbia | - CAD | - | - | - | - | - | 82.56% | - |
| South Branch Wind Farm II LP | Ontario | 174,913 CAD | 1,151 | 1,237 | -86 | - | -180 | 82.56% | - |
| South Dundas Wind Farm LP | Ontario | 24,717,463 CAD | 47,435 | 19,358 | 28,077 | 6,809 | 2,698 | 42.11% | - |
| **Mexico:** | | | | | | | | | |
| EDPR Servicios de México, S. de R.L. de C.V. | Mexico City | 66,178,739 MXN | 1,304 | 227 | 1,077 | - | -572 | 82.56% | - |
| Eólica de Coahuila, S.A. de C.V. | Mexico City | 7,189,723 USD | 286,163 | 262,346 | 23,817 | 38,184 | 9,989 | 42.11% | - |
| Vientos de Coahuila, S.A. de C.V. | Mexico City | 2,421 USD | 4,330 | 4,428 | -98 | - | -71 | 82.56% | - |
| **South America Geography / Platform:** | | | | | | | | | |
| **Brazil:** | | | | | | | | | |
| EDP Renovaveis Brasil, SA (EDPR BR Subgroup Parent Company) | Sao Paulo | 796,768,692 BRL | 231,824 | 34,654 | 197,170 | 1,480 | 11 | 82.56% | - |
| Aventura Holding, S.A. | Sao Paulo | 500 BRL | - | - | - | - | - | 82.56% | - |
| Babilônia Holding, S.A. | Sao Paulo | 146,925,894 BRL | 48,932 | 8,441 | 40,491 | - | -350 | 82.56% | - |
| Central Eólica Aventura I, S.A. | Sao Paulo | 14,001,765 BRL | 32,816 | 26,606 | 6,210 | 3,799 | 672 | 42.10% | - |
| Central Eólica Aventura II, S.A. | Sao Paulo | 371,500 BRL | 299 | 241 | 59 | - | -1 | 82.56% | - |
| Central Eólica Aventura III, S.A. | Sao Paulo | 1,050 BRL | 317 | 319 | -2 | - | - | 82.56% | - |
| Central Eólica Aventura IV, S.A. | Sao Paulo | 10,000 BRL | 379 | 380 | - | - | - | 82.56% | - |
| Central Eólica Aventura V, S.A. | Sao Paulo | 10,000 BRL | 371 | 371 | - | - | - | 82.56% | - |
| Central Eólica Babilônia I, S.A. | Fortaleza | 37,232,288 BRL | 40,425 | 32,180 | 8,245 | 704 | -87 | 82.56% | - |
| Central Eólica Babilônia II, S.A. | Fortaleza | 36,333,489 BRL | 40,656 | 32,586 | 8,071 | 667 | -66 | 82.56% | - |
| Central Eólica Babilônia III, S.A. | Fortaleza | 36,936,528 BRL | 41,942 | 33,761 | 8,180 | 646 | -87 | 82.56% | - |
| Central Eólica Babilônia IV, S.A. | Fortaleza | 35,581,489 BRL | 39,619 | 31,766 | 7,853 | 616 | -121 | 82.56% | - |
| Central Eólica Babilônia V, S.A. | Fortaleza | 35,580,489 BRL | 39,681 | 31,681 | 7,999 | 775 | 26 | 82.56% | - |
| Central Eólica Baixa do Feijão I, S.A. | Sao Paulo | 39,216,713 BRL | 29,575 | 18,024 | 11,552 | 4,300 | 149 | 42.11% | - |
| Central Eólica Baixa do Feijão II, S.A. | Sao Paulo | 40,551,200 BRL | 28,349 | 16,278 | 12,070 | 4,010 | 200 | 42.11% | - |
| Central Eólica Baixa do Feijão III, S.A. | Sao Paulo | 67,416,713 BRL | 34,702 | 17,784 | 16,918 | 4,009 | -364 | 42.11% | - |
| Central Eólica Baixa do Feijão IV, S.A. | Sao Paulo | 44,433,110 BRL | 28,323 | 15,962 | 12,361 | 3,708 | -66 | 42.11% | - |
| Central Eólica Jerusalém I, S.A. | Sao Paulo | 50 BRL | 171 | 1 | 170 | - | - | 82.56% | - |
| Central Eólica Jerusalém II, S.A. | Sao Paulo | 50 BRL | 171 | 1 | 170 | - | - | 82.56% | - |
| Central Eólica Jerusalém III, S.A. | Sao Paulo | 50 BRL | 171 | 1 | 170 | - | - | 82.56% | - |
| Central Eólica Jerusalém IV, S.A. | Sao Paulo | 50 BRL | 171 | 1 | 170 | - | - | 82.56% | - |
| Central Eólica Jerusalém V, S.A. | Sao Paulo | 50 BRL | 171 | 1 | 170 | - | - | 82.56% | - |
| Central Eólica Jerusalém VI, S.A. | Sao Paulo | 50 BRL | - | - | - | - | - | 82.56% | - |
| Central Eólica Monte Verde I, S.A. | Lagoa Nova | 10,000 BRL | 394 | 3 | 391 | - | - | 82.56% | - |
| Central Eólica Monte Verde II, S.A. | Lagoa Nova | 10,000 BRL | 394 | 3 | 391 | - | - | 82.56% | - |
| Central Eólica Monte Verde III, S.A. | Lagoa Nova | 10,000 BRL | 345 | 2 | 342 | - | - | 82.56% | - |
| Central Eólica Monte Verde IV, S.A. | Lagoa Nova | 10,000 BRL | 271 | 2 | 269 | - | - | 82.56% | - |
| Central Eólica Monte Verde V, S.A. | Lagoa Nova | 10,000 BRL | 198 | 1 | 197 | - | - | 82.56% | - |
| Central Eólica SRMN I, S.A. | Sao Paulo | 1,050 BRL | 321 | 323 | -2 | - | - | 82.56% | - |
| Central Eólica SRMN II, S.A. | Sao Paulo | 1,050 BRL | 281 | 283 | -2 | - | - | 82.56% | - |
| Central Eólica SRMN III, S.A. | Sao Paulo | 1,050 BRL | 321 | 323 | -2 | - | - | 82.56% | - |
| Central Eólica SRMN IV, S.A. | Sao Paulo | 1,050 BRL | 548 | 551 | -2 | - | - | 82.56% | - |
| Central Eólica SRMN V, S.A. | Sao Paulo | 500 BRL | 19 | 21 | -2 | - | - | 82.56% | - |
| Central Eólica Jau, S.A. | Sao Paulo | 55,330,738 BRL | 109,289 | 81,416 | 27,873 | 11,016 | 6,812 | 42.11% | - |
| Central Nacional de Energia Eólica, S.A. | Sao Paulo | 12,396,000 BRL | 5,502 | 1,208 | 4,294 | 2,224 | 814 | 42.11% | - |
| Central Solar Pereira Barreto I, Ltda. | Pereira Barreto | 10,000 BRL | 2 | - | 2 | - | - | 82.56% | - |
| Central Solar Pereira Barreto II, Ltda. | Pereira Barreto | 10,000 BRL | 2 | - | 2 | - | - | 82.56% | - |
| Central Solar Pereira Barreto III, Ltda. | Pereira Barreto | 10,000 BRL | 2 | - | 2 | - | - | 82.56% | - |
| Central Solar Pereira Barreto IV, Ltda. | Pereira Barreto | 10,000 BRL | 2 | - | 2 | - | - | 82.56% | - |
| Central Solar Pereira Barreto V, Ltda. | Pereira Barreto | 10,000 BRL | 2 | - | 2 | - | - | 82.56% | - |
| Elebrás Projetos, S.A. | Sao Paulo | 103,779,268 BRL | 57,321 | 26,964 | 30,357 | 19,606 | 7,372 | 42.11% | - |
| SRMN Holding, S.A. | Sao Paulo | 500 BRL | - | - | - | - | - | 82.56% | - |

The companies main financial data of joint ventures as at 31 December 2018 are as follows:

| Joint Ventures entities * | Head Office | Share Capital / Currency | % Group | % Company |
|---|---|---|---|---|
| **Electricity Generation:** | | | | |
| Bioastur, A.I.E. | Serin | 60,101 EUR | 50.00% | - |
| Ceprastur, A.I.E. | Oviedo | 360,607 EUR | 46.86% | - |
| Companhia Energética do JARI - CEJA | Sao Paulo | 778,823,746 BRL | 25.63% | - |
| Empresa de Energia Cachoeira Caldeirão, S.A. | Amapá | 728,600,000 BRL | 25.63% | - |
| Empresa de Energia São Manoel, S.A. | Rio de Janeiro | 2,351,974,102 BRL | 17.09% | - |
| HC Tudela Cogeneración, S.L. | Aboño - Carreño | 306,030 EUR | 50.10% | - |
| Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A. | Ceará | 1,527,000 BRL | 25.63% | - |
| Pecém Transportadora de Minérios, S.A. | Ceará | 3,364,018 BRL | 25.63% | - |
| **Electricity Distribution:** | | | | |
| EME2 - Engenharia, Manutenção e Serviços, ACE | Lisbon | - EUR | 60.00% | - |
| **Electricity Supply:** | | | | |
| CHC Comercializador de Referencia, S.L.U. | Madrid | 72,000 EUR | 50.00% | - |
| CIDE HC Energía, S.A. | Madrid | 500,000 EUR | 50.00% | - |
| **Gas Distribution:** | | | | |
| Desarrollos Energéticos Canarios, S.A. | Las Palmas | 15,025 EUR | 41.20% | - |
| **Renewable Energy Activity:** | | | | |
| 2018 Vento XIX LLC | Delaware | 182,057,308 USD | 17% | - |
| Compañía Eólica Aragonesa, S.A. | Zaragoza | 6,701,165 EUR | 41.28% | - |
| Éoliennes en Mer Dieppe - Le Tréport, S.A.S. | Dieppe | 31,436,000 EUR | 24.36% | - |
| Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S. | Nantes | 36,376,000 EUR | 24.36% | - |
| Evolución 2000, S.L. | Albacete | 117,994 EUR | 40.58% | - |
| Flat Rock Windpower II LLC | Delaware | 209,967,187 USD | 41.28% | - |
| Flat Rock Windpower LLC | Delaware | 536,426,287 USD | 41.28% | - |
| Les Eoliennes en Mer Services, S.A.S. | Courbevoie | 40,000 EUR | 24.36% | - |
| Les Eoliennes Flottantes du Golfe du Lion, S.A.S. | Montpellier | 40,000 EUR | 28.90% | - |
| MacColl Offshore Windfarm Limited | Cardiff | 1 GBP | 27.49% | - |
| Mayflower Wind Energy LLC | Delaware | - USD | 41.28% | - |
| Meadow Lake Wind Farm VI LLC | Delaware | 95,277,580 USD | 17% | - |
| Moray East Holdings Limited | London | 10,000,000 GBP | 27.49% | - |
| Moray Offshore Windfarm (East) Limited | Cardiff | 10,000,000 GBP | 27.49% | - |
| Moray Offshore Windfarm (West) Limited | London | 1,000 GBP | 55.32% | - |
| Moray West Holdings Limited | London | 1,000 GBP | 55.32% | - |
| Nation Rise Wind Farm GP, Inc. | British Columbia | - CAD | 21% | - |
| Nation Rise Wind Farm LP | Ontario | 17,089,826 CAD | 21% | - |
| Prairie Queen Wind Farm LLC | Delaware | 58,091,097 USD | 17% | - |
| Stevenson Offshore Windfarm Limited | Cardiff | 1 GBP | 27.49% | - |
| Telford Offshore Windfarm Limited | Cardiff | 1 GBP | 27.49% | - |
| Windplus, S.A. | Lisbon | 1,250,000 EUR | 44.91% | - |
| **Other Activities:** | | | | |
| Energia Ásia Consultoria, Limitada | Macao | 200,000 MOP | 50.00% | 49.00% |
| Grupo ARQUILED | Mora | 231,000 EUR | 49.91% | - |
| Hydro Global Investment, Ltda. | Hong Kong | 88,500,000 USD | 50.00% | - |
| Sino - Portuguese Centre for New Technologies (Shangai) CO., Ltd | Shanghai | 21,600,000 CNY | 40.00% | - |

The companies main financial data of joint ventures as at 31 December 2017 are as follows:

| Joint Ventures entities * | Head Office | Share Capital / Currency | % Group | % Company |
|---|---|---|---|---|
| **Electricity Generation:** | | | | |
| Bioastur, A.I.E. | Serin | 60,101 EUR | 50.00% | - |
| Bioeléctrica Group | Lisbon | 50,000 EUR | 50,00% | 40.00% |
| Ceprastur, A.I.E. | Oviedo | 360,607 EUR | 46.86% | - |
| Companhia Energética do JARI - CEJA | Sao Paulo | 707,823,746 BRL | 25,63% | - |
| Empresa de Energia Cachoeira Caldeirão, S.A. | Amapá | 728,600,000 BRL | 25.63% | - |
| Empresa de Energia São Manoel, S.A. | Rio de Janeiro | 2,273,974,102 BRL | 17.09% | - |
| HC Tudela Cogeneración, S.L. | Oviedo | 306,030 EUR | 50.10% | - |
| Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A. | Ceará | 1,527,000 BRL | 25.63% | - |
| Pecém Transportadora de Minérios, S.A. | Ceará | 2,688,994 BRL | 25.63% | - |
| **Electricity Distribution:** | | | | |
| EME2 - Engenharia, Manutenção e Serviços, ACE | Lisbon | - EUR | 60.00% | - |
| **Electricity Supply:** | | | | |
| CHC Comercializador de Referencia, S.L.U. | Madrid | 72,000 EUR | 50.00% | - |
| CIDE HC Energía, S.A. | Madrid | 500,000 EUR | 50.00% | - |
| **Gas Distribution:** | | | | |
| Desarrollos Energéticos Canarios, S.A. | Las Palmas | 15,025 EUR | 41.20% | - |
| **Renewable Energy Activity:** | | | | |
| Compañía Eólica Aragonesa, S.A. | Zaragoza | 6,701,165 EUR | 41.28% | - |
| Evolución 2000, S.L. | Albacete | 117,994 EUR | 40.58% | - |
| Flat Rock Windpower II LLC | Delaware | 209,647,187 USD | 41.28% | - |
| Flat Rock Windpower LLC | Delaware | 534,426,287 USD | 41.28% | - |
| Les Eoliennes Flottantes du Golfe du Lion, S.A.S. | Montpellier | 40,000 EUR | 28.90% | - |
| Moray Offshore Windfarm (East) Limited | Cardiff | 10,000,000 GBP | 63,32% | - |
| **Other Activities:** | | | | |
| ARQUILED Group | Mora | 168,700 EUR | 46,15% | - |
| Energia Ásia Consultoria, Limitada | Macao | 200,000 MOP | 50.00% | 49.00% |
| Hydro Global Investment, Ltda. | Hong Kong | 88,500,000 USD | 50.00% | - |
| Sino - Portuguese Centre for New Technologies (Shangai) CO., Ltd | Shanghai | 21,600,000 CNY | 40.00% | - |

* The companies financial data of joint ventures are disclosed in note 20.

The companies where the Group has significant influence as at 31 December 2018 are as follows:

| Associated companies * | Head Office | Share capital / Currency | % Group | % Company |
|---|---|---|---|---|
| **Electricity Generation:** | | | | |
| Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A. | Lisbon | 50,000 EUR | 35.00% | - |
| Kosorkuntza, A.I.E. | Bilbao | - EUR | 25.00% | - |
| Solar Siglo XXI, S.A. | Ciudad Real | 80,000 EUR | 20.64% | - |
| **Electricity Distribution:** | | | | |
| AMBERTREE - Tecnologia para Redes de Energia Electrica, Lda | Lisbon | 5,000 EUR | 26.00% | - |
| **Renewable Energy Activity:** | | | | |
| Aprofitament D'Energies Renovables de L'Ebre, S.L. | Barcelona | 3,870,030 EUR | 10.97% | - |
| Biomasas del Pirineo, S.A. | Huesca | 454,896 EUR | 24.77% | - |
| Blue Canyon Windpower LLC | Texas | 35,309,480 USD | 20.64% | - |
| Desarrollos Eólicos de Canarias, S.A. | Gran Canaria | 1,817,130 EUR | 36.94% | - |
| Nine Kings Wind Farm LLC | Delaware | - USD | 41.28% | - |
| Parque Eólico Belmonte, S.A. | Asturias | 120,400 EUR | 24.69% | - |
| Parque Eólico Sierra del Madero, S.A. | Soria | 7,193,970 EUR | 34.68% | - |
| Solar Works! B.V. | Rotterdam | 3 EUR | 16.67% | - |
| **Other Activities:** | | | | |
| Centrais Elétricas de Santa Catarina, S.A. - Celesc | Santa Catarina | 1,340,000,000 BRL | 12.08% | - |
| Comercializadora de Equipamentos y Materiais MABE, Ltda. | Chile | - BRL | 25.63% | - |
| EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A. | Oporto | 221,794 EUR | 33.50% | - |
| MABE Construção e Administração de Projectos, Ltda. | Ceará | 520,459,000 BRL | 25.63% | - |
| Portsines - Terminal Multipurpose de Sines, S.A. | Sines | 4,200,000 EUR | 39.60% | - |
| Principle Power, Inc | Seattle | 356,066 USD | 21.39% | - |
| Vertequip, Equipamentos e Trabalhos Verticais, Lda | Chamusca | 347,139 EUR | 23.66% | - |
| WPVT, S.A. | Oporto | 75,000 EUR | 20.00% | - |

The companies where the Group has significant influence as at 31 December 2017 are as follows:

| Associated companies * | Head Office | Share capital / Currency | % Group | % Company |
|---|---|---|---|---|
| **Electricity Generation:** | | | | |
| Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A. | Lisbon | 50,000 EUR | 35.00% | - |
| EDERG - Produção Hidroeléctrica, Lda | Lisbon | 400,000 EUR | 25,00% | - |
| Kosorkuntza, A.I.E. | Bilbao | - EUR | 25.00% | - |
| Solar Siglo XXI, S.A. | Ciudad Real | 80,000 EUR | 20.64% | - |
| **Electricity Distribution:** | | | | |
| AMBERTREE - Tecnologia para Redes de Energia Electrica, Lda | Lisbon | 5,000 EUR | 26.00% | - |
| **Renewable Energy Activity:** | | | | |
| Aprofitament D'Energies Renovables de L'Ebre, S.L. | Barcelona | 3,870,030 EUR | 10.97% | - |
| Biomasas del Pirineo, S.A. | Huesca | 454,896 EUR | 24.77% | - |
| Blue Canyon Windpower LLC | Texas | 40,364,480 USD | 20.64% | - |
| Desarrollos Eólicos de Canarias, S.A. | Gran Canaria | 1,817,130 EUR | 36.94% | - |
| Eoliennes en Mer Dieppe Le Tréport, S.A.S. | Bois Guillaume | 31,436,000 EUR | 35,50% | - |
| Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S. | Nantes | 36,376,000 EUR | 35,50% | - |
| Les Eoliennes en Mer Services, S.A.S. | Courbevoie | 40,000 EUR | 35,50% | - |
| Nine Kings Wind Farm LLC | Delaware | - USD | 41.28% | - |
| Parque Eólico Belmonte, S.A. | Asturias | 120,400 EUR | 24.69% | - |
| Parque Eólico Sierra del Madero, S.A. | Soria | 7,193,970 EUR | 34.68% | - |
| WINDPLUS, S.A. | Lisbon | 1,250,000 EUR | 16,02% | - |
| **Other Activities:** | | | | |
| EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A. | Oporto | 150,000 EUR | 30,00% | - |
| MABE Construção e Administração de Projectos, Ltda. | Ceará | 520,459,000 BRL | 25.63% | - |
| Portsines - Terminal Multipurpose de Sines, S.A. | Sines | 4,200,000 EUR | 39.60% | - |
| Principle Power, Inc | Seattle | 356,066 USD | 22,72% | - |

* The companies financial data of associated companies are disclosed in note 20.

## *Statutory Audit Report and Auditors' Report*

### *Report on the audit of the consolidated financial statements*

#### *Opinion*

We have audited the accompanying consolidated financial statements of EDP - Energias de Portugal, S.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2018 (which shows total assets of Euro 41,626,960 thousand and total shareholders' equity of Euro 12,900,327 thousand including a net profit of Euro 876,081 thousand), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of EDP - Energias de Portugal, S.A. as at December 31, 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.*
*Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal*
*Receção: Palácio Sottomayor, Avenida Fontes Pereira de Melo, nº16, 1050-121 Lisboa, Portugal*
*Tel +351 213 599 000, Fax +351 213 599 999, www.pwc.pt*
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*Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485*

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| ***Estimated energy sales*** | |
| *Disclosures related to energy sales presented in notes 2, 4, 7 and 24 of the consolidated financial statements.*<br><br>Revenue recognition of energy sales occurs at the time of delivery and incorporates three distinct aspects:<br>(i) sales of energy billed based on actual consumption;<br>(ii) sales of energy billed on estimated consumption based on each customer's historical data; and<br>(iii) estimate of energy supplied and not billed.<br><br>The Group calculates the estimated volumes using an algorithm in line with the criteria defined by the regulatory entity. The algorithm is based on the average daily consumption of each customer, weighted by historical consumption profiles and adjusted for climatic factors and estimated energy losses.<br><br>The Group also tests the algorithm using a telecounted sample of consumptions, also validating the estimation by comparison to the energy balance that is based on the energy volumes that are reported as being input to the network by the operator of the transmission network. A "rollback" analysis of real consumption is also carried out retrospectively.<br><br>Valuation of the estimated quantities is carried out based on the historical average prices according to the tariff, type of customer, contracted power, among other factors.<br><br>Given the high complexity of the methodology used by the Group to estimate the energy consumed by its customers and the degree of judgment involved, in particular in relation to volumes and associated average prices, this issue was considered to be a relevant matter for the purposes of our audit. | Our audit procedures included, among others, identifying and testing the design and operational efficiency of key controls related to the recognition of revenue associated with energy sales, and in particular those related to estimated sales at the end of each period .<br><br>The algorithm including the estimated volumes was obtained having been verified, on a sample basis for each type of customer and tariff, that the criteria defined by the regulator were being met and that the adjustments made were reasonable. Regarding the average prices used to value the estimated volumes for each type of costumer, a sample of historical data was also verified. The energy balance was also obtained and the differences between the energy inputs to the network and the energy billed and estimated by the Group were evaluated.<br><br>In order to complement the procedures described above, we also tested the estimation of unbilled consumed energy for reasonableness based on previous years' billing records.<br><br>We also reviewed the adequacy of the disclosures presented in the financial statements, based on the applicable accounting standards and in what we considered relevant. |

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| ***Transactions of equity stakes*** | |
| *Disclosures related to transactions of equity stakes presented in notes 2, 4, 6, 8, 13, 20, 25, 31 and 40 of the consolidated financial statements.*<br><br>As a result of its activity and as part of its strategy, the Group proceeds to the disposal of equity stakes in controlled entities with the main objective of reinvesting the funds obtained in new projects. It also acquires equity stakes and other rights in entities considered relevant to its business portfolio and of value creation to the shareholders.<br><br>Disposals may or may not result in a loss of control and acquisitions may or may not result in a gain in control, depending on the percentage of capital sold or acquired, shareholder agreements and effective control exercised.<br><br>Given the amounts and the level of judgment involved in assessing the loss or gain of control, measuring contingent clauses resulting from the transactions, determining the acquisition value and allocating the acquisition price to identified assets / liabilities, this issue was considered to be a relevant matter for the purposes of our audit. | Our audit procedures included, among others, holding meetings with the management of the geographies where the transactions took place in order to obtain an adequate understanding of each of the relevant transactions, as well as the respective supporting documentation.<br><br>Purchase and sale agreements, shareholder agreements and other associated documentation were analyzed in detail. The accounting treatment given to each of the operations was assessed based on the applicable accounting standards and the mathematical accuracy of the calculations that originate the records was tested.<br><br>Key controls related to acquisitions and disposals of equity stakes were also identified and tested.<br><br>Regarding disposals of equity stakes, the ownership of control and the valuation of contingent clauses, where applicable, were specifically analyzed and evaluated. In relation to the acquisition of equity stakes, control ownership was also evaluated, as well as the allocation of the purchase price to the fair value of identifiable assets and liabilities.<br><br>We also reviewed the accounting treatment and the adequacy of the disclosures related to each of transactions analysed, based on the applicable accounting standards and in what we considered relevant. |
| ***Recoverability of non current assets*** | |
| *Disclosures related to the non-current assets presented in notes 2, 4, 12, 16, 17, 18 and 20 of the consolidated financial statements.*<br><br>As of December 31, 2018, goodwill, tangible fixed assets, intangible assets and investments in joint ventures and associates presented in EDP's | Our audit procedures included, among others, evaluating the adequacy of the impairment models used by the Group and testing the mathematical accuracy of the calculations.<br><br>We assessed the reasonableness of the assumptions used and verified the approval of |

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| consolidated financial statements amounted to Euro 2,251 million, Euro 22,708 million, Euro 4,926 million and Euro 952 million, respectively.<br><br>In accordance with International Accounting Standard (IAS) 36, and as disclosed in the notes to the financial statements, the Group performs impairment tests on tangible and intangible assets whenever there are facts or circumstances that may indicate that the net book value may not be recoverable, except when allocated to cash generating units with allocated goodwill, in which case they are tested for impairment together with the associated goodwill on an annual basis or whenever there is evidence of impairment.<br><br>Given the dispersion of the Group's operating activity across the world, these impairment tests are carried out for the cash-generating units identified in each of the geographies where EDP Group operates. The recoverable amount of each of the non-current assets tested for impairment, namely tangible fixed assets used in the production and distribution of electricity, intangible assets related to concession rights and goodwill and financial investments, is determined based on discounted cash flow models, which imply a high level of judgment given the uncertatinty of the underlying data, namely the economic and market projections and assumptions used relating to discount rates, exchange rates, growth rates and inflation rates, country risk, commodity prices, among others.<br><br>Given the amounts involved, the complexity of the valuation models and the associated high level of judgment, this issue was considered to be a relevant matter for the purposes of our audit. | the future cash flows included in the models of each company and geographies where the Group has assets subject to impairment tests. The reasonableness of the definition of cash-generating units subject to impairment tests was also evaluated.<br><br>We challenged the management regarding the appropriateness of the assumptions with higher sensitivity in determining the value in use, namely electricity pool prices , prices of other commodities, regulatory frameworks and the respective impact on the cash flows of each geography and the discount rate. An analysis of the discount rate was carried out in each of the geographies, using peer information and other information available in the market. Sensitivity analysis were also carried out on the main assumptions in order to determine the level of variations that, individually or together, could lead to impairment losses on assets tested for impairment.<br><br>The procedures described above, aimed at evaluating the assumptions and the methodology associated with the impairment models used by the Group, were carried out with the support of our team of specialists.<br><br>The design and effectiveness of key controls related to impairment of non-current assets were also evaluated.<br><br>The adequacy of the associated disclosures was also reviewed, in particular the ones related to estimates and assumptions that present higher sensitivity in the calculation of the value in use, based on the applicable accounting standards and in what we considered relevant. |

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| ***Derivative financial instruments*** | |
| *Disclosures related to derivative financial instruments presented in notes 2, 4, 7, 13, 25, 30, 38, 41 and 44 of the consolidated financial statements.*<br><br>As mentioned in the consolidated financial statements, the exposure of EDP Group to financial risks lies essentially in its debt portfolio and in the commodity price volatility, resulting in interest rate, exchange rate and market price risks.<br><br>Risk management of EDP Group is carried out centrally at EDP S.A., which uses a set of derivative financial instruments to cover these risks.<br><br>As of December 31, 2018, derivative financial instruments presented in the balance sheet (level 2 in the fair value hierarchy of the International Financial Reporting Standard (IFRS) 13 - Fair value) amounted to Euro 288 million of assets and Euro 352 million of liabilities.<br><br>The valuation of financial instruments classified as level 2, particularly derivative financial instruments, is carried using observable market data and valuation models based on discounted cash flow techniques, which usually involve a high degree of judgment in defining the assumptions to be used. Therefore, changes in the assumptions used by the Executive Board of Directors may give rise to material impacts on the the fair value of the mentioned financial instruments.<br><br>Additionally, in accordance with IAS 39, the Group prepares efficiency tests on its hedging derivative financial instruments portfolio on an annual basis, in order to assess the accounting effectiveness of the hedges, which also involves the assumption of significant judgments and estimates. | Our audit procedures included the identification and testing of the design and operational efficiency of the controls related to contracting, monitoring and settling derivative financial instruments, to their classification, and to the preparation of supporting documentation and effectiveness tests , when applicable. In this context, controls tested included access policies, system management, approvals, confirmations with financial institutions and reconciliations with counterparties.<br><br>Regarding the computation of the fair value of derivative financial instruments, in particular the models developed by the Group for this purpose, we evaluated their suitability and the suitability of the assumptions and data used by comparing observable data with information collected from external and independent sources, and we analyzed the contractual information. External confirmations of counterparties were also performed in order to validate open positions as of the date of the statement of financial position.<br><br>The documentation prepared by the Group regarding the hedge accounting was evaluated and compliance with the requirements of IAS 39 was verified.<br><br>The adequacy of the accounting entries for each of the analyzed situations as well as the adequacy of the own use exemption provided in IFRS 9 for the use of commodities in the operatinal activity and the related impacts on the consumption calculation were also verified.<br><br>The adequacy of the disclosures associated with financial derivative instruments, particularly the ones related to fair value and liquidity was also reviewed, based on the applicable accounting standards and in what we considered relevant. |

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| Given the relevance of the derivative financial instruments in the context of the Group's consolidated financial statements, together with the degree of judgment associated with its valuation and the complexity associated with its accounting treatment, this issue was considered to be a relevant matter for the purposes of our audit. | |
| ***Regulatory and legal framework*** | |
| *Disclosures related to the regulatory and legal framework presented in notes 1, 2, 4, 7, 11, 15, 24, 35, 37, 42 and 49 of the consolidated financial statements.*<br><br>Given its geographic dispersion, the activity of the Group is subject to several regulatory and legal frameworks, which vary in accordance to the country and the activity performed.<br><br>In this context, and particularly in Portugal, there has been an increase in the regulatory complexity associated with the activities in which the Group operates, which has given rise to several disputes and potential contingencies, namely related to the CMEC final adjustment, innovative aspects, costs with clawback, social tariff and CESE and other dispatches and published orders related to regulatory matters. These situations require the management to assess its potential impacts and to exercise, with the support of its legal counsels, a high degree of judgment as to its outcome, which may lead to additional provisions and to disclose additional information to the market, following the requirements of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.<br><br>Given the increasing complexity of the regulatory and legal frameworks and the degree of judgment involved in assessing the outcome of the identified contingencies, this issue was considered to be a relevant matter for the purposes of our audit. | Our audit procedures included identifying and testing the design and operational efficiency of controls related to identifying and monitoring litigation and other regulatory and legal contingencies and to the categorization of risk.<br><br>Several meetings were held with those in charge of the Regulatory and Legal Departments in order to obtain their understanding of the most relevant disagreements, litigations and contingencies and to inspect the relevant documentation. The assumptions used by the management to categorize and value the identified risks and their inclusion in the consolidated financial statements, were assessed and evaluated.<br><br>External confirmations from legal advisors and attorneys that are advising on regulatory and legal processes were also obtained, and the consistency of the information received with the risk assessment performed by the management was verified.<br><br>The adequacy of the associated disclosures, namely the ones concerning the legal and regulatory framework of the Group's activity, was also reviewed based on the applicable accounting standards and in what we considered relevant. |

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| ***Pensions and post employment benefits*** | |
| *Disclosures related to pensions and post employment benefits presented in notes 2, 4, 10, 25, 30 and 34 of the consolidated financial statements.*<br><br>As of December 31, 2018, net liabilities with pensions and post-employment benefits presented in the consolidated financial statements of EDP Group amounted to Euro 1,099 million, mainly comprising benefits with retirement and early retirement pensions, and healthcare services.<br><br>These liabilities are estimated for each plan based on actuarial valuations performed annually by an independent expert in accordance with the Projected Credit Unit Method. These valuations incorporate a set of financial and actuarial assumptions, namely the discount rate, the inflation rate, the mortality and disability tables, the growth rates of pensions and salaries, amongst others, defined by the Executive Board of Directors considering the characteristics of the benefits attributed, the employees covered and the current and expected behaviour of these variables<br><br>In the specific case of the discount rate used in the actuarial studies, it is determined on the basis of the market rates for high-quality corporate bonds in terms of credit risk, denominated in the currency in which the benefits will be paid and with a maturity similar to the termination date of the payment of the benefits of the plan.<br><br>In this context, future changes in the financial and actuarial assumptions used may give rise to material impacts on the net liabilities and on the assets associated with these benefits, and for that reason this issue was considered to be a relevant matter for the purposes of our audit. | Our audit procedures included identifying and testing the design and operational efficiency of the controls implemented by the Group in order to determine liabilities with pension and post employment benefits, in particular the ones related to the assumptions used and to data sent to the actuary.<br><br>Meetings were held with the management to identify the methodologies and options considered in defining the main financial and actuarial assumptions. Given the relevance of the judgments required to the Executive Board of Directors, we assessed the reasonableness of the main assumptions, comparing them with the data that we were able to independently obtain.<br><br>We also reviewed the adequacy of (i) the employee information, used for the calculation of liabilities; and (ii) the recognition of costs related to past services and actuarial deviations resulting from changes in assumptions and gains in experience. The fair value of the assets of the fund was independently validated by our internal experts.<br><br>The actuarial report prepared with reference to December 31, 2018 was read and the main assumptions used were evaluated, namely discount rate, inflation rate, growth rates of pensions and salaries and mortality and disability tables, using information developed internally and market benchmarks.<br><br>We also confirmed the registration with ASF (Autoridade de Supervisão de Seguros e Fundos de Pensões) of the actuary responsible and confirmed the existence of the actuary's declaration of independence regarding the report as of December 31, 2018.<br><br>The adequacy of the disclosures associated with post employment benefits, was also reviewed based on the applicable accounting standards and in what we considered relevant. |

### *Responsibilities of management and supervisory board for the consolidated financial statements*

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

## *Report on other legal and regulatory requirements*

### *Director's report*

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

### *Non-financial information set forth in article No. 508-G of the Portuguese Company Law*

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity prepared a separate report of the Director's report that includes the non-financial information set forth in article No. 508-G of the Portuguese Company Law, which was published together with the Director's report.

### *Corporate governance report*

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

## *Additional information required in article No. 10 of the Regulation (EU) 537/2014*

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of EDP - Energias de Portugal, S.A. in the Shareholders' General Meeting of April 5, 2018 for the period from 2018 to 2020.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of March 11, 2019.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

March 11, 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

João Rui Fernandes Ramos, R.O.C.

**Financial Statements**
**31 December 2017**

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## EDP - Energias de Portugal

**Consolidated Income Statements for the periods ended at 31 December 2017 and 2016**

| Thousand Euros | Notes | 2017 | 2016 |
|---|---|---|---|
| Revenues from energy sales and services and other | 6 | 15,745,987 | 14,595,164 |
| Cost of energy sales and other | 6 | -10,354,909 | -8,857,132 |
| | | 5,391,078 | 5,738,032 |
| Other income | 7 | 1,036,999 | 427,314 |
| Supplies and services | 8 | -990,533 | -947,874 |
| Personnel costs and employee benefits | 9 | -680,833 | -660,616 |
| Other expenses | 10 | -766,762 | -797,549 |
| | | -1,401,129 | -1,978,725 |
| | | 3,989,949 | 3,759,307 |
| Provisions | 36 | 3,627 | 15,076 |
| Amortisation and impairment | 11 | -1,675,659 | -1,510,304 |
| | | 2,317,917 | 2,264,079 |
| Financial income | 12 | 439,636 | 899,323 |
| Financial expenses | 12 | -1,248,089 | -1,790,803 |
| Share of net profit in joint ventures and associates | 20 | 11,521 | -22,062 |
| Profit before income tax and CESE | | 1,520,985 | 1,350,537 |
| Income tax expense | 13 | -10,304 | -88,796 |
| Extraordinary contribution to the energy sector (CESE) | 14 | -69,246 | -61,630 |
| | | -79,550 | -150,426 |
| **Net profit for the period** | | **1,441,435** | **1,200,111** |
| **Attributable to:** | | | |
| **Equity holders of EDP** | | **1,113,169** | **960,561** |
| **Non-controlling Interests** | 32 | **328,266** | **239,550** |
| **Net profit for the period** | | **1,441,435** | **1,200,111** |
| Earnings per share (Basic and Diluted) - Euros | 29 | 0.31 | 0.26 |

LISBON, 1 MARCH 2018

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

## EDP - Energias de Portugal

### Consolidated Statements of Comprehensive Income for the periods ended at 31 December 2017 and 2016

| Thousand Euros | 2017 Equity holders of EDP | 2017 Non-controlling Interests | 2016 Equity holders of EDP | 2016 Non-controlling Interests |
|---|---|---|---|---|
| **Net profit for the period** | 1,113,169 | 328,266 | 960,561 | 239,550 |
| **Items that will never be reclassified to profit or loss (i)** | | | | |
| Actuarial gains/(losses) | -46,326 | -20,048 | -48,533 | -23,224 |
| Tax effect from the actuarial gains/(losses) | 20,597 | 6,818 | 15,091 | 7,888 |
| | -25,729 | -13,230 | -33,442 | -15,336 |
| **Items that are or may be reclassified to profit or loss (i)** | | | | |
| Exchange differences arising on consolidation | -216,158 | -349,829 | 235,662 | 351,294 |
| Fair value reserve (cash flow hedge) | -147,264 | 1,960 | 113,123 | 3,279 |
| Tax effect from the fair value reserve (cash flow hedge) | 41,304 | -858 | -30,764 | -278 |
| Fair value reserve (available for sale investments) | -15,762 | 94 | -9,469 | 546 |
| Tax effect from the fair value reserve (available for sale investments) | -3,396 | - | 188 | - |
| Share of other comprehensive income of joint ventures and associates, net of taxes | -1,006 | 4,644 | -872 | -2,342 |
| | -342,282 | -343,989 | 307,868 | 352,499 |
| **Other comprehensive income for the period, net of income tax** | -368,011 | -357,219 | 274,426 | 337,163 |
| **Total comprehensive income for the period** | 745,158 | -28,953 | 1,234,987 | 576,713 |

(i) See Consolidated Statement of Changes in Equity

LISBON, 1 MARCH 2018

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

# EDP - Energias de Portugal

**Consolidated Statements of Financial Position**
**as at 31 December 2017 and 2016**

| Thousand Euros | Notes | 2017 | 2016 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 15 | 22,730,615 | 24,193,736 |
| Intangible assets | 16 | 4,747,360 | 5,128,544 |
| Goodwill | 17 | 2,232,668 | 3,414,852 |
| Investments in joint ventures and associates | 20 | 843,082 | 820,565 |
| Available for sale investments | 21 | 124,016 | 165,044 |
| Investment property | 22 | 39,199 | 31,219 |
| Deferred tax assets | 23 | 808,521 | 904,412 |
| Debtors and other assets from commercial activities | 25 | 2,839,379 | 2,448,442 |
| Other debtors and other assets | 26 | 518,772 | 437,028 |
| Non-Current tax assets | 27 | 60,793 | 32,241 |
| Collateral deposits associated to financial debt | 34 | 34,874 | 31,936 |
| Total Non-Current Assets | | 34,979,279 | 37,608,019 |
| Inventories | 24 | 265,775 | 316,577 |
| Debtors and other assets from commercial activities | 25 | 3,325,730 | 3,207,613 |
| Other debtors and other assets | 26 | 304,628 | 354,316 |
| Current tax assets | 27 | 520,500 | 494,504 |
| Financial assets at fair value through profit or loss | 51 | 37,544 | 9,567 |
| Collateral deposits associated to financial debt | 34 | 10,381 | 20,095 |
| Cash and cash equivalents | 28 | 2,400,077 | 1,521,253 |
| Assets held for sale | 41 | 231,135 | 551,802 |
| Total Current Assets | | 7,095,770 | 6,475,727 |
| **Total Assets** | | 42,075,049 | 44,083,746 |
| **Equity** | | | |
| Share capital | 29 | 3,656,538 | 3,656,538 |
| Treasury stock | 30 | -62,957 | -63,528 |
| Share premium | 29 | 503,923 | 503,923 |
| Reserves and retained earnings | 31 | 4,335,265 | 4,348,793 |
| Consolidated net profit attributable to equity holders of EDP | | 1,113,169 | 960,561 |
| Total Equity attributable to equity holders of EDP | | 9,545,938 | 9,406,287 |
| Non-controlling Interests | 32 | 3,934,322 | 4,330,085 |
| **Total Equity** | | 13,480,260 | 13,736,372 |
| **Liabilities** | | | |
| Financial debt | 34 | 15,469,636 | 15,550,273 |
| Employee benefits | 35 | 1,198,362 | 1,410,136 |
| Provisions | 36 | 726,771 | 637,613 |
| Deferred tax liabilities | 23 | 466,532 | 722,401 |
| Institutional partnerships in USA | 37 | 2,163,722 | 2,339,425 |
| Trade and other liabilities from commercial activities | 38 | 1,343,171 | 1,293,133 |
| Other liabilities and other payables | 39 | 874,984 | 761,101 |
| Non-current tax liabilities | 40 | 91,551 | 68,156 |
| Total Non-Current Liabilities | | 22,334,729 | 22,782,238 |
| Financial debt | 34 | 1,448,129 | 2,476,403 |
| Employee benefits | 35 | 323,891 | 316,709 |
| Provisions | 36 | 26,058 | 33,879 |
| Hydrological correction account | 33 | 1,574 | 1,574 |
| Trade and other liabilities from commercial activities | 38 | 3,498,131 | 3,362,421 |
| Other liabilities and other payables | 39 | 284,140 | 345,032 |
| Current tax liabilities | 40 | 563,456 | 953,264 |
| Liabilities held for sale | 41 | 114,681 | 75,854 |
| Total Current Liabilities | | 6,260,060 | 7,565,136 |
| **Total Liabilities** | | 28,594,789 | 30,347,374 |
| **Total Equity and Liabilities** | | 42,075,049 | 44,083,746 |

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The following notes form an integral part of these financial statements

## EDP - Energias de Portugal

**Consolidated Statements of Changes in Equity for the periods ended as at 31 December 2017 and 2016**

| Thousand Euros | Total Equity | Share capital (i) | Share premium (i) | Legal reserve (ii) | Reserves and retained earnings | Fair value reserve (Cash flow hedge) (ii) | Fair value reserve (AFS investments) (ii) | Exchange differences (ii) | Treasury stock (iii) | Equity attributable to equity holders of EDP | Non-controlling Interests (iv) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2015** | **12,121,493** | **3,656,538** | **503,923** | **698,902** | **4,262,125** | **-56,304** | **59,379** | **-392,097** | **-62,691** | **8,669,775** | **3,451,718** |
| Comprehensive income: | | | | | | | | | | | |
| Net profit for the period | 1,200,111 | - | - | - | 960,561 | - | - | - | - | 960,561 | 239,550 |
| Changes in the fair value reserve (cash flow hedge) net of taxes | 85,360 | - | - | - | - | 82,359 | - | - | - | 82,359 | 3,001 |
| Changes in the fair value reserve (available for sale investments) net of taxes | -8,735 | - | - | - | - | - | -9,281 | - | - | -9,281 | 546 |
| Share of other comprehensive income of joint ventures and associates net of taxes | -3,214 | - | - | - | - | 886 | - | -1,758 | - | -872 | -2,342 |
| Actuarial gains/(losses) net of taxes | -48,778 | - | - | - | -33,442 | - | - | - | - | -33,442 | -15,336 |
| Exchange differences arising on consolidation | 586,956 | - | - | - | - | - | - | 235,662 | - | 235,662 | 351,294 |
| Total comprehensive income for the period | 1,811,700 | - | - | - | 927,119 | 83,245 | -9,281 | 233,904 | - | 1,234,987 | 576,713 |
| Transfer to legal reserve | - | - | - | 40,122 | -40,122 | - | - | - | - | - | - |
| Dividends paid | -672,537 | - | - | - | -672,537 | - | - | - | - | -672,537 | - |
| Dividends attributable to non-controlling interests | -170,602 | - | - | - | - | - | - | - | - | - | -170,602 |
| Purchase and sale of treasury stock | -2,878 | - | - | - | -751 | - | - | - | -2,127 | -2,878 | - |
| Share-based payments | 1,290 | - | - | - | - | - | - | - | 1,290 | 1,290 | - |
| Sale without loss of control of windfarms in the USA | 262,848 | - | - | - | 15,399 | -1,037 | - | 3,845 | - | 18,207 | 244,641 |
| Sale without loss of control of windfarms in Europe | 414,925 | - | - | - | 97,212 | 3,429 | - | 5,246 | - | 105,887 | 309,038 |
| Changes resulting from acquisitions/sales, equity increases/decreases and other | -29,867 | - | - | - | 47,119 | 153 | - | 4,284 | - | 51,556 | -81,423 |
| **Balance as at 31 December 2016** | **13,736,372** | **3,656,538** | **503,923** | **739,024** | **4,635,564** | **29,486** | **50,098** | **-144,818** | **-63,528** | **9,406,287** | **4,330,085** |
| Comprehensive income: | | | | | | | | | | | |
| Net profit for the period | 1,441,435 | - | - | - | 1,113,169 | - | - | - | - | 1,113,169 | 328,266 |
| Changes in the fair value reserve (cash flow hedge) net of taxes | -104,858 | - | - | - | - | -105,960 | - | - | - | -105,960 | 1,102 |
| Changes in the fair value reserve (available for sale investments) net of taxes | -19,064 | - | - | - | - | - | -19,158 | - | - | -19,158 | 94 |
| Share of other comprehensive income of joint ventures and associates net of taxes | 3,638 | - | - | - | - | - | - | -1,006 | - | -1,006 | 4,644 |
| Actuarial gains/(losses) net of taxes | -38,959 | - | - | - | -25,729 | - | - | - | - | -25,729 | -13,230 |
| Exchange differences arising on consolidation | -565,987 | - | - | - | - | - | - | -216,158 | - | -216,158 | -349,829 |
| Total comprehensive income for the period | 716,205 | - | - | - | 1,087,440 | -105,960 | -19,158 | -217,164 | - | 745,158 | -28,953 |
| Dividends paid | -690,637 | - | - | - | -690,637 | - | - | - | - | -690,637 | - |
| Dividends attributable to non-controlling interests | -118,251 | - | - | - | - | - | - | - | - | - | -118,251 |
| Purchase and sale of treasury stock | -869 | - | - | - | - | - | - | - | -869 | -869 | - |
| Share-based payments | 1,364 | - | - | - | -76 | - | - | - | 1,440 | 1,364 | - |
| Sale without loss of control of windfarms in Europe | 210,098 | - | - | - | 72,479 | 1,940 | - | - | - | 74,419 | 135,679 |
| Public Offer for the Acquisition of EDP Renováveis S.A. | -299,620 | - | - | - | 17,338 | -1,608 | 315 | 26 | - | 16,071 | -315,691 |
| Changes resulting from acquisitions/sales, equity increases/decreases and other | -74,402 | - | - | - | -5,855 | - | - | - | - | -5,855 | -68,547 |
| **Balance as at 31 December 2017** | **13,480,260** | **3,656,538** | **503,923** | **739,024** | **5,116,253** | **-76,142** | **31,255** | **-361,956** | **-62,957** | **9,545,938** | **3,934,322** |

(i) See note 29
(ii) See note 31
(iii) See note 30
(iv) See note 32

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**EDP - Energias de Portugal**

**Consolidated and Company Statements of Cash Flows for the periods ended as at 31 December 2017 and 2016**

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | 2017 | 2016 | 2017 | 2016 |
| **Operating activities** | | | | |
| Cash receipts from customers | 13,776,871 | 13,369,454 | 2,600,335 | 2,591,628 |
| Proceeds from tariff adjustments sales | 1,192,916 | 2,286,944 | - | - |
| Payments to suppliers | -10,551,653 | -9,475,160 | -2,633,932 | -2,479,093 |
| Payments to personnel | -854,016 | -902,430 | -68,791 | -62,872 |
| Concession rents paid | -279,631 | -278,310 | - | - |
| Other receipts/(payments) relating to operating activities | -390,307 | -330,525 | 51,089 | 24,694 |
| **Net cash flows from operations** | 2,894,180 | 4,669,973 | -51,299 | 74,357 |
| Income tax received/(paid) | -658,587 | -628,153 | -18,397 | -77,725 |
| **Net cash flows from operating activities** | 2,235,593 | 4,041,820 | -69,696 | -3,368 |
| **Investing activities** | | | | |
| Cash receipts relating to: | | | | |
| Sale of assets/subsidiaries with loss of control (i) | 2,764,384 | 95,434 | 32,103 | - |
| Other financial assets and investments (ii) | 50,917 | 34,956 | 50,719 | 139 |
| Held to maturity financial investments | - | - | 26,332 | - |
| Changes in cash resulting from consolidation perimeter variations (iii) | 28,342 | - | - | - |
| Property, plant and equipment and intangible assets | 23,405 | 18,058 | 121,361 | 3,436 |
| Other receipts relating to tangible fixed assets | 17,381 | 10,782 | - | 155 |
| Interest and similar income | 73,746 | 89,240 | 333,999 | 415,836 |
| Dividends | 32,403 | 19,888 | 785,399 | 800,207 |
| Loans to related parties | 32,318 | 49,586 | 1,323,531 | 702,120 |
| | 3,022,896 | 317,944 | 2,673,444 | 1,921,893 |
| Cash payments relating to: | | | | |
| Acquisition of assets/subsidiaries (i) | -308,921 | -139,607 | -319,391 | -18,641 |
| Other financial assets and investments (v) | -170,237 | -140,531 | - | - |
| Held to maturity financial investments | - | - | -446,802 | -500,624 |
| Changes in cash resulting from consolidation perimeter variations (iii) | -34,088 | -7,051 | - | - |
| Property, plant and equipment and intangible assets | -1,920,980 | -2,090,617 | -29,340 | -29,868 |
| Loans to related parties | -18,916 | -74,605 | -1,795,610 | -891,593 |
| | -2,453,142 | -2,452,411 | -2,591,143 | -1,440,726 |
| **Net cash flows from investing activities** | 569,754 | -2,134,467 | 82,301 | 481,167 |
| **Financing activities** | | | | |
| Receipts/(payments) relating to financial debt (include Collateral Deposits) | -440,343 | -1,559,513 | 2,323,319 | -175,750 |
| Interest and similar costs of financial debt including hedge derivatives | -789,930 | -903,826 | -316,700 | -339,132 |
| Receipts/(payments) relating to loans from non-controlling interests | 8,229 | 376,317 | - | - |
| Interest and similar costs relating to loans from non-controlling interests | -25,405 | -22,971 | - | - |
| Receipts/(payments) relating to loans from related parties | - | - | -444,669 | 512,248 |
| Interest and similar costs of loans from related parties including hedge derivatives | - | - | -94,743 | -86,984 |
| Governmental grants received | -16 | - | - | - |
| Share capital increases/(decreases) by non-controlling interests | -87,563 | 86,229 | - | - |
| Receipts/(payments) relating to derivative financial instruments | -90,876 | -23,520 | 34,380 | 59,850 |
| Dividends paid to equity holders of EDP (vi) | -690,637 | -672,537 | -690,924 | -672,817 |
| Dividends paid to non-controlling interests | -140,159 | -175,355 | - | - |
| Treasury stock sold/(purchased) (vi) | -869 | -2,878 | 495 | -1,588 |
| Sale of assets/subsidiaries without loss of control (vii) | 210,098 | 697,881 | - | - |
| Receipts/(payments) from institutional partnerships - USA (viii) | 250,022 | 451,788 | - | - |
| **Net cash flows from financing activities** | -1,797,449 | -1,748,385 | 811,158 | -704,173 |
| **Changes in cash and cash equivalents** | 1,007,898 | 158,968 | 823,763 | -226,374 |
| Effect of exchange rate fluctuations on cash held | -129,074 | 116,836 | -2,758 | 20,859 |
| Cash and cash equivalents at the beginning of the period | 1,521,253 | 1,245,449 | 317,755 | 523,270 |
| **Cash and cash equivalents at the end of the period*** | 2,400,077 | 1,521,253 | 1,138,760 | 317,755 |

(i) Relates to the sale with loss of control of the activity of gas distribution in Spain (on a consolidated basis) and with the buyback of EDP Renováveis, S.A.' shares under the General and Voluntary Public Tender Offer, as disclosed in the note 18;

(ii) Relates essentially with the sale of the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A. (referred in note 21);

(iii) On a consolidated basis, refers to the change in the method by which it consolidated Eólica de Coahuila, S.A. de C.V. and the sale of the activity of gas distribution in Spain (see note 5);

(iv) On a company basis, corresponds, mainly, to the amounts received from its subsidiares, under the in-kind contribution made to EDP Medical and Death Subsidy Fund of the Lisbon headquarters (see notes 7 and 15);

(v) On a consolidated basis, includes the capital increase of: (i) Empresa de Energia São Manoel, S.A.; (ii) Companhia Energética do Jari, S.A; (iii) Eoliennes en Mer Dieppe - Le Tréport, S.A.S.; (iv) Eoliennes en Mer Iles d'Yeu et de Noirmoutier; and (v) Hydro Global Investment Limited. (referred in note 20);

(vi) See Consolidated and Company Statement of Changes in Equity;

(vii) On a consolidated basis, relates to the sale without loss of control by EDP Renewables, SGPS, S.A. of part of shareholding in several portuguese companies as disclosed in the note 5;

(viii) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in note 37).

* See details of Cash and cash equivalents in note 28 and the Consolidated and Company Reconciliation of Changes in the responsabilities of Financing activities in note 54 of the Financial Statements.

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The following notes form an integral part of these financial statements

# EDP - Energias de Portugal, S.A.

**Company Income Statements for the periods ended at 31 December 2017 and 2016**

| Thousand Euros | Notes | 2017 | 2016 |
|---|---|---|---|
| Revenues from energy sales and services and other | 6 | 2,706,749 | 2,608,187 |
| Cost of energy sales and other | 6 | -2,553,398 | -2,362,389 |
| | | 153,351 | 245,798 |
| Other income | 7 | 37,216 | 15,398 |
| Supplies and services | 8 | -166,502 | -166,462 |
| Personnel costs and employee benefits | 9 | -73,509 | -65,780 |
| Other expenses | | -11,682 | -18,521 |
| | | -214,477 | -235,365 |
| | | -61,126 | 10,433 |
| Provisions | 36 | -2,131 | -414 |
| Amortisation and impairment | 11 | -23,022 | -20,092 |
| | | -86,279 | -10,073 |
| Financial income | 12 | 2,093,354 | 2,331,796 |
| Financial expenses | 12 | -1,306,072 | -1,563,981 |
| Profit before income tax | | 701,003 | 757,742 |
| Income tax expense | 13 | 64,424 | 289 |
| Net profit for the period | | **765,427** | **758,031** |

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The following notes form an integral part of these financial statements

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

### Company Statements of Comprehensive Income for the periods ended at 31 December 2017 and 2016

| Thousand Euros | 2017 | 2016 |
|---|---|---|
| **Net profit for the period** | 765,427 | 758,031 |
| **Items that will never be reclassified to profit or loss (i)** | | |
| Actuarial gains/(losses) | 33 | -1,642 |
| Tax effect from the actuarial gains/(losses) | -125 | 487 |
| | -92 | -1,155 |
| **Items that are or may be reclassified to profit or loss (i)** | | |
| Fair value reserve (cash flow hedge) | -46,721 | 62,433 |
| Tax effect from the fair value reserve (cash flow hedge) | 14,308 | -18,418 |
| Fair value reserve (available for sale investments) | -20,190 | -1,572 |
| Tax effect from the fair value reserve (available for sale investments) | -2,741 | 458 |
| | -55,344 | 42,901 |
| **Other comprehensive income for the period (net of income tax)** | -55,436 | 41,746 |
| **Total comprehensive income for the period** | 709,991 | 799,777 |

(i) See Company Statement of Changes in Equity

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

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

**Company Statements of Financial Position**
**as at 31 December 2017 and 2016**

| Thousand Euros | Notes | 2017 | 2016 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 15 | 156,347 | 191,959 |
| Intangible assets | | 12,311 | 2,074 |
| Investments in subsidiaries | 18 | 11,501,702 | 11,190,176 |
| Held to maturity financial investments | 19 | 451,257 | 477,018 |
| Investments in joint ventures and associates | 20 | 6,597 | 6,597 |
| Available for sale investments | 21 | 1,556 | 52,134 |
| Investment property | 22 | 51,496 | 52,579 |
| Deferred tax assets | 23 | 78,258 | 45,115 |
| Debtors and other assets from commercial activities | | 586 | 748 |
| Other debtors and other assets | 26 | 6,623,831 | 6,863,324 |
| Total Non-Current Assets | | 18,883,941 | 18,881,724 |
| | | | |
| Held to maturity financial investments | 19 | 419,946 | 29,985 |
| Debtors and other assets from commercial activities | 25 | 609,630 | 551,098 |
| Other debtors and other assets | 26 | 2,907,222 | 2,975,295 |
| Current tax assets | 27 | 185,256 | 40,011 |
| Cash and cash equivalents | 28 | 1,138,760 | 317,755 |
| Total Current Assets | | 5,260,814 | 3,914,144 |
| **Total Assets** | | 24,144,755 | 22,795,868 |
| | | | |
| **Equity** | | | |
| Share capital | 29 | 3,656,538 | 3,656,538 |
| Treasury stock | 30 | -56,862 | -57,433 |
| Share premium | 29 | 503,923 | 503,923 |
| Reserves and retained earnings | 31 | 2,575,543 | 2,563,948 |
| Net profit for the period | | 765,427 | 758,031 |
| **Total Equity** | | 7,444,569 | 7,425,007 |
| | | | |
| **Liabilities** | | | |
| Financial debt | 34 | 5,785,760 | 9,426,907 |
| Employee benefits | 35 | 5,763 | 4,655 |
| Provisions | 36 | 8,902 | 7,599 |
| Trade and other liabilities from commercial activities | | 2,048 | 2,578 |
| Other liabilities and other payables | 39 | 391,408 | 2,761,843 |
| Total Non-Current Liabilities | | 6,193,881 | 12,203,582 |
| | | | |
| Financial debt | 34 | 7,702,537 | 1,766,359 |
| Employee benefits | 35 | 376 | 291 |
| Provisions | 36 | 1,553 | 724 |
| Hydrological correction account | 33 | 1,574 | 1,574 |
| Trade and other liabilities from commercial activities | 38 | 686,463 | 586,792 |
| Other liabilities and other payables | 39 | 2,094,629 | 543,538 |
| Current tax liabilities | 40 | 19,173 | 268,001 |
| Total Current Liabilities | | 10,506,305 | 3,167,279 |
| **Total Liabilities** | | 16,700,186 | 15,370,861 |
| **Total Equity and Liabilities** | | 24,144,755 | 22,795,868 |

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The following notes form an integral part of these financial statements

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

**Company Statements of Changes in Equity for the periods ended as at 31 December 2017 and 2016**

| Thousand Euros | Total Equity | Share capital (i) | Share premium (i) | Legal reserve (ii) | Reserves and retained earnings | Fair value reserve (Cash flow hedge) (ii) | Fair value reserve (AFS investments) (ii) | Treasury stock (iii) |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2015** | **7,299,635** | **3,656,538** | **503,923** | **698,902** | **2,478,655** | **-5,832** | **24,045** | **-56,596** |
| Comprehensive income: | | | | | | | | |
| Net profit for the period | 758,031 | - | - | - | 758,031 | - | - | - |
| Changes in the fair value reserve (cash flow hedge) net of taxes | 44,015 | - | - | - | - | 44,015 | - | - |
| Changes in the fair value reserve (available for sale investments) net of taxes | -1,114 | - | - | - | - | - | -1,114 | - |
| Actuarial gains / (losses) net of taxes | -1,155 | - | - | - | -1,155 | - | - | - |
| Total comprehensive income for the period | 799,777 | - | - | - | 756,876 | 44,015 | -1,114 | - |
| Transfer to legal reserve | - | - | - | 40,122 | -40,122 | - | - | - |
| Dividends paid | -672,817 | - | - | - | -672,817 | - | - | - |
| Purchase and sale of treasury stock | -2,878 | - | - | - | -751 | - | - | -2,127 |
| Share-based payments | 1,290 | - | - | - | - | - | - | 1,290 |
| **Balance as at 31 December 2016** | **7,425,007** | **3,656,538** | **503,923** | **739,024** | **2,521,841** | **38,183** | **22,931** | **-57,433** |
| Comprehensive income: | | | | | | | | |
| Net profit for the period | 765,427 | - | - | - | 765,427 | - | - | - |
| Changes in the fair value reserve (cash flow hedge) net of taxes | -32,413 | - | - | - | - | -32,413 | - | - |
| Changes in the fair value reserve (available for sale investments) net of taxes | -22,931 | - | - | - | - | - | -22,931 | - |
| Actuarial gains / (losses) net of taxes | -92 | - | - | - | -92 | - | - | - |
| Total comprehensive income for the period | 709,991 | - | - | - | 765,335 | -32,413 | -22,931 | - |
| Dividends paid | -690,924 | - | - | - | -690,924 | - | - | - |
| Purchase and sale of treasury stock | -869 | - | - | - | - | - | - | -869 |
| Share-based payments | 1,364 | - | - | - | -76 | - | - | 1,440 |
| **Balance as at 31 December 2017** | **7,444,569** | **3,656,538** | **503,923** | **739,024** | **2,596,176** | **5,770** | **-** | **-56,862** |

(i) See note 29
(ii) See note 31
(iii) See note 30

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The following notes form an integral part of these financial statements

**Notes to the Condensed Consolidated and Company Financial Statements**



The following notes form an integral part of these financial statements

## 1. Economic Activity of EDP Group

The Group's parent company, EDP - Energias de Portugal, S.A. (EDP, S.A.), was incorporated in 1976 as a result of the nationalisation and merger of the major Portuguese companies in the electricity sector operating in mainland Portugal. EDP S.A.'s head office is located in Lisbon at Avenida 24 de Julho, 12. During 1994, as established by Decree-laws 7/91 and 131/94, the EDP Group (EDP Group or Group) was set up following the split of EDP, S.A., which led to a number of directly or indirectly wholly owned subsidiaries of EDP, S.A.

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

The EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors.

### Activity in the energy sector in Portugal

### Electricity - Portugal

The National Electricity System (SEN) basis of organization and operation, as well as the general basis applicable to the production, transportation, distribution, supply activities of electricity, change of supplier logistics operation, and organisation of organised electricity markets, are established by the Decree-Law (DL) 29/2006 of 15 February, this DL was developed by the DL 172/2006 of 23 August. The DL 29/2006 and 172/2006 were updated by the DL 215-A/2012 and B/2012 of 8 October, incorporating essentially the principles of the European Parliament and Council's Directive 2009/72/CE of 13 July 2009, establishing common rules for the electricity internal market.

The National Electricity System includes the activities of generation and supply of electricity under free market competition conditions (through licensing in generation and through prior registration in supply), and the activities of transmission and distribution provided through exclusive public service concessions. The management activity exercise of organised electricity markets is free, subject to authorization. The activity of logistic operation to change the electricity supplier must be independent of the other SEN entities - the Entidade Reguladora dos Serviços Energéticos - ERSE (Energy Sector Regulator) determined that, until it is developed the logistic and the legislation for this activity, it should be performed by the distribution operator of medium and high voltage, currently EDP Distribuição. The DL 38/2017, of 31 March, established that this activity will be perform by ADENE (Energy Agency).

The transmission, distribution and supply of electricity (including last resort activities and market facilitator), as well as the logistics of changes of supplier and organized markets management are subject to regulation by ERSE, which is responsible for the preparation, issuance and enforcement of regulations and for establishing the tariffs and prices related to network usage - access tariffs - and electricity supply for clients in the regulated market - electricity tariffs charged by the Supplier of Last Resort.

For transmission, distribution and supply of last resort activities, the law establishes a remuneration right fixed by ERSE, under the tariff regulations, to ensure economic and financial balance under an efficient management.

Electricity transmission is ensured by the National Transportation Network (RNT) and is carried out under public service concessions, exclusively by REN - Redes Energéticas Nacionais, SGPS, S.A., for a period of 50 years.

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

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

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

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

The CESE system has been extended for the years 2015, 2016, 2017 and 2018 by the Law 82-B/2014, of 31 December, Law 159-C/2015 of 30 December, Law 42/2016 of 28 December and Law 114/2017 of 29 December. Note that, in the assumptions used in the Stability Programme 2017-2021, published in April 2017 by the Portuguese Government, is implied that CESE will continue until 2021.

Additionally, as defined in the State Budget for 2018, the consumption of coal used in the electricity generation activity is subject to the Petroleum Products Tax (ISP) and CO2 Emission Rate. The application of these two rates will gradually evolve until 2022 (10% in 2018, 25% in 2019, 50% in 2020, 75% in 2021 and 100% in 2022). It was also established that 50% of this revenue will be assigned to the SEN or to reduce the tariff deficit (through the Systemic Sustainability Fund for the Energy Sector).

*Generation*

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

The special regime (PRE) allows producers to deliver electricity to the network, through bilateral agreements with the Supplier of Last Resort (CUR), being subject to specific legislation, namely to promote the use of endogenous renewable resources, cogeneration or micro generation. With the publication of Decree-Law No. 215-A/2012, of 8 October, the PRE begins to integrate beside the production subject to special legal regime the entire generation of electricity from indigenous, renewable and non-renewable resources, even if not covered by a special legal regime, or even not having guaranteed remuneration, it can be remunerated by the market. The EDP Group is present in this segment through its subsidiaries EDP Gestão da Produção, S.A. and EDP Renováveis Portugal, S.A., among others.

Following the publication of Decree-Law 240/2004 of 27 December, which established the creation of a compensation mechanism to maintain the contractual balance (CMEC), in January 2005 the EDP Group signed the early termination of contracts for the Power Purchase Agreements (PPAs) related to the binding electricity production plants of the EDP Group, effective as of 1 July 2007, date of the launch of the Iberian Electricity Market (MIBEL).

With the publication of Decree-Law 199/2007, of 18 May, the Portuguese Government confirmed its decision to early terminate the PPAs and implement the CMEC mechanism and defined the rules to calculate the compensations due to the power generators for such early termination, which essentially consisted in an adjustment of the reference market price of electricity used to calculate the CMEC initial compensation amount. On 15 June 2007, EDP and REN agreed on the early termination of the PPAs, effective as of 1 July 2007. The CMEC regulation sets the compensation due at 833,467 thousand Euros, which in accordance with the legislation can be subject to securitisation.

In June 2007, Decree-Law 226-A/2007 of 31 May, which approved the legal regime for using hydric resources under the terms of the Water Law (Lei da Água), came into force. This Decree-Law in article 91, foresees the transfer of concession rights of public hydric resources of RTN to the companies holding the rights, and being subject to the payment of an economic and financial equilibrium value. The article 92 defines the calculation formula for the economic and financial equilibrium value, which was determined based on the value identified in two assessements conducted by highly reputed independent entities: Caixa - Banco de Investimento, S.A. and Credit Suisse First Boston. On that basis, the Government (INAG), REN and EDP Produção signed on 8 March 2008, several service concession arrangements related to the ex- SEP plants for which EDP Produção paid approximately 759 million Euros (corresponding to the contractual compensation following the Dispatch 16982/07) for the extension of the period to operate the public hydric domain for an additional average period of 26 years.

On 20 August 2012, the Administrative Order 251/2012 was published. This regulation replaced the previous mechanisms and established a new incentive scheme to energy generators. Capacity payments should contribute decisively and rationally to maintain the production capacity of electricity (availability incentive) and to perform future investment in new production capacity (investment incentive), and therefore, to ensure security supply levels that are not guaranteed by the operation of the normal market mechanisms. The availability incentive is applicable to thermoelectric power plants until the end of the operating license, beginning in the calendar year following the date of termination of the PAF ("Programa de Apoio Financeiro"). This incentive corresponds to an annual compensation of 6,000 Euro/MW/year. Investment incentive is applicable to new hydroelectric power plants and power enhancement projects, during the first 10 years after the formal recognition of their eligibility to receive the incentive.

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

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013, that modifies the remuneration applicable to the production of electricity by mini hydro plants (PCH). Establishes that the PCH that were framed by a remuneration scheme prior to Decree-Law 33-A/2005, of 16 February, benefit from that remuneration scheme for a period of 25 years from the grant date of the exploration license or until the expiration date of their water use license, whichever occurs first. After this 25-year period and as longer as the above mentioned license remains valid, electricity produced by these plants will be sold at market prices.

Law 74/2013 of 4 June, established a regulatory scheme in order to ensure the balance of competition in the wholesale electricity market, determining that the costs of general economic interest (CIEG) of the global use of the system tariff (UGS) should also be supported by the producers under the ordinary regime and other producers not included in the guaranteed return system.

On 30 July 2015, the Administrative Order 225/2015 was published, which change the Law 74/2013 implementing rules. The impact of the designated "extra market rules" is now determined by Order of the Government member responsible for the energy.

On 15 October 2015, the Office of the Secretary of State for Energy (SEE) published the Order 11566-A / 2015, with the valuation of the parameters for calculation of the formula in Article 3 of Ordinance 288/2013, of 20 September, as amended by Decree 225/2015 of 30 July.

On 14 September 2016, ERSE published in the Official Gazette 177, 2nd series, the Directive 15/2016 on the competitive balance scheme of the wholesale market, which determines the information that producers must send to ERSE in order to allow it to calculate the values associated with non-market events occurred in the Portuguese market, as well as the values of installed capacity contained in the operating licenses or production for the determination of the social tariff cost to be supported by each power-generating plant. This Directive also defines the treatment to be given either in billing for the concept of net production of pumping or the billing related to the natural gas combined cycle plants for which it is provided that the application of the net power will only be made from the moment it reaches the operating threshold defined in Ordinance 225/2015 of 30 July.

In 2016, the criteria of social tariff attribution was amended by Law 7-A/2016 of 30 March, "Law on State Budget 2016". This amendment allows the extension of the current number of effective beneficiaries, pursuant to Decree-Law 138-A/2010 of 28 December, as amended by Decree-Law 172/2014, of 14 November, and Decree-Law 102/2011, of 30 September, without reducing the applicable current discount.

The existing social discounts, until the entry into force of this regulatory change, comprise the regime of extraordinary social support to the energy consumer (ASECE) and social tariff of 13.8% and 20% of the invoice, respectively. On 8 April 2016, Order 5138-A/2016 repeal ASECE and approved that the social tariff started to include this component. Therefore, the social discount rate supported by the social tariff was 33.8 % of the invoice from 1 July 2016. On 24 June, it was published in the Official Gazette 120, series 2, the Directive 12/2016 of ERSE that approves the social tariff in force from 1 July to 31 December 2016. Order 11946-A/2016, of 17 October, maintains the application of the social discount amount supported by the social tariff discount of 33.8% of the invoice for 2017. The social tariff is supported by the electricity suppliers under the ordinary regime and by the hydroelectric plants with capacity greater than 10MW, in proportion of the installed capacity in each electric power plant.

The Order 9081-C/2017 of the Office of the Secretary of State for Energy, dated 13 October, determines the discount of tariffs for access to electricity network, applicable as of 1 January 2018. The published dispatch reiterates that: (i) the social tariff is borne by the producers; and ii) its direct or indirect repercussion on tariffs for the use of transmission, distribution or other regulated electricity assets is prohibited. The discount to be applied in tariffs for access to electricity networks, applicable from 1 January 2018 onwards, should correspond to a value that allows a discount of 33.8% on transitional electricity tariffs to final customers, excluding VAT, other taxes, contributions, fees and default interest.

On 8 March 2016, ERSE Directive 6/2016 was published in the Official Gazette 47, series 2, concerning the booking and reporting of power transactions by market participants in specific remuneration schemes. Such measure establishes that the producers of electricity covered by CMEC in accordance with the Commercial Relations Regulation ("Regulamento das Relações Comerciais" (RRC)) and the Tariff Regulation ("Regulamento tarifário") shall to send to ERSE information on trading transactions and orders.

Following the Order 4694/2014, it was published on 5 September 2016, in the Official Gazette 170, series 2, the Order 10840/2016 of the State Energy Secretary’s Office, with the audit conclusions on the determination of an overcompensation risk in the CMEC revisibility calculation in relation to the power plants covered by this mechanism in the system services market. Given the audit conclusions, this Order determines the following:
i) Maintain, until the end of the annual revisibility mechanism of CMEC, the mechanism for the calculation of the system services prices and the proportion of energy generated by CMEC power plants, established in articles 2 and 3 of the Order 4694/2014 of 21 February, from the State Energy Secretary;
ii) Forward the audit report and the Monitoring Committee's opinion to ERSE for monitoring purposes regarding the above mentioned prices and, if appropriate given the results obtained in these reports, find the best regulatory and punitive ways to treat them;
iii) Forward the audit report and the Monitoring Committee's opinion to the Portuguese Authority of Energy and Geology (DGEG).

The Order 12378-A/2016, of 13 October, launches the review process of the remuneration model of power guarantee in order to create a market mechanism that exclusively remunerates the availability services provided by electric power producers, in line with the guidelines given by the European Commission in 2016 for capacity compensation mechanisms.

The Article 169 of the Law 42/2016 of 28 December, which approves the State Budget for 2017, suspends as from 1 January 2017, the capacity payments in the modality of incentive to availability by creating a mechanism which remunerates exclusively the availability services provided by electricity generators. In addition the article 170, of the above mentioned law, determines that the final adjustment of CMEC will be determined and based on a study prepared and presented by ERSE, until the end of the first half of 2017. The value of the adjustment shall be determined in accordance with Decree-Law 240/2004, of 27 December, as amended by Decree-Law 199/2007, of 18 May, 264/2007 of 24 July, and by 32/2013 of 26 February.

DGEG performed an investigation for the evaluation of public policies regarding the energy sector, in which it has come to the conclusion that the renewable energy generators with feed-in tariff have received, apart from this tariff incentive, public support for the promoting and development of renewable energy. DGEG's investigation estimated an amount of 140 million Euros as an excess over what they should have received.

On 13 October 2016, Ordinance 268-B/2016 was published, determining the recovery to SEN of the amount allegedly received in excess, through feed-in tariff reduction granted by the Last resource supplier (CUR).

On 28 December 2016, Law 46/2016 was published. The article 171, determined that the public support for the promoting and development of renewable energy received by the elegible energy generators with feed-in tariff (at this date) should not be cumulative with the administratively fixed remuneration received by those generators. In this sense, this article determines the adoption, through an ordinance, of a mechanism for deduction or replacement of the public support received under these conditions. Thus, on 16 February 2017, Ordinance 69/2017 was published determining the recovery to SEN of the amount allegedly received in excess, through feed-in tariff reduction granted by the Last resource supplier (CUR). This ordinance repeals and replicate the content of the Ordinance 268-B/2016.

The publishing of orders from the State member responsible for the energy sector is expected, that will identify the producers and the amounts which one of them shouldn't have received, in order to calculate the new feed-in tariff that allows this amount to be recovered as fast as it is possible.

For Renewable energy generators under this situation, which have already lost their right to feed-in tariffs, it establishes that it is the CUR who has the responsability to recover the amounts identified by DGEG, though it is not clear in what way will they recover these amounts. Half of the amount recovered under this mechanism will reduce tarif deficit, being the other half allocated to future yearly tariffs.

Order 41/2017, of 27 January, establishes the security reserve remuneration regime for SEN through the availability services provided by electric producers and other market agents. On 1 March, Dispatch 1823-A/2017 was published, with the conditions of the 2017 auction: the auction reserve price of 4,800 Euros/MW, which corresponds to an equivalent price of 3,600 Euros/MW; the SEN security reserve is of 1,766 MW; the maximum annual cost to be borne by SEN electricity consumers with this auction is 8,476,800 Euros, which corresponds to a cost of 6,357,600 Euros for the settlement period; and the last resort supplier (EDP Serviço Universal) is authorised to participate in the auction with a capacity of 180 MW.

On 10 March, Dispatch 2078-B/2017 was published, approving: generic information to be made available to participants in the prequalification phase for the auction of the security reserve remuneration regime for the year 2017 (in its Annex I); the administrative and technical information to OMIP by all participants in the prequalification phase (in its Annex II); and the terms of the draft contract for the availability of the security reserve remuneration regime provided to SEN by the power generation plants and by the CUR (in its Annex III).

In compliance with regulations approved, an auction was held on 30 March 2017 for the allocation of 1,766 MW of security reserve provided through availability services. This auction closed at the price of 4,775 Euros/MW, with a total of 1,168 MW out of 1,766 MW allocated to EDP Group. The total estimated revenue for the EDP Group is approximately 4.2 million Euros.

On 16 March, Dispatch 2258/2017 was issued, regarding the creation and composition of the working group for the hydrological studies, with the mission to study the hydrological mechanism, so that it can be revised and implemented in an harmonisation approach in Iberia, considering, in particular, the need to implement mechanisms to limit the remuneration of hydroelectric energy.

On 10 June 2017 and following Dispatch 10840/2016 on the audit conclusions on the determination of an overcompensation risk in the CMEC revisibility calculation, ERSE clarifies that continues to monitor the market for system services in accordance with its skills and that will incorporate the conclusions of the mentioned audit, in the parts that shall be taken into account, in the opinion on the calculation of the 2016 annual revisibility. EDP Group is not foreseeing any significant impact, once it has always complied with the legal and regulatory frameworks.

On 20 July 2017, the Assembly of the Republic publishes Resolution 158/2017, recommending the Government to reflect the amount of the final adjustment of costs for the maintenance of contractual equilibrium (CMEC) in electricity tariffs for the year 2018 and eliminate it as a excessive revenues.

On 22 June, Dispatch 5443/2017 was published, determining the creation and composition of the working group for the extinction of the hydrological correction account. The working group was extinct by Dispatch 11246/2017, dated 22 December.

The Dispatch 7557-A/2017, of 25 August, from the Office of the Secretary of State for Energy, revokes the full contents of Dispatch 11566-A/2015, of 3 October 2015 by: i) determining the discount to be applied on access tariff for BTN networks for 2016; ii) allocating to costs of general economic interest (CIEG) the amount to be allocated to the reduction of the tariff debt; and iii) defining the parameters for calculating the formula to be paid by each of the power generation centers covered by Decree-Law 74/2013, of 4 June, for each MWh injected into the network.

The General Direction of Energy and Geology (DGEG) through Dispatch 15/2017, of 26 July, performs the quarterly update of the generation reference tariff for the third quarter of 2017.

Dispatch 7875/2017, dated of 7 September, from the Office of the Secretary of State for Energy, declares the invalidity of Article 35-B of the Ordinance 243/2013, of 2 August 2013 , introduced by Ordinance 133/2015, of 15 May 2015(changeability of primary energy source, for conversion of water projects to photovoltaic).

As at 21 September, Decision 2017/1592 of the European Commission was published, dated 15 May 2017, which considers that an extension of the hydroelectric concessions granted by Portugal to EDP does not involve state aid.

Dispatch 9955/2017, of 17 November, defines a new amount for the estimate of the off-market events' impact in EU, which is 4.75€/MWh, with retroactive effects as at 24 August.

*Distribution*

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

The distribution of electricity in medium and high-tension has been concessioned to EDP Distribuição by the Portuguese Government pursuant to article 70 of Decree-Law no. 29/2006, as a result of converting the licence held by EDP Distribuição under the former regime into a concession agreement, which was signed on 25 February 2009, for a period of 35 years. The terms of the concession are set forth in Decree-Law no. 172/2006.

In accordance with specific legislation (Decree-law 344-B/82, with the amendments set out in Decree-law 297/86 of 19 September, Decree-law 341/90 of 30 October and Decree-law 17/92 of 5 February), the right to distribute low-tension electricity in Portugal is attributed to the municipalities (local authorities). However, Service Concession Arrangements were celebrated generally with a 20 year term between each of mainland Portugal municipalities and EDP Distribuição. These concessions are in return for payment of a rent to the respective municipalities, determined in accordance with Decree-Law 230/2008 of 27 November. The low-voltage concessions of the 278 municipalities end between 2016 and 2026, with the majority expected to end in 2021 and 2022. Although the existing concession agreements were maintained pursuant to Decree-Law 172/2006, the terms for the new concessions will be established after a competition process to be implemented by the relevant municipalities. Law 31/2017 of 31 May, approved the rules on the organisation of public tendering procedures for the award of these concessions, established that these tenders will be launched in 2019.

The principles for the public tender will be as follows:

a) Safeguarding financial neutrality for the consumers and for State Budget;
b) Promotion of the economic efficiency and conditions for the effective performance of the concessioned system;
c) Promotion of territorial cohesion with regard to the sustainability of the concessions and the level of service provided;
d) Safeguarding tariff uniformity in the country;
e) Leveling of the structural conditions for the development of the electricity distribution activity;
f) Promotion of energy management and energy efficiency by municipalities;
g) Ensuring that there is no increased cost to consumers;
h) Protection of employment stability, safeguarding jobs and the rights of employees assigned to the concessions.

The public tender procedures for the award of the concessions will be launched in 2019, by simultaneous publication of the respective announcements and notices under the terms of the Public Procurement Code and the definition of coincident dates for the submission of proposals.

The concession of the distribution activity is remunerated through the payment, by the concessionaire, of an annual rent, included in the tariffs for the use of low voltage distribution networks, being this rent calculated in the terms of the Decree-Law 230/2008 amended by Law 7-A/2016.

The area covered by each tender will fulfill the principle of territorial coherence, and the definition of the territorial area will be decided by the municipalities or inter-municipal entities, on ERSE proposal.

This law also determines that municipalities whose current concession contracts reach their end before 2019 and do not opt for direct management, must have a written agreement with the extension of the term of the respective concessions until the entry into force of the new contracts. This Law also provides that, within six months of its entry into force, the Council of Ministers shall adopt a program of actions and studies to be developed by ERSE in conjunction with the DGEG and ANMP (National Association of Portuguese Municipalities) of the acts to be approved, deadlines and responsible entities.

Additionally, it was published on 11 January 2018 the Resolution of the Council of Ministers 5/2018 that approves the program of studies to be carried out by ERSE along with the Portuguese Authority of Energy and Geology (DGEG) and the National Association of Portuguese Municipalities (ANMP), in order to ensure the launching of the public tender procedures for the awarding concessions at the beginning of 2019. The most significant steps are as follows:

a) By the end of the second quarter of 2018, ERSE will make public the proposal for the delimitation of the territorial area of each tender procedure to be launched, together with the studies on which it was based;
b) By the end of the second quarter of 2018, ERSE will present to the Minister of the Economy a study with the parameters and specifications to be set in the standard tender program for the award of the concessions. After this presentation the government will have 60 days to approve the mentioned programs;
c) By the end of the third quarter of 2018, the municipal or inter-municipal bodies must decide on the definition of their territorial area or on the possible intention to exploit directly;
d) By the end of 2018, the respective entities should approve the corresponding procedures and, if the territorial area is different from the ERSE proposal, the specifications and the technical and economic studies that served as a basis should be published.

Logistics Operator for Switching Suppliers

The figure of the Logistics Operator for Switching Suppliers is an objective introduced by Decree-Laws 29/2006 and 30/2006, both of 15 February. Decrees-Law 140/2006, of 26 July and 172/2006, of 23 August, determined that the Logistics Operator for Switching Suppliers should be common to SEN and to SNGN.

By determination of Regulatory Entity of Energy Services (ERSE), this supplier management change had been temporarily carried out by the medium and high voltage electricity distribution network operator and by the national transmission and natural gas network operators. Decree-Law 38/2017 of 31 March, determined that this activity shall be carried out by a single entity, with Energy Agency (ADENE) having been entrusted for its exercising from 2016.

*Supply*

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

*Electric Energy Price Regime*

In the non-regulated market, electricity tariffs are defined by an agreement between each supplier and its customers. In the regulated market the tariffs charged by the supply of last resort are defined by ERSE. ERSE also establishes social tariffs for sales to final customers to be applied by the last resort suppliers to the economically vulnerable customers, pursuant to Decree-Law 138-A/2010 of 28 December, amended by Decree-Law 172/2014 of 14 November and by Law 7-A/2016 of 30 March. The procedures, model and the conditions for the application of the social tariff were established by Decree 178-B/2016 from 1 July.

The Decree-Law 104/2010 of 29 September (amended by Decree-Law n.º 78/2011, of 20 June, 75/2012 of 26 March, 256/2012 of 29 November and 13/2014, of 22 January), establishes the end of customers regulated tariffs for very high, high, medium and low-tension from 1 January 2011. The DL 13/2014 has established that the suppliers of last resort shall, until the date to be set by ordinance, and by applying transitional rates continue to supply electricity to customers who have not hired on the open market their supply. Ordinance n.º 27/2014 has defined as the termination date of the transitional rates for this type of supplies on 31 December 2014.

At 30 March 2015, Ordinance 97/2015 defined a new termination date of the transitional rates for this type of supplies on 31 December 2017, and the Ordinance 364-A/2017 of 4 December, defined the date on 31 December 2020.

For the low-voltage segment, the Decree-Law 75/2012 of 26 March, establishes the extinction of the regulated tariffs for sales to final customers with contracted power higher or equal to 10.35 kVA from 1 July 2012, and from 1 January 2013, for customers with contracted power less than 10.35 kVA. This law also establishes a transitional tariffs system set by ERSE: (i) final customers with contracted power between 10.35 and 41.4 kVA can take advantage of this rate until 31 December 2014 ; (ii) final customers with contracted power lower to 10.35 kVA can take advantage of this rate until 31 December 2015. The Decree-Law 75/2012, also establishes, for the economically vulnerable customers, the right to join the contract on the open market or choose to keep the supply by the supplier of last resort, benefiting, in any case from discounts in the tariff access provided by law.

In order to postpone the extinction of the transitional rules for the supply of natural gas and electricity to final customers with annual consumption lower or equal to 10,000 m3 and in the standard low voltage, was published the Decree-Law 15/2015, of 30 January, which predicts that the date of extinction of the transitional tariff for the standard low voltage would be set by an ordinance. Consenquently, Ordinance 97/2015, like happened for the others voltage levels, defined the extinction date for the transitional tariff as 31 December 2017. Law 42/2016, of 28 December, determined that during 2017, the Government will proceed to the extension of the deadline for the termination of these tariffs to 31 December 2020. Ordinance 39/2017, of 26 January, changed the Ordinance 97/2015, of 30 March, in order to confirm the deadline determined in Law 42/2016. Finally, Law 05/2017, of 30 August, determined that domestic electricity consumers may opt for a regime similar to the regulated tariffs, amending Decree-Law 75/2012, and determines that will be approved an ordinance to define this regime. Ordinance 348/2017, of 14 November defined the access to this regime similar to the regulated tariffs.

Decree-Law 138-A/2010, of 28 December, amended by Decree-Law 172/2014 of 14 November, defined the social tariff for the supply of electric energy to be applied to customers economically vulnerable.

Ordinance 178-B/2016, of 1 July, defined the procedures for applying and allocating this tariff.

*Public Domain Assets*

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

**Gas - Portugal**

The National Natural Gas System (SNGN) basis of organization and operation, were established by the Decree-law 30/2006 of 15 February. This DL was developed by the DL 140/2006 of 26 July, that established the general basis applicable to the SNGN activities. The DL 231/2012 of 26 October, proceeds to the third amendment of DL 140/2006, changed by the DL 65/2008 of 9 April and by the DL 66/2010 of 11 June, incorporating essentially the principles of the European Parliament and Council's Directive 2009/73/CE of 13 July, establishing common rules for the natural gas internal market.

In the distribution activity for natural gas, EDP Group develops its activity in Portugal through its subsidiary EDP Gás Distribuição, S.A. EDP Group is present in the commercialization of natural gas, both in the regulated market (EDP Gás Serviço Universal) and the free market (EDP Comercial). Additionally, the Group develops the supply business of propane gas, through EDP Gás GPL, S.A.

Since 1 January 2013 the retail rates published by ERSE have a transitory character, being susceptible to quarterly reviews, according to DL 74/2012, of 26 March. This transitional period ends: (i) at 30 June 2014, for customers with annual consumption over 10,000 m3; (ii) 31 December 2014, for customers with annual consumption over 500 m3 and less than or equal to 10,000 m3; and (iii) 31 December 2015 for customers with annual consumption of less than or equal to 500 m3.

Decree-Law 15/2015, of 30 January, amending Decree-Laws 74/2012, of 26 March, 66/2010, of 11 June, and 104/2010 of 29 September, in order to change the way of fixing the period of application of transitional tariffs for natural gas supplies to final customers with annual consumption lower or equal to 10,000 m3. The date for the tariffs application shall be set by a governmental order of the office responsible for the energy sector, after ERSE been heard.

Therefore, according with Ordinance 97/2015 of 30 March, the extinction of the transitional tariffs for the natural gas supply to final customers with annual consumption lower or equal to 10 000 m3 was set at 31 December 2017. This ordinance, also proceeds to the alteration of the extinction date of the transitional tariffs for the natural gas supply to final customers with annual consumption over to 10 000 m3, from 30 June 2015 to 31 December 2017 (amending the Ordinance 127/2014 of 25 June).

The Resolution of the Council of Ministers 33-A/2016 published in Official Gazette 111/2016, 1st Supplement, Series I of 9 July 2016, creates the conditions for the automatic application of the social tariff on electricity and natural gas, determining the exchange of information between the competent services of the Public Administration. As of 1 July 2016, the social tariff is automatically applied by the suppliers.

On 3 March 2017, was published the Decree-Law 25/2017 that establishes the necessary dispositions for the State Budget execution for 2017, approved by Law 42/2016 of 28 December, which may change the subsoil repercussion model of occupation rates in force.

On 16 June 2017, the tariffs set by ERSE were published for the years 2017-2018. The income allowed for EDP Gás Distribuição, S.A. include the initial revaluation of its assets (with reference to 31 December 2007), approved by the Finance Ministry.

**Activity in the energy sector in Spain**

**Electricity - Spain**

In Spain, EDP-España, S.A.U. (EDP-España) operates in the electricity and gas sectors. In the electricity sector generates, distributes and supplies electricity. Production is based essentially on traditional coal thermal power plants and, on a smaller scale, on hydroelectric and nuclear power plants.

*Electric Sector Regulation*

On 27 November 1997 the Electric Sector's Law 54/1997 was approved, which (i) implements the principles included in the Protocol signed on 11 December 1996 between the Ministry of Industry and the major electric power companies regarding greater liberalization and competition in the electricity sector and (ii) incorporates into Spanish law the provisions contained in Directive 96/92/EC on common rules for the internal electricity market. Additionally, on 6 July 2007 the Law 17/2007 of 4 July came into force, amending the Law 54/1997, to adapt it to the Directive 2003/54/EC of the European Council and Parliament of 26 June 2003 on common rules for the internal market of electricity. Law 54/1997 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles of the European Parliament and Council's Directive 2009/72/CE of 13 July that revokes the Directive 2003/54/CE. On 27 December 2013, was published in the Official State Gazette the Law 24/2013 which replaces Law 54/1997 maintaining the principles established in previous legislation but with particular emphasis on economic and financial sustainability of the electricity sector.

*Generation*

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

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

Electricity is paid at the system's marginal price plus a component for the adjustment services necessary to ensure an adequate supply. Additionally, the Order ITC/2794/2007 of 27 September, which revised the electricity tariffs from 1 October 2007, replaced the concept of "power availability" remuneration of electricity generation by the concept of "capacity payments" stated in article 14.5 of the Law 24/2013, which sets a remuneration of the availability service - for the procurement of capacity in the medium term developed on the Order ITC/3127/2011 - and the incentive to invest in long-term capacity.

The set-up of new generation units is liberalised, subject to obtaining the necessary permits.

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

The Royal Decree-Law 9/2013 and the Law 24/2013, change the remuneration scheme for facilities that use cogeneration, renewable energy sources and waste (former special regime) and, in addition of the price market sale, can be charged a specific fee to cover the costs not recovered in the market, calculated based on the efficient company criteria. This scheme does not exceed the minimum necessary to cover the costs that allow equal competition between facilities and other technologies on the market generating a return, before tax, equal to the rate of the 10-year Spanish state bonds, plus a spread. This spread, since July 2013, is 300 basis points. The above mentioned Royal Decree-Law was developed in: (i) the Royal Decree 413/2014, which replaced the previous rules governing the remuneration model used mainly contained in Royal Decree 661/2007; (ii) the Order IET/1045/2014, approving the remuneration parameters applicable to the plants which are using renewable energy sources, waste or cogeneration; and (iii) Order ETU/555/2017 of 15 June, which establishes the new remuneration parameters for the standard installations for the purine treatment and reduction approved in Order IET/1045/2015 and updates them for the period 2017/2019.

*Transmission*

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

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

The Royal Decree 325/2008 of 29 February, established a new fee regime applicable to electricity transportation facilities, that entered into service from 1 January 2009. However, since the adoption of the Royal Decree 9/2013, the retribution will be calculated based on the Spanish Government ten year bond yield, plus 200 basis points. These assumptions were developed in Royal Decree 1047/2013 (repealing the Royal Decree 325/2008), which was amended by Royal Decree 1073/2015 of 27 November and developed by Order IET/2659/2015 of 11 December, which approved, among others, the reference unit values for the calculation of the remuneration of transmission facilities of energy.

According to the Law 24/2013 the transmission activity is performed by a single entity. There is also a distinction made between the primary transmission system (facilities superior or equal to 380 kV with international networks and with extra-peninsular and insular systems) and the secondary transmission system (facilities superior or equal to 220 kV other than primary transmission systems and the facilities below 220kV with transmission functions).

*Distribution*

Law 54/1997 established that the remuneration for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the electricity distribution activity and modified the system of "Acometidas" (system that regulates the installation that connects the distribution grid to the point of delivery of energy to the customers). This remuneration system is based on investments and increased demand of each distributor. On 1 April 2012, came into force the Royal Decree 13/2012, amending the remuneration criteria of the distribution activity related to the assets in use that are not amortised, taking as basis for their financial retribution their net amount. Additionally, the return on assets in use in the year t shall be initiated at 1 January t+2. However, since the adoption of the Royal Decree 9/2013, the distribution activity remuneration will be calculated based on the Spanish Government ten year bond yield, plus 100 basis points. during the second quarter of 2013 and 200 b.p. from 2014 forward. These principles were embodied in the new Law 24/2013 and developed in Royal Decree 1048/2013, repealing the Royal Decree 222/2008.

The application of the new methodology adopted in the Royal Decree 1048/2013 was conditioned by the approval of the standard facilities list and unit investment values and operation and maintenance, which occurred with the publication of the Order IET/2660/2015 of 11 December.

On 10 June 2016, the Spanish Government has published the Ministerial Order IET/980/2016, that has set the final compensation amount from EDP España's electricity distribution business for 2016. In addition, new regulation has set the regulatory average remaining life of EDP España's existing assets as at 31 December 2014 at 25.13 years. Consequently, EDP España evaluated the accounting criteria of the regulated activity, starting to recognise income according to the amortisation pace of its assets, considering the limit of 25.13 years.

The BOE 223/2017 published on 15 September 2017 opened the hearing process of the Order of the Minister of Energy, Tourism and Digital Agenda, introducing a "lesividad" declaration procedure for the public interest Order IET/980/2016, which established the remuneration for the electricity distribution companies until 2016. The allegation of injury to the public interest comes from the fact that this Order does not consider the penalty or reduction of the remuneration per client that was established under the Royal Decree 1048/2013 article 13 for failures in energy meters readings and measuring instruments, as well as different criteria for calculating the residual value of the assets depending on the dimension of the distribution company.

*Supply*

Law 54/1997 established a progressive liberalisation of electricity supply and the introduction of supply activities to enable customers to progressively choose their suppliers and liberalising the supply market from 1 January 2003. Additionally, since 1 July 2009, distributors can no longer act as suppliers (sell electricity) acting strictly as grid operators. Law 24/2013 determines that certain consumers are entitled to be provided with voluntary prices for small consumers and last resort tariffs for reference traders. The reference traders are determined according to the criteria established in Royal Decree 216/2014.

*Electricity Tariffs Regime*

The electrical system costs are described in Article 13.3 of Law 24/2013. These costs will be financed through the revenue from the electrical system, including access fees (which are intended to cover the remuneration of the transmission and distribution), charges for the payment of the cost of other items that are not covered by other income, may be compensated for any financial mechanism legally established, including the state budget.

Access fees, equal in all the Spanish territory, must be determined with the methodologies defined by the National Markets and Competence Commission (CNMC) considering the costs of the system as defined in the Law 24/2013. Charges applicable to consumers and producers are determined by calculation methods adopted by the Government and CNMC that will serve to cover certain costs of the system, without prejudice of what is in force for the access fees of the transport and distribution networks.

Temporarily, and while these methodologies are not approved, fees and charges are defined by the Ministry of Industry, Energy and Tourism.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to the liberalised market. However, the Royal Decree 485/2009 of 3 April, provided that the consumers of low-tension, with contract capacity not exceeding 10 kW, were eligible for last resort tariff, which determines the maximum price of supply. These tariffs will be applicable by the suppliers of last resort, where EDP Comercializadora Último Recurso, S.A. is included.

Law 24/2013 replaces the concept of "last resort tariff" by "voluntary price for the small consumer" and the concept of "CUR" by "reference supplier", leaving the term tariff of last resort reserved for reducing the rate to be applied to vulnerable consumers or rate disincentive for consumers who are temporarily without supplier. The Royal Decree 216/2014 sets out the methodology for the calculation of the voluntary price for small consumer and their legal framework of contracting, already updated by the Real Decree 469/2016 of 18 November.

*Vulnerable Consumers*

The previous legislation on social allowance, which imposes its financing on vertically integrated companies, was overruled by a verdict of the Supreme Court of 24 October 2016. As a consequence of the judicial decision, on 25 December 2016 entered into force the Royal Decree-Law 7/2016, of 23 December, which regulates a new financing mechanism for the cost of social allowance and other measures to protect vulnerable electricity consumers, modifying Law 24/2013.

Royal Decree 897/2017 and Order ETU/943/2017, both of 6 October, proceeded to the regulatory development of the measures adopted by Royal Decree-Law 7/2016. The application of the new social allowance is now based on an income criteria and certain personal circumstances (large family, disability, pensioners with minimal retirement, victims of gender violence or victims of terrorism), which will determine the discount applicable to the electricity bill as vulnerable consumer or consumer at risk of social exclusion. The new financing of social allowance will be assumed by the parent companies of the groups of companies that carry out the activity of electricity sale or by the companies that do so if they are not part of any corporate group and in proportion to the customers to whom they supply electricity.

On 28 September and 22 December 2017, the Ministry of Energy published the Orders ETU/929/2017 and ETU/1282/2017, respectively, which determine the refund by the Spanish State of the amount that the electricity companies contributed to the financing of the social tariff between 2014 and 2016.

**Gas - Spain**

Law 34/1998, approved on 7 October and amended by Law 12/2007 of 2 July identifies the following operators in the context of the supply of natural gas by pipeline:

§ Gas transport companies, owners of facilities for regasification of liquefied natural gas, transport or storage of natural gas. After the publication of Royal Decree 13/2012, companies that hold the equipment from the main grid of transport must operate and manage their own grids or hand over their management to an independent operator, in the cases referred by legislation;

§ Distribution companies, owners of distribution facilities, whose function is to distribute natural gas by pipeline, as well as to build, maintain and operate such facilities in order to bring natural gas to the consumption points;

§ Suppliers, companies that have access to the facilities owned by third parties, which purchase natural gas for sale to consumers or other suppliers for the purpose of international exchanges;

§ Final consumers, who purchase natural gas for own consumption and direct consumers in the market, who have direct access to third party facilities.

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

Law 34/1998 of the hydrocarbons sector was amended by Law 8/2015 of 21 May, with the aim of creating an organised gas market and providing greater flexibility and lower costs for traders in the management of security minimum stocks.

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

For suppliers of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (EDP Comercializadora de Último Recurso, S.A. currently covers suppliers obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff (TUR) became the only tariff from 1 January 2010 on, denying to suppliers of last resort the application of discounts over customers with TUR.

On 4 July 2014, the Spanish Government approved the Royal Decree-Law 8/2014, subsequently amended by Law 18/2014, of 15 October. Thus, urgent measures were approved for growth, competitiveness and efficiency in the energy sector, in accordance with european directives. For the gas sector, the objective of this reform is to design an economical stable system, minimizing costs to consumers and eliminating the structural tariff deficit.

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

Law 2/2015 of 30 March, on the indexation of the Spanish economy, aims to establish a new index system, in order to monetary values of regulated prices do not be amended as a result of price index or formulas, affecting the determination of price updates related to the hire of meters, royalties, and periodic inspections. Until the approval of the Royal-Decree that will detail how these updates will be revised, the reference prices as the industrial index price and the consumer index price will be zero.

Law 8/2015 of 21 May, which among other modifies the Law 34/1998 of 7 October, liberalize the periodic inspection service in the hydrocarbon sector, that until now was performed exclusively by the distributor, considers the connections of transport-distribution as distribution' assets and enables the Corporation of Strategic Reserves of Oil Products (CORES) to constitute strategic reserves of natural gas and promote the development of the organised market. These aspects are regulated in more detail in Royal Decree 984/2015 of 30 October.

Additionally, Royal Decree 984/2015 amends the Royal Decree 949/2001 in relation to third party access regime to the natural gas system facilities allowing independent procurement of inputs and outputs for the transmission and distribution system that allows users to change the gas introduced without any restriction, which is essential for the development of the organized market of natural gas.

The regulation of the natural gas organised market is complete with the Resolution of 4 December 2015, of the Secretary of State for Energy, approving: (i) the market rules that determine the technical and economic management of the organized market; (ii) the accession agreement that the agents have to subscribe to operate in the market; and (iii) the resolutions relating to the operation of the market, as well by the resolution of the State Secretary of 23 December 2015, that developed the procedure for operation gas acquisition, and two other resolution of 2 August, which approved the management rules of the gas system guarantee and the structure access to the installations of the Spanish gas system.

Order ETU/1977/2016, of 23 December, established the tariffs and revenues associated with access to the gas sector installations by third parties and the remuneration of regulated activities for 2017, maintaining in general the current values.

Upon the sale of Naturgás Energia in 2017, EDP Group is no longer present in natural gas distribution sector in Spain.

**Activity in the energy sector in Brazil**

**Electricity - Brazil**

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

In early 90s, the Brazilian electricity sector has undergone major structural and institutional changes, having migrated from a monopoly run by the State to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the liberalised system.

*Regulated System*

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

Since 2004, the main form of contracting by a distributor concessionaire is through the realization of public auctions regulated by National Electricity Agency (ANEEL). The rules of these auctions are designed so that the winner is the one with the lowest price.

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

*Liberalised system*

In the liberalised market, electricity is traded among production concessionaires, independent power producers, auto-producers, agents and free consumers. In this market, the contractual conditions, such as price, duration and amount of the contract are traded freely and negotiated between the parties (Decree No. 5,163/04). Free consumers can return to the regulated system under certain conditions.

*Regulatory changes*

The Federal Government has defined changes in the electric sector through Provisional Measures. The Provisional Measure 577, published on 31 August 2012, addresses the termination of public service concessions of electricity and the temporary service, and the intervention for the suitability of the public service of electricity. This measure results in the Law 12,767 of 27 December 2012.

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

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

Some concessions attributed to distribution companies have been anticipated, so they had to enter into a new contract. Others, including EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa), regardless of the maturity of the contracts, may join the amendment proposed by ANEEL, using the methodology that is being evaluated in the Public Hearing 58/2016. This amendment brings changes in the calculation of portions A and B, namely: i) calculation of portion B shall be determined by the market of the test-year and by the tariff prevailing in the last tariff process, ceasing to be obtained by the difference between the verified revenue and portion A; ii) unrecoverable revenues, demand surplus, exceeding demand and other income are now part of Portion A; iii) ONS becomes part of portion B; iv) DIT losses will be allocated to the technical losses; and v) neutral energy and transportation.

The hydro concessions held by EDP Group - Energias do Brasil have been granted after February 1995, corresponding to the date of the entry into force of Law 8,987, thus they are not covered by the regulatory changes introduced. Still, these changes will influence the rules that will be applied on the renewal of these concessions in the future, in the following conditions:

§ Each hydro plant should be remunerated by a tariff calculated by the ANEEL;

§ Power selling (Physic guarantees) defined through production quotas dedicated exclusively to the regulated sector, that is to the distributors;

§ Compliance with the quality service standards determined by ANEEL.

On 24 January 2013, ANEEL approved the Extraordinary Tariff Review - RTE specific for the adjustment of energy costs, transmission costs and sectorial charges, from all energy distributors. Thus, the unmanageable costs and supply tariffs will be reduced, with no impact in the distributors margin. These effects were noticeable by consumers, from the end of January 2013.

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

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

Eletrobrás, the managing company of the sector funds, among them the CDE, is responsible for monthly transferring to the distribution utilities of the costs related to: generation allocated under the Energy Relocation Mechanism - ERM (Hydrological Risk Quotas); replacement amount not covered by quotas (Involuntary Exposure) and the additional cost of the thermal power plants activation outside the order of merit (ESS - Energy Security), occurred from January to December 2013 and the annual amounts approved by ANEEL to cover, entirely or partially, the positive balances in "Conta de Compensação de Variação de Valores de Itens da Parcela A - CVA", arising from the cost of purchasing electricity and System Services Charge - ESS.

Following the tariff readjustment process of EDP Espírito Santo (ex-Escelsa), on 30 July 2013, Resolution 1,576/13 approved the amount of 90,670 thousand Reais. For EDP São Paulo (ex-Bandeirante) this process occurred on 23 October 2013 and Resolution 1,641/13 approved the amount of 237,874 thousand Reais. These values were transferred by Eletrobrás, as a lump sum to cover the positive balances of CVAs corresponding to the acquisition of electricity and the ESS, as established in Decree 7,891, with redaction of the Decree 7,945.

On 12 February 2014, ANEEL, after examining the administrative appeal filed by EDP Espírito Santo (ex-Escelsa), reviewed by the Order 287/2014, the Regulatory Remuneration Base (BRR) part of the 6th Periodic Tariff Review, incorporating 32 million Reais to the Gross BRR and 24 million Reais to the Net BRR. The amount was incorporated into the tariff and the values that were not received in 2013 were adjusted by the SELIC (overnight rate of the Sistema Especial de Liquidação e de Custódia) and added as financial component in the tariff adjustment of 2014.

On 7 March 2014, the Decree 8,203/2014 was published, which authorizes the transfer of funds from CDE to pay the exposure costs to the spot market in the Electricity Trading Chamber - CCEE in January 2014. The amount of 1.2 million Reais were allocated to Brazilian distribution companies, according to ANEEL's calculations published in Order 515/2014.

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

These measures were implemented by Decree 8,221/2014, of 2 April 2014 related with the cover of the extra costs for 2014, with retroactive effects to February, which defines the financing method and the subsequent effect on electricity tariffs. This is a non-refundable contribution cost.

On 25 April 2014, CCEE signed contracts with some banks to finance 11.2 billion Reais for the ACR-Account to cover the disbursements of the electricity distributors with exposure to the spot market and the energy power stations dispatch. The Energy Development Account - CDE was incharge for the funds for the loan payment, present in the energy tariffs and the reimbursement was made starting on November 2015. The ACR-Account resources obtained through bank loans sold out in April 2014. Therefore, in August 2014 a new loan of 6.5 billion Reais was approved. EDP Espírito Santo (ex-Escelsa) received 596 million Reais until November, related with the months of February to October 2014, while, for the same period EDP São Paulo (ex-Bandeirante) received 309 million Reais. The value of the Account-ACR was insufficient to cover the November and December deficit, forcing ANEEL to defer payment for 2015. In March 2015, CCEE signed a new loan of 3.4 billion Reais. Thus, EDP Espírito Santo and EDP São Paulo received 104.2 million Reais and 64.4 million Reais, respectively, to cover the deficits of November and December 2014. The amounts received by the ACR-Account to cover the 2014 deficit were considered in the energy tariffs from the 2015 ordinary tariff processes.

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

Following the tariff readjustment process of EDP Espírito Santo (ex-Escelsa), which occurred on 6 August 2014, Resolution 1,768/14 approved an index of 26.54% which 19.61% is from economic adjustment and 6.93% from the financial components adjustment. For EDP São Paulo (ex-Bandeirante) the tariff adjustment process took place on 22 October 2014, and was approved by Resolution 1,809/14 an index of 22.34% rate, being 15.05% the economic adjustment and 7.29% the financial components adjustment.

Through Normative Resolution 613/2014 of May of 2014, ANEEL establishes the criteria for the allocation of the exceeding funds of the Reserve Energy Account - CONER, which has been allocated to distributors in order to reduce the tariff deficit.

From January 2015, entered into force the Flags Tariff System. This system signals to consumers the real costs of electricity generation, and consists on three flags: green, yellow and red. The green flag indicates that the cost of energy production is lower and, therefore no changes are applied to the energy tariffs. The yellow and red flags represent the increase in energy production cost, and is added an additional amount to the energy tariff. Only consumers classified as low income residential subcategory will have discount on the additional amount applied by the yellow and red flags. On a monthly basis, the operating system conditions are reassessed by the National Electric System Operator - ONS, which defines the best strategy for power generation over demand.

On 4 February 2015, the Tariff Flag Resource Account was established, through the Decree 8,401. Distributors should collect the proceeds from the application of this system to this account, managed by the CCEE. Proceeds are allocated to cover the costs that are not included in the distribution tariff, such as: Energy Security of the System Service Charge - ESS, thermal dispatch, Itaipu hydrological risk and quotas, exposure to spot market and the Power Reserve Account - CONER surplus.

ANEEL should approve on a monthly basis, the transfers to the distribution companies. Any costs not covered by revenue will be considered in the next tariff process.

On 27 February 2015, through Ratifying Resolution 1,859, ANEEL established the new criteria for the additional tariff and the operation of the Flags Tariff System:

a) Green Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is less than the amount of 200 R$/MWh;

b) Yellow Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than 200 R$/MWh and lower than the maximum value of the Differences Settlement Price - PLD, currently at 388.48 R$/MWh. For the period of 1 January to 1 March 2015, the consumption proportional increase is 1.5 R$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 2.5 R$ per 100 KWh;

c) Red Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than the maximum value of the PLD. For the period from 1 January to 1 March 2015, the consumption proportional increase is 3 R$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 5.5 R$ per 100 KWh. After 1 September 2015, as determined by ANEEL Ratifying Resolution 1,945 of 28 August 2015, occured the approval of the red flag amount redution to 4,5 R$ per 100 KWh.

At the same time, ANEEL accepted the request of Extraordinary Tariff Review - RTE from the distributors and defined the applicable methodology. The results of the RTEs Dealers of Electricity Distribution were approved, through the Resolution 1,858. For EDP São Paulo (ex-Bandeirante) the application of new tariffs, from 2 March, resulted in an average increase in its customers of 25.12% and for EDP Espírito Santo (ex-Escelsa) the effect was 26.83%.

As at 26 January 2016, ANEEL approved the division of the red flag in two price levels, into force from 1 February. The first level will have a value of 3 R$ per 100 kWh consumed and will be used when the CVU of the most expensive plant to be dispatched is between 422.56 R$/MWh and 610 R$/MWh; the second level will continue to be 4.50 R$ per 100 kWh consumed and will be used when the CVU of the most expensive plant to be dispatched exceeds 610 R$/MWh.

As at 26 October 2017, ANEEL approved the increase the second level of the red flag at 5 R$ per 100 kWh consumed. The yellow flag decrease to 1 R$ per 100 kWh. The first level of the red flag remained unchange.

On 28 April 2015, through the Normative Resolution 660, ANEEL approved changes in the methodology applicable to the Periodic Tariff Review processes for distributors valid for the processes performed from 6 May 2015. The changes occurred on the following aspects: (i) general procedures; (ii) operating costs; (iii) X factor (productivity gains); (iv) non-technical losses; (v) unrecoverable revenues and (vi) other income, among with:

a) Extinction of the tariff cycle concept, starting to be used methodologies and parameters prevailing at the time of the tariff review. The update of the parameters will occur in periods of 2/4 years while the updating of the methodologies in periods of 4/8 years;

b) The weighted average cost of capital (WACC) increased from 7.5% to 8.09% (after taxes). The points considered in the update were: (i) standardisation of series; (ii) use of average credit risk of companies in the debt capital of third parties; and (iii) recalculation of the cost of capital every 3 years, with methodology review in every 6 years;

c) Remuneration for the risk associated with investment operations carried out with third-party funds (subsidies);

d) For the definition of efficient operating costs, were considered the "quality index" and "losses";

e) To define the level of non-technical losses, it was included the variable "low-income" and the database updated based on 3 statistical models;

f) The level of unrecoverable revenues (%) shall be calculated based on past 60 months of non-compliance of the reference distributors;

g) The percentage share of other revenue has been changed to 30% in the following services: (i) efficiency of energy consumption; (ii) qualified cogeneration facility; and (iii) data communication services. For the other services the share percentage was set at 60%; and

h) The calculation of the X Factor now regards commercial quality.

These changes, which represent an increase in future income, will only impact the tariff review of EDP São Paulo (ex-Bandeirante), that occured at 23 October 2015, and EDP Espírito Santo (ex-Escelsa), that occured at 7 August 2016.

On 4 August 2015, ANEEL approves the Annual Tariff Adjustment of EDP Espírito Santo (ex-Escelsa), through Resolution 1,928. The rates were increased on average by 2.04% and 1.68% for high voltage consumers and 2.29% for low voltage consumers.

On 20 October 2015, ANEEL approved the result of the 4th Periodic Tariff Review of EDP São Paulo (ex-Bandeirante). The average effect for consumers was 16.14%, being 17.09% for high voltage consumers and 15.37% for low voltage consumers. The portion B, designed to cover the costs of the electricity distribution business, was set at 823 million Reais, which deducted from the Other Revenue sharing results in 791 million Reais. For 2016 to 2019, the annual Productivity component (Pd) of factor X was set at 1.14%, while the transition component (T) of the same factor X was set at -0.23%. Technical losses were set at 4.59% and non-technical losses were fixed in a downward trajectory that starts at 9.83% in 2016 and ends at 8.45% in 2019.

On 23 November 2015, ANEEL approved, through Normative Resolution 686/2015, changes to the tariff revision methodology on Regulatory Remuneration Base (BRR). The main changes are the following: (i) the exchange of BRR monetary adjustment index, from IGP-M (General Market Price Index), from FGV (Getulio Vargas Foundation), to the IPCA (Price Index Broad consumer), from IBGE (Brazilian Institute of Geography and Statistics); (ii) the assessment of hand labor costs and smaller components of investment through pre-approved regulatory values by type of equipment; and (iii) update of tariff transfer of systems, vehicles, and rentals.

On 28 March 2016, was published Normative Resolution No. 703, of 15 March 2016, through which ANEEL changed some regulatory procedures affecting the calculation of sectorial assets and liabilities relating to: (i) Variation Compensation Account of the A items amounts (CVA)"; (ii) Energy over contracting and Short Term Market Exposure (MCP); (iii) Other financial components; and (iv) Limits of the Power Purchase Costs Transfer.

The main changes with impact for the distribution companies are: (i) "glosa" calculation of the outstanding balance for power purchase CVA; (ii) exclusion of hydrological risk for the composition of contracts price in the "glosa" calculation, except for availability contracts; (iii) use of the carrying amounts of energy contracts and spot market performance for the calculation of the outstanding balance of the power purchase CVA and for the System Service Charge (ESS) and the Reserve Energy Charge (EER); and (iv) calculation of the spot market results through specific financial component.

On 7 August 2016, ANEEL approved the result of the 7th Periodic Tariff Review of EDP Espírito Santo (ex-Escelsa). The average effect for consumers was -2.80% and -6.18% for high voltage consumers and -0.67% for low voltage consumers. Portion B, designed to cover the costs of the electricity distribution activities was set at 862 million Brazilian Reais, which deducted from Other shared revenues results in 846 million Brazilian Reais. From 2017 to 2019, the annual Productivity component (Pd) of factor X was set at 1.15%, while the transition component (T) of the same factor X has become zero. Technical losses were set at 7.14% under the injected energy and non-technical losses were fixed at 11.45% for low voltage.

On 19 September 2016, ANEEL approved, through Normative Resolution 733/2016, the conditions for the application of a new tariff, the White Tariff.

The White Tariff is a new option that indicates to consumers the variation of the energy value according to the day and time of consumption. This tariff is offered to low voltage consumers, known as group B. With this rate, the consumer will be able to pay different amounts depending on the time and day of the week.

On weekdays, the value of the White Tariff varies depending on three periods: peak, intermediate and off-peak. The peak, intermediate and off-peak periods are approved by ANEEL in the periodic revisions of each distributor. To adhere to the White Tariff, consumers need to formalize their choice with their distributor. Who does not opt for this system, will continue to be charged according with the Conventional Tariffs.

The adherence to this new system can be made since January 2018, as follows: (i) immediately for new connections and for consumers with average annual consumption exceeding 500 kWh/month; (ii) up to 12 months for consumers with average annual consumption exceeding 250 kWh/month; and (iii) up to 24 months for the remaining consumers. Consumers may return to the Conventional Tariff.

The Provisional Measure 735/16, converted in Law 13,360 published on 18 November 2016, restructures the management of the sector funds: Energy Development Account - CDE, Global Reversion Reserve - RGR and Fuel Consumption Account - CCC, whose values today are approximately of 20 billion Brazilian Reais, transferring this management from Eletrobrás to the Electric Energy Trading Chamber - CCEE, until 1 May 2017.

This Law indicates a reduction of the sector charges to determine that the Granting Authority shall submit a Structural Reduction Expenditure Plan for CDE until 31 December 2017 and also limits the fuel reimbursement for the Northern Region distributors to 3.5 billion Brazilian Reais until 2017, which are subject to budgetary and financial availability. From 2030, the cost distribution of the CDE between concessionaires and licensees will be proportional to their markets. The transition between the current allocation, which overloads the regions S/SE/MW, and the markets' proportional allocation, will happen between 2017 and 2030. Additionally, it creates favourable conditions for the transfer of the shareholder's control of concessions, simplifying the bidding process and the terms of the payment to the Union. Finally, it authorizes the transfer of the Union debts to Itaipu for the end-consumers tariffs and it revokes the possibility of concessions extension for companies whose start of operations has been postponed, even if it recognizes the exclusion of the company's responsibility.

In Order 2,777, of 18 October 2016, ANEEL granted the litigation review of the non-technical losses of EDP São Paulo (ex-Bandeirante) by altering the values corresponding to the measured market, adding to it the consumption related to occurrences of fixed invoices and irregularities. So, a financial component, in distributor favour, of 2 million Brazilian Reais was considered in the readjustment to be applied from 23 October 2016.

In the Normative Resolution 2,158, of 18 October 2016, ANEEL approved the 2016 Annual Tariff Adjustment of EDP São Paulo (ex-Bandeirante). The tariffs were readjusted by -23.53%, corresponding to the average tariff effect that will be perceived by consumers as of 23 October, 2016.

Nowadays, the Brazilian electricity sector is in discussion about the redefinition of the sectorial regulatory model. These initiatives, have been discussed by segments of the electricity industry and some associations, materialised in two law projects currently in progress in the national congress.

Among the changes debated, the main ones are: the opening of the liberalised market; the assessement of the supply growth; the separation of "lastro" and energy; and the revision of the sectorial subsidies.

Thus, the Ministry of Mines and Energy published the public consultation (CP 33/17) proposing significant reforms to the sectorial model, namely: self-production; opening of the liberalised market; changes in the contracting obligation; reduction of transmission and production costs; connection between price and operation; separation of "lastro" and energy; involuntary over contracting; distribution tariffs; subsidies to stimulated sources (biomass, solar, wind and small hydropower); rationalisation of discounts; risk and rationalisation of contracts; transmission compensation; quotas' withdraw and privatisation; convergence of the CDE; extension of power plants up to 50MW; hydrological risk; and installment payments of outstanding debts.

EDP Brasil conducted in-depth studies and simulations on the various topics, assisted by the consultant Bain & CO in order to actively contribute to CP 33/17.

After the contribution period, Decree 9158/17 was published, which changes the rules for the extension of power plants up to 50 MW, in line with what was proposed in the public consultation. Thus, power plants between 5 and 50 MW, under a concession or authorisation regime, may be extended, upon discretion of the granting authority, for a period of 30 years through the payment of public property use. In addition to this payment, the extension is subject to the payment of the financial compensation for the use of water resources - CFURH, which reverts to the municipalities affected by the power plant, the reversal of the assets at the end of the period and the waiver of pre-existing rights.

Provisional Measure 814, published on 29 December 2017, covers, among other topics, the electric power services in Isolated Systems and on the expansion of electric power supply, and allows the inclusion of Eletrobrás Group in the National Privatisation Plan, since the measure has the force of law. The hopped solution to the recent judicialisation of the electricity sector that already involves 6 billion Brazilian Reals in amounts not paid in the liberalised market, related to the deficit of generation of hydroelectric energy (GSF) was not an object of this Provisional Measure.

*Generation*

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

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

§ Generation companies, producing electricity for public service distribution;

§ Independent producers (which assume the risk of the sale of electricity with distributors or directly with free consumers);

§ Auto-producers (energy generation for own consumption, the excess of which can be sold through an authorisation).

The capacity payments of a generation plant defined by the Ministry of Mines and Energy and set out in the concession agreement or authorization act, correspond to the maximum amount of energy that can be used for commercialization through contracts, in accordance with Decree 5,163 of 2004.

An unfavourable hydrological scenario could damage revenues and the results of hydroelectric production due to the lack of capacity to produce the necessary energy in order to fulfill the contractual obligations.

The systemic production deficit, by national hydroelectric plants related to the Energy Reallocation Mechanism (MRE), cause the reduction of capacity of all hydropower plants in the country, through the factor known as Generation Scaling Factor - GSF. This decrease compels those companies to buy energy in the free market to comply with the agreements with the consequent of a negative exposure in the spot market.

On 18 August 2015, the Federal Government published the Provisional Measure 688 (converted into Law 13,203 at 8 December 2015) on the renegotiation of the production hydrological risk, in order to allow the hydrological risk renegotiation by hydroelectric producers participating in the MRE. The regulation of the renegotiation hydrological risk was carried out by ANEEL, through Normative Resolution REN 684 on 11 December 2015, with retroactive application to January 2015, the access to this system requires regulatory approval.

For producers operating in the regulated system (ACR), it is planned the transfer the of GSF losses for the Tariff Flag account upon a payment of a premium risk. Thus, producers will be reimbursed for losses from 2015 GSF through the exemption from the premium risk from January 2016 until the full compensation of the 2015 losses as ANEEL approval.

For producers operating in the liberalised system (ACL), will also be subject to a premium risk payment, due to the acquisition of the system backup power. The compensation of losses from the 2015 GSF will be made by the extension of the concession contract of the production company that adhere to the agreement in ACL. From 2016 the renegotiation does not exempt the producer of the GSF cost, allows only the mitigation of part of the hydrological risk through the purchase of new energy which will be available in the electrical system.

On 18 December 2015, the companies Lajeado, Investco, Pantanal and the jointly controlled company ECE Participações (Jari) filed the request for the renegotiation of the hydrological risk approval in the regulated system to ANEEL, with effect from 1 January 2015. EDP Brasil failed the renegotiation of the hydrological risk in the liberalised system. Also note that on 29 January 2016, the orders have been published that approved the renegotiation of the hydrological risk in the regulated system for other plants that were upon evaluation of EDP Brasil, namely, Santa Fé and Energest (regarding with Mascarenhas hydro plant). Enerpeixe and part of the energy related to Mascarenhas hydro plant did not had their requests approved for the energy acquired in the Energy Auction A-1. For these cases, Energest and Enerpeixe appealed against the ANEEL decision of 29 March 2016 on Macarenhas, denying the request. On 17 May, ANEEL denied the administrative appeal of Enerpeixe.

On 23 September 2016, Empresa de Energia Cachoeira Caldeirão and ECE Participações filed the request for the renegotiation of the hydrological risk in the regulated system to ANEEL for approval, with effect from 1 January 2017. For the last one, the request was for the average of the additional 20 MW sold in the 15th New Energy Auction. During November and December 2016, the order that approved the renegotiation of the hydrological risk of the power plants was published, in the requested terms, as well as the renegotiation terms, which formalised the adhesion of the producer to the hydrological risk renegotiation.

*Distribution*

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

With the publication of the Decree 8,461, of 2 June 2015, the extension of the electricity distribution concessions encompassed in the Law 12,783, of 11 January 2013, may be extended for thirty years, once meet the following criteria: (i) relative efficiency to the service quality; (ii) economic and financial management efficiency; (iii) operating and economic rationality; and (iv) moderate tariffs.

The distribution concessions held by EDP - Energias do Brasil, which were granted after February 1995, date of entry into force of Law 8,987, are not covered by the regulatory changes. Still, these changes are likely to influence the rules that will be applied in the renewal of these concessions.

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

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

Tariffs are adjusted annually based on changes in portion A costs and in the monetary correction of portion B costs, by the Market prices index (IGPM), discounted of productivity gains (factor X). The adjustment index is calculated in such a way to pass the non-controlling cost variations of the portion A and the corrected portion B. Periodically (on average every 4 years), a Periodic Tariff Review occurs, generating the recalculation of all costs, the definition of a new BRR and a new reference company, capturing productivity gains occurred in the period between revisions. At the beginning of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs. On 25 November 2014, ANEEL made addendums to the concession contracts with brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities and, as a consequence, to qualify them to be recognised in the financial statements. After the addendums, it was considered that the conditions are met to recognise regulatory assets/liabilities as assets and liabilities. Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement with ANEEL.

The Decree 8,828/2016 of 4 August 2016, eliminated the obligation of contracting the installed capacity of the plants that correspond to the maximum load demand ("Lastro de potência") and the penalties associated with their eventual failure. In addition, it removed the limitation of transfer costs to the tariff, when it needs to recontract energy, which volume is less than 96% of the Replacement Amount, for cases when there is an excess of contracts on the supply load measured in year A-1 (Existing Energy). The exclusion of the transfer limit on over contracting situations will bring more flexibility to the distributors, making them able to mitigate - in a very limited way though - the effects of reducing the existing volume of energy in their portfolios.

Additionally, the withdrawal of the mandatory "monômia" tariff for low voltage consumers, allowed the proposal of implementation of the "binômia"(energy and demand) tariff, seeking to encourage the efficient use of the distribution’ networks and ensure the expansion and the sustainability of the incentive program for renewable energy and localized production.

As one of the mitigation measures for the problem of the electricity overcontracting felt by the most distributors throughout 2016, ANELL published some normative resolutions. Normative Resolution 711/2016 allowed distributors, in agreement with the production agents: to reduce, postpone or cancel energy trading agreements in the ACR (CCEARs). There is a charge or receipt of bonuses by the distributor for 3 years, depending on the contract price, in relation to the average purchase price of the distributor.

In addition, there was a large number of customers that went to the ACL market, especially due to the high costs of thermoelectric generation that occurred between 2014 and 2015, with a significant impact on the over-contracting of the distributors. In this context, Normative Resolution 726/2016 was published, which made it possible the contracts devolution when the customers are in new energy trading agreements in the ACR.

Normative Resolution 727/2016, in turn, and within the package of measures adopted by ANEEL regarding overcontracting, has improved the use of the New Energy Deficits and Deficit Compensation Mechanism (MCSD), with the possibility of contractual reduction by producers. The reductions will occur from the most expensive contract to the cheapest, without mechanism of charges and bonuses.

With the publication of Normative Resolution 728/2016 in June 2016, the regulation of the phenomena of Voltage Imbalance, Harmonic Distortions, Voltage Fluctuations and Short-Term Voltage Variations were reviewed, with the addition of obligations that will allow the improvement of quality of the product supplied by the distributors, such as the definition of limits and reference values for the indicators, the obligation of quality studies for the energy distribution network access.

In 2016, ANEEL initiated a new methodology for the supervision of electricity distribution services, focused on preventive actions, using analytical intelligence and evidence-based inspection techniques in a context of Responsive Regulation. The objective is the development of Improvement Plans, which will be monitored by the regulator.

In March 2017, Decree 9019/2017 was published, providing for the non-contracting of the reserve energy through the implementation of the competitive mechanism. This will cover plants that have not yet started operations in test mode. The amounts that will not be contracted will be defined by the Ministry of Mines and Energy - MME, based on studies of EPE - Empresa de Pesquisa Energética. The mechanism will consider the payment of a premium and will entail the withdrawal of plants authorisation.

On 28 March 2017, ANEEL decided to republish the Energy Tariffs to reverse the forecast of the Reserve Energy Charge (EER) of Almirante Álvaro Alberto - Unit III (Angra III) nuclear power plant. The new tariffs became effective from 1 April 2017 until the next tariff processes of the country's distributors, scheduled during 2017. Nevertheless, it was decided to anticipate the reversal of the charge, in an extraordinary and exclusively way, in April 2017, of the amounts already collected from tariffs from 2016 until March 2017, since the Angra III nuclear power plant was scheduled to start operating in January 2016, but due to delays in construction work, the new entry forecasted is from 2019.

In April 2017, Decree 9022/2017 was published, establishing standards and guidelines for the Energy Development Account (CDE), the Global Reversion Reserve (RGR) and the National System Operator (ONS). The main reason was the change of the manager of the CDE and RGR accounts, from Eletrobrás to CCEE (Electric Energy Trading Chamber). In the same decree, rules concerning the purpose and budget for CDE and RGR, management, transparency and some provisions related to the change of the account manager were also defined. In addition, ONS received new assignments related to the load forecasting and planning of isolated systems operation.

In May 2017, ANEEL published Normative Resolution 768/2017 (amending Normative Resolution 414/2010), to improve the classification criteria for consumer units, namely the alteration of the registry of public services and public lighting, requiring the segregation of measurement when the public service has more than one activity designated for the same consumer unit.

With the publication of Normative Resolution 759/2017 in February, ANEEL established procedures and requirements for the Invoice Measurement System. The main change is the possibility of using measurement in the secondary of the transformer of the consumer unit, which implies the need for a meter with an algorithm to compensate the losses related to transformation.

With the publication of REN 775 in June 2017, ANEEL amended Regulatory Resolution 414/2010 and Module 7.1 of the Tariff Regulation Procedures - PRORET, introducing Module 11 - Information on the Electricity Invoicing of Distribution Procedures – "PRODIST" . "PRODIST" establishes the procedures that must be observed in the issuance and presentation of electric energy invoices, defining the information that must be included in the electric energy invoices and the relevant aspects on how this information is presented. In addition, it deals with the provision of supplementary information related to the invoicing, the option for the electronic invoice and the option for the invoice summary. PRODIST entered into force on 10 July 2017.

On 30 June 2017, ANEEL established the new Tariffs for Use of the Transmission System - TUST of the National Interconnected System for the period from 1 July 2017 to 30 June 2018, through Resolution 2259/2017.

As at 1 August 2017, ANEEL approved a +9.34% annual tariff readjustment index for EDP Espírito Santo, for the period from 7 August 2017 to 6 August 2018.

Parcel B was readjusted by -2.52%, considering an IGP-M of -1.33% and an X-Factor of 1.20%, which will be shared between "Pd" (productivity gains) of 1.15%, "T" (trajectory to adequacy of operational costs) of 0.00% and "Q" (incentives to quality) of 0.05%. Furthermore, it is worth to mention the impact of the new tariff for the use of transmission system, set forth through ANNEL's resolution 2259/2017, whose incorporation in transmission costs to be collected in the next 12 months explains an increase of 6.68% average effect perceived by consumers.

On October 2017, the Brazilian electricity regulator, ANEEL, approved a 24.37% increase of annual tariff readjustment index for EDP São Paulo, for the period from 23 October 2017 to 22 October 2018.

Parcel B was readjusted by -2.68%, considering an IGP-M of -1.45% and an X-Factor of 1.23%, which is composed by "Pd" (productivity gains) of 1.14%, "T" (trajectory to adequacy of operational costs) of -0.24% and "Q" (incentives to quality) of 0.33%. Furthermore, it is worth mentioning the impact of the new tariff for the use of transmission system, set forth through ANNEL's resolution nr. 2259/2017, which incorporation in transmission costs determined a 10.70% effect on the average tariff increase perceived by consumers. Worth also noting the 14% effect on average tariff related with deviations on previous period costs, mostly related with the unfavourable hydro scenario and consequent impact on energy costs.

On 8 November 2017, ANEEL regulated through Normative Resolution 787, the evaluation of the quality of corporate governance systems to be applied to the electric power distributors. The regulation complies the guidelines for the strengthening of corporate governance in distribution in accordance with the provisions of Decree 8461/2015 and Clause Eight of the concession contracts, and as recommended by the Federal Court of Auditors. This rule, based on an incentive regulation, establishes parameters for the topics of transparency, senior management structure, property relations, internal control and regulatory compliance, resulting in the classification of distributors in high, medium or insufficient level of governance according to adherence to the best practices stated in the regulation.

On 23 November 2017, ANEEL published the Resolution 791/2017, approving sub-module 2.9 of the Tariff Regulation Procedures - PRORET. The publication consists of the admissibility of requests for Extraordinary Tariff Revision - RTE of the concessionaires of electricity distribution.

On 12 December 2017, ANEEL published the Resolution 796/2017, approving version 1.3 of Sub-module 4.4 and version 1.1 of Sub-module 4.4A of Tariff Regulation Procedures - PRORET, which deals with the remaining financial components.

On 19 December 2017, ANEEL approved Normative Resolution 797/2017 explaining the procedures for the sharing of infrastructure of Concessionaires and Permit Holders of Electricity with agents of the same sector, as well as with agents of the Telecommunications, Petroleum, and Gas, with Direct or Indirect Public Administration and with other interested parties. With this publication, Resolution 581/2002 was revoked.

On 22 December 2017, Normative Resolution 794 was published amending Normative Resolution 414 of 9 September 2010, which approves the revision of Modules 1 and 8 of the Procedures for the Distribution of Electricity in the National Electrical System - PRODIST and revokes REN 574/2013. With the publication of the resolution, a specific section was included in PRODIST to establish procedures for the quality of complaint handling, including a methodology for defining the limits for the years following the publication of the resolution. With the publication of the trajectory of the indicators of the distributors EDP São Paulo, the limits will be: i) 25 in 2018; (ii) 24 in 2019; (iii) 21 in 2020; (iv) 17 in 2021; and v) 12 in 2022. For EDP Espírito Santo, the limits will be: i) 23 in 2018; (ii) 23 in 2019; (iii) 21 in 2020; iv) 17 in 2021; and v) 13 in 2022. In addition, Submodules 5.1 and 5.2 of the Tariff Regulation Procedures (PRORET), which regulate the Fuel Consumption Account and the Energy Development Account (CDE) were approved, as provided for in Decree No. 9.022/2017.

On 27 December 2017, ANEEL published Normative Resolution 799/2017, which establishes criteria and procedures in the event of errors identification in the process of formation of the Settlement Price of Differences - PLD and repeals Normative Resolution 568/2013. In case of error identification in the PLD formation process, the National Electric System Operator - ONS and the Electric Energy Trading Chamber - CCEE shall correct it in the operative week following its identification.

The ONS, with the CCEE support, should implement, up to 180 (one hundred and eighty) days from the publication of this resolution, a virtual platform related to the Monthly Operational Program - PMO and its revisions. The CCEE should hold monthly meetings with the agents to address the adequacy of data, procedures and results of the program chain.

*Supply*

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

*Public Domain Assets*

In Brazil, fixed assets used in the distribution and the supply activities are bound to these services and cannot be removed, sold, transferred or mortgaged without the prior and express consent of the regulator (ANEEL).

**Activity in the renewable energy sector**

In December 2007 the EDP Group incorporated EDP Renováveis, S.L. in Spain so as to concentrate the Group's subsidiaries in the renewable energies sector. On 18 March 2008, EDP Renováveis was converted into a public limited company.

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

**Electricity - Renewable**

*Generation*

As at December 2017, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital of EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energias del Ocidente, S.L.), EDP Renewables North America, LLC. (EDPR NA, previous designated as Horizon Wind Energy, LLC.) and EDP Renováveis Brasil, S.A., operating respectively in Europe, in the United States of America and in Brazil.

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and United Kingdom. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, EDP Renewables España, EDP Renewables France, EDP Renewables Belgium, EDP Renewables Polska, EDP Renewables Romania, EDP Renewables Italia and EDPR UK Limited. As at 31 December 2017, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

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

*Regulatory framework for the activities in Spain*

On 12 July 2013 the Spanish Council of Ministers approved a comprehensive reform of the energy sector. This energy reform was afterwards implemented by means of a new “Energy Sector Act”, a Decree-Law, eight Royal Decrees and three Ministerial Orders.

As a part or this Energy Reform, Royal Decree-Law 9/2013 was approved in July 2013. The purpose of this Royal Decree-Law was to adopt a series of measures to ensure the sustainability of the electricity system, affecting mainly the electricity transport, distribution and renewable sectors. Prior to Royal Decree-Law 9/2013, renewable generators benefited from a feed-in tariff regime in which renewable electricity could be sold at a regulated feed-in tariff or at the Spanish wholesale market price plus a variable premium.

According to the 2013 regulatory framework, renewable energy facilities are entitled to sell the electricity they generate into the Spanish wholesale market and, during their respective regulatory lives, receive additional payments per installed MW from the Spanish electricity system through the "Comisión Nacional de los Mercados y la Competencia (CNMC)" body. This regulatory system is intended to allow each standard wind farm to achieve a pre-tax rate of return (fixed at 7,398% until 2019 YE) over its regulatory life. This reasonable return was determined by reference to the 10-year Spanish government bond plus a spread of 300 basis points.

Regarding the wind sector, Decree Law 413/2014 confirmed that wind farms in operation in 2003 (or before) would not receive any further incentive, while the incentive for the rest of the wind farms would be calculated in order to reach the 7,398% return before taxes. More than 1,300 possible types of renewables installation ("standard facilities") are included in the Decree Law, 23 of them corresponding to wind farms of more than 5 MW classified by the year of first operation (from 1994 to 2016).

In October 2015, the Government approved Royal Decree 947/2015 and a Ministerial Order aimed at allowing the installation of new renewable capacity through competitive tenders.

On 14 January 2016, the first auction of renewables' capacity was held. The auction was designed to provide a similar remuneration scheme that the one that applies to current installations (RD 413/2014). Following this framework, auction participants were requested to bid on the "initial investment" (CAPEX) parameter which would then, by being plugged in the formula set by RD 413/2014 determine the "Rinv" (investment premium) that would eventually be awarded.

Developers were bidding to build 500 MW of wind energy and 200 MW of biomass plants. The auction was very competitive, around 5 times oversubscribed for onshore wind. EDPR was awarded 93 MW of wind energy.

In December 2016, the Energy Ministry (MINETAD) published a draft Royal Decree and a Ministerial Order defining a competitive process for the allocation of new renewable capacity. On 6 and 8 March, two additional draft Resolutions were released including relevant information regarding the auction rules. The Council of Ministers approved on 31 March the RD 359/2017 launching the official call for the auction. The remuneration scheme will be in line with RD 413/2014 scheme. However there will be some differences in the distribution of the remuneration scheme when compared to previous tenders. On the one hand, the tender will be technologically neutral, meaning that projects based on different renewable energy technologies, such as wind, solar and biomass, will be able to compete for contracts.

On 22 February, the Ministerial Order ETU/130/2017 was published, which includes the new remuneration parameters. In 2016 the first semi-regulatory period of RD 413/2014 ended, and therefore, the "Rinv" parameter had to be adjusted in order to consider pool price deviations between the estimated price and the current price and the new pool forecasts.

In 17 May, the "Operador do Mercado Ibérico - Pólo Espanhol" (OMIE) held a tender for the allocation of 3 GW of new renewable capacity. The tender had around 9 GW of competing capacity. 2,979 MW of the 3 GW auctioned were allocated to wind projects.

Following the outcome of this tender, the Spanish government decided to launch one additional tender for a maximum of 3 GW. The new tender held place on 26 July 2017 and was open exclusively to wind and solar PV technologies. The rules governing the new tender was the same as the ones for the tender held on 17 May, except for the maximum possible discount to the standard CAPEX which would be 87.08% for wind and 69.88% for solar PV.

Additionally, the royal decree ruling the tender (RD 650/2017) included the possibility to increase the allocated capacity to all capacity bidding the same discount, provided it would not create an overcost to the system. Following this, all the capacity which offered the maximum allowed discount was awarded (no tiebreaker rule was triggered). Overall, 5.037 MW were awarded, with solar power producers being the biggest winners with 3.909 MW compared to 1.120 MW for wind.

*Regulatory framework for the activities in Portugal*

The Portuguese legal provisions applicable to the generation of power from renewable sources are currently established by Decree-Law 189/88 dated 27 May, (subsequently amended by Decree-Law 168/99 of 18 May, Decree-Law 312/2001 of 10 December and Decree-Law 339-C/2001 of 29 December). Also relevant is Decree-Law 33-A/2005, of 16 February 2005 ("DL 33-A/2005"), which establishes the feed-in tariff remuneration applicable to energy produced by renewable sources.

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013 that maintains the legal stability of the current feed-in tariff contracts (following Decree-Law 33-A/2005) and protects the value of the investments made by wind energy producers. However, this Decree Law granted the possibility to adhere to voluntary changes of the existing feed-in tariff. Indeed, wind generators could extend the support scheme (generally 5 or 7 years) in exchange of upfront payments or discounts on existing tariffs. EDPR chose a 7 year extension of the tariff defined as the average market price of previous twelve months, with a floor of 74€/MWh and a cap of 98€/MWh (values updated with inflation from 2021 onwards) in exchange for yearly payments from 2013 to 2020.

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

*Regulatory framework for the activities in Romania*

In 30 March 2017, the government finally approved the emergency ordinance to amend the renewable law 220/2008. As expected, the Green Certificate (GC) scheme was extended until 2031 (GC will remain valid until March 2032). The Ordinance also confirmed the GC floor would remain fixed at 29.4€ and GC cap will lose indexation and reduced to a level of 35€. Regarding wind energy, the ordinance approves the extension of the GC recovery from 2018 to 2025, while solar PV's GC postponement is extended until the end of 2024 (the recovery will take place from 2025 to 2030).

Following the approval of EGO 24/2017 in March, the energy regulator (ANRE) issued the Order 27/2017 establishing the mandatory quota of estimated green certificates for the period April-December 2017. This new quota is based on a new methodology, which establishes the number of GCs estimated to be issued, instead of a percentage of clean energy. The number of GC for the April-December period was defined to 11,233,667 GCs.

ANRE issued the Order 77/2017 approving the regulation on organisation and functioning of the Green Certificates (GC) market. The Order allows the trade of GCs in two different markets: (i) a centralised anonymous GC market (operational as of 1 September 2017) that comprises platforms for GCs trading (spot and forward transactions) organised by Romanian Electricity and Gas Market Operator (OPCOM), allowing participants to the GCs market to submit firm GCs sale or purchase offers with respect to quantity and price, without revealing their identity to the other participants to the trading sessions; and (ii) a centralised market for electricity from renewable energy sources benefiting from the GCs scheme (not yet operational): market platform to trade bundled GC and electricity of renewable energy sources. The electricity price will be determined competitively by the market mechanisms, while the price of the GCs associated to the sold quantity of electricity will be equal to the closing price for the last trading session on the centralised anonymous GCs market. In both markets, the transactions have a limit of 10,000 GCs per day.

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

The United States federal government and various state governments have been implementing policies to promote the growth of renewable energy, particularly wind power. The main federal renewable energy incentive program is the Production Tax Credit (PTC), which was created by the US Congress as part of 1992 EPACT. Additionally, several states have passed legislation, mainly in the form of renewable portfolio standards (RPS), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

American Recovery and Reinvestment Act of 2009 includes a number of energy measures related to tax and policy provisions to benefit the development of wind energy generation, namely (i) a three year extension of the PTC until 2012 and (ii) an option to elect a 30% Investment Tax Credit (ITC) that could replace the PTC through the duration of the extension. This ITC allows the companies to receive 30% of the cash invested in projects placed in service or with the beginning of construction in 2009 and 2010. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and includes an one year of ITC extension, which allow the companies to receive 30% of the cash invested in projects with beginning of construction until December 2011 as long as placed in service until December 2012.

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

On 16 December 2014, the US Congress approved the "Tax Increase Prevention Act of 2014" that included an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set a new expiration date of 31 December 2014 and kept the qualification criteria (projects can qualify as long as they are under construction by year-end 2014).

On 15 December 2015, the US Congress approved the “Consolidated Appropriations Act of 2016” that included an extension of the PTC for wind energy, as well as the possibility of a 30% Investment Tax Credit instead of the PTC. Developers had until the end of 2016 to start construction of new wind farms to qualify for 10 years of production tax credits at the full level. Congress introduced a phase out for projects that start construction after 2016 and before 2020. These projects will still qualify for production tax credits, but at reduced levels. The levels are 80% for projects starting construction in 2017; 60% in 2018; and 40% in 2019. Developers of projects that start construction before 2020 may choose to claim 30% investment tax credits instead of production tax credits, subject to a similar phase out. The phase out reduces the value of the 30% investment tax credit to 24% in 2017; 18% in 2018; and 12% in 2019. Neither production tax credits nor investment tax credits are allowed for wind projects that start construction in 2020 or later.

The aforementioned "Consolidated Appropriations Act, 2016" also extended the Investment Tax Credit (ITC) for solar projects. Solar projects that are under construction by the end of 2019 will now qualify for the 30% ITC. The credit is reduced to 26% for projects starting construction in 2020 and to 22% for projects starting construction in 2021. The credit drops to a permanent 10% level for projects that begin construction in 2022 or later or that begin construction before 2022, but are placed in service in 2024 or later. Projects must be placed in service by the end of 2023 to qualify for a credit above 10%.

On 9 February 2016, the US Supreme Court stayed implementation of the Clean Power Plan (CPP) announced by the United States' Environmental Protection Agency (EPA) on 3 August 2015, a rule to cut carbon pollution from existing power plants, which is pending judicial review. On 7 December 2017, EPA Administrator Scott Pruitt announced at a hearing of the U.S. House Energy and Commerce Committee that the EPA will introduce a replacement rule to CPP.

Additionally, on 5 May 2016, the US Internal Revenue Service issued guidance that wind farms have 4 years from their start of construction to be placed in service and qualify for the PTC. As a result, projects that start construction prior to year-end 2019 and are placed in service prior to year-end 2023 will be eligible for the PTC. The IRS ruling also includes a provision that allows developers to secure the PTC if 5% of a project's capital components by US dollar value are safe harbored in a given year and construction is complete within 4 years. Thus, if a developer safe harbors 5% of project Capex in 2016, will be qualified for 100% of the PTC if the construction is concluded until 2020.

With the election of Donald Trump as President of the United States, which together with the Republican Party, gained control of both Houses of Congress, a change in the governing philosophy is expected. In the first 100 days of his term, the President has issued an Executive Order directing the EPA to revert the Clean Power Plan, removed it and replaced it with a new one, eliminate the moratorium on coal in Federal lands, regulations on methane emissions and hydraulic fracturing and eliminated guidance which has incorporated climate change and the "social costs of carbon" into federal projects. On 1 June 2017, President Trump announced that the U.S. would withdraw from The Paris Agreement, an international accord to combat climate change. The ultimate impact of these changes on renewable demand is not yet clear for several reasons: most of these changes will be contested in court; States regulators decide on the energy mix at State level; the most important energy players are already implementing the main elements of the Clean Power Plan; and the Executive Order does not impact ITC/PTC, which is the main development driver for the US renewable energy market.

By the end of 2017, the two most relevant events currently being considered are reforming the US Tax Code and contemplating a Federal plan to promote investment in infrastructures.

The two chambers of Congress then proceeded to pass different versions of the tax reform bill that were then analysed together. On 22 December 2017, President Trump signed the final project for the tax reform law. The law made numerous changes to the U.S. tax code including some that may impact demand and financing for renewable energy. Among these are the Base Erosion Anti-Abuse Tax (BEAT) provision, which seeks to prevent multinational companies from engaging in "earnings stripping", the practice of lowering a company's U.S. tax liability by deducting interest from payments made from a foreign parent company to its U.S. subsidiary. The BEAT provision allows companies to offset up to 80% of BEAT tax payments with energy tax credits such as the PTC and ITC. Because companies are not allowed to offset the entirety of BEAT tax payments with energy tax credits, the provision may negatively impact the tax equity financing market, a key finance driver for renewable energy. The final law also reduced the corporate tax rate from 35% to 21%. This could also decrease the size of the market for tax equity financing. With regards to other new policy initiatives, White House officials have expressed a desire to introduce an infrastructure plan to be passed by Congress. While details of this plan are currently unclear, increased investment in Infrastructure could change the demand for renewables or change the value of production from existing facilities.

*Regulatory framework for the activities in Poland*

On 19 February 2016 the PiS MPs party proposed a draft law on wind investments covering localization, realizations and operation of wind farms, the so-called Wind Turbine Investment Act. After a long approval process in which the renewable sector succeeded in introducing some amendments to the original draft the law was finally approved and published in the Polish Official Gazette in June 2016. The main measures of this new law include minimum distance restrictions for new wind farms and increased real estate tax burden.

On the other hand, and following the delay of implementation of the RES Act Chapter 4 introduced in late December 2015, PiS' government has introduced to Polish parliament a more comprehensive amendment proposal to the RES Act in early May 2016. After having gone through Poland's parliamentary appreciation process the amendments were finally approved and published in late June, in line with the intentions to have the Chapter 4 in force since 1 July 2016. While keeping the core of the new auction system introduced by the new 2015 RES Act these new amendments have also introduced some modifications (namely introducing technology baskets for future tenders and improving the treatment of biomass, biogas and cofiring technologies).

In October 2016 the Polish Government published the Ordinance detailing the amount and value of energy to be auctioned in 2016. Wind energy was not included among the technologies allowed to participate (except for facilities below 1 MW). The auction was held in 30 December 2016.

On 23 November 2016, the Polish Government disclosed a draft ordinance detailing the amount and value of energy planned to be auctioned in 2017. The draft highlights that baseload renewables (dedicated biomass and biogas) remain key to the government as they will be allocated around 50% of the total 2017's auction budget. The new draft proposes the budget to be allocated to the pot in which new onshore wind could compete. This amount could amount up to 150 MW. It is also likely that wind and PV will compete for the same budget.

During the first semester of 2017, the substitution fee was 300.03 PLN. However, with the entry into force of the amendment proposed by the Polisk Government in the third quarter of 2017 the substitution fee changed to 125% of the average market price of the green certificate from the previous year capped at 300 PLN. Given the current low prices of GCs, this rule is expected to involve a even higher price reduction.

Together with the reduction of the substituion fee, the accompanying note of the amendment proposal includes a proposal to set up (and increase) the GC's quotas up to 2020: 17.5% in 2018, 18.5% in 2019; and 19.5% in 2020. However, this specific proposal is not included in the official text of the proposal that has been approved.

On 13 December 2017, the EU Commission (through the Directorate-General for Competition) approved the Polish support scheme for renewables and therefore confirmed that the scheme is in line with the 2014 European State Aid Guidelines.

*Regulatory framework for the activities in France*

On 15 April 2016, the French council of State published a decision ordering the government to start recovering the interests that the feed-in tariff received from 2008 to 2014 would have generated. This decision was based on the grounds that the French Government failed to notify the European Commission of the Ministerial Order approving the feed-in tariff.

A Contract-for-difference (CfD) scheme replacing the feed-in tariff scheme was released in December 2016 for wind farms having requested a PPA in 2016. According to the decree, the strike price would be equal to the value of the current feed-in tariff (similar tenure, indexation and adjustment after year 10), plus a management fee to compensate balancing costs (2.8 €/MWh). The market reference price will be the production weighted average pool price, using a representative production profile of the wind industry in France. The settlement would be done on a monthly basis.

The French Government also disclosed a draft decree for the 2017 CfDs for wind farms below 6 wind turbines. According to the draft, the CfD tenure will be extended to 20 years (instead of 15 years), being the strike price 72€/MWh (plus the management fee). The draft also includes a limitation of the amount of energy to be remunerated under the CfD strike price. Larger wind farms will be awarded CfDs through competitive tenders.

Additionally, on 24 April 2016 the French Government enacted the so-called "Programmation pluriannuelle des Investissements" (PPI) which objective is to set different renewables' capacity targets by technology, in order to achieve the objectives of the "Loi de Transition Énergétique" (decree-law meant to define the long term energetic and climate politic in France, official aproved in August 2015). The PPI provides short-term (2018) and medium-term (2023) renewables' capacity targets and also includes a provisional timetable of the next renewable tenders to be launched between 2017 and 2019.

The French government published on 10 May, the decree for the 2017 Contract-for-Difference (CfD) for wind farms below 6 wind turbines and maximum 3 MW per turbine. These projects will be exempt from tendering.

The regulator has also disclosed the tender rules for onshore wind farms (of more than 7 wind turbines or with over 3 MW per wind turbine) for the period from November 2017 to June 2020. The rules foresee the allocation of 3 GW of wind capacity in six successive 500 MW rounds every 6 months during the next 3 years. The rules also include a calendar with the dates in which the tenders are expected to take place.

## 2. Accounting Policies

### Basis of presentation

The accompanying consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its joint ventures and associated companies, for years ended 31 December 2017 and 2016 and EDP S.A.'s Executive Board of Directors approved them on 1 March 2018. The financial statements are presented in thousand Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company financial statements for the years ended 31 December 2017 and 2016 were prepared in accordance with IFRS as adopted by the E.U. until 31 December 2017.

As described in note 48, the Group adopted in the preparation of consolidated financial statements as at 31 December 2017, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2017. The accounting policies used by the Group in preparing the consolidated financial statements described in this note were adopted in accordance. The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, are detailed in note 48.

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

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

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

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

*Change in line items on the Consolidated Statement of Financial Position*

As at 31 December 2017, EDP Group separated the lines "Tax liabilities" and "Tax assets" into non-current, previously included in "Other liabilities and other payables" and "Other debtors and other assets", respectively. For comparison purposes, these line items were changed also for the comparative period.

*Change in line items on the Consolidated and Company Statements of Cash Flows*

As at 31 December 2017, EDP Group separated the lines "Receipts/(payments) relating to financial debt (include Collateral Deposits)", "Interest and similar costs of financial debt including hedge derivatives", "Receipts/(payments) relating to loans from non-controlling interests", "Interest and similar costs relating to loans from non-controlling interests", "Receipts/(payments) relating to loans from related parties" and "Interest and similar costs of loans from related parties including hedge derivatives", previously included in "Receipts/(payments) relating to loans" and "Interest and similar costs including hedge derivatives". For comparison purposes, these line items were changed also for the comparative period.

**b) Basis of consolidation**

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

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

*Controlled entities*

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

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

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

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

*Jointly controlled entities*

EDP Group classifies an arrangement as a joint arrangement when the jointly control is contractually established. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

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

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement, so this investment is included in the consolidated financial statements under the equity method.

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

*Entities over which the Group has significant influence*

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

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

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

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

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

*Goodwill*

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

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

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

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

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

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

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

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

*Purchases of non-controlling interests and dilution*

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

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

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

*Investments in foreign operations*

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

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

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

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

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

*Balances and transactions eliminated on consolidation*

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

*Business combinations achieved in stages*

In a business combination achieved in stages, on the date of obtaining control, the excess of the aggregate of (i) the consideration transferred, (ii) the amount of any non-controlling interest recognized in the acquiree (iii) the fair value of the previously held equity interest in the acquired business; over the net of amounts of the identifiable assets acquired and liabilities assumed, is recognised as goodwill.

If applicable, the negative difference, after evaluating the consideration transferred, of the amount of any non-controlling interest recognised in the acquiree, the fair value of the previously held equity interest in the acquired business; over the net value of the identifiable assets acquired and liabilities assumed, is recognised in the income statement. The Group recognises the difference between the fair value of the previously held equity interest in the acquired business and the carrying value in consolidated results in Other income. Additionally, the Group reclassifies the deferred amounts in other comprehensive income relating to the previously held equity interest to the income statement or consolidated reserves, according to their nature.

### c) Foreign currency transactions

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

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

### d) Derivative financial instruments and hedge accounting

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

The fair value of derivative financial instruments corresponds to their market value, if available, or to quotes indicated by external entities through the use of valuation techniques, which are compared in each date of report to fair values available in common financial information platforms.

#### Hedge accounting

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

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

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

*Fair value hedge*

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

*Cash flow hedge*

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

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

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

*Net investment hedge*

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

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

*Effectiveness*

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

**e) Other financial assets**

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

*Financial assets at fair value through profit or loss*

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

*Available-for-sale investments*

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

*Held to maturity investments*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group intends and has the ability to hold to maturity.

**Initial recognition, measurement and derecognition**

Purchases and sales of financial assets, are recognised on the trade date, which is the date on which the Group commits to purchase or sell these financial assets.

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

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

**Subsequent measurement**

After initial recognition, financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value recognised in the income statement in the period in which they arise.

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

The fair value of listed investments in active markets is based on current bid prices. 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.

After initial recognition, held to maturity investments are measured at amortised cost using the effective interest method.

The remaining financial assets whose fair value cannot be reliably measured are stated at cost, with any subsequent impairment loss being booked against the income statement.

**Reclassifications between categories**

The Group does not transfer financial instruments into or out of fair value through profit or loss.

**Impairment**

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

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

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

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

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

**f) Financial liabilities**

An instrument is classified as a financial liability when there is a contractual obligation for the issuer to liquidate capital and/or interests, through delivering cash or other financial asset, regardless of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method. All financial liabilities are booked at amortised cost, with the exception of the financial liabilities hedged at fair value hedge, which are stated at fair value on risk component that is being hedged.

**g) Equity instruments**

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

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

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

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

**h) Property, plant and equipment**

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

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

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

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

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

| | Number of years |
|---|---|
| Buildings and other constructions | 8 to 50 |
| Plant and machinery: | |
| - Hydroelectric generation | 30 to 75 |
| - Thermoelectric generation | 25 to 45 |
| - Renewable generation | 30 |
| - Electricity distribution | 10 to 40 |
| - Other plant and machinery | 4 to 25 |
| Transport equipment | 4 to 25 |
| Office equipment and tools | 2 to 16 |
| Other property, plant and equipment | 3 to 50 |

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

*Capitalisation of borrowing costs and other directly attributable costs*

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

*Government grants*

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

*Transfers of assets from customers*

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

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of Property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:
- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition;
- accounting for the transfer of money from customers.

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

**i) Intangible assets**

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

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

*Acquisition and development of software*

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

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

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

*Concession rights on distribution of electricity and gas*

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

*Concession rights to use the public hydric domain*

Portuguese concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which currently does not exceed 47 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever these compensations are paid and for all the Group subsidiaries.

The accounting policy related to intangible assets assigned to concessions in the scope of IFRIC 12 is described in aa), Group concession activities.

*Industrial property and other rights*

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

**j) Leases**

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

*Operating leases*

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

*Finance leases*

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

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

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

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

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

*Determining whether an Arrangement contains a Lease*

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

**k) Investment property**

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

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

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

Investment property is amortised on a straight-line basis over the estimated useful life of the assets (between 8 and 50 years).

### l) Inventories

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

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

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

### m) Accounts receivable

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

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

### n) Employee benefits

#### Pensions

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

*Defined benefit plans*

In Portugal, the defined benefit plan is assured by (i) a closed pension fund managed by an external entity, covering responsibilities with benefits that are complementary to those provided under the Social Security System (namely retirement and early retirement pensions), and (ii) by a complementary specific provision, recognised in EDP Group company's statement of financial position. Benefits are generally determined and assigned through the combination of one or more factors, such as age, years of service and the relevant base retribution (pensionable salary).

In Brazil, EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa) have defined benefit plans managed by a closed complementary welfare entity, external to EDP Group, covering responsibilities associated with retirement and early retirement pensions, according to factors such as age, years of service and the relevant base retribution.

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

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

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

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

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

*Defined contribution plans*

In Portugal, Spain and Brazil, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan. These contributions represent a percentage of the fixed and variable remuneration of the employees included in this plan and are accounted for as cost for the period in which they are due.

**Other benefits granted**

*Medical benefits*

Some EDP Group companies provide medical benefits under which employees and immediate eligible family members have favourable conditions in medical assistance and health care services, namely:

- Concerning EDP Group companies in Portugal, through the provision of medical assistance that is complementary to the one provided under the National Health System, provided using infrastructures owned and managed internally;

- Concerning EDP Group companies in Brazil, through the share of costs in eligible medical and heath expenses, in an external agreed network.

The medical benefits plans are classified as defined benefit plans.

In Portugal, the medical benefit and death benefits plan is assured by (i) a closed fund managed by an external entity, created in December 2016, and (ii) a complementary specific provision, recognised in EDP Group company's statement of financial position.

In Brazil, the liability being covered by provisions booked in EDP Group company's statement of financial position.

Measurement and recognition of the medical benefits liabilities are similar to the defined benefit pension plans liabilities, explained above.

*Other benefits*

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, survival benefits, life insurance, antiquity and retirement benefits, power and gas tariff discounts, among others.

Benefits included in each Plan for Portugal and Brazil are detailed in EDP's Collective Labor Agreement, published in the Labor Bulletin of 8 October 2014 and in the website of the Plan management entity Enerprev (www.enerprev.com.br), respectively.

**o) Provisions**

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

*Provisions for dismantling and decommissioning in electric power plants*

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

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

**p) Recognition of costs and revenues**

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

Revenue in EDP Group arises essentially from electricity generation and energy (electricity and gas) distribution and supply activities.

Revenue related to the sale of energy and access tariffs to energy distribution network is measured at fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after elimination of intra-group sales.

Revenue recognition occurs when the significant risks and rewards of ownership are transferred to the buyer, the entity retains neither continuing managerial involvement to the extent usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

The moment when an entity has transferred the significant risks and rewards of ownership to the buyer varies depending on the activities carried out by the Group companies.

Regarding the **electricity generation**, this transfer occurs when the energy is generated and injected into the transport/distribution grids. The electricity generated is sold under free market conditions or through the establishment of medium/long term power purchase agreements.

The **energy distribution** is a regulated activity, which is remunerated through tariffs set by each country Regulatory Body (ERSE in Portugal, CNE in Spain and ANEEL in Brazil).

In Portugal and Spain, revenue arises mainly from the sale of access tariffs, as well as from the recovery, from the commercialisation entities, of the costs related to the global management activity of the system. In Brazil, revenue results from the electricity sales to final consumers, in the regulated market, based on the tariffs determined by ANEEL, which are included the use of the distribution and transport system tariff, among other components. In Portugal and Brazil, these activities are subject to public service concession arrangements (see aa)).

The **energy supply** is carried out in regulated and non-regulated markets. In non-regulated market, revenue is recognised based on commercial agreements. In regulated market, revenue is recognised according to the tariffs determined by each country Regulatory Body.

Revenue recognition includes two components: (i) energy sales already invoiced, based on actual consumption readings and/or in estimated consumption based on the historical data of each consumer; and (ii) estimates of energy supplied and not yet invoiced (energy into energy meter). Differences between estimated and actual amounts are recorded in subsequent periods.

Additionally, it should be noted that, in energy distribution and supply activities, there is a tariff adjustment mechanism through which gains or losses of a certain year are recognised in the period to which they relate and recovered in the future years tariffs – Tariff Adjustments (see x)).

The revenue recognition related with **services rendered** is based on the percentage of completion of the transaction at the reporting date. This occurs when the amount of revenue can be reliably measured, when it is probable the existence of economic benefits associated with the transaction to the entity who sells, when the percentage of completion of the transaction at the reporting date can be reliably measured and the costs incurred with the transaction and the costs to be incurred to complete the transaction can be reliably measured. Whenever it is not possible to reliably measure the completion of a transaction involving services rendered, revenue is only recognised to the extent of the expenses recognised as recoverable.

### q) Financial results

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

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

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

### r) Income tax

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

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

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

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

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

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

When accounting for interest and penalties related to income taxes, EDP Group considers whether a particular amount payable or receivable is, in its nature, an income tax and, if so, applies IAS 12 to this amount. Otherwise, IAS 37 is applied.

**s) Earnings per share**

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

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

**t) Share based payments**

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

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

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

Shareholders of EDP Brasil structured and implemented a Share based Compensation Policy, which began in June 2016. The referred policy comprises two types of programs to be assigned to certain employees (incentive and retention programs), being the eligible beneficiaries and assignment requirements subject to the conditions established.

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

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

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

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

**v) Cash and cash equivalents**

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

**w) Operating segments**

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

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

**x) Tariff adjustments**

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

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

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

### y) CO2 Licenses and greenhouse gas emissions

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

The Licenses held by the Group for trading purposes are booked under Inventories, as referred in l).

### z) Statement of Cash Flow

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

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

### aa) Group concession activities in the scope of IFRIC 12

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

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. IFRIC 12, was applied prospectively since it was impracticable to apply it retrospectively.

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

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

*Financial Asset Model*

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

*Intangible Asset Model*

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

*Mixed Model*

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

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

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

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

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

The concession contracts that exist currently in EDP Group are based in the Financial Asset Model, namely in the electricity transmission concessions in Brazil, in the Intangible Asset Model, namely in the electricity special regime production concessions (PRE) in Portugal and in the Mixed Model, namely in the electricity distribution concessions in Portugal and in Brazil.

**ab) Institutional partnerships in USA**

The Group has entered in several partnerships with institutional investors in the United States, through operating agreements with limited liability companies that apportion the cash flows generated by the wind farms between the investors and the Company and allocates the tax benefits, which include Production Tax Credits (PTCs), Investment Tax Credits (ITC) and accelerated depreciation, largely to the investor.

The institutional investors purchase their minority partnership interests for an upfront cash payment with an agreed targeted internal rate of return over the period that the tax credits are generated. This anticipated return is computed based on the total anticipated benefit that the institutional investors will receive and includes the value of PTC's / ITC's, allocated taxable income or loss and cash distributions received.

The control and management of these wind farms are a responsibility of EDPR Group and they are fully consolidated in these financial statements.

The upfront cash payment received is recognised under Institutional partnerships in USA and subsequently measured at amortised cost.

This liability is reduced by the value of tax benefits provided and cash distributions made to the institutional investors during the contracted period. The value of the tax benefits delivered, primarily accelerated depreciation and ITC are recognised as Income from institutional partnerships on a pro-rata basis over the useful life of the underlying projects (see note 7). The value of the PTC's delivered are recorded as generated. This liability is increased by an interest accrual that is based on the outstanding liability balance and the targeted internal rate of return agreed.

After the flip date, the institutional investor retains a non-significant interest for the duration of the structure. This non-controlling interest is entitled to distributions ranging from 2.5% to 6% and taxable income allocations ranging from 5% to 17%. EDPR NA has an option to purchase the institutional investor's residual interest at fair market value during a defined period following the flip date. The financial instruments held by the institutional investors issued by the partnerships represent compound financial instruments as they contain characteristics of both financial liabilities and equity. Post flip non-controlling interests is the portion of equity that is ascribed to the institutional investor in the institutional equity partnership at flip date. This amount is reclassified from the total equity attributable to the Parent to non-controlling interests caption in the period in which the flip date takes place.

## 3. Critical Accounting Estimates and Judgements in Preparing the Financial Statements

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

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

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

**Financial asset related with infrastructure concession contracts in Portugal**

The caption "Amounts receivable from concessions - IFRIC 12", refers to the financial assets receivable by EDP Group companies that operate infrastructures under concession contracts, and arises from the unconditional right to receive this amount regardless of the utilisation level of the infrastructures covered by the concession. In these companies is included EDP Distribuição as the National Distribution Network's (RND) concessionaire, which comprises the medium and high voltage network (MT and HT), and low voltage distribution networks (LT), being these concessions exercised exclusively through public service concession contracts.

The RND's operation, which is part of the high and medium tension network (HT and MT), is carried out through a public service concessions' attribution, by the Portuguese State. On the other hand, the right to distribute low voltage electricity is attributed to the Portuguese mainland municipalities. The legislation that establishes the basis of each concession sets up that the ownership or possession of the goods assigned to these concessions revert to the concessionaires at the end of their respective concessions. They also establish that in return for the assets returned to grantors, whether State or municipalities, compensation corresponding to the assets' book value assigned to the concession, net of amortisations, financial contributions and non-refundable subsidies will be paid. Therefore, the assets' estimated residual value at the end of each concession constitutes a financial asset, and the remaining fair value component of the concession assets is an intangible asset to be amortised over its useful life. Hence, the end date of each concession is one of the main assumptions for the financial assets' and intangible assets' estimation.

As mentioned in note 1, in May 2017 Law 31/2017 was approved, which lays down the principles and general rules concerning the organisation of public tendering procedures for the awarding, by contract, of the municipal LT concessions' operation in the Portuguese mainland. This Law foresees the simultaneous launch, in 2019, of public tender procedures for all municipalities that do not opt for direct management of the electricity distribution activity, as well as to all municipalities whose current concession contracts reach their end before 2019, and do not opt for direct management. In these cases, both parts shall enter into a written agreement extending the term of their respective concessions until the new concession contracts enter into force. The awarding decisions will be taken by municipalities or by the territorial area's intermunicipal entity attached to the referred proceedings.

Thus, it is expected that this legislation and the concessions renewal proceedings will have a significant impact on EDP Distribuição's estimate of financial and intangible assets, namely through the concessions' termination anticipation, that currently extend beyond 2019. However, at this date it is not possible to predict the end date of the concession contracts currently in force, as the process is still in an initial phase, by doing studies and legislation. With reference to 31 December 2017, financial assets and intangible assets were estimated based on the end dates of each of the contracts currently in force, and do not consider any changes arising from the already mentioned legislation. The use of different assumptions and estimates could result in different amounts of financial and intangible assets, with the consequential impact in the Statement of Financial Position.

**Measurement criteria of the concession financial receivables under IFRIC 12 in Brazil**

In 2012, the Provisional Measure 579/12 was published in Brazil, meanwhile converted into Law 12,783/13, which determines the amount of the indemnisation payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indemnisation amount (financial asset IFRIC 12) of EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa), booked under IFRIC 12 terms. The indemnisation amount variation is booked against Revenues from energy sales and services and other. This amount corresponds to the difference between the new replacement value versus the historical cost.

**Impairment**

*Impairment of available-for-sale investments*

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

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

Alternative methodologies and the use of different assumptions and estimates could result in different impairment losses recognised with a consequent impact in results.

*Impairment of long term assets and Goodwill*

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

On an annual basis, the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The investments in subsidiaries, on a company basis, and in associates are reviewed when circumstances indicate the existence of impairment.

Considering the uncertainties regarding the recoverable amount of property, plant and equipment, intangible assets and goodwill as they are based on the best information available, changes in the assumptions could result in changes on the determination of the amount of impairment and, consequently, in results.

*Impairment of receivables*

Impairment losses related to doubtful debts are estimated by EDP based on the estimated recoverable amounts, the date of default, debt write offs and other factors. Certain circumstances and facts may change the estimated impairment losses of doubtful debts, namely changes in the economic environment, economic sector trends, client’s credit risk and increases in the rate of defaults. Changes in the estimates and judgement could change the impairment test results, thereby affecting results.

**Fair value and classification of financial instruments**

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

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

Additionally, financial instruments’ classification as debt or equity requires judgement in the interpretation of contractual clauses and in the evaluation of the existence of a contractual obligation to deliver cash or other financial assets.

**Sale of Naturgas Energía Distribución**

Following the acceptance of the main terms and conditions of a formal binding offer to acquire its gas distribution subsidiary in Spain (Naturgas Energía Distribución, S.A.U.) by Nature Investments, at 27 March 2017, with reference to 31 March 2017, the Group considered that the held for sale criteria was satisfied, as its carrying amount would no longer be recovered through continuing use, but through sale instead.

Given the above, during the first and second quarter of 2017, this transaction was disclosed as Assets and liabilities held for sale. The conclusion of the sale transaction occurred at 27 July 2017, after the customary regulatory approvals (see notes 5 and 7).

Considering this activity's reduced weight towards the dimension of Regulated Networks, where it is included in the Operating Segments (see note 53), the Group considered that it is not a significant disposal group nor a major line of business, so, despite have presented as non current assets and liabilities held for sale, it was not considered as a discontinued operation.

**Review of the useful life of the assets**

The Group reviews annually the reasonableness of the assets' useful lives that are used to determine the depreciation rates of assets assigned to the activity, and prospectively changes the depreciation charge of the year based on such review.

At the end of December 2016, EDPR Group changed the useful life of its wind farms from 25 to 30 years. The redefinition of the useful life of the wind generation assets was based on technical, financial and economic studies (performed internally and by an independent expert) and in other considerations such as contractual or regulatory constraints. Based on these studies, it is judged reasonable and accurate to use the standard of 30 years for the entire fleet, although useful life may have some level of discrete asset variation depending on the specific site specificities.

In the first quarter of 2017, the Group reviewed and extended the useful life of the combined cycle gas turbines (CCGTs) from 35 to 40 years based on a technical study conducted by an independent entity that considered the technical and economic availability for an additional period of 5 years. This study covered the CCGTs in Portugal (Lares and Ribatejo) and Spain (Castejon 1 and 3 and Soto 4 and 5).

**Useful lives of generation assets - Hydro independent generator in Brazil**

The hydro generation assets in Brazil for independent generators are amortised during their estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements. This includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by ANEEL, the respective contractual residual indemnification values at the end of each concession period, as well as related technical and legal opinions. The remaining period of amortisation and the indemnification values at the end of the concessions may be influenced by changes in the regulatory legal framework in Brazil.

**Tariff adjustments**

*Portugal*

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

Decree-Law 237-B/2006 of 19 December, and Decree-Law 165/2008 of 21 August, recognised an unconditional right of the operators of the electricity sector to recover the tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations. Additionally, the legislation allows the transfer to third parties of the right to receive tariff adjustments. Therefore, under this legislation, regulated companies may provide to third parties, in whole or in part, the right to receive the tariff adjustments through the electricity and gas tariffs. In accordance with the accounting policy in force, the EDP Group books under the caption Revenues from energy sales and services and other - Electricity and network access, the effects of the recognition of tariff adjustments in the electricity sector, against Debtors and other assets from commercial activities and Trade and other liabilities from commercial activities.

Decree-Law 87/2011 of 18 July also establishes the unconditional right of regulated operators in the natural gas sector to recover tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations, and allows the transfer to third parties of the right to receive tariff adjustments. EDP Group books under the caption Revenues from energy sales and services and other - Gas and network access, the effects of the recognition of tariff adjustments of Natural Gas, against Debtors and other assets from commercial activities and Trade and other liabilities from commercial activities.

*Spain*

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

In 2010, Royal Decree Law 14/2010 addressed the correction of the tariff deficit of the electricity sector. Under this decree, the temporal mismatch of the settlements for 2010 tariff deficits came to be considered as a revenue deficit of the electricity system and a set of measures was established so that the various industry players contribute to the reduction of the tariff deficit. These measures included the establishment of generation rates, financing plans energy efficiency savings by the generation companies and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012, two decrees were adopted to reduce the tariff deficit in order to reach the limit set by Royal Decree Law 14/2010: (i) Royal Decree Law 1/2012, which temporarily suspended the inclusion of new facilities in the ''pre-asignación'' registrations maintained by the Minister of Industry, Energy and Tourism before the power plant is entitled to make use of the Spanish special regime; and (ii) Royal Decree Law 13/2012, which provided for reductions in the remuneration for distribution activity and an extraordinary decrease on other regulated activities.

In 2014, Royal Decree Law 1054/2014, establishes the procedures for the transfer of the right to receive the deficit of 2013 from the Spanish system, as well as, the methodology to define the interest rate applicable to this deficit, which main guidelines are:
(i) definition of a 15 years time frame during which the deficit amount will cumulate interest. This time frame consists in two periods: the first, which began in 1 January 2014 ending on the date of the additional liquidation of the provisional liquidation 14 of the year 2013; and the final period, from which the additional liquidation of the provisional liquidation 14 of the year 2013, is made, until 31 December 2028; and
(ii) the rights to receive (base amount plus interests) are expressly recognised, with their respective taxes and will be considered as system costs. These rights can be total or partially assigned, transferred, transmitted, discounted pledged to third parties, if properly communicated to CNMC ("Comisión Nacional de los Mercados y la Competencia").

*Brazil*

On 25 November 2014, ANEEL made addendums to the concession contracts with brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities that existed since 2010, when the IFRS were adopted in Brazil. As a consequence, the CPC issued on 28 November 2014, the OCPC 08 (Recognition of Certain Assets and Liabilities in Accounting and Financial Reports of Electric Distribution) which determines how to treat these regulatory assets/liabilities in the financial statements.

Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement, where it was established that, in the case of concession termination, the outstanding balances of any failure of payment or reimbursement by the tariff (assets and liabilities), will be considered on the indemnity calculation, based on the regulator pre-established regulations.

EDP Group considers, based on the issued legislation (Portugal, Spain and Brazil), that the requirements for the recognition of tariff deficits as receivables and payables against the income statement have been satisfied.

**Revenue recognition**

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

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

**Income taxes**

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

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

In Portugal, the tax authorities are entitled to review EDP, S.A. and its subsidiaries' determination of their annual taxable earnings for a period of four years. In case of tax losses carried forward, this period is twelve years for annual periods starting from 2014, five years for 2013 and 2012, four years for 2011 and 2010 and six years for previous annual periods. In Spain the period is four years and in Brazil it is five years. In the United States of America, in general, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity, the period is three years from the date that the income tax return is filed by the taxpayer. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the EDP Group and its subsidiaries do not anticipate any significant changes to the income tax booked in the financial statements.

**Pensions and other employee benefits**

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

**Provisions for dismantling and decommissioning of power generation units**

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

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

**Entities included in the consolidation perimeter**

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

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

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

**Business combination**

Under IFRS 3 (Business Combination) in a business combination, the acquirer shall recognise and measure in the consolidated financial statements the assets acquired and liabilities assumed at fair value at the acquisition date. The difference between the purchase price and the fair value of the assets and liabilities acquired leads to the recognition of goodwill or a gain from a purchase at a low price (bargain purchase).

The fair value determination of the assets acquired and liabilities assumed is carried out internally or by independent external evaluators, using the discounted cash flows method, using the replacement cost or other fair value determination techniques, which rely on the use of assumptions and estimates including macroeconomic indicators such as inflation rates, interest rates, exchange rates, discount rates, sale and purchase prices of energy, cost of raw materials, production estimates and business projections. Consequently, the determination of the fair value and goodwill or gain from a purchase at a low price is subject to numerous estimates and judgments and therefore changes in assumptions could result in different impacts on results.

**Fair value measurement of contingent consideration**

The contingent consideration, from a business combination or a sale of a financial investment is measured at fair value at the acquisition date as part of the business combination or at the date of the sale in the event of a sale of a financial investment. The contingent consideration is subsequently remeasured at fair value at balance sheet date. Fair value is based on discounted cash flows. The main assumptions consider the probability of achieving each objective and the discount factor, corresponding to the best estimates of management at each balance sheet date. Changes in assumptions could have significant impact on the values of contingent assets and liabilities recognised in the financial statements.

**Contractual Stability Compensation - CMEC**

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

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

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

**Contractual Stability Compensation – Annual Revisable mechanism**

Period I (2007/2017) of the revisable mechanism consists in correcting on an annual basis, over a 10-year period after the termination of the PPAs, the positive and negative deviations between the estimates made for the initial stability compensation calculation and actual amounts arising from an efficient performance, using the "Valor água" model, as established in the Decree-Law 240/2004. Later, Order 4694/2014 was published to define the guidelines of the revisibility calculation in what concerns the revenues from the system services market, regarding power plants under CMEC.

Consequently, the use of different methodologies and assumptions could lead to different results.

**CMEC Final Adjustment**

The calculation of CMEC's Final Adjustment is, under number 7 of article 3rd and Annex IV of Decree-Law 240/2004, of 27 December, performed by a joint technical group EDP/REN. The State budget for 2017 (Law 42/2016) determined, in its article 170, that the final adjustment amount shall be calculated and justified in a study done and presented by ERSE. This entity had the technical support of the Working Group EDP Produção/REN, legally enforced.

According to this, on 15 September, the technical group EDP/REN has presented to ERSE its report on the CMEC final adjustment calculation, which was achieved by strictly following the calculation methodology described in Decree-Law 240/2004. This calculation, performed by the technical group EDP/REN was presented to ERSE and comes to a range of amounts between 256.5 and 271 million Euros.

At the end of September, ERSE has also presented to the Government its report on the calculation of the CMEC final adjustment, reaching an amount of 154 million Euros, which was provisionally considered in the document of tariffs and prices for 2018. It is important to notice that the CMEC final adjustment has not been officially approved yet.

In the Financial statements as at 31 December 2017, EDP Group has included its best estimate of the CMEC final adjustment, by recognising an asset in the amount 256.6 million Euros against deferred income, based on the document done jointly by EDP and REN and the legal opinions obtained on this subject. The use of a different estimate would result in different asset and deferred income amounts, with the consequent impact in the Statement of Financial Position and Income Statement.

**Clawback**

Following some tax changes occurred in Spain, which affected electricity generators operating in this country, Decree-Law 74/2013 was approved in Portugal, which aimed to rebalance the competition between electricity generators.

This Decree-Law and subsequent regulation have determined a payment for MWh generated by power plants operating on market regime, excluding from this payment power plants operating under CAE/CMEC regime, as long as these subsist.

The amount payable by generators located in Portugal should consider an estimate of the impact that the off-market events in the EU (such as the above-mentioned tax changes in Spain) would have in pool prices, as well as off-market events in Portugal that would affect the competitiveness of electricity generators operating in Portugal. This way, a net competition advantage would allegedly arise to generators operating in Portugal.

Under this mechanism regulation – commonly known as clawback – Social tariff and CESE were approved by Dispatch 11566-A/2015 as off-market events that should be considered as competitive disadvantages of generators operating in Portugal.

Dispatch 7557-A/2017, of 25 August, superseded Dispatch 11566-A/2015, of 3 October, (which defined the variables for the computation formula of the amount to be paid by each of the power-generating plants under Decree-Law 74/2013, of 4 June, for each injected MWh) in its entirety. It states that ERSE, after consulting DGEG, shall present proposals for a new definition of the variables, as well as reference terms for the new study.

Subsequently, in Dispatch 8004-A/2017, of 13 September, the intention to declare the partial nullity of Dispatch 11566-A/2015, of 3 October, was expressed in relation to the decisions presented under its numbers 11 and 12 – elimination of off-market events' deductions (Social tariff and CESE) in the amounts to be paid by each of the power-generating plants for each injected MWh.

In the Dispatch 9371/2017, of 24 October, is declared the partial nullity of Dispatch 11566-A/2015, of 3 October from the Secretary of State for Energy (SEE), in relation to the decisions presented under its numbers 11 and 12 (the deduction of social tariff and CESE costs in the unit price). ERSE was asked to consider in next years' UGS tariffs, the recovery, in benefit of the consumers, of the amounts allegedly unproperly included in previous years' tariffs (2016 and 2017). Dispatch 9955/2017, of 17 November, defines a new amount for the estimate of the off-market events' impact in EU, which is 4.75 €/MWh, with retroactive effects as at August 24. Following these Dispatches, the document of prices and tariffs for 2018 has included a clawback amount of around 90 million Euros to be returned to tariffs, which includes power plants operating under CMEC and estimated generation.

Based on its interpretation of the Law, as well as on legal opinions obtained in the meantime, EDP Group considers that the Decree-Law 74/2013 aims to reestablish a situation of competition balance between generators operating in Portugal and their peers operating in other European countries, what means to consider as off-market events all the taxes and contributions that fall only over generators located outside of Portugal (particularly in Spain), as well as all the taxes and contributions that fall only over generators located in Portugal. Additionally, in the Group's understanding, clawback is not applicable to power plants operating under CMEC regime, therefore, in January 2018, EDP Group has contested Dispatches 9371 and 9955.

In the Financial statements as at 31 December 2017, EDP Group has included the clawback amount as calculated by EDP Produção, regarding the legislation in place in each period, namely Decree-Law 74/2013, Order 225/2015 and Dispatch 9371/2017 from October 24, considering actual generation verified in each period and its belief as to the non-applicability of this mechanism to power plants operating under CMEC regime. The use of different assumptions would result in a different liability amount, with the consequent impact in the Statement of Financial Position and Income Statement.

**System Services**

On 10 June 2017, following Dispatch 10840/2016 on the audit conclusions on the determination of an overcompensation risk in the CMEC revisibility calculation, ERSE clarified that it would continue to monitor the market of system services in accordance with its legal capability and that it would incorporate the conclusions of the referred audit, in all aspects that should be taken into account, in its opinion on the calculation of the 2016 annual revisibility.

On 5 September 2017, EDP Group was notified by DGEG that, following the above-mentioned audit conclusions and ERSE's recommendations, it would submit to the Energy State Secretary a regulation project that pursuits the deduction in tariffs and prices for 2018 the amount of 72.9 million Euros, as a deduction of 2016's revisibility, following the overcompensation in the system services market of the power plants which benefited from this mechanism between 2009 and 2014.

On 20 September 2017, EDP Produção has respond to this notification by reassuring its conviction that the referred audit report has serious flaws and limitations and presenting its reasons for this belief supported on a study performed by an independent entity. It is important to notice that ERSE, in the document of tariffs and prices for 2018, published on 15 December, has not included any deduction to the revisibility amount of 2016, even though it states that the identified overcompensation shall be included in the CMEC Final adjustment to be officially approved.

On 10 June 2017 and following Dispatch 10840/2016 on the audit conclusions on the determination of an overcompensation risk in the CMEC revisibility calculation, ERSE clarifies that continues to monitor the market for system services in accordance with its skills and that will incorporate the conclusions of the mentioned audit, in the parts that shall be taken into account, in the opinion on the calculation of the 2016 annual revisibility.

EDP Group considers that EDP Produção has not benefitted from any overcompensation in the service systems market between 2009 and 2014, that it has always complied with the legal and regulatory framework in place and also that any different strategy from the one adopted would lead to losses for EDP Group. According to this belief, the Group has not registered any effect from this situation in the 2017 financial statements. Nevertheless, in case SEE determines that indeed there was an overcompensation of the power plants under CMEC regime by their participation in system services market, significant corrections may arise to the 2016 annual revisibility or to the CMEC final adjustment amounts recognised in the financial statements as at 31 December 2017, with the consequent impact in the Statement of Financial Position and Income Statement. In any case, if the intention to change the CMEC final adjustment comes into force, it is EDP Group's intention to instigate the appropriate legal processes.

## 4. Financial Risk Management Policies

### Financial risk management

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

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

As for the subsidiaries in Brazil, the management of the financial risks inherent to the variation of interest rates, exchange rates and commodities is carried out locally, according with the principles set by rules of EDP - Energias do Brasil's Management and aligned with the principles/policies set by the EDP Group for this geographical area.

### Exchange-rate risk management

EDP, S.A.'s Financial Department is responsible for managing exchange rate risk exposure resulting from foreign currency financial debt, entered into with the aim of funding the EDP Group's investments in the currency of its respective cash flows. Seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the EDP Group companies and, consequently, on the consolidated results, the Group resorts to exchange rate derivative financial instruments and/or other hedging structures.

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

EDP Group is exposed to exchange rate risk in US Dollars (USD), Brazilian Reais (BRL), Romanian Leu (RON), Polish Zloty (PLN) and Canadian Dollars (CAD). Currently, the exposure to USD/EUR, PLN/EUR, RON/EUR and CAD/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland, Romania and Canada, respectively. The majority of these investments were financed with debt contracted in the respective local currency which allows to mitigate the exchange rate risk related to these assets.

The Brazilian subsidiaries exposed to the USD/BRL exchange rate risk as a result of their USD debt, use derivative financial instruments to hedge this risk. Additionally, investments in the Brazilian subsidiaries of EDP Energias do Brasil, whose net assets expressed in BRL are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate. Regarding investments in wind farms of EDP Renováveis in Brazil, the Group also contracted financial derivatives to partial cover exchange rate exposure of these assets.

The exchange rate risk on the Pound Sterling (GBP), Swiss Franc (CHF) and Japanese Yen (JPY) bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments have been hedged as from their issuing date.

### Sensitivity analysis - exchange rate

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the EUR/USD exchange rate, as at 31 December 2017 and 2016, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

| | Dec 2017 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | +10% | -10% | +10% | -10% |
| USD | 10,535 | -12,876 | -14,214 | 17,373 |
| | 10,535 | -12,876 | -14,214 | 17,373 |

| | Dec 2016 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | +10% | -10% | +10% | -10% |
| USD | 11,162 | -13,642 | -31,468 | 38,461 |
| | 11,162 | -13,642 | -31,468 | 38,461 |

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

**Interest rate risk management**

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

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

Long-term loans engaged at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments designed to level them to current and expected market conditions.

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

The EDP Group has a portfolio of interest rate derivatives with maturities up to 15 years. The Group's Financial Departments undertake sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. As at 31 December 2017, after the hedging effect of the derivatives 54% of the Group's liabilities are at fixed rate.

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

Based on the debt portfolio engaged by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 31 December 2017 and 2016 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

| | Dec 2017 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **Cash flow effect:** | | | | |
| Hedged debt | -14,821 | 14,821 | - | - |
| Unhedged debt | -13,664 | 13,664 | - | - |
| **Fair value effect:** | | | | |
| Cash flow hedging derivatives | - | - | 10,607 | -12,361 |
| Trading derivatives (accounting perspective) | -105 | -4,754 | - | - |
| | -28,590 | 23,731 | 10,607 | -12,361 |

| | Dec 2016 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| Thousand Euros | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **Cash flow effect:** | | | | |
| Hedged debt | -16,421 | 16,421 | - | - |
| Unhedged debt | -20,046 | 20,046 | - | - |
| **Fair value effect:** | | | | |
| Cash flow hedging derivatives | - | - | 11,665 | -12,170 |
| Trading derivatives (accounting perspective) | -171 | -6,720 | - | - |
| | -36,638 | 29,747 | 11,665 | -12,170 |

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

**Brazil - Interest rate and exchange rate risk management**

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

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

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

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

| | VaR | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| Exchange rate risk | 17 | 27 |
| Interest rate risk | 6,046 | 10,392 |
| Diversification effect | -23 | -39 |
| | 6,040 | 10,380 |

**Counterparty credit risk management**

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

EDP Group has documented its financial operations in accordance with international standards. Derivative financial instruments are mainly contracted under ISDA Master Agreements.

The amount receivable from customers is mainly generated by operations in Portugal, Spain and Brazil, with a diversified customer base, both geographically and in terms of segments (business clients, private and public sector) and size (Supply companies, Business to Business (B2B) and Business to Consumer (B2C)). EDP is present in 14 countries and has more than 9.9 million customers in the electricity sector and 1.6 million customers in the gas sector, and usually the contractual relationship with the counterparty tends to be

The maximum exposure to customer credit risk by counterparty type is detailed as follows:

| Thousand Euros | Dec 2017 | Dec 2016 |
|---|---|---|
| **Corporate and private sector:** | | |
| Supply companies | 99,284 | 128,203 |
| B2B | 670,483 | 467,224 |
| B2C | 408,901 | 379,706 |
| Other | 122,249 | 43,428 |
| | 1,300,917 | 1,018,561 |
| **Public sector:** | | |
| Debt with payment agreement | 53,420 | 66,646 |
| Debt without payment agreement | 131,916 | 163,613 |
| | 185,336 | 230,259 |
| | 1,486,253 | 1,248,820 |

Trade receivables by geographical market for the Group EDP, is as follows:

| | Dec 2017 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Corporate and private sector | 546,871 | 211,438 | 496,392 | 14,076 | 32,140 | 1,300,917 |
| Public sector | 90,656 | 37,503 | 56,541 | - | 636 | 185,336 |
| | 637,527 | 248,941 | 552,933 | 14,076 | 32,776 | 1,486,253 |

| | Dec 2016 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Corporate and private sector | 531,421 | 70,608 | 380,560 | 10,056 | 25,916 | 1,018,561 |
| Public sector | 122,596 | 53,171 | 54,492 | - | - | 230,259 |
| | 654,017 | 123,779 | 435,052 | 10,056 | 25,916 | 1,248,820 |

The amounts receivable from supply companies are concentrated mainly in Portugal, Brazil and EDP Renováveis Group, as follows:

- In Portugal, these counterparties present a significantly reduced days sales outstanding, about 20 days, and these entities are subject to the sector regulation that establishes collaterals to reduce credit risk. The collateral provided is updated based on the average of the last quarter monthly sales, which reinforces a low risk profile;

- In Brazil, it refers mainly to: (i) the amounts from sale of electricity to wholesale dealers and supply companies, (ii) accounts receivable relating to energy traded in the Electric Energy Trading Chamber - CCEE; and (iii) charges for the electricity network access;

- In EDPR EU, main customers are operators and distributors in the energy market of their respective countries. Credit risk is not significant due to the limited days sales outstanding and to the quality of its debtors. Counterparty risk comes from the countries that have renewable energy incentives, and is usually seen as a regulatory risk;

- In EDPR NA, main customers are regulated utilities and regional market agents in the USA. As it occurs in Europe, credit risk is not significant due to the limited days sales outstanding and to the quality of the debtors. However, the exposure to customers in long term contracts also arises from the mark-to-market of these contracts. This exposure is managed by a detailed assessment of the counterparty before signing any long term agreement and by a requirement of collaterals depending on the exposure and on the rating.

Regarding the remaining receivables from companies and individual customers, resulting from the current activity of EDP Group, the credit risk is essentially the result of customers defaults, whose exposure is limited to the supply made until the possible date of supply disruption. A very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

Amounts receivable from public sector customers include amounts receivable from renegotiated debt with payment agreements, which, as the counterparty is a public entity and has already recognised the debt through payment protocols, present a lower risk. These amounts also include debt without payment agreements arising from the normal power supply activity similar to that described for the corporate and individual sector.

Regarding the ageing, Trade receivables is as follow:

| Thousand Euros | Dec 2017 | Dec 2016 |
|---|---|---|
| **Past due but not impaired trade receivables:** | | |
| Less than 3 months | 318,938 | 208,335 |
| Between 3 to 6 months | 30,045 | 36,528 |
| Between 6 to 12 months | 9,995 | 14,347 |
| More than 12 months | 14,810 | 10,661 |
| | 373,788 | 269,871 |
| **Impaired trade receivables** | 367,838 | 394,168 |
| **Not past due and not impaired trade receivables** | 1,112,465 | 978,949 |
| | 1,854,091 | 1,642,988 |

Past due but not impaired trade receivables include debt with payment agreements.

The age of trade receivables that are past due but not impaired may vary significantly depending on the type of customer (Corporate and private sector or public sector). EDP Group recognises impairment losses based on a economic case by case analysis, according with the characteristics of the customers.

Regarding third-party receivables generated by the Group's day-to-day business, the credit risk arises essentially from customers default, whose exposure is limited to the energy supplied until the supply interruption occurs. The very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

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

**Liquidity risk management**

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

**Energy market risk management**

In its operations in the non-regulated Iberian electricity market, EDP Group purchases fuel to generate electric energy and sells the electric energy generated by its plants in the organised market (OMIE and OMIP) as well as to third parties. Given this, the Group is exposed, since July 2017, to energy market risks. Previously, some electricity generating plants, despite operating in the market, were subject to the CMEC legislation, and the changes in the operating margins were determined essentially by the difference between the prices in the market and the reference indexes defined in the contracts.

As a result of its energy management operations, EDP Group has a portfolio of operations related to electric energy, carbon emissions ($CO_2$) and fuel (coal and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the managed positions and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, coal and gas) and futures to fix prices.

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

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

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

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

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

| | P@R Distribution by risk factor | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| **Risk factor** | | |
| Negotiation | 3,800 | 9,000 |
| Fuel | 64,000 | 50,000 |
| CO2 | 19,000 | 8,000 |
| Electricity | 39,000 | 66,000 |
| Hydrological | 153,000 | 97,000 |
| Diversification effect | -146,000 | -134,000 |
| | 132,800 | 96,000 |

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

| | Dec 2017 | Dec 2016 |
|---|---|---|
| **Credit risk rating (S&P)** | | |
| A+ to A- | 63.68% | 50.29% |
| BBB+ to BBB- | 31.54% | 38.31% |
| BB+ to B- | 0.93% | 0.17% |
| No rating assigned | 3.85% | 11.23% |
| | 100.00% | 100.00% |

**Capital management**

EDP is not an entity subject to regulation in terms of capital or solvency ratios. Therefore, capital management is carried out within the financial management process of the entity.

Additionally, management describes this aspect of its strategic objectives in the chapters "Strategic Agenda" and "Value Creation to Shareholders".

The Group's goal in managing equity is to safeguard the Group's capacity to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimum capital structure to reduce equity cost.

In conformity with other groups operating in this sector, the Group controls its financing structure based on several control mechanisms and ratios.

## 5. Consolidation Perimeter

During 2017, the following changes occurred in the EDP Group consolidation perimeter:

**Companies acquired:**

- In the second quarter of 2017, EDP Renewables North America LLC acquired 100% of the share capital of Cameron Solar LLC, Estill Solar I LLC and Hampton Solar II LLC from Pine Gate Energy Capital, LLC and acquired 100% of the share capital of Hog Creek Wind Project LLC from RES America Developments Inc. These operations were classified as asset purchases, out of the scope of IFRS 3 – Business Combinations, due to the substance of these transactions, the type of assets acquired and the very early stage of the projects;
- In the third quarter of 2017, EDP Renováveis Brasil, S.A. acquired 100% of the share capital of the company Babilônia Holding, S.A.;
- In the fourth quarter of 2017, EDPR France Holding, S.A.S. acquired 100% of the share capital of the company Parc Eolien Nordex XXVII, S.A.S. from Nordex Windpark Beteiligung GmbH. This operation was classified as an asset purchase, out of the scope of IFRS 3 – Business Combinations, due to the substance of the transaction, the type of assets acquired and the very early stage of the projects.

**Disposal of non-controlling interests without loss of control:**

- In the second quarter of 2017, EDP Renewables, SGPS, S.A. concluded the sale to ACE Portugal S.A.R.L. by 210,098 thousand Euros, equivalent to 247,738 thousand Euros deducted from loans totalling 36,891 thousand Euros and from transaction costs in the amount of 749 thousand Euros, of 49% of its direct and indirect interests in the following companies:
  - EDPR PT - Parques Eólicos, S.A.;
  - Eólica da Coutada, S.A.;
  - Eólica da Terra do Mato, S.A.;
  - Eólica das Serras das Beiras, S.A.;
  - Eólica do Alto da Lagoa, S.A.;
  - Eólica do Alto da Teixosa, S.A.;
  - Eólica do Alto do Mourisco, S.A.;
  - Eólica do Espigão, S.A.;
  - Eólica dos Altos de Salgueiros-Guilhado, S.A.

  This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 74,419 thousand Euros, was booked against reserves under the corresponding accounting policy.

**Sale of companies with loss of control:**

- In the third quarter of 2017, Moray Offshore Renewable Power Limited sold to International Power Consolidated Holdings Limited by 6,307 thousand Euros the equivalent of 5,640 thousand Pound Sterling (which corresponds to a sale price of 20,957 thousand Pound Sterling deducted from 15,317 thousand Pound Sterling of loans), of 23.3% of its direct and indirect interests in the following companies:
  - Moray Offshore Windfarm (East) Limited;
  - Telford Offshore Windfarm Limited;
  - MacColl Offshore Windfarm Limited;
  - Stevenson Offshore Windfarm Limited.

  In accordance with the Shareholders Agreement and other relevant contracts, it has been established a shared control of the Company which led to a loss of control over the company and its consolidation by the equity method. This disposal with loss of control genetared a gain on a consolidated basis of 28,548 thousand Euros, which was recorded in the income statement (see note 7 and 41).

**Companies sold and liquidated:**

- EDP Renewables Itália Holding, S.r.l. sold 100% of VRG Wind 149, S.r.l. and VRG Wind 127, S.r.l. by 10 thousand Euros each and also sold 100% of Sarve,S.r.l. by 5 thousand Euros. The acquisition of these companies, in 2016, was recorded as an asset acquisition out of the scope of IFRS 3 – Business Combinations, due to the substance of the transactions, the type of assets acquired and the very early stage of the projects. This sale was also considered as an asset sale, as the companies were still in the same project stage, by not having won their respective auctions;
- EDP Renewables Polska, Sp. z o.o. liquidated Relax Wind Park II, Sp. z o.o., Morska Farma Wiatrowa Gryf, Sp. z o.o. and Morska Farma Wiatrowa Pomorze, Sp. z o.o.;
- EDP Renewables South Africa, Proprietary Limited liquidated Dejann Trading and Investments, Proprietary Limited and Jouren Trading and Investments, Proprietary Limited. Afterwards, EDPR Offshore España, S.L. liquidated EDP Renewables South Africa, Proprietary Limited;
- EDP Iberia, S.L. sold 100% of Naturgás Energía Distribución, S.A.U., EDP España Distribución Gas, S.A., Naturgas Suministro GLP, S.A.U, Inkolan, A.I.E. and Tolosa Gasa, S.A. by 892,163 thousand Euros (equivalent to a sale price of 2,334,984 thousand Euros, which includes the fair value of the contingent prices, deducted from loans in the amount of 1,427,303 thousand Euros and transaction costs in the amount of 15,518 thousand Euros) generated a gain of 590,873 thousand Euros (see notes 7, 26 and 39);
- EDPR Yield, S.A.U. liquidated EDPR Yield Portugal Services, Unip. Lda.;
- EDP Iberia, S.L. sold 100% of EDP Gás - SGPS, S.A., EDP Gás Distribuição, S.A. and EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, S.A. by 324,623 thousand Euros (equivalent to a sale price of 474,437 thousand Euros, which includes the fair value of the contingent prices, deducted from loans in the amount of 147,153 thousand Euros and transaction costs in the amount of 2,661 thousand Euros) generated a loss of 16,370 thousand Euros (see notes 10 and 39).

**Companies merged:**

- The following companies were merged into EDP Comercializadora, S.A.:
  - EDP Empresa de Servicios Energeticos, S.L.;
  - EDP Soluciones Comerciales, S.A.
- The following companies were merged into Eólica do Sincelo, S.A. (ex Parque Eólico do Planalto, S.A.):
  - Parque Eólico do Cabeço Norte, S.A.;
  - Parque Eólico do Pinhal do Oeste, S.A.
- Parque Eólico de Torrinheiras, S.A. was merged into Eólica da Linha, S.A. (ex Parque Eólico da Serra do Oeste, S.A.);
- The following companies were merged into EDP Renovables España, S.L.U.:
  - Compañía Eólica Campo de Borja, S.A.U.;
  - Desarrollos Catalanes Del Viento, S.L.U.;
  - Desarrollos Eólicos Almarchal, S.A.U.;
  - Desarrollos Eólicos Buenavista, S.A.U.;
  - Desarrollos Eólicos de Corme, S.A.U.;
  - Desarrollos Eólicos de Galicia, S.A.U.;
  - Desarrollos Eólicos de Lugo, S.A.U.;
  - Desarrollos Eólicos de Tarifa, S.A.U.;
  - Desarrollos Eólicos Dumbria, S.A.U.;
  - Desarrollos Eólicos Rabosera, S.A.U.;
  - EDP Renováveis Cantabria, S.L.U.;
  - EDPR Yield Spain Services, S.L.U.;
  - Energías Eólicas de la Manchuela, S.L.U.;
  - Eólica Curiscao Pumar, S.A.U.;
  - Eólica Garcimuñoz, S.L.U.;
  - Eólica Guadalteba, S.L.U.;
  - Eólica Muxía, S.L.U.;
  - Investigación y Desarrollo de Energías Renovables IDER, S.L.U.;
  - Molino de Caragüeyes, S.L.U.;
  - Neo Energía Aragón, S.L.U.;
  - Parc Eòlic Coll de la Garganta, S.L.U.;
  - Parque Eólico Belchite, S.L.U.;
  - Parques de Generación Eólica, S.L.U.;
  - Parques Eólicos del Cantábrico, S.A.U.

**Companies incorporated:**

- 2017 Vento XVII LLC;
- Castle Valley Wind Farm LLC *;
- Dry Creek Solar Park LLC *;
- EDPR Wind Ventures XVII LLC;
- Long Hollow wind Farm LLC *;
- Riverstart Solar Park III LLC *;
- White Stone Solar Park LLC *;
- EDP Transmissão Aliança SC, S.A.;
- EDP Transmissão SP-MG, S.A.;
- EDP Transmissão MA I, S.A.;
- EDP Transmissão MA II, S.A.;
- Les Eoliennes Flottantes du Golfe du Lion, S.A.S.;
- 2017 Sol II LLC;
- Blue Harvest Solar Park LLC *;
- EDPR Solar Ventures II LLC;
- Paulding Wind Farm VI LLC *;
- Renville County Wind Farm LLC *;
- Riverstart Solar Park IV LLC *;
- Riverstart Solar Park V LLC *;
- Sweet Stream Wind Farm LLC *;
- Timber Road Solar Park LLC *;
- EDPR CA Solar Park LLC *;
- EDPR CA Solar Park II LLC *;
- EDPR CA Solar Park III LLC *;
- EDPR CA Solar Park IV LLC *;
- EDPR CA Solar Park V LLC *;
- EDPR CA Solar Park VI LLC *;
- Coldwater Solar Park LLC *;
- Meadow Lake Solar Park LLC *;
- Nine Kings Wind Farm LLC *;
- Nine Kings Transco LLC *;
- EDP Comercialização Varejista, Ltda;
- Wildcat Creek Wind Farm LLC *;

**Companies incorporated (cont.):**
- Indiana Crossroads Wind Farm LLC *;
- Indiana Crossroads Wind Farm II LLC *;
- EDPR Offshore North America LLC *;
- Poplar Camp Wind Farm LLC *;
- Avondale Solar Park LLC *;
- Crittenden Wind Farm LLC *;
- Fundo EDP CleanTech FCR.

* EDP Group holds, through EDP Renováveis and its subsidiaries, a set of subsidiaries legally established in the United States without share capital and that, as at 31 December 2017, do not have any assets, liabilities or any operating activity.

**Other changes:**
- In the first quarter of 2017, EDP Group changed the method by which it consolidated Eólica de Coahuila, S.A. de C.V. from equity method to full consolidation method as a result of the wind farm construction completion and its entry into operation. The control was initially shared with Energía Bal, S.A. de C.V. due to its experience in acquiring finance and construction and EDPR International Investments B.V.'s experience in operating and managing wind farms. The Shareholders Agreement already established that, with the entry into operation, EDPR International Investments B.V. would gain control of the company for its greater experience in the operational management of wind farms.

  Fair value of assets and liabilities identified at the control acquisition date are as follows:

| Thousand Euros | |
|---|---|
| **Assets** | |
| Property, plant and equipment | 327,558 |
| Other debtors and other assets | 26,160 |
| Cash and cash equivalents | 26,498 |
| **Total Assets** | 380,216 |
| | |
| **Liabilities** | |
| Financial debt | 241,553 |
| Other liabilities and other payables | 105,754 |
| **Total Liabilities** | 347,307 |
| | |
| **Net assets** | 32,909 |

- In the third quarter of 2017, EDP Renovables España, S.L. acquired 7.5% of the share capital of the company Eólica Arlanzón, S.A.;
- In the context of the General and Voluntary Public Tender Offer for the acquisition of shares representative of the share capital of EDP Renováveis, S.A. that was concluded on the third quarter of 2017, EDP - Energias de Portugal, S.A. total investment was 296,376 thousand Euros with added transaction costs in the amount of 3,244 thousand Euros. As a result of this transation, EDP - Energias de Portugal, S.A. holds 720,191,372 shares in EDP Renováveis, S.A., increasing its interest in the company from 77.5% to 82.6% and consequently its indirect interest in their subsidiaries (see note 18);
- In the third quarter of 2017, EDP Renovables España, S.L. increased its financial interest in Tébar Eólica, S.A. from 50% to 100% and obtained the control of the company. This transation resulted in a change in its consolidation method from the equity method to the full consolidation method.

  At the acquisition date, EDP Group has determined the fair value of the assets acquired and liabilities assumed based on the discounted cashflow method. Fair value of identifiable assets and liabilities is presented as follows:

| Thousand Euros | Book value at acquisition date | Fair value adjustment | Fair value at acquisition date |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 9,813 | 12,319 | 22,132 |
| Other debtors and other assets | 3,423 | - | 3,423 |
| Cash and cash equivalents | 1,844 | - | 1,844 |
| **Total Assets** | 15,080 | 12,319 | 27,399 |
| | | | |
| **Liabilities** | | | |
| Financial debt | 8,695 | - | 8,695 |
| Other liabilities and other payables | 579 | 3,080 | 3,659 |
| **Total Liabilities** | 9,274 | 3,080 | 12,354 |
| | | | |
| **Net Assets** | 5,806 | 9,239 | 15,045 |
| | | | |
| **Net Assets acquired** | | | 12,142 |
| **Aquisition costs** | | | 7,500 |
| **Goodwill / (Badwil)** (see note 7) | | | -4,642 |

Since the date of acquisition of full control over this company, it has contributed to the consolidated financial statements with Revenues from energy sales in the amount of 2,727 thousand Euros and with a net profit for the period (attributable to Equity holders of EDP) in the amount of 629 thousand Euros. Until the date of the took of control, the shareholding previously held was being consolidated under the equity method, therefore the result was incorporated under this method until this date in the negative amount of 446 thousand Euros.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2017 and 2016 are disclosed in Annex I.

## 6. Revenues from Energy Sales and Services and Other

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

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Electricity and network access | 14,328,626 | 12,992,189 | 2,417,206 | 2,302,619 |
| Gas and network access | 831,090 | 992,883 | 33,159 | 35,460 |
| Sales of CO2 Licenses | - | - | 92,656 | 108,556 |
| Revenue from assets assigned to concessions | 422,801 | 398,059 | - | - |
| Other | 163,470 | 212,033 | 163,728 | 161,552 |
| | 15,745,987 | 14,595,164 | 2,706,749 | 2,608,187 |

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

| | Dec 2017 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Electricity and network access | 7,197,552 | 2,991,007 | 3,228,983 | 580,646 | 330,438 | 14,328,626 |
| Gas and network access | 234,001 | 597,089 | - | - | - | 831,090 |
| Revenue from assets assigned to concessions | 255,745 | - | 167,056 | - | - | 422,801 |
| Other | 44,436 | 32,163 | 86,203 | - | 668 | 163,470 |
| | 7,731,734 | 3,620,259 | 3,482,242 | 580,646 | 331,106 | 15,745,987 |

| | Dec 2016 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Spain | Brazil | USA | Other | Group |
| Electricity and network access | 7,138,372 | 2,848,984 | 2,205,295 | 521,242 | 278,296 | 12,992,189 |
| Gas and network access | 246,608 | 746,275 | - | - | - | 992,883 |
| Revenue from assets assigned to concessions | 273,471 | - | 124,588 | - | - | 398,059 |
| Other | 47,282 | 29,017 | 133,921 | 32 | 1,781 | 212,033 |
| | 7,705,733 | 3,624,276 | 2,463,804 | 521,274 | 280,077 | 14,595,164 |

The caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 1,427,303 thousand Euros (revenue in 31 December 2016: 1,266,310 thousand Euros) regarding tariff adjustments of the period (see notes 25 and 38). This caption also includes a net profit of 22,637 thousand Euros (31 December 2016: net cost of 186,949 thousand Euros) related to recognition of tariff adjustments for the period in Brazil (see notes 25 and 38).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 177,582 thousand Euros (31 December 2016: 215,589 thousand Euros) related to the contractual stability compensation (CMEC) as a result of the power purchase agreements (PPA) termination, including 37,727 thousand Euros related to the CMEC final adjustment.

The caption Electricity and network access, on a company basis, includes 949,144 thousand Euros (31 December 2016: 973,073 thousand Euros) related with energy sales under the purchase and sale agreement of evolutive energy between EDP, S.A. and EDP Comercial.

The breakdown of Revenues from energy sales and services and other by segment is presented in the Operating segments (see note 53).

Cost of energy sales and other are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| **Cost of electricity** | 7,990,062 | 6,825,649 | 2,427,577 | 2,218,361 |
| **Cost of gas** | 885,523 | 811,493 | - | - |
| **Expenditure with assets assigned to concessions** | 422,801 | 398,059 | - | - |
| **Changes in inventories and cost of raw materials and consumables used** | | | | |
| Fuel, steam and ashes | 661,539 | 449,551 | - | - |
| Gas | 115,338 | 120,048 | 33,159 | 35,460 |
| CO2 Licenses | 108,137 | 95,312 | 92,656 | 108,543 |
| Own work capitalised | -93,037 | -99,873 | - | - |
| Other | 264,546 | 256,893 | 6 | 25 |
| | 1,056,523 | 821,931 | 125,821 | 144,028 |
| | 10,354,909 | 8,857,132 | 2,553,398 | 2,362,389 |

On a company basis, Cost of electricity includes costs of 1,207,504 thousand Euros (31 December 2016: 1,137,688 thousand Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| **Revenue from assets assigned to concessions** | 422,801 | 398,059 |
| **Expenditure with assets assigned to concessions** | | |
| Subcontracts and other materials | -329,866 | -300,525 |
| Personnel costs capitalised (see note 9) | -84,820 | -88,866 |
| Capitalised borrowing costs (see note 12) | -8,115 | -8,668 |
| | -422,801 | -398,059 |
| | - | - |

Revenue from assets assigned to concessions include 399,438 thousand Euros (see note 16) relative to electricity distribution concessions in Portugal and in Brazil resulting from the aplication of the mixed model and 14,005 thousand Euros related to revenue generated by EDP Gás Distribuição until the date of its sale. Additionaly, it also includes the revenue related to the financial asset to be received by EDP Group under the transmission concessions in Brazil, resulting from the application of the financial asset model (see note 25).

## 7. Other Income

Other income, for the Group, are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| Income arising from institutional partnerships - EDPR NA (see note 37) | 225,568 | 197,544 |
| Gains related with business combinations | 4,642 | 3,890 |
| Gains on disposals - electricity and gas business assets | 619,699 | 67,874 |
| Gains from contractual indemnities and insurance companies | 17,711 | 35,106 |
| Other | 169,379 | 122,900 |
| | 1,036,999 | 427,314 |

Income arising from institutional partnerships - EDPR NA relates to income arising from production and investment tax credits (PTC/ITC), mostly from accelerated tax depreciations regarding Vento I to XVII, Sol I, Sol II and Blue Canyon I projects, in wind farms and solar plants in USA (see note 37).

The caption gains on disposals - electricity and gas business assets are related with: (i) the gain on the sale of 100% of Naturgás Energía Distribución, S.A.U. to a Consortium comprising institutional investors in the amount of 590,873 thousand Euros; and (ii) the gain on the sale of 23,3% of Moray Offshore Windfarm (East) Limited to Engie in the amount of 28,548 thousand Euros, which include a gain with the shares held revaluation of 18,666 thousand Euros (see note 5).

On 31 December 2016, the caption gains on disposals - electricity business assets is related with the gain on the sale of 100% of Pantanal Energética, Ltda to Cachoeira Escura Energética, S.A. (60,916 thousand Euros) and with the gain on the sale of 60% of J&Z Wind Farms, Sp. z o.o to Geo Renewables Limited (6,958 thousand Euros).

On a consolidated basis, the caption Other also includes gains on the reinsurance activity, recovery of doubtful debts, gains in the adjustment of the contingent prices of several sale operations and gains on the sale of property, plant and equipment.

In the third quarter of 2017, the Lisbon headquarters building was used as an in-kind contribution to the Medical and Death Subsidy Fund. The transaction price, which is the best estimate of the building and land fair values, is greater than its carrying amount, generating a gain of 30,773 thousand Euros, on a Group basis, and 19,118 thousand Euros, on a Company basis (as the land was originally from EDP Distribuição, its carrying amount was lower on a consolidated basis than it was on an individual basis, as there was a gain in the sale from EDP Distribuição to EDP S.A.). Subsequently to this transaction, EDP celebrated a lease contract for a period of 25 years (see notes 15 and 39). These gains are included in the caption Other.

## 8. Supplies and Services

Supplies and services are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Consumables and communications | 50,610 | 51,138 | 8,312 | 8,192 |
| Rents and leases | 128,746 | 124,159 | 46,846 | 46,253 |
| Maintenance and repairs | 391,452 | 364,492 | 35,183 | 26,055 |
| Specialised works: | | | | |
| - Commercial activity | 175,425 | 180,938 | 601 | 9,822 |
| - IT services, legal and advisory fees | 50,408 | 54,649 | 9,801 | 19,963 |
| - Other services | 50,948 | 50,139 | 25,087 | 21,779 |
| Provided personnel | - | - | 11,932 | 14,771 |
| Other supplies and services | 142,944 | 122,359 | 28,740 | 19,627 |
| | 990,533 | 947,874 | 166,502 | 166,462 |

## 9. Personnel Costs and Employee Benefits

Personnel costs and employee benefits are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| **Personnel costs** | | | | |
| Board of Directors remuneration | 16,403 | 16,018 | 6,518 | 6,597 |
| Employees' remuneration | 491,730 | 493,734 | 35,369 | 32,936 |
| Social charges on remuneration | 121,095 | 121,131 | 8,982 | 8,398 |
| Performance, assiduity and seniority bonus | 87,069 | 77,976 | 16,387 | 12,934 |
| Other costs | 25,646 | 24,177 | 342 | 369 |
| Own work capitalised: | | | | |
| - Assigned to concessions (see note 6) | -84,820 | -88,866 | - | - |
| - Other (see note 15) | -59,391 | -55,327 | - | - |
| | 597,732 | 588,843 | 67,598 | 61,234 |
| **Employee benefits** | | | | |
| Pension plans costs | 30,814 | 29,215 | 3,645 | 1,518 |
| Medical plans costs and other benefits (see note 35) | 7,718 | 8,319 | 366 | 676 |
| Past service cost (Curtailment/Plan amendments) | 18,196 | 13,387 | - | - |
| Other | 26,373 | 20,852 | 1,900 | 2,352 |
| | 83,101 | 71,773 | 5,911 | 4,546 |
| | 680,833 | 660,616 | 73,509 | 65,780 |

Pension plans costs include 15,308 thousand Euros (31 December 2016: 13,676 thousand Euros) related to defined benefit plans (see note 35) and 15,506 thousand Euros (31 December 2016: 15,539 thousand Euros) related with defined contribution plans.

As at 31 December 2017, Past service cost (Curtailment/Plan amendments) is related to the increase in liabilities under the permanent employees reduction program that covered 145 portuguese employees (see note 35), from which 90 were considered as a curtailment since weren´t met the pre-retirement conditions foreseen in the ACT of 2014.

During 2017, EDP Group distributed treasury stocks to employees (450,114 shares) totalling 1,364 thousand Euros.

The breakdown by management positions and category of professional staff is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Executive Board of Directors | 8 | 8 | 8 | 8 |
| Senior management | 750 | 733 | 91 | 83 |
| Managers | 766 | 806 | 30 | 32 |
| Specialists | 4.092 | 3.996 | 382 | 348 |
| Support, Operational and Administrative Technicians | 6.041 | 6.450 | 87 | 87 |
| | 11.657 | 11.993 | 598 | 558 |

## 10. Other Expenses

Other expenses are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| Concession rents paid to local authorities and others | 279.279 | 277.018 |
| Direct and indirect taxes | 326.242 | 285.455 |
| Irrecoverable debts | 25.640 | 28.097 |
| Donations | 20.563 | 31.953 |
| Impairment losses: | | |
| - Trade receivables (see note 25) | 19.692 | 75.270 |
| - Debtors (see note 25) | -3.341 | 588 |
| Write-off of tangible assets - EDP Renováveis Group | 5.864 | 5.457 |
| Losses on disposals - gas business assets in Portugal (see note 5) | 16.370 | - |
| Other | 76.453 | 93.711 |
| | 766.762 | 797.549 |

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

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

In 2017, the EDPR Group proceeded to the write-off assets under construction, which mainly refers to (i) 3,013 thousands of Euros related to the abandonment of ongoing projects in EDPR Europe (2,368 thousand Euros in 2016); (ii) 335 thousand Euros related to the abandonment of ongoing projects in EDPR NA and EDPR Brazil (949 thousand Euros in 2016); and (iii) 2,502 thousand Euros of additional write-off due to the damage in the met mast of the offshore wind farm of Moray, which was registered previously to the loss of control of the company (see note 15).

On a consolidated basis, the caption Other includes losses on the reinsurance activity and losses on property, plant and equipment.

## 11. Amortisation and Impairment

Amortisation and impairment are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Amortisation/impairment of Property, plant and equipment (see note 15) | 1.316.557 | 1.147.582 | 21.404 | 20.060 |
| Amortisation/impairment of Intangible assets (see note 16) | 386.361 | 384.085 | 995 | 296 |
| | 1.702.918 | 1.531.667 | 22.399 | 20.356 |
| Amortisation/impairment of Investment property | 567 | 8.067 | 1.068 | 1.072 |
| | 1.703.485 | 1.539.734 | 23.467 | 21.428 |
| Compensation of amortisation | | | | |
| Partially-funded property, plant and equipment (see note 38) | -27.826 | -31.247 | -445 | -1.336 |
| Impairment of Goodwill (see note 17) | - | 1.817 | - | - |
| | 1.675.659 | 1.510.304 | 23.022 | 20.092 |

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

The variation of the period includes the impact of the redefinition of the useful life of wind generation assets from 25 to 30 years and the redefinition of the useful life of combined cycle gas turbines (CCGTs) from 35 to 40 years, in the amounts of 120 million Euros and 11 million Euros, respectively.

Considering recent regulatory changes in the polish energy market, EDP Group has reviewed its future estimates for these assets. Following this analysis, the Group has booked an impairment loss in the polish Property, plant and equipment in the amount of 42 million Euros (see notes 15 and 17).

A sensitivity analysis of +0.5% in discount rate would determine an additional impairment loss of around 3 million Euros.

In addition, considering also recent regulatory changes in Portugal related to energy generation activities, with the elimination of the exemption of the oil tax (ISP) to carbon and the surcharge over CO2 from 2018 onwards, as well as the unfavorable revision of other costs, namely clawback, social tariff and CESE extension, EDP Group has reviewed its future estimates for generation assets. Under the impairment tests carried out by EDP Group, sensitivity analyses were performed on some key variables, such as: (i) fuel cost and respective impacts in the pool price; (ii) unfavourable scenario of the regulatory framework; and (iii) discount rates (see notes 17 and 18).

The above-mentioned impairment tests led to an impairment loss of 105 million Euros in Sines carbon thermoelectric plant in Portugal, and 91 million Euros in Soto 3 carbon thermoelectric plant in Spain.

Given the sensitivity of Sines and Soto 3 coal thermoelectric power plants to assumptions' changes, a sensitivity analysis of +0.5% in discount rate would determine an additional impairment loss of around 3 million Euros in Sines and of around 2 million Euros in Soto 3. Additionally, a decrease of 2.5% in pool prices as well as in fuel prices would determine an additional impairment loss of around 17 million Euros in Sines and of around 6 million Euros in Soto 3.

As at 31 December 2016, the caption Amortisation/impairment of Investment property included 7,558 thousand Euros related with impairment (see note 22).

## 12. Financial Income and Expenses

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| **Financial income** | | |
| Interest income from bank deposits and other investments | 55,376 | 63,120 |
| Interest from derivative financial instruments | 24,510 | 20,295 |
| Interest income on tariff deficit: | | |
| - Portugal - Electricity (see notes 25 and 38) | 11,546 | 40,822 |
| - Brazil - Electricity (see notes 25 and 38) | 7,664 | 46,852 |
| Other interest income | 46,618 | 58,883 |
| Derivative financial instruments | 91,842 | 443,134 |
| Foreign exchange gains | 53,470 | 109,341 |
| CMEC: | | |
| - Interest on the initial CMEC | 29,845 | 25,501 |
| - Financial effect considered in the calculation and final adjustment of CMEC | 13,124 | 13,019 |
| Gains on the sale of financial investments | 29,192 | 13,819 |
| Gains on the sale of the electricity tariff deficit - Portugal (see note 25) | 24,986 | 40,281 |
| Other financial income | 51,463 | 24,256 |
| | 439,636 | 899,323 |
| **Financial expenses** | | |
| Interest expense on financial debt | 745,314 | 844,971 |
| Bonds buyback | 19,145 | 49,655 |
| Capitalised borrowing costs: | | |
| - Assigned to concessions (see note 6) | -8,115 | -8,668 |
| - Other (see note 15) | -25,182 | -49,103 |
| Interest from derivative financial instruments | 6,210 | -710 |
| Interest expense on tariff deficit: | | |
| - Portugal - Electricity (see notes 25 and 38) | 20,718 | 913 |
| - Brazil - Electricity (see notes 25 and 38) | 3,587 | 37,678 |
| Other interest expense | 41,918 | 31,373 |
| Derivative financial instruments | 120,041 | 513,138 |
| Impairment of available-for-sale investments | 1,041 | 31,821 |
| Foreign exchange losses | 60,684 | 57,092 |
| CMEC (see note 38) | 13,756 | 13,426 |
| Unwinding of discounted liabilities | 128,857 | 131,067 |
| Net interest on the net pensions plan liability (see note 35) | 11,642 | 13,736 |
| Net interest on the medical liabilities and other benefits (see note 35) | 33,025 | 30,725 |
| Other financial expenses | 75,448 | 93,689 |
| | 1,248,089 | 1,790,803 |
| **Financial income / (expenses)** | -808,453 | -891,480 |

Capitalised borrowing costs includes the interest capitalised in assets under construction according to Group accounting policy (see note 2h)). Regarding the rate applicable to borrowing costs related with tangible/intangible assets under construction that is used in the determination of the amount of borrowing costs eligible for capitalisation (see notes 15 and 16), it varies depending on the country and currency, since EDP Group incorporates in its scope of consolidation (see Annex I) a significant number of subsidiaries in several geographies with different currencies. Therefore, for the most representative geographies, the weighted average funding rates, in use in 2017, ranged from 2.3% to 4.8% in Portugal, from 3.3% to 7.0% in Spain, from 1.7% to 8.3% in the United States of America and from 9.0% to 11.4% in Brazil, depending on related assets under construction and related financing.

On 28 June 2017, EDP, S.A. sold to qualified investors 3.5% of REN - Rede Eléctrica Nacional, S.A. Under the terms of this operation, 18,690,000 shares have been traded with a unit price of 2.70 Euros per share (net of bank charges), which corresponds to a gain in the company and consolidated financial statements of 20,271 thousand Euros and 24,632 thousand Euros, respectively, included in the caption Gains on the sale of financial investments.

The Unwinding of discounted value liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 5,976 thousand Euros (31 December 2016: 7,650 thousand Euros) (see note 36); (ii) the implied financial return in institutional partnership in USA of 88,561 thousand Euros (31 December 2016: 90,337 thousand Euros) (see note 37); and (iii) the financial expenses related to the discount of the liability associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe of 16,741 thousand Euros (31 December 2017: 20,654 thousand Euros).

As at 31 December 2016, the caption Other financial expenses included 26,715 thousand Euros related to early cancellation, optimisation of certain project finance in Europe and 12,807 thousand Euros related to losses on the sale of part of the electricity tariff deficit related to the over cost with the acquisition of electricity from Special Regime Generators in Portugal of 2016.

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

| | Company | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| **Financial income** | | |
| Interest income from loans to subsidiaries and related parties (see note 44) | 345,933 | 409,225 |
| Interest from derivative financial instruments | 188,263 | 174,650 |
| Derivative financial instruments | 652,925 | 907,148 |
| Income from equity investments | 835,400 | 800,207 |
| Gains on the sale of financial investments | 20,271 | 112 |
| Other financial income | 50,562 | 40,454 |
| | 2,093,354 | 2,331,796 |
| **Financial expenses** | | |
| Interest expense on financial debt | 440,752 | 453,361 |
| Bonds Buyback | - | 27,180 |
| Interest from derivative financial instruments | 146,890 | 139,772 |
| Derivative financial instruments | 634,055 | 927,063 |
| Other financial expenses | 84,375 | 16,605 |
| | 1,306,072 | 1,563,981 |
| **Financial income / (expenses)** | 787,282 | 767,815 |

The caption Other financial income includes 26,736 thousand Euros related to nominal interests from bonds issued by EDP Finance B.V., repurchased by EDP S.A. in 2016 and 2017 (see notes 19 and 44). The effective interest of these instruments amounts to 7,695 thousand Euros (includes the recognition of premium and transaction costs associated with the buyback transaction by the effective interest rate method).

## 13. Income Tax

### Main features of the tax systems of the countries in which EDP Group operates

The statutory corporate income tax rates applicable in the main countries in which EDP Group operates are as follows:

| | Dec 2017 | Dec 2016 |
|---|---|---|
| **Europe:** | | |
| Portugal | 21% - 29.5% | 21% - 29.5% |
| Spain | 25% - 28% | 25% - 28% |
| Netherlands | 25% | 25% |
| **America:** | | |
| Brazil | 34% | 34% |
| United States of America | 38.2% | 38.2% |

The EDP Group companies are taxed, whenever possible, on a Group consolidated basis as allowed by the tax legislation of the respective countries.

As per the applicable legislation, in general terms, tax periods may be subject to review and reassessment by the various tax authorities during a limited number of years. Statutes of limitation differ from country to country, as follows: Portugal 4 years or, if tax losses or credits have been used, the number of years that such tax losses or credits may be carried forward; Spain 4 years; USA and the Netherlands 3 years; and Brazil 5 years.

Tax losses generated in each year are also subject to tax authorities review and reassessment and may be used to offset yearly taxable income assessed in the subsequent periods, as follows: in Portugal 5 years (for tax losses of 2012, 2013 and 2017); and 12 years (for tax losses of 2014, 2015 and 2016); 9 years in the Netherlands; 20 years in the USA and without term in Brazil and Spain. Moreover, in the Netherlands the tax losses of a given year may be used to recover current tax of the previous year and in the USA of the 2 previous years. However, the deduction of tax losses in Portugal, Spain and Brazil may be limited to a percentage of the taxable income of each period.

EDP Group companies may, in accordance with the law, benefit from certain tax benefits or incentives in specific conditions, namely the Production Tax Credits in the USA, which are the dominant form of wind remuneration in this country, and represent an extra source of revenue per unit of electricity, over the first 10 years of the asset's life. Wind facilities that qualify for the application of the Production Tax Credits prior to 1 January 2017, benefit from 100% of the credit ($23/MWh in 2016, $24/MWh in 2017 – the rate is adjusted each year for inflation). The credit amount is reduced by 20% for wind facilities qualifying in 2017, 40% in 2018 and 60% in 2019.

EDP Group's transfer pricing policy follows the rules, guidelines and international best practices applicable in the geographies where the Group operates, in due compliance with the spirit and letter of the applicable Law.

**Changes in the law with relevance to the EDP Group in 2017**

In Portugal, the Budget Law for 2016 (Law 7-A/2016, of 30 March 2016) has reduced the tax losses carry-forward period from 12 to 5 years, for tax losses assessed in tax years beginning on or after 1 January 2017.

Moreover, according to the State Budget Law for 2018 (Law 114/2017, of 29 of December), which entered into force in 1 January 2018, the maximum state surcharge ("derrama estadual"), applicable to the tax basis higher than Euro 35 million, increased from 7% to 9%

In Spain, as per Law 27/2014 of the corporate income tax, the limitation to the utilization of carried forward tax losses for fiscal years starting since 1 January 2017 increases from 60% to 70% of the taxable base, if the company´s net revenues were lower than 20 million Euros during the 12 months prior to the beginning of the fiscal year. The 50% and 25% limits applicable to companies with net revenues equal or greater than 20 million Euros and lower than 60 million Euros, and equal or greater than 60 million Euros, respectively, which is applicable since 2016, remains the same in 2017, as per Royal Decree-Law 3/2016, of 2 December.

In the USA, the "Tax Cuts and Jobs Act" signed into law on 22 December 2017, introduced extensive changes to the US tax system. Although most changes become effective for fiscal years starting after 31 December 2017, they are substantively enacted for accounting purposes in 2017 and should be reflected in the financial statements as at 31 December 2017. The key change of this reform for EDP is the reduction of the US federal corporate income tax rate, from the existing 35% to 21%, effective for fiscal years starting after 31 December 2017. Thus, when combined with average state corporate income taxes, the US combined tax rate drops to 25.75% in 2018. This impacts the net deferred taxes balance of EDP Renewables North America Group as at 31 December 2017.

Furthermore, according to the above mentioned tax reform, the utilization of carried forward tax losses in the USA will be limited to 80% of the taxable income in each year, for fiscal years starting after 31 December 2017. Moreover, tax losses generated after 2017 will be carried forward for an indefinite period, but will not be carried back. There is no change to the rules applied to net operating losses generated before the end of 2017.

**Corporate income tax provision**

Income tax expense are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Current tax | -178,419 | -824,341 | 34,185 | -21,413 |
| Deferred tax | 168,115 | 735,545 | 30,239 | 21,702 |
| | -10,304 | -88,796 | 64,424 | 289 |

**Reconciliation between the theoretical and the effective income tax expense**

The effective income tax rate are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Profit before tax | 1,520,985 | 1,350,537 | 701,003 | 757,742 |
| Income tax expense | -10,304 | -88,796 | 64,424 | 289 |
| Effective income tax rate | 0.7% | 6.6% | -9.2% | 0.00% |

The difference between the theoretical and the effective income tax expense results from the application of the law provisions in the determination of the taxable base, as demonstrated below.

The reconciliation between the theoretical and the effective income tax expense for the Group, in 2017, is as follows:

| Thousand Euros | Dec 2017 |
|---|---|
| **Profit before income tax and CESE** | 1,520,985 |
| Nominal income tax rate * | 29.5% |
| **Theoretical income tax expense** | 448,691 |
| | |
| Different tax rates (includes state surcharge) and CIT rate changes | -50,875 |
| Tax losses and tax credits | -23,866 |
| Dividends | -13,636 |
| Tax benefits | -31,920 |
| Differences between accounting and fiscal provisions/depreciations | -52,372 |
| Accounting/fiscal temporary differences on the recognition/derecognition of assets | -240,398 |
| Taxable differences attributable to non-controlling interests (USA) | -37,855 |
| Other adjustments and changes in estimates | 12,535 |
| **Effective income tax expense as per the Consolidated Income Statement** | 10,304 |

* Statutory Corporate Income Tax rate applicable in Portugal (21%), municipal surcharge (1.5%) and the state surcharge (7%)

The caption Different tax rates (includes state surcharge) and CIT rate changes mainly refer to: (i) the difference between the tax rates applicable in the countries in which the EDP Group operates as compared to the tax rate used as reference for the theoretical income tax expense calculation; and (ii) the effect of the CIT rate change over taxable and deductible temporary differences of EDPR NA due to the aforementioned US tax reform. The caption Taxable differences attributable to non-controlling interests (USA) include the effect inherent in the attribution of taxable income to non-controllable interests in EDPR Group in the USA, as determined by the tax legislation of that geography.

The caption Accounting/fiscal temporary differences on the recognition/derecognition of assets mainly includes the impacts inherent to: (i) the differential between the accounting and tax bases of certain gas distribution assets in Spain, following the need for an intragroup restructuring of those assets; and (ii) the non-taxation of the gain on the disposal of the gas distribution business in the same geography, according to the applicable tax law (see notes 5 and 7).

The reconciliation between the theoretical and the effective income tax expense for the Group, in 2016, is as follows:

| Thousand Euros | Dec 2016 |
|---|---|
| **Profit before income tax and CESE** | 1,350,537 |
| Nominal income tax rate * | 29.5% |
| **Theoretical income tax expense** | 398,408 |
| | |
| Different tax rates (includes state surcharge) | 32,646 |
| Tax losses and tax credits | -25,909 |
| Tax benefits | -19,074 |
| Differences between accounting and fiscal provisions/depreciations | -23,370 |
| Fiscal revaluations | -173,904 |
| Exceptional regime for regularisation of debts from fiscal and contributing nature to social security - "PERES" | 57,342 |
| Accounting/fiscal temporary differences on the recognition / derecognition of assets | -121,472 |
| Taxable differences attributable to non-controlling interests (USA) | -27,970 |
| Other adjustments and changes in estimates | -7,901 |
| **Effective income tax expense as per the Consolidated Income Statement** | 88,796 |

* Statutory Corporate Income Tax rate applicable in Portugal (21%), municipal surcharge (1.5%) and the state surcharge (7%)

The caption Fiscal revaluations includes essentially the net effect of the fiscal revaluation of certain eligible EDP assets held in Portugal, in accordance with the Decree-Law 66/2016 of 3 November, which led to an increase in those assets' tax base of 1,185 million Euros. As a consequence, the EDP Group recognised deferred tax assets of 339 million Euros that will be recovered through the tax deduction of the underlying revalued assets, to be amortised in 8 years starting in 2018. The fiscal revaluation reserve was taxed in 2016 at a 14% flat rate (payable in 3 equal instalments, the first having been paid in 20 December 2016 and the remaining two will be due in 15 December 2017 and 15 December 2018) and recognised the corresponding current income tax amount of 165 million Euros. Consequently, the net effect of this revaluation in the net income for the period is of approximately 174 million Euros.

The caption Accounting/fiscal temporary differences on the recognition/derecognition of assets includes the impact of the differential between the accounting and tax bases of certain gas distribution assets in Spain, following the need for an intragroup restructuring of those assets in December 2016. Additionally, includes the effect of the EDP Serviço Universal tariff adjustments sales.

The reconciliation between the theoretical and the effective income tax expense for the Company, in 2017, is as follows:

| Thousand Euros | Dec 2017 |
|---|---|
| **Profit before income tax** | 701,003 |
| Nominal income tax rate (*) | 29.5% |
| **Theoretical income tax expense** | 206,796 |
| | |
| Tax losses and tax credits | -17,075 |
| Dividends | -245,500 |
| Differences between accounting and fiscal provisions/depreciations | -13,835 |
| Accounting/fiscal temporary differences on the recognition / derecognition of assets | -10,796 |
| Other adjustments and changes in estimates | 15,986 |
| **Effective income tax expense as per the Company Income Statement** | -64,424 |

* Statutory Corporate Income Tax rate applicable in Portugal (21%), municipal surcharge (1.5%) and the state surcharge (7%)

The reconciliation between the theoretical and the effective income tax expense for the Company, in 2016, is as follows:

| Thousand Euros | Dec 2016 |
|---|---|
| **Profit before income tax** | 757,742 |
| Nominal income tax rate (*) | 29.5% |
| **Theoretical income tax expense** | 223,534 |
| | |
| Tax losses and tax credits | -18,430 |
| Dividends | -235,118 |
| Differences between accounting and fiscal provisions/depreciations | -14,582 |
| Exceptional regime for regularisation of debts from fiscal and contributing nature to social security - "PERES" | 33,753 |
| Other adjustments and changes in estimates | 10,554 |
| **Effective income tax expense as per the Company Income Statement** | -289 |

* Statutory Corporate Income Tax rate applicable in Portugal (21%), municipal surcharge (1.5%) and the state surcharge (7%)

## 14. Extraordinary Contribution to the Energy Sector (CESE)

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

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

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

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

The CESE system has been extended for the years 2015, 2016, 2017 and 2018 by the Law 82-B/2014, of 31 December, Law of the State Budget 2015 ("Lei do Orçamento de Estado 2015"), Law 159-C/2015 of 30 December, Law of the State Budget 2016 ("Lei do Orçamento de Estado 2016"), Law 42/2016 of 28 December, Law of the State Budget 2017 ("Lei do Orçamento de Estado 2017") and Law 114/2017 of 29 December, Law of State Budget 2018 ("Lei do Orçamento de Estado 2018").

Concerning EDP Group's activity, this tax has been paid since 2014, even though, by disagreeing with its legal and constitutional requirements, EDP Group has been disputing this tax payment with the competent authorities.

It should be kept in mind that the extraordinary contribution on the energy sector has emerged as an extraordinary measure introduced in 2014, with a temporary nature, justified by the need for the energy sector to contribute to budget stability in the context of the special economic situation that Portugal was in. Nevertheless, and contrary to what was initially foreseen and stipulated, the CESE has been successively extended by the Portuguese State, being implicit in the assumptions presented in the Stability Program 2017-2021 published in April 2017 by the Portuguese Government, that this contribution will continue until 2021. In this context, EDP Group considers that it should continue to challenge the legality and constitutionality of this tax and shall not proceed with its payment.

As at 31 December 2017, the EDP Group booked under the caption Extraordinary contribution to the energy sector (CESE) in the Consolidated Income Statement, the estimated amount of 69,246 thousand Euros (31 December 2016: 61,630 thousand Euros) concerning to CESE for the period 2017. The liability is booked in Provision for other liabilities and charges - Non-Current (see note 36).

## 15. Property, Plant and Equipment

This caption is as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| **Cost** | | | | |
| Land and natural resources | 94,961 | 105,153 | 7,863 | 21,388 |
| Buildings and other constructions | 500,052 | 565,919 | 80,488 | 112,966 |
| Plant and machinery: | | | | |
| - Hydroelectric generation | 10,742,276 | 9,942,783 | 254 | 254 |
| - Thermoelectric generation | 8,700,510 | 8,714,330 | - | - |
| - Renewable generation | 17,026,048 | 17,009,384 | - | - |
| - Electricity distribution | 1,602,404 | 1,565,655 | - | - |
| - Gas distribution | - | 1,107,336 | - | - |
| - Other plant and machinery | 34,865 | 75,509 | 196 | 196 |
| Other | 1,004,888 | 969,856 | 172,712 | 174,160 |
| Assets under construction | 1,373,994 | 2,338,676 | 37,647 | 25,013 |
| | 41,079,998 | 42,394,601 | 299,160 | 333,977 |
| **Accumulated amortisation and impairment losses** | | | | |
| Amortisation charge of the period (see note 11) | -1,067,814 | -1,147,298 | -21,404 | -20,060 |
| Accumulated amortisation in previous periods | -16,921,858 | -16,927,645 | -116,627 | -117,176 |
| Impairment losses of the period (see note 11) | -248,743 | -284 | - | - |
| Impairment losses in previous periods | -110,968 | -125,638 | -4,782 | -4,782 |
| | -18,349,383 | -18,200,865 | -142,813 | -142,018 |
| **Carrying amount** | 22,730,615 | 24,193,736 | 156,347 | 191,959 |

The movements in Property, plant and equipment, for the Group, for the period ended 31 December 2017, are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals / Write-offs | Transfers | Exchange Differences | Perimeter Variations / Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Land and natural resources | 105,153 | 2,949 | -2,616 | -1,329 | -8,770 | -426 | 94,961 |
| Buildings and other constructions | 565,919 | 57,611 | -94,518 | 18,256 | -41,468 | -5,748 | 500,052 |
| Plant and machinery | 38,414,997 | 48,983 | -34,409 | 2,007,686 | -1,504,005 | -827,149 | 38,106,103 |
| Other | 969,856 | 25,289 | -65,426 | 99,526 | -7,958 | -16,399 | 1,004,888 |
| Assets under construction | 2,338,676 | 1,382,945 | -20,066 | -2,136,748 | -94,613 | -96,200 | 1,373,994 |
| | 42,394,601 | 1,517,777 | -217,035 | -12,609 | -1,656,814 | -945,922 | 41,079,998 |

| Thousand Euros | Balance at 1 January | Charge / Impairment losses | Disposals / Write-offs | Transfers | Exchange Differences | Perimeter Variations / Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | |
| Land and natural resources | 4,032 | - | - | - | - | - | 4,032 |
| Buildings and other constructions | 158,589 | 21,316 | -6,578 | -1,175 | -11,428 | -4,370 | 156,354 |
| Plant and machinery | 17,273,834 | 1,227,526 | -44,265 | -3,571 | -365,293 | -673,331 | 17,414,900 |
| Other | 764,410 | 67,715 | -65,037 | -361 | -5,581 | 12,951 | 774,097 |
| | 18,200,865 | 1,316,557 | -115,880 | -5,107 | -382,302 | -664,750 | 18,349,383 |

Assets under construction are as follows:

| Thousand Euros | Dec 2017 | Dec 2016 |
|---|---|---|
| Wind farms in North America | 513,269 | 531,100 |
| Wind farms in Europe | 321,080 | 251,304 |
| Hydric Portugal | 195,873 | 1,068,538 |
| Other assets under construction | 343,772 | 487,734 |
| | 1,373,994 | 2,338,676 |

The capitalised costs for Property, plant and equipment for the period, except Land and natural resources, are as follows:

| Thousand Euros | Dec 2017 | Dez 2016 |
|---|---|---|
| Subcontracts and other materials | 1,401,856 | 1,563,772 |
| Purchase price allocation | 12,319 | 7,351 |
| Dismantling and decommissioning costs (see note 36) | 16,080 | 176,978 |
| Personnel costs (see note 9) | 59,391 | 55,327 |
| Borrowing costs (see note 12) | 25,182 | 49,103 |
| | 1,514,828 | 1,852,531 |

Additions include the investment in wind farms by the subgroups EDPR NA and EDPR EU, namely the allocation of the acquisition cost of the American companies Hog Creek Wind Project, LLC, Cameron Solar, LLC, Estill Solar I, LLC and Hampton Solar, II LLC amounting to 34,068 thousand Euros and the French company Parc Éolien de Paudy, S.A.S. amounting to 3,543 thousand Euros due to the nature of the transactions, the type of assets and the initial stage of completion of the projects acquired (see note 5).

Transfers refer mainly to the entry into operation of the Venda Nova III power enhancement and the power plant in Foz Tua in the amount of 427,483 thousand Euros and 506,283 thousand Euros, respectively, as well as wind and solar farms that become operational in the United States of America and wind farms that become operational in Brazil, France and Italy. Additionally, this caption includes the transfer of assets classified as assets held for sale (see note 41) of 5,070 thousand Euros and the transfer of land and building to investment property of 2,432 thousand Euros.

Perimeter Variations/Regularisations includes the impact of the acquisition of control of Eólica de Coahuila, S.A. de C.V. (327,558 thousand Euros) and Tébar Eólica, S.A. (9,813 thousand Euros) (see note 5); the sale of gas distribution assets in Spain and the loss of control of electricity assets in United Kingdom (Moray) by the net amount of 512,099 thousand Euros (cost in the amount of 1,197,412 thousand Euros and accumulated amortisation and impairment losses in the amount of 685,313 thousand Euros) and 86,272 thousand Euros (cost in the amount of 88,655 thousand Euros and accumulated amortisation and impairment losses in the amount of 2,383 thousand Euros), respectively (see notes 5 and 7).

Charge/Impairment losses includes 238,204 thousand Euros related with impairment in termoelectric plants Soto 3 and Sines as well as wind farms in Poland (see note 11).

The movement in Exchange differences in the period results mainly from the depreciation of Brazilian Real and US Dollar, against the Euro.

As at 31 December 2017, the Group has an agreement, which constitutes a financial lease as defined by IFRIC 4, in which the net value of the assets allocated amounts to 16,764 thousand Euros (31 December 2016: 18,167 thousand Euros).

The movements in Property, plant and equipment, for the Group, for the period ended 31 December 2016 are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals / Write-offs | Transfers | Exchange Differences | Perimeter Variations / Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Land and natural resources | 99,487 | 563 | -795 | - | 10,404 | -4,506 | 105,153 |
| Buildings and other constructions | 489,377 | 1,093 | -2,225 | 21,958 | 58,318 | -2,602 | 565,919 |
| Plant and machinery | 35,095,040 | 323,515 | -215,958 | 2,346,852 | 786,492 | 79,056 | 38,414,997 |
| Other | 980,409 | 31,316 | -50,786 | 6,093 | 2,820 | 4 | 969,856 |
| Assets under construction | 3,212,012 | 1,496,607 | -5,927 | -2,392,102 | 34,103 | -6,017 | 2,338,676 |
| | 39,876,325 | 1,853,094 | -275,691 | -17,199 | 892,137 | 65,935 | 42,394,601 |

| Thousand Euros | Balance at 1 January | Charge / Impairment losses | Disposals / Write-offs | Transfers | Exchange Differences | Perimeter Variations / Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | |
| Land and natural resources | 4,032 | - | - | - | - | - | 4,032 |
| Buildings and other constructions | 133,133 | 15,016 | -1,264 | 163 | 14,225 | -2,684 | 158,589 |
| Plant and machinery | 16,208,258 | 1,068,782 | -205,863 | -2,401 | 172,137 | 32,921 | 17,273,834 |
| Other | 757,186 | 63,784 | -50,203 | -8,259 | 2,052 | -150 | 764,410 |
| | 17,102,609 | 1,147,582 | -257,330 | -10,497 | 188,414 | 30,087 | 18,200,865 |

Additions include the investment in wind farms by the subgroups EDPR NA and EDPR EU. In the Portuguese generation activity, the Group is performing hydroelectric investments in the construction of several new power plants and power enhancement projects (Foz Tua and Venda Nova III).

Disposals/Write-offs on Plant and machinery includes 132,249 thousand Euros related to the coal power plant Soto 2 descomissioning.

Transfers refer mainly to wind farms of EDP Renováveis subgroup that become operational in the United States of America, Brazil, Poland and France, and to the entry into operation of the Baixo Sabor upstream hydroelectric plant and the Salamonde II hydroelectric plant. After further analysis, certain items, initially classified as plant and machinery and administrative equipment, were identified as an integrant part of the new headquarters building in Lisbon, and therefore, were transferred to Buildings and other constructions. Additionally, this caption includes the transfer to held for sale of gas distribution assets in Portugal (see note 41) by the net amount of 5,506 thousand Euros.

Perimeter Variations/Regularisations includes the impact of the acquisition of the share capital of Parco Eolico Banzi, S.r.l.

The movement in Exchange differences in the period results mainly from the net effect of the appreciation of Brazilian Real and US Dollar, against the Euro.

As at 31 December 2017, Property, plant and equipment financed through lease contracts, for the Group, amounts to 15,238 thousand Euros (31 December 2016: 15,662 thousand Euros), with accumulated depreciation of 7,453 thousand Euros (31 December 2016: 7,537 thousand Euros) and the respective future lease payments amount to 7,144 thousand Euros (31 December 2016: 7,276 thousand Euros). Property, plant and equipment financed by leasing contracts is detailed as follows:

| | Dec 2017 | | | Dec 2016 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Principal | Interest | Future lease payments | Principal | Interest | Future lease payments |
| Less than one year | 3,140 | 81 | 3,221 | 3,233 | 128 | 3,361 |
| Between one and three years | 3,513 | 51 | 3,564 | 3,467 | 75 | 3,542 |
| Between three and five years | 357 | 2 | 359 | 370 | 3 | 373 |
| | 7,010 | 134 | 7,144 | 7,070 | 206 | 7,276 |

During 2017, the costs incurred with these assets amounted to 785 thousand Euros and are booked in results under Supplies and services.

The movements in Property, plant and equipment, for the Company, for the period ended 31 December 2017 are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land and natural resources | 21,388 | - | -13,525 | - | - | 7,863 |
| Buildings and other constructions | 112,966 | 55,247 | -94,149 | 6,422 | 2 | 80,488 |
| Other | 174,610 | 9,343 | -14,299 | 3,508 | - | 173,162 |
| Assets under construction | 25,013 | 22,620 | - | -9,930 | -56 | 37,647 |
| | 333,977 | 87,210 | -121,973 | - | -54 | 299,160 |

| Thousand Euros | Balance at 1 January | arge/Impairmer losses | Disposals/ Write-offs | Transfers | Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | |
| Land and natural resources | 4,032 | - | - | - | - | 4,032 |
| Buildings and other constructions | 18,127 | 3,312 | -6,349 | - | - | 15,090 |
| Other | 119,859 | 18,092 | -14,260 | - | - | 123,691 |
| | 142,018 | 21,404 | -20,609 | - | - | 142,813 |

Disposals/Write-offs include 101,082 thousand Euros regarding with the Lisbon headquarters, which was given as an in-kind contribution to the EDP Medical and Death Subsidy Fund (see note 7). Subsequently, was celebrated a lease contract for a period of 25 years with the EDP Medical and Death Subsidy Fund (see note 35).

The movements in Property, plant and equipment, for the Company, for the period ended 31 December 2016 are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals/ Write-offs | Transfers | Regulari-sations | Balance at 31 December |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land and natural resources | 23,877 | - | -2,489 | - | - | 21,388 |
| Buildings and other constructions | 114,411 | - | -1,291 | -154 | - | 112,966 |
| Other | 176,503 | 12,546 | -1,059 | -13,373 | -7 | 174,610 |
| Assets under construction | 15,068 | 17,405 | - | -7,460 | - | 25,013 |
| | 329,859 | 29,951 | -4,839 | -20,987 | -7 | 333,977 |

| Thousand Euros | Balance at 1 January | Charge / Impairment losses | Disposals / Write-offs | Transfers | Regularisations | Balance at 31 December |
|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | |
| Land and natural resources | 4,032 | - | - | - | - | 4,032 |
| Buildings and other constructions | 14,940 | 3,844 | -990 | 163 | 170 | 18,127 |
| Other | 104,833 | 16,216 | -1,022 | -163 | -5 | 119,859 |
| | 123,805 | 20,060 | -2,012 | - | 165 | 142,018 |

As at 31 December 2017, for the Company, Property, plant and equipment financed by leasing contracts amounts to 4,246 thousand Euros (31 December 2016: 4,076 thousand Euros), with accumulated depreciation of 2,060 thousand Euros (31 December 2016: 1,882 thousand Euros) and the respective future lease payments amount to 1,830 thousand Euros (31 December 2016: 1,945 thousand Euros). Property, plant and equipment financed by leasing contracts is detailed as follows:

| Thousand Euros | Dec 2017 | | | Dec 2016 | | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Future lease payments | Principal | Interest | Future lease payments |
| Less than one year | 830 | 20 | 850 | 897 | 31 | 928 |
| Between one and three years | 900 | 13 | 913 | 895 | 18 | 913 |
| Between three and five years | 67 | - | 67 | 103 | 1 | 104 |
| | 1,797 | 33 | 1,830 | 1,895 | 50 | 1,945 |

During 2017, the costs incurred related to these assets amount to 222 thousand Euros and are booked in results under Supplies and services.

## 16. Intangible Assets

This caption is as follows:

| Thousand Euros | Group | |
|---|---|---|
| | Dec 2017 | Dec 2016 |
| **Cost** | | |
| Concession rights | 13,408,547 | 13,997,403 |
| CO2 Licenses | 110,887 | 98,598 |
| Other intangibles | 311,679 | 293,163 |
| Intangible assets in progress | 495,562 | 600,238 |
| | 14,326,675 | 14,989,402 |
| **Accumulated amortisation and impairment losses** | | |
| Amortisation of concession rights of the period | -377,303 | -378,039 |
| Amortisation of other intangibles of the period | -7,661 | -6,046 |
| Accumulated amortisation in previous periods | -9,167,294 | -9,436,873 |
| Impairment losses of the period | -1,397 | - |
| Impairment losses in previous periods | -25,660 | -39,900 |
| | -9,579,315 | -9,860,858 |
| **Carrying amount** | 4,747,360 | 5,128,544 |

The concession rights over the electricity distribution networks in Brazil, namely EDP São Paulo Distribuição de Energia S.A. (ex-Bandeirante) and EDP Espírito Santo Distribuição de Energia S.A. (ex-Escelsa) are amortised on a straight-line basis over the concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the public hydric domain for hydroelectric generation (EDP Produção and Hidroeléctrica do Guadiana), which useful life does not exceed 75 years.

The concession rights over electricity production in Brazil, namely for Lajeado Energia and Investco, are amortised over the concession period until 2032.

The movements in Intangible assets during the period ended 31 December 2017, for the Group, are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa-tions | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 1,091,484 | - | - | -4,762 | -52,166 | - | 1,034,556 |
| - Hydric Portugal | 1,419,798 | - | - | -1,206 | - | - | 1,418,592 |
| CO2 licenses | 98,598 | 75,391 | -93,363 | 30,261 | - | - | 110,887 |
| Assigned to concessions (IFRIC 12): | | | | | | | |
| - Intangible assets | 11,486,121 | 193 | -296,870 | 11,036 | -246,609 | 1,528 | 10,955,399 |
| - Intangible assets in progress | 157,909 | 399,245 | 1,042 | -391,535 | -12,681 | -464 | 153,516 |
| Other intangibles | 293,163 | 3,281 | -467 | 2,640 | -20,012 | 33,074 | 311,679 |
| Other intangible in progress | 442,329 | 10,823 | -15,776 | -92,774 | -1,997 | -559 | 342,046 |
| | 14,989,402 | 488,933 | -405,434 | -446,340 | -333,465 | 33,579 | 14,326,675 |

| Thousand Euros | Balance at 1 January | Charge / Impairment losses | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa-tions | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 628,329 | 35,516 | - | -2,742 | -20,809 | - | 640,294 |
| - Hydric Portugal | 387,556 | 43,275 | - | -39,606 | - | - | 391,225 |
| Assigned to concessions (IFRIC 12) | 8,772,073 | 298,511 | -287,274 | -130,944 | -183,767 | 5 | 8,468,604 |
| Other intangibles | 72,900 | 9,059 | -14,287 | - | -3,916 | 15,436 | 79,192 |
| | 9,860,858 | 386,361 | -301,561 | -173,292 | -208,492 | 15,441 | 9,579,315 |

The assets allocated to concessions contracts (IFRIC 12) currently in force in EDP Group fall within the Financial Asset Model, in the electricity transmission concessions in Brazil, within the Intangible Asset Model, namely in the electricity special regime production concessions (PRE) in Portugal and within the Mixed Model, namely in the electricity distribution concessions in Portugal and in Brazil, as referred in the Group's accounting policies (see nota 2 aa)).

Additions of CO2 Licenses includes 11,727 thousand Euros refer to CO2 Licenses granted free of charge to EDP Group plants operating in Portugal and Spain and 63,664 thousand Euros of licences purchased in the market for own consumption. The disposals/write-off of CO2 licences correspond, essentially, to the licences consumed during 2016 and delivered to regulatory authorities. Additionally, the transfer amount refers to CO2 licenses held for trading transferred to be used in the generation process.

Disposals/Write-offs of intangible assets assigned to concessions (IFRIC 12) include essentially 208,841 thousand Euros in cost and accumulated amortisations related to extraordinary write-offs since the maximum technical useful life has been exceeded.

The caption Other intangibles in progress includes the concession rights of hydric projects in Portugal namely Fridão, in the amount of 287,343 thousand Euros (31 December 2016: 287,343 thousand Euros). The amount of 90,066 thousand Euros related with Foz Tua hydro project was transfer from Other intangible assets in progress to Concession Rights at 30 June 2017 (see note 15).

Transfers refer to the net transfers of intangible assets in progress assigned to concessions of 184,157 thousand Euros related to increases of the financial assets under IFRIC 12, transfered to Debtors and other assets from commercial activities (see note 25). Additionally, this caption includes the transfer of electricity generation assets in Brazil and Portugal classified as assets held for sale in the net amount of 2,020 thousand Euros and 109,046 thousand Euros, respectively (see note 41); and intangible assets assigned to concessions under IFRIC 12 to investment property in the net amount of 8,087 thousand Euros (see note 22).

Perimeter variations/Regularisations include the sale of gas distribution assets in Spain by the net amount of 38,419 thousand Euros (see notes 5 and 7).

The caption Other intangibles includes 98,317 thousand Euros (31 December 2016: 114,803 thousand Euros) related to wind generation licenses of EDPR NA subgroup and 106,551 thousand Euros related with deferred green certificates in Romania (31 December 2016: 73,123 thousand Euros).

The capitalised costs of the period related to construction of intangible assets are included in own work capitalised in notes 6, 9 and 12.

The movements in Intangible assets during the period ended 31 December 2016, for the Group, are as follows:

| Thousand Euros | Balance at 1 January | Additions | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa-tions | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 1,013,392 | - | - | - | 78,092 | - | 1,091,484 |
| - Gas Portugal | 138,354 | - | - | -138,354 | - | - | - |
| - Hydric Portugal | 1,419,988 | - | -509 | 319 | - | - | 1,419,798 |
| CO2 Licenses | 142,509 | 107,145 | -151,056 | - | - | - | 98,598 |
| Assigned to concessions (IFRIC 12): | | | | | | | |
| - Intangible assets | 12,236,673 | 766 | -875,382 | -213,436 | 363,718 | -26,218 | 11,486,121 |
| - Intangible assets in progress | 134,643 | 397,293 | -863 | -385,598 | 12,585 | -151 | 157,909 |
| Other intangibles | 243,879 | 30,264 | -1,080 | -1,061 | 7,460 | 13,701 | 293,163 |
| Other intangible in progress | 425,910 | 18,340 | -181 | -2,882 | 3,407 | -2,265 | 442,329 |
| | 15,755,348 | 553,808 | -1,029,071 | -741,012 | 465,262 | -14,933 | 14,989,402 |

| Thousand Euros | Balance at 1 January | Charge / Impairment losses | Disposals / Write-offs | Transfers | Exchange differences | Perimeter variations / Regularisa-tions | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | |
| Concession rights: | | | | | | | |
| - Distribution and generation Brazil | 565,750 | 34,630 | - | - | 27,949 | - | 628,329 |
| - Gas Portugal | 37,733 | 3,144 | - | -40,877 | - | - | - |
| - Hydric Portugal | 345,202 | 42,354 | - | - | - | - | 387,556 |
| Assigned to concessions (IFRIC 12): | 9,215,011 | 297,911 | -867,801 | -120,507 | 266,496 | -19,037 | 8,772,073 |
| Other intangibles | 67,018 | 6,046 | -1,061 | -1,105 | 2,002 | - | 72,900 |
| | 10,230,714 | 384,085 | -868,862 | -162,489 | 296,447 | -19,037 | 9,860,858 |

Additions of CO2 Licences include 42,898 thousand Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and Spain and 64,247 thousand Euros of licences purchased in the market for own consumption.

Transfers include the net transfers of intangible assets in progress assigned to concessions of 138,860 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities.

## 17. Goodwill

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

| Thousand Euros | Group | |
|---|---|---|
| | Dec 2017 | Dec 2016 |
| EDP España Group | 884,574 | 1,940,712 |
| EDP Renováveis Group | 1,295,515 | 1,384,780 |
| EDP Brasil Group | 45,644 | 48,842 |
| Other | 6,935 | 40,518 |
| | 2,232,668 | 3,414,852 |

The movements in Goodwill, during the period ended 31 December 2017, are as follows:

| Thousand Euros | Balance at 1 January | Increases | Decreases | Impairment | Exchange differences | Balance at 31 December |
|---|---|---|---|---|---|---|
| EDP España Group | 1,940,712 | - | -1,056,138 | - | - | 884,574 |
| EDP Renováveis Group | 1,384,780 | - | -221 | - | -89,044 | 1,295,515 |
| EDP Brasil Group | 48,842 | - | -250 | - | -2,948 | 45,644 |
| Other | 40,518 | - | -33,583 | - | - | 6,935 |
| | 3,414,852 | - | -1,090,192 | - | -91,992 | 2,232,668 |

The movements in Goodwill, during the period ended 31 December 2016, are as follows:

| Thousand Euros | Balance at 1 January | Increases | Decreases | Impairment | Exchange differences | Balance at 31 December |
|---|---|---|---|---|---|---|
| EDP España Group | 1.940.712 | - | - | - | - | 1.940.712 |
| EDP Renováveis Group | 1.361.305 | 131 | - | - | 23.344 | 1.384.780 |
| EDP Brasil Group | 46.053 | - | - | -1.817 | 4.606 | 48.842 |
| Other | 40.518 | - | - | - | - | 40.518 |
| | 3.388.588 | 131 | - | -1.817 | 27.950 | 3.414.852 |

*EDP España Group*

The goodwill held in EDP España Group is as follows:

| Thousand Euros | EDP España Group Dec 2017 | Dec 2016 |
|---|---|---|
| Liberalised activities | 592.487 | 592.487 |
| Regulated networks | 292.087 | 1.348.225 |
| | 884.574 | 1.940.712 |

The decrease in goodwill in EDP España Group in the amount of 1,056,138 thousands Euros is due to the sale of the financial investment in Naturgas Energía Distribución S.A.U. (see note 5).

*EDP Renováveis Group*

The goodwill held in EDP Renováveis Group is as follows:

| Thousand Euros | EDP Renováveis Group Dec 2017 | Dec 2016 |
|---|---|---|
| Goodwill in EDPR Europe Group | 635.376 | 635.442 |
| Goodwill in EDPR North America Group | 659.144 | 748.187 |
| Other | 995 | 1.151 |
| | 1.295.515 | 1.384.780 |

*EDPR Europe Group*

There are no significant movements during 2017 and 2016 except those related to exchange differences.

*EDPR North America Group*

The goodwill movement in EDPR North America relates with the deppreciation of the US Dollar against the Euro.

*EDP Brasil Group*

During the last quarter of 2017, goodwill related to the company  Costa Rica Energética, Ltda, in the amount of 250 thousand Euros, was reclassified to non-current assets held for sale (see note 41).

During 2016, it was recognised an impairment loss in the amount of 1,817 thousand Euros related to EDP - Soluções em Energia, S.A. (former named "APS - Soluções em Energia, S.A."), due to non-compliance with performance indexes (see note 11).

*Others*

During the last quarter of 2017, goodwill related to the company Pebble Hydro - Consultoria, Investimento e Serviços, Lda, in the amount of 33,583 thousand Euros, was reclassified to non-current assets held for sale (see note 41).

*Goodwill impairment test analysis – EDP Group*

The recoverable amount of the goodwill in subsidiaries is assessed annually, as at 30 September, independently of the existence of any indicators of impairment. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

The EDP Group is composed by a significant number of subsidiaries in several locations, as mentioned in its consolidation perimeter. Therefore, the impairment tests at subgroup level are carried out for each cash generating unit (CGU) identified in each country where the EDP Group develops its activities, namely:

- EDP Espanã - Distribution, Generation & Supply of electricity;
- EDPR Europe – Renewable generation;
- EDPR North America and EDPR Brasil - Renewable generation;
- EDP Brasil - Generation, Distribution and Supply of electricity.

At EDP Group level, these cash generating units are subsequently aggregated by business units, ensuring however that goodwill impairment analysis does not exceed a business segment.

For the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of the main investments by each cash generating unit, being presented by aggregation in each business units after the impairment tests carried out at each subgroup/cash generating unit.

*Goodwill impairment test analysis – EDP España Group*

The discount rates after taxes used by EDP España Group in the impairment test analysis range between 3.9% and 4.8% (2016: between 4.0% and 5.1% respectively).

Regarding to generation business, the evaluation of the assets (power plants) considers a portfolio logic based in the future cash flow projection of the remaining useful life. In the electricity distribution business the cash flow projection period considers the perpetuity of the business as assets are operating under a license with no foreseen end date.

The main assumptions on which impairment tests are based are as follows:

- In the generation business, the estimated energy produced by the power plants: consider the best estimate of future market demand and total installed capacity;

- Prices of electricity, gas and coal were defined considering the market expectations regarding future price curves and considering the regulation in force. For gas and coal prices were also used the contracted prices for future long term purchases, namely the acquisition contracts for gas;

- Investment costs: the best available estimates of the future investments were used in order to guarantee a regular use of existing assets, as well as the estimates that resulted from legislative changes;

- Operating costs: operating costs were projected consistent with the company’s historical experience and internal models;

- In the regulated business, the distribution of electricity, officially approved asset remuneration was used, considering the regulated mechanisms for the annual remuneration updates. In generation, the elimination of generation taxes has been considered from 2021 onwards and capacity payments have been considered from 2023 onwards;

- The projections for the generation and electricity distribution businesses are based on the long-term estimates of the various assumptions used in the analysis;

- The long-term projections for the electricity supply business were extrapolated through a Margin/EBITDA estimate which changes with the inflation rate;

- Discount rate: the discount rates used reflect EDP Group’s best estimate regarding the specific risks associated to each CGU.

The Group has performed a series of sensitivity analyses to the results of impairment tests in some key variables, such as: (i) cost of fuel and respective impact on pool price, (ii) alternative case with a less favourable regulatory context and (iii) discount rates. The sensitivity analysis results show that: (i) a decrease of 5% in the cost of fuel accompanied by the expected impact in the pool prices and operation hours of the generation assets or (ii) alternative case with a less favourable regulatory context or (iii) an increase of 100 bps on the discount rate do not result in any impairment indicators in goodwill.

*Goodwill impairment test analysis – EDP Renováveis Group*

The future cash flows projection used is the useful life of the assets (at the end of December 2016 EDPR Group has changed the useful life of the renewable assets from 25 to 30 years (see note 3)) which is consistent with the current depreciation method.This projection also incorporate the long-term energy sale contracts in place and long-term estimates of energy prices, for the assets with market exposure.

The main assumptions used for the impairment tests are as follows:

- Power produced: net capacity factors used for each CGU utilize the wind studies carried out, which takes into account the long-term predictability of wind output and that wind generation is supported in nearly all countries by regulatory mechanisms that allow for production and priority dispatching whenever weather conditions permit;

- Electricity remuneration: regulated or contracted remuneration has been applied where available, as for the CGUs that benefit from regulated remuneration or that have signed contracts to sell their output during all or part of their useful life; where this is not available, prices were derived using price curves projected by the company based on its experience, internal models and using external data references;

- New capacity: tests were based on the best information available on the wind farms expected to be built in coming years, adjusted by probability of success and by the growth prospects of the company based on the Business Plan Targets, its historical growth and market size projections. The tests considered the contracted and expected prices to buy turbines from various suppliers;

- Operating costs: established contracts for land leases and maintenance agreements were used. Other operating costs were projected consistent with the company's experience and internal models;

- Terminal value: considered as a 15% of the initial investment in each wind farm, considering inflation; and

- Discount rate: the discount rates used are post-tax, reflect EDPR Group's best estimate of the risks specific to each CGU and range as follows:

| | 2017 | 2016 |
|---|---|---|
| Europe | 3.2% - 5.7% | 3.3% - 5.6% |
| North America | 4.5% - 6.5% | 4.7% - 6.7% |
| Brazil | 9.6%-11.4% | 10.4%-12.8% |

Impairment tests were performed taking into account the regulation changes in each country, disclosed in note 1.

A series of sensitivity analysis were performed on the results of impairment tests namely in some of the key variables, such as:

- 5% reduction of Merchant Prices used in the base case. This sensitivity analyses performed for this assumption independently would not suppose any impairment for the goodwill allocated to each country;

- 100 basis points increase of the discount rate used in base case. This sensitivity analyses performed for this assumption independently would not suppose any impairment for the goodwill allocated to each country.

*Goodwill impairment test analysis – EDP Brasil Group*

For EDP Brasil Group, cash flows' projections include the assumption of the extension of concession contracts in generation and distribution businesses. These cashflows are estimated by considering production and consumption volumes, installed capacity, tariff evolution prospects in the different markets and power purchase agreements.

The discount rates used reflect the specific risks for each activities and range between 9.0% to 10.1% for the different business of the Group (2016: between 9.5% and 10.9%).

The terminal value of the generation business corresponds to the present value of the assets at the end of the concession period (Regulatory Asset Base). In the supply business, it is considered the perpetuity of the business.

A sensitivity analysis increasing 100 basis points in the discount rate used has not determined the existence of impairment indicators for goodwill and concession rights in any other subsidiary of EDP Brasil.

For generation companies, the following sensitivity analysis have been performed: (i) a GSF increase of 100 basis points; (ii) a PLD change of 10 Brazilian Reais; (iii) a scenario of non extension of the concession contracts related to the generation business in Brazil; and (iv) 100 basis points increase over the discount rate used in base case. These sensitivity analysis have not determined any existence of impairment in goodwill or concession rights.

For distribution companies, the following sensitivity analysis have also been performed: (i) an increase of 3% in the operating costs component ("glosa") of the remuneration base for all forecast periods; (ii) 100 basis points decrease over expected market growth; (iii) a scenario of non extension of the concession contracts related to the distribution business in Brazil; and (iv) 100 basis points increase over the discount rate used in the base case. These sensitivity analysis have not determined any existence of impairment in goodwill and concession rights.

## 18. Investments in Subsidiaries (Company Basis)

This caption is as follows:

| Thousand Euros | Company Dec 2017 | Company Dec 2016 |
|---|---|---|
| Acquisition cost | 12,518,576 | 12,199,194 |
| Effect of equity method (transition to IFRS) | -785,593 | -785,593 |
| Equity investments in subsidiaries | 11,732,983 | 11,413,601 |
| Impairment losses on equity investments in subsidiaries | -231,281 | -223,425 |
| | 11,501,702 | 11,190,176 |

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

Investments in subsidiaries are as follows:

| Thousand Euros | Company Dec 2017 Net amount | Company Dec 2016 Net amount |
|---|---|---|
| **Equity investments in subsidiaries:** | | |
| EDP Renováveis, S.A. | 4,154,431 | 3,854,811 |
| EDP Gestão de Produção de Energia, S.A. | 2,156,054 | 2,156,054 |
| EDP España, S.A.U. | 2,105,002 | 2,105,002 |
| EDP Distribuição de Energia, S.A. | 1,686,145 | 1,686,145 |
| EDP Servicios Financieros España, S.A.U. | 482,695 | 482,695 |
| EDP Comercial, S.A. | 299,073 | 299,073 |
| EDP International Investments and Services, S.L. | 281,854 | 281,854 |
| Other | 336,448 | 324,542 |
| | 11,501,702 | 11,190,176 |

In the context of impairment tests carried out at EDP Group, the financial investments held by EDP, S.A. in subsidiaries are reviewed, based on the higher of the value in use and the fair value less costs related to the sale. The main assumptions considered in the valuation models of the main financial holdings in Portugal of EDP, S.A. (EDP Produção, EDP Distribuição and EDP Comercial) are as follows:

- The discount rates used reflect the best estimate regarding the specific risks associated to each subsidiary activity within a range between 4.2% and 5.3% (2016: between 3.9% and 5.8%);

- In regulated business, officially approved asset remuneration was used, considering the regulated mechanisms for the annual remuneration updates, the concession renewals expectation and the best CAPEX and regulatory framework evolution estimates;

- Prices of electricity, brent, gas, coal and CO2 licenses were defined considering the market expectations regarding future price curves and the application of curve prices internal models considering the regulation in force and the best estimate of its future evolution. For gas and coal prices were also used the contracted prices for future long term purchases, namely the acquisition contracts for gas. Assets from generation business were evaluated from a portfolio perspective and an individual analysis of recoverability, based on the market share development estimate.

- The long-term projections for the electricity supply business were extrapolated through a Margin/EBITDA estimate which changes with the inflation rate;

- In generation business, estimates were based on an average hydrologic year over the projection period for hydro plants, estimated demand evolution, market share projections and current installed and under construction capacity, as well as the best estimate for decommissioning plants in the projection period. Additionally, it was considerer other system costs such as: clawback, ISP and the surcharge over CO2, CESE until 2020, social tariff and other income (namely capacity payments);

- Operating costs considered were based on extrapolations of current operating costs (knowledge acquired in each activity).

Sensitivity analysis were performed, such as a 100 basis points increase in the discount rate and a 10% reduction in Merchant prices used in the base case, as well as a reduction of market shares in supply business did not determined the existence of evidence of impairment in EDP S.A.'s financial investments.

The assumptions used in the valuation models of EDP S.A.'s financial holdings in other geographies, as well as the respective sensitivity analyses are described in note 17.

In the context of the General and Voluntary Public Tender Offer for the acquisition of shares representative of the share capital of EDP Renováveis, S.A. that was concluded on the third quarter of 2017, EDP - Energias de Portugal, S.A. total investment was 296,376 thousand Euros accrued with transaction costs in the amount of 3,244 thousand Euros. As a result of this transation, EDP - Energias de Portugal, S.A. now holds 720,191,372 shares in EDP Renováveis, S.A., increasing its interest in the company from 77.5% to 82.6% and consequently its interest in their subsidiaries. The increase in the caption Investments in subsidiaries in EDP, S.A. is mainly due to this transaction.

## 19. Held to maturity financial investments

This caption is as follows:

| | Company | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| Held to maturity financial investments - Non-Current | 451,257 | 477,018 |
| Held to maturity financial investments - Current | 419,946 | 29,985 |
| | 871,203 | 507,003 |

On 6 December 2016, EDP, S.A. has bought an amount of 500,000 thousand US Dollars of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 500,624 thousand Euros. This amount includes a premium paid over the nominal debt of 21,101 thousand Euros and accrued interest as at the acquisition date.

On 15 December 2017, EDP, S.A. has bought an amount of 500,000 thousands of Dollars of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 446,802 thousand Euros. This amount includes a premium paid over the nominal debt of 18,016 thousand Euros and accrued interest as at the acquisition date.

For the Company, the caption Held to maturity financial investments comprises the recognition at amortised cost, according to the accounting policy 2 e), of the following above mentioned bonds issued by EDP Finance B.V., acquired in a market operation by EDP, S.A.:

| Issuer | Maturity date | Currency | Interest rate | Nominal Value in Currency '000 | Acquired in Currency '000 |
|---|---|---|---|---|---|
| EDP Finance B.V. | 02 Feb 2018 | USD | 6.00% | 1,000,000 | 469,462 |
| EDP Finance B.V. | 01 Oct 2019 | USD | 4.90% | 1,000,000 | 363,462 |
| EDP Finance B.V. | 15 Jan 2020 | USD | 4.13% | 750,000 | 167,076 |
| | | | | | 1,000,000 |

On a consolidated basis, this operation represents a debt extinction, so the premium paid and the respective transaction costs are recognised as costs (see note 12).

As at 31 December 2017, these investments' fair value amounts to 863,930 thousand Euros (31 December 2016: 498,201 thousand Euros).

## 20. Investments in Joint Ventures and Associates

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Investments in joint ventures | 781,327 | 773,682 | 6,597 | 6,597 |
| Investments in associates | 61,755 | 46,883 | - | - |
| | 843,082 | 820,565 | 6,597 | 6,597 |

As at 31 December 2017, for the Group, this caption includes goodwill in investments in joint ventures of 42,226 thousand Euros (31 December 2016: 42,226 thousand Euros) and goodwill in investments in associates of 9,154 thousand Euros (31 December 2016: 9,281 thousand Euros).

The movement in Investments in joint ventures and associates, for the Group, is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| **Balance as at 1 January** | 820,565 | 664,011 |
| Acquisitions/Entries | 20,605 | - |
| Increases/Decreases of share capital | 148,977 | 122,750 |
| Disposals | -31,835 | -1,167 |
| Share of profit in joint ventures and associates | 11,521 | -22,062 |
| Dividends | -29,865 | -16,250 |
| Exchange differences | -97,458 | 71,898 |
| Hedging reserve in joint ventures and associates | - | 1,143 |
| Other | 572 | 242 |
| **Balance as at 31 December** | 843,082 | 820,565 |

The movement in Investments in joint ventures is mainly explained by: (i) the capital increase in Empresa de Energia São Manoel, S.A. in the amount of 64,731 thousand Euros; (ii) the capital increase in Companhia Energética do Jari, S.A. in the amount of 17,921 thousand Euros; (iii) the capital increase in Empresa de Energia Cachoeira Caldereirão, S.A. no valor de 14,009 thousand Euros; (iv) the capital increase in Hydro Global Investment Limited in the amount of 34,754 thousand Euros; (v) the positive impact of 20,370 thousands Euros due to the sale of 23.3% of the financial investment of Moray Offshore Renewable Power Limited, which began to be treated as a joint venture (see note 5) and the decrese of 13,987 thousand Euros regarding the 53.4% of the financial investment to be sold in 2018 (see note 41); (vi) by the negative impact of 14,367 thousands Euros due to the gain of control of Eólica de Coahuila, S.A. de C.V., which began to be fully consolidated (see note 5); and (viii) negative exchange differences in the amount of 96,876 thousand Euros.

The movement in Investments in associates is mainly explained by the capital increase in Eoliennes en Mer Dieppe - Le Tréport, S.A.S. and in Eoliennes en Mer Iles d'Yeu et de Noirmoutier, S.A.S. in the amount of 7,295 thousand Euros and 8,251 thousand Euros, respectively.

In 2016, the movement in Investments in joint ventures and associates is mainly explained by capital increases in the amount of 122,750 thousand Euros, namely the capital increase in Empresa de Energia São Manoel, S.A. in the amount of 108,608 thousand Euros.

The following table resumes the companies' financial information of joint ventures whose investment is included under the equity method in the Group consolidated accounts, as at 31 December 2017:

| Thousand Euros | Jari Group | Energia Cachoeira Caldeirão | Energia São Manoel | Flat Rock Windpower II | Flat Rock Windpower |
|---|---|---|---|---|---|
| **Companies' financial information of joint ventures** | | | | | |
| Non-Current Assets | 449,117 | 355,769 | 895,741 | 98,446 | 242,890 |
| Current Assets | 17,790 | 23,646 | 48,301 | 898 | 2,278 |
| Cash and cash equivalents | 5,601 | 10,176 | 28,773 | 684 | 1,264 |
| Total Equity | 181,209 | 161,100 | 489,575 | 97,708 | 241,088 |
| Long term Financial debt | 162,144 | 193,712 | 338,946 | - | - |
| Non-Current Liabilities | 230,252 | 198,973 | 355,136 | 1,372 | 3,642 |
| Short term Financial debt | 43,641 | 9,410 | 86,004 | - | - |
| Current Liabilities | 55,446 | 19,342 | 99,331 | 264 | 438 |
| | | | | | |
| Revenues | 66,004 | 36,438 | 687 | 4,050 | 10,813 |
| Tangible and intangible assets amortisations/impairment | -15,397 | -13,452 | -1,957 | -5,499 | -14,057 |
| Other financial expenses | -26,470 | -22,769 | -3,304 | -25 | -56 |
| Income tax expense | -2,769 | 3,529 | 1,480 | - | - |
| Net profit for the period | 5,532 | -7,035 | -2,874 | -6,305 | -17,354 |
| | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | |
| Net assets | 136,293 | 80,960 | 163,195 | 48,854 | 131,873 |
| *Goodwill* | - | - | - | - | - |
| Dividends paid | 489 | - | - | - | 14,143 |

| Thousand Euros | EDP Asia Group | Compañía Eólica Aragonesa | Bioeléctrica Group | CIDE HC Energía | Hydro Global Investment | Other |
|---|---|---|---|---|---|---|
| **Companies' financial information of joint ventures** | | | | | | |
| Non-Current Assets | 98,003 | 123,215 | 123,848 | 1,741 | 56,284 | 146,288 |
| Current Assets | 1 | 7,773 | 19,863 | 50,009 | 91,526 | 26,958 |
| Cash and cash equivalents | 1 | 4,652 | 13,145 | 1,277 | 81,943 | 9,943 |
| Total Equity | 98,004 | 105,890 | 32,321 | 11,177 | 68,063 | 22,996 |
| Long term Financial debt | - | - | 43,242 | - | 79,213 | 17,728 |
| Non-Current Liabilities | - | 20,753 | 57,223 | 3,955 | 79,213 | 35,836 |
| Short term Financial debt | - | - | 9,694 | - | 141 | 5,704 |
| Current Liabilities | - | 4,345 | 54,167 | 36,618 | 534 | 114,414 |
| | | | | | | |
| Revenues | - | 21,283 | 48,468 | 246,789 | - | 40,565 |
| Tangible and intangible assets amortisations/impairment | - | -14,444 | -9,250 | -62 | -74 | -3,628 |
| Other financial expenses | - | -145 | -872 | -422 | -2,145 | -770 |
| Income tax expense | - | 1,489 | -1,622 | -412 | 669 | -1,488 |
| Net profit for the period | 21,281 | 618 | 4,987 | 8,367 | -1,108 | -369 |
| | | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | 89,727 | 52,734 | 16,158 | 5,573 | 34,041 | 21,919 |
| *Goodwill* | - | 39,558 | - | - | - | 2,668 |
| Dividends paid | 7,380 | 5,000 | - | - | - | - |

The following table resumes the companies' financial information of joint ventures whose investment is included under the equity method in the Group consolidated accounts, as at 31 December 2016:

| Thousand Euros | Jari Group | Energia Cachoeira Caldeirão | Energia São Manoel | Flat Rock Windpower II | Flat Rock Windpower |
|---|---|---|---|---|---|
| **Companies' financial information of joint ventures** | | | | | |
| Non-Current Assets | 535,790 | 420,341 | 770,370 | 117,915 | 291,444 |
| Current Assets | 29,822 | 5,084 | 11,290 | 795 | 2,129 |
| Cash and cash equivalents | 13,548 | 2,433 | 11,142 | 413 | 1,043 |
| Total Equity | 167,485 | 164,523 | 365,950 | 116,973 | 289,096 |
| Long term Financial debt | 234,658 | 200,263 | 380,916 | - | - |
| Non-Current Liabilities | 333,229 | 207,488 | 395,715 | 1,534 | 4,084 |
| Short term Financial debt | 52,122 | 4,507 | 1,145 | - | - |
| Current Liabilities | 64,898 | 53,414 | 19,995 | 203 | 393 |
| | | | | | |
| Revenues | 59,681 | 14,695 | - | 3,681 | 9,763 |
| Tangible and intangible assets amortisations/impairment | -13,554 | -8,270 | -119,297 | -7,361 | -19,051 |
| Other financial expenses | -34,111 | -14,351 | -6,908 | -64 | -214 |
| Income tax expense | 12,708 | 6,078 | 41,514 | - | - |
| Net profit for the period | 9,159 | -11,889 | -80,587 | -7,917 | -22,893 |
| | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | |
| Net assets | 138,614 | 82,751 | 121,986 | 58,487 | 158,413 |
| *Goodwill* | - | - | - | - | - |
| Dividends paid | - | - | - | - | 2,615 |

| Thousand Euros | EDP Asia Group | Compañía Eólica Aragonesa | Bioeléctrica Group | CIDE HC Energía | Eólica de Coahuila S.A. de C.V. | Other |
|---|---|---|---|---|---|---|
| **Companies' financial information of joint ventures** | | | | | | |
| Non-Current Assets | 105,331 | 127,055 | 116,600 | 1,516 | 302,602 | 74,784 |
| Current Assets | - | 5,186 | 23,024 | 49,720 | 40,449 | 34,295 |
| Cash and cash equivalents | - | 3,787 | 16,737 | 6,065 | 12,019 | 15,543 |
| Total Equity | 105,331 | 104,595 | 27,334 | 4,333 | 8,737 | 30,886 |
| Long term Financial debt | - | - | 52,839 | - | 239,071 | 16,290 |
| Non-Current Liabilities | - | 24,645 | 63,554 | 1,260 | 262,480 | 29,639 |
| Short term Financial debt | - | - | 9,714 | 15,482 | - | 31,867 |
| Current Liabilities | - | 3,001 | 48,736 | 45,643 | 71,834 | 48,554 |
| | | | | | | |
| Revenues | - | 13,505 | 47,865 | 236,804 | 205 | 33,871 |
| Tangible and intangible assets amortisations/impairment | - | -11,051 | -9,383 | -50 | - | -3,077 |
| Other financial expenses | - | -142 | -1,228 | -292 | -306 | -1,584 |
| Income tax expense | - | 2,328 | -1,923 | -165 | 102 | -601 |
| Net profit for the period | 20,916 | -1,938 | 4,981 | 3,543 | 203 | -1,280 |
| | | | | | | |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | 105,187 | 57,425 | 13,667 | 2,149 | 14,438 | 20,565 |
| *Goodwill* | - | 39,558 | - | - | - | 2,668 |
| Dividends paid | 7,091 | 3,452 | - | - | - | 92 |

The following table resumes the companies' financial information of associates whose investment is included in the Group consolidated accounts under the equity method, as at 31 December 2017:

| Thousand Euros | Mabe Brasil | Les Eoliennes en Mer Noirmoutier | Parque Eólico Belmonte | Parque Eólico Madero | Principle Power Inc. | Other |
|---|---|---|---|---|---|---|
| **Companies' financial information of associates** | | | | | | |
| Non-Current Assets | 2,351 | 35,748 | 20,258 | 50,596 | 12,401 | 99,844 |
| Current Assets | 19,864 | 10,726 | 3,823 | 12,304 | 4,576 | 46,385 |
| Total Equity | -2,152 | 33,823 | 5,873 | 27,230 | 10,409 | 67,360 |
| Non-Current Liabilities | 20,809 | 5,500 | 13,338 | 1,825 | 4,134 | 48,163 |
| Current Liabilities | 3,558 | 7,151 | 4,870 | 33,845 | 2,434 | 30,706 |
| Revenues | -1,153 | - | 4,112 | 10,896 | 841 | 48,101 |
| Net profit for the period | -1,970 | -648 | 1,283 | 3,224 | -4,281 | 6,212 |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | - | 14,544 | 3,482 | 11,437 | 3,341 | 28,951 |
| *Goodwill* | - | - | 1,726 | - | 924 | 6,504 |
| Dividends paid | - | - | - | - | - | 2,853 |

Other include companies with financial statements as of 31 December 2017, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2017, since the accounts as at 31 December 2017 were not timely approved.

The following table resumes the companies' financial information of associates whose investment is included in the Group consolidated accounts under the equity method, as at 31 December 2016:

| Thousand Euros | Mabe Brasil | Les Eoliennes en Mer Noirmoutier | Parque Eólico Belmonte | Parque Eólico Madero | Principle Power Inc. | Other |
|---|---|---|---|---|---|---|
| **Companies' financial information of associates** | | | | | | |
| Non-Current Assets | 3,599 | 25,490 | 21,231 | 52,429 | 18,675 | 91,809 |
| Current Assets | 23,398 | 9,955 | 2,517 | 8,683 | 277 | 36,336 |
| Total Equity | -421 | 15,438 | 4,590 | 24,006 | 16,694 | 57,326 |
| Non-Current Liabilities | 22,657 | 16,943 | 15,105 | 2,455 | 1,512 | 56,634 |
| Current Liabilities | 4,761 | 3,064 | 4,053 | 34,651 | 746 | 14,185 |
| Revenues | 161 | - | 3,592 | 8,401 | 2,375 | 40,045 |
| Net profit for the period | -376 | -687 | 96 | 475 | -2,889 | 3,935 |
| **Amounts proportionally attributed to EDP Group** | | | | | | |
| Net assets | - | 6,638 | 3,098 | 10,082 | 5,219 | 21,846 |
| *Goodwill* | - | - | 1,726 | - | 1,051 | 6,504 |
| Dividends paid | - | - | - | - | - | 3,000 |

Other include companies with financial statements as of 31 December 2016, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2016, since the accounts as at 31 December 2016 were not timely approved.

As at 31 December 2017, the significant companies' financial information of joint ventures and associates presents the following reconciliation of net assets proportionally attributed to EDP Group:

| Thousand Euros | Equity | % EM | Fair Value Adjustments | Goodwill | Other | Net Assets |
|---|---|---|---|---|---|---|
| Companhia Energética do Jari | 181,209 | 50.00% | 45,688 | - | - | 136,293 |
| Empresa de Energia Cachoeira Caldeirão S.A. | 161,100 | 50.00% | 410 | - | - | 80,960 |
| Empresa de Energia São Manoel S.A. | 489,575 | 33.33% | - | - | - | 163,195 |
| Flat Rock Windpower II LLC | 97,708 | 50.00% | - | - | - | 48,854 |
| Flat Rock Windpower LLC | 241,088 | 50.00% | - | - | 11,329 | 131,873 |
| EDP ASIA - Investimento e Consultadoria, Lda | 98,004 | 50.00% | 40,725 | - | - | 89,727 |
| Compañía Eólica Aragonesa, S.A. | 105,890 | 50.00% | -211 | - | - | 52,734 |
| EDP Produção Bioeléctrica, S.A. | 32,321 | 50.00% | - | - | -3 | 16,158 |
| CIDE HC Energía, S.A. | 11,177 | 50.00% | - | - | -16 | 5,573 |
| Hydro Global Investment, Ltda | 68,063 | 50.00% | - | - | 10 | 34,041 |
| Mabe Construções e Administração Projetos, Lda | -2,152 | 50.00% | - | - | 1,076 | - |
| Les Eoliennes en Mer Iles d'Yeu Noirmountier,SAS | 33,823 | 43.00% | - | - | - | 14,544 |
| Parque Eólico de Belmonte, S.A. | 5,873 | 29.90% | - | 1,726 | - | 3,482 |
| Parque Eólico Sierra del Madero S.A. | 27,230 | 42.00% | - | - | - | 11,437 |
| Principle Power, Inc. | 10,409 | 22.72% | - | 924 | 53 | 3,341 |

As at 31 December 2016, the significant companies' financial information of joint ventures and associates presents the following reconciliation of net assets proportionally attributed to EDP Group:

| Thousand Euros | Equity | % EM | Fair Value Adjustments | Goodwill | Other | Net Assets |
|---|---|---|---|---|---|---|
| Companhia Energética do Jari | 167,485 | 50.00% | 54,871 | - | - | 138,614 |
| Empresa de Energia Cachoeira Caldeirão S.A. | 164,523 | 50.00% | 489 | - | - | 82,751 |
| Empresa de Energia São Manoel S.A. | 365,950 | 33.33% | - | - | - | 121,986 |
| Flat Rock Windpower II LLC | 116,973 | 50.00% | - | - | - | 58,487 |
| Flat Rock Windpower LLC | 289,096 | 50.00% | - | - | 13,865 | 158,413 |
| Compañía Eólica Aragonesa, S.A. | 104,595 | 50.00% | 5,128 | - | - | 57,425 |
| EDP Produção Bioeléctrica, S.A. | 27,334 | 50.00% | - | - | - | 13,667 |
| CIDE HC Energía, S.A. | 4,333 | 50.00% | - | - | -18 | 2,149 |
| EDP ASIA - Investimento e Consultadoria, Lda | 105,331 | 50.00% | 52,521 | - | - | 105,187 |
| Eólica de Coahuila, S.A. de C.V. | 8,737 | 51.00% | 9,982 | - | - | 14,438 |
| Mabe Construções e Administração Projetos, Lda | -421 | 50.00% | - | - | 211 | - |
| Les Eoliennes en Mer Iles d'Yeu Noirmoutier, SAS | 15,438 | 43.00% | - | - | - | 6,638 |
| Parque Eólico de Belmonte, S.A. | 4,590 | 29.90% | - | 1,726 | - | 3,098 |
| Parque Eólico Sierra del Madero S.A. | 24,006 | 42.00% | - | - | - | 10,082 |
| Principle Power, Inc. | 16,694 | 24.65% | - | 1,051 | 53 | 5,219 |

Operating and real guarantees granted by joint ventures, included in the Group consolidated accounts under the equity method, are disclosed as follows:

| Thousand Euros | Dec 2017 | Dec 2016 |
|---|---|---|
| **Operating guarantees** | | |
| Companhia Energética do Jari | 293 | 340 |
| Empresa de Energia Cachoeira Caldeirão S.A. | 186 | 227 |
| Empresa de Energia São Manoel S.A. | 8,427 | 7,800 |
| | 8,906 | 8,367 |
| **Real guarantees** | - | - |

The commitments relating to short and medium-long term financial debt, future lease payments under operating leases and other purchase obligations of joint ventures included in the Group consolidated accounts under the equity method, as at 31 December 2017 and 2016, are disclosed by maturity as follows:

| | Dec 2017 | | | | |
|---|---|---|---|---|---|
| | | Capital outstanding by maturity | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Short and long term financial debt (inc. falling due interest) | 663,274 | 89,744 | 103,166 | 95,991 | 374,373 |
| Finance lease commitments | 938 | 219 | 263 | 199 | 257 |
| Operating lease commitments | 26,271 | 11,408 | 2,962 | 2,393 | 9,508 |
| Purchase obligations | 541,398 | 187,738 | 56,349 | 39,758 | 257,553 |
| | 1,231,881 | 289,109 | 162,740 | 138,341 | 641,691 |

| | Dec 2016 | | | | |
|---|---|---|---|---|---|
| | | Capital outstanding by maturity | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Short and long term financial debt (inc. falling due interest) | 933,290 | 92,741 | 177,389 | 120,746 | 542,414 |
| Finance lease commitments | 1,172 | 234 | 371 | 211 | 356 |
| Operating lease commitments | 18,493 | 1,726 | 2,859 | 2,490 | 11,418 |
| Purchase obligations | 620,037 | 178,822 | 166,149 | 21,342 | 253,724 |
| | 1,572,992 | 273,523 | 346,768 | 144,789 | 807,912 |

Significant variation of short and long term financial debt with respect to the previous year mainly refer to: i) the company Eólica de Coahuila S.A. de C.V. that changed from equity method to full consolidation method as a result of the wind farm construction completion and its entry into operation (see note 5) and, ii) to Moray Offshore Windfarm (East) due to the loss of control over the company (see note 5).

The summarised financial information for subsidiaries with material non-controlling interests, namely EDP Brasil and EDP Renováveis, as at 31 December 2017, are disclosed in note 53 and in the Annex I.

## 21. Available for Sale Investments

This caption is as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| REN - Redes Energéticas Nacionais, SGPS, S.A. | - | 50,369 | - | 50,369 |
| Zephyr Fund (Energia RE portfolio) | 77,573 | 72,725 | - | - |
| EDA - Electricidade dos Açores, S.A. | 13,045 | 13,500 | - | - |
| Feedzai - Consultadoria e Inovação Tecnológica, S.A. | 13,565 | 8,304 | - | - |
| Other | 19,833 | 20,146 | 1,556 | 1,765 |
| | 124,016 | 165,044 | 1,556 | 52,134 |

During the first semester of 2017, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 94 thousand Euros being the increase booked against fair value reserves (see note 31). On 28 June 2017 EDP, S.A. sold its financial investment held in REN and the consolidated fair value reserve was transferred to profit or loss in the amount of 24,643 thousand Euros (see note 12 and 31).

The Zephyr Fund represents the participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During 2017, Energia RE increased this participation in by 3,000 thousand Euros, and had a increased by 1,848 thousand Euros being the increase booked against fair value reserves (see note 31).

During 2017, the financial investment held in EDA - Electricidade dos Açores, S.A., decreased by 455 thousand Euros being the decrease booked against fair value reserves (see note 31).

During 2017, the financial investment held in Feedzai - Consultadoria e Inovação Tecnológica, S.A. increased by 5,261 thousand Euros being the increase booked against fair value reserves (see note 31).

Under IFRS 13 (note 45), available for sale investments are classified into three levels of fair value: level 1 includes essentially financial investments that are indexed to market price; level 2 includes the fund of stocks and bonds held by Energia RE; and level 3 covers all other available for sale investments. As at 31 December 2017, there are no available for sale investments within level 1.

In 2017, the movements in Available-for-sale investments are as follows:

| Thousand Euros | Balance at 1 January | Acquisitions | Disposals | Impairment | Change in fair value | Other variations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| REN - Redes Energéticas Nacionais | 50,369 | - | -50,463 | - | 94 | - | - |
| Zephyr Fund (Energia RE portfolio) | 72,725 | 3,000 | - | - | 1,848 | - | 77,573 |
| EDA - Electricidade dos Açores, S.A. | 13,500 | - | - | - | -455 | - | 13,045 |
| Feedzai - Consultadoria e Inovação Tecnológica, S.A. | 8,304 | - | - | - | 5,261 | - | 13,565 |
| Other | 20,146 | 510 | -1,994 | -1,041 | 2,133 | 79 | 19,833 |
| | 165,044 | 3,510 | -52,457 | -1,041 | 8,881 | 79 | 124,016 |

In 2016, the movements in Available-for-sale investments are as follows:

| Thousand Euros | Balance at 1 January | Acquisitions | Disposals | Impairment | Change in fair value | Other variations | Balance at 31 December |
|---|---|---|---|---|---|---|---|
| Banco Comercial Português | 53,276 | - | - | -31,386 | -6,089 | -15,801 | - |
| REN - Redes Energéticas | 51,920 | - | - | - | -1,551 | - | 50,369 |
| Zephyr Fund (Energia RE portfolio) | 61,277 | 10,000 | - | - | 1,448 | - | 72,725 |
| EDA - Electricidade dos Açores, S.A. | 11,800 | - | - | - | 1,700 | - | 13,500 |
| Feedzai - Consultadoria e Inovação Tecnológica, S.A. | 2,479 | - | - | - | 5,825 | - | 8,304 |
| Other | 19,454 | 714 | -42 | -435 | 603 | -148 | 20,146 |
| | 200,206 | 10,714 | -42 | -31,821 | 1,936 | -15,949 | 165,044 |

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

| Thousand Euros | Dec 2017 | Dec 2016 |
|---|---|---|
| REN - Redes Energéticas Nacionais, SGPS, S.A. | - | 24,549 |
| Zephyr Fund (Energia RE portfolio) | 10,203 | 8,355 |
| EDA - Electricidade dos Açores, S.A. | 6,154 | 6,609 |
| Feedzai - Consultadoria e Inovação Tecnológica, S.A. | 13,093 | 7,832 |
| Other | 7,199 | 4,751 |
| | 36,649 | 52,096 |

## 22. Investment Property

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Cost | 71,745 | 54,679 | 61,847 | 62,037 |
| Accumulated amortisation and impairment losses | -32,546 | -23,460 | -10,351 | -9,458 |
| **Carrying amount** | 39,199 | 31,219 | 51,496 | 52,579 |

The investment properties are mainly land and buildings held to obtain rents or for capital appreciation and are not materially relevant. The net variation relates essentially with the transfer of property, plant and equipment and intangible assets to investment property of 10,519 thousand Euros (see note 15 and 16).

Accumulated amortisation and impairment losses in 2017 includes 567 thousand Euros related to charges of the period. The Accumulated impairment losses in investiment property amounts to 7,558 thousand Euros, booked during 2016, related to investment properties based on an independent evaluation of the fair value of these assets (see note 11).

## 23. Deferred Tax Assets and Liabilities

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

| | Net Deferred tax assets | | Net Deferred tax liabilities | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| **Europe** | | | | |
| Tax losses and tax credits | 210,836 | 198,701 | - | - |
| Provisions for social benefits, bad debts and other risks | 489,823 | 518,905 | 17,282 | 15,611 |
| Financial instruments | 41,233 | 19,956 | 7,143 | 43,371 |
| Tangible and intangible fixed assets | 170,786 | 361,803 | 173,932 | 222,756 |
| Reinvested gains | - | - | 3,213 | 6,298 |
| Financial and available-for-sale investments | 565 | 3,102 | 3,902 | 2,722 |
| Tariff adjustments and tariff deficit | 69,788 | 46,509 | 251,679 | 266,113 |
| Allocation of fair value to assets and liabilities acquired | 33,684 | 28,994 | 403,663 | 612,692 |
| Fiscal revaluations | 500,667 | 474,568 | 74,564 | 75,035 |
| Deferred income relating to CMEC | - | - | 185,631 | 174,935 |
| Other temporary differences | 33,478 | 25,578 | 56,722 | 73,420 |
| Assets/liabilities compensation of deferred taxes | -909,068 | -997,863 | -909,068 | -997,863 |
| | 641,792 | 680,253 | 268,663 | 495,090 |
| **Brazil** | | | | |
| Tax losses and tax credits | 124,719 | 149,005 | - | - |
| Provisions for social benefits, bad debts and other risks | 126,860 | 132,133 | - | - |
| Tariff adjustments and tariff deficit | - | 34,767 | - | - |
| Allocation of fair value to assets and liabilities acquired | - | - | 133,108 | 158,359 |
| Use of public property | 25,842 | 34,326 | 8,869 | 14,697 |
| Fair value of financial assets | - | - | 34,717 | 38,206 |
| Other temporary differences | 4,461 | 23,513 | 37,820 | 46,603 |
| Assets/liabilities compensation of deferred taxes | -115,740 | -150,765 | -115,740 | -150,765 |
| | 166,142 | 222,979 | 98,774 | 107,100 |
| **United States of America and Canada** | | | | |
| Tax losses and tax credits (*) | 553,644 | 943,283 | - | - |
| Property, plant and equipment (*) | 3,200 | 4,982 | 253,080 | 435,839 |
| Allocation of fair value to assets and liabilities acquired (*) | - | - | 112,716 | 178,003 |
| Gains from institutional partnerships in USA wind farms (*) | - | - | 291,041 | 456,618 |
| Other temporary differences | 2,909 | 3,968 | 1,424 | 804 |
| Assets/liabilities compensation of deferred taxes | -559,166 | -951,053 | -559,166 | -951,053 |
| | 587 | 1,180 | 99,095 | 120,211 |
| | 808,521 | 904,412 | 466,532 | 722,401 |

(*) Regarding these captions, the variation between the closing amounts at 31 December 2017 and 31 December 2016 is mainly explained by the effect on the deferred taxes stock of EDPR NA Group following the prospective CIT rate change enacted through the US tax reform, approved in December 2017.

In 31 December 2016, the caption Fiscal revaluations includes 326 millions Euros of deferred tax assets recognised on the fiscal revaluation reserve that derived from the revaluation of eligible assets held by certain EDP Group companies in Portugal, under Decree-Law 66/2016 of 3 November (see note 13). In addition, EDP Group assessed the amount of 12.6 million Euros related to gas assets which, with reference to 31 December 2016, were recorded as assets held for sale.

The disposal, during the third quarter of 2017, of the gas distribution business in Spain (see note 5), led to the derecognition, in the closing of the operation, of net amounts of deferred tax assets and liabilities that were part of the balance sheet of the companies sold, totaling 55.7 million Euros. This effect is reflected on the variation of the captions Tangible and intangible fixed assets and Allocation of fair value adjustments to assets and liabilities acquired.

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

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

| | Net Deferred tax assets | | Net Deferred tax liabilities | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Tax losses and tax credits | 75,681 | 69,846 | - | - |
| Provisions for social benefits, bad debts and other risks | 6,432 | 5,482 | - | - |
| Financial instruments | 15 | 20 | 1,687 | 15,994 |
| Financial and available-for-sale investments | 834 | 3,833 | - | - |
| Property, plant and equipment | 4,188 | 5,087 | - | - |
| Fiscal revaluations | - | - | 205 | 278 |
| Other temporary differences | 3,074 | 4,000 | 10,074 | 26,881 |
| Assets/liabilities compensation of deferred taxes | -11,966 | -43,153 | -11,966 | -43,153 |
| | 78,258 | 45,115 | - | - |

The deferred tax movement, for the Group and for the Company, in 2017 and 2016 is as follows:

| | Deferred taxes Group | | Deferred taxes Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| **Balance at 1 January** | 182,011 | -522,485 | 45,115 | 35,140 |
| Charges to the profit and loss account | 168,115 | 735,545 | 30,239 | 21,702 |
| Charges against reserves | 64,465 | -38,465 | 11,442 | -17,473 |
| Exchange differences and other variations | -72,602 | 7,416 | -8,538 | 5,746 |
| **Balance at 31 December** | 341,989 | 182,011 | 78,258 | 45,115 |

At 31 December 2017, the caption Exchange differences and other variations mainly includes the variation due to the above mentioned derecognition of deferred tax amounts related to the disposal of the gas distribution business in Spain.

Taxes recorded against reserves are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| **Deferred tax** | | | | |
| Financial instruments and fair value | 40,446 | -31,404 | 14,308 | -18,418 |
| Sale of non-controlling interests without loss of control | - | -30,228 | - | - |
| Actuarial gains and losses | 27,415 | 22,979 | -125 | 487 |
| Changes in fair value of financial assets held for sale | -3,396 | 188 | -2,741 | 458 |
| | 64,465 | -38,465 | 11,442 | -17,473 |

The caption Financial instruments and fair value includes negative 31,042 thousand Euros of deferred tax related to the variation in EDP Group fair value reserve (cash flow hedge) and negative 362 thousand Euros related to the variation of the deferred tax of cash flow hedge reserve of joint ventures and associate companies.

The Group tax losses carried forward are as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 |
|---|---|---|
| **Expiry date:** | | |
| 2017 | - | 6,623 |
| 2018 | 2,808 | 9,019 |
| 2019 | 11,547 | 15,457 |
| 2020 | 13,108 | 19,151 |
| 2021 | 61,713 | 70,581 |
| 2022 | 21,202 | 17,194 |
| 2023 to 2037 | 2,216,091 | 2,438,639 |
| Without expiry date | 1,273,121 | 1,243,495 |
| | 3,599,590 | 3,820,159 |

Of the total of EDP Group's tax losses available to carry forward as at 31 December 2017, the amount of 622.285 thousand Euros does not have deferred tax asset, in accordance with the applicable accounting standards since, at the present date, there is still not suficient visibility about the future period in which such tax losses will be used.

## 24. Inventories

This caption is as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 |
|---|---|---|
| Merchandise | 21,982 | 27,162 |
| Finished, intermediate products and sub-products | 37,738 | 30,013 |
| Raw and subsidiary materials and consumables (coal and other fuels) | 100,276 | 120,868 |
| Nuclear fuel | 16,700 | 17,891 |
| $CO_2$ licenses (see note 46) | - | 38,269 |
| Other | 89,079 | 82,374 |
| | 265,775 | 316,577 |

The caption $CO_2$ Licenses, includes licenses held for trading, measured at the lower of acquisition cost and net realisable value, which corresponds to the market quote, as described in accounting policy 2 y).

## 25. Debtors and Other Assets from Commercial Activities

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

| Thousand Euros | Group Dec 2017 | Group Dec 2016 |
|---|---|---|
| Trade receivables | 141,517 | 139,398 |
| Accrued income relating to energy sales activity | 8,105 | 29,854 |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 521,062 | 363,130 |
| Amounts receivable from tariff adjustments - Electricity - Brazil | 49,999 | 3,702 |
| Amounts receivable from tariff expenses - Gas - Spain | - | 63,169 |
| Amounts receivable relating to CMEC | 806,014 | 658,197 |
| Amounts receivable from concessions - IFRIC 12 | 1,229,370 | 1,114,941 |
| Sundry debtors and other operations | 148,423 | 144,236 |
| | 2,904,490 | 2,516,627 |
| Impairment losses on trade receivables | -61,929 | -64,956 |
| Impairment losses on debtors | -3,182 | -3,229 |
| | -65,111 | -68,185 |
| | 2,839,379 | 2,448,442 |

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

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Trade receivables | 1,712,574 | 1,503,590 | 306,651 | 182,424 |
| Accrued income relating to energy sales activity | 1,007,007 | 1,025,872 | 226,500 | 269,031 |
| Amounts receivable from tariff expenses - Electricity - Spain | - | 4,489 | - | - |
| Amounts receivable from tariff adjustments - Electricity - Portugal | 348,990 | 538,948 | - | - |
| Amounts receivable from tariff adjustments - Electricity - Brazil | 27,384 | 17,100 | - | - |
| Receivables relating to other goods and services | 18,328 | 25,656 | 24,516 | 36,662 |
| Amounts receivable relating to CMEC | 218,748 | 164,705 | - | - |
| Amounts receivable from concessions - IFRIC 12 | 60,978 | 54,024 | - | - |
| Sundry debtors and other operations | 250,046 | 223,851 | 62,450 | 73,916 |
| | 3,644,055 | 3,558,235 | 620,117 | 562,033 |
| Impairment losses on trade receivables | -305,909 | -329,212 | -9,699 | -9,935 |
| Impairment losses on debtors | -12,416 | -21,410 | -788 | -1,000 |
| | -318,325 | -350,622 | -10,487 | -10,935 |
| | 3,325,730 | 3,207,613 | 609,630 | 551,098 |

The geographical market Trade receivables' breakdown and the credit risk analysis are disclosed in note 4, under the Counterparty credit risk management.

As at 31 December 2017 and 2016, on a company basis, trade receivables are from Portugal geographical market.

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

| Thousand Euros | Current | Non-Current |
|---|---|---|
| **Balance as at 1 January 2016** | 791,662 | 1,440,282 |
| Receipts through the electric energy tariff | -548,746 | - |
| Partial sale of 2014 over costs for the special regime generators | -93,844 | - |
| Partial sale of 2015 over costs for the special regime generators | -920,473 | - |
| Partial sale of 2016 over costs for the special regime generators | -1,222,982 | - |
| Tariff adjustment of 2015 | 9,369 | - |
| Tariff adjustment for the period | 1,361,081 | 45,681 |
| Transfer to/from tariff adjustment payable | -774 | - |
| Interest income (see note 12) | 40,754 | 68 |
| Transfer from Non-Current to Current | 1,122,901 | -1,122,901 |
| **Balance as at 31 December 2016** | 538,948 | 363,130 |
| Receipts through the electric energy tariff | -472,725 | - |
| Partial sale of 2015 over costs for the special regime generators | -250,000 | - |
| Partial sale of 2017 over costs for the special regime generators | -907,607 | - |
| Tariff adjustment of 2016 | -1,476 | - |
| Tariff adjustment for the period | 921,593 | 686,434 |
| Interest income (see note 12) | 11,383 | 163 |
| Transfer to/from tariff adjustment payable | -19,791 | - |
| Transfer from Non-Current to Current | 528,665 | -528,665 |
| **Balance as at 31 December 2017** | 348,990 | 521,062 |

During the first semester of 2017, EDP Serviço Universal S.A. (EDP SU) sold, in six independent operations, a portion of the 2015 and 2017 tariff deficit in the amount of 250,000 thousand Euros and 324,068 thousand Euros, respectively. The 2015 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2015 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2013 and 2014). The 2017 tariff deficit results from the deferral, for the period of 5 years, of the recovery of the 2017 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2015 and 2016). In this assets' sale transaction, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 592,916 thousand Euros and generated a gain net of transaction costs of 11,982 thousand Euros (see note 12).

During the fourth quarter of 2017, EDP SU sold a portion of the 2017 tariff deficit in the amount of 583,539 thousand Euros. The 2017 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2017 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2015 and 2016). In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 600,000 thousand Euros and generated a gain net of transaction costs of 13,004 thousand Euros (see note 12).

The following table provides details for the caption Amounts receivable from tariff adjustments - Electricity - Portugal, by nature and year of establishment, as well as presents the amounts of tariff deficit that have been sold during the period ended 31 December 2017:

| Thousand Euros | Deficit | Tariff | Sales | Total |
|---|---|---|---|---|
| **Year:** | | | | |
| 2014 | 97,503 | 6,022 | - | 103,525 |
| 2015 | 268,984 | -31 | -250,000 | 18,953 |
| 2016 | 22,571 | 16,179 | - | 38,750 |
| 2017 | 1,347,403 | 269,028 | -907,607 | 708,824 |
| | 1,736,461 | 291,198 | -1,157,607 | 870,052 |

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments booked in EDP São Paulo - Distribuição de Energia S.A. (ex-Bandeirante) and EDP Espírito Santo - Distribuição de Energia S.A. (ex-Escelsa) with the accumulated amount as at 31 December 2017 of 52,807 thousand Euros (31 December 2016: 334 thousand Euros) and 24,576 thousand Euros (31 December 2016: 20,468 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 222,537 thousand Euros (see note 6), transfer from tariff adjustment payable of 17,840 thousand Euros (see note 38), amount received through the electricity tariff of 191,261 thousand Euros, unwinding in the amount of 16,373 thousand Euros (see note 12) and the exchange differences due to depreciation of Brazilian Real with a negative impact of 8,908 thousand Euros.

The decrease in Amounts receivable from tariff expenses - Gas - Spain results from the sale of Naturgás Energia Distribuición S.A.U.

The caption Amounts receivable relating to CMEC amounts to 1,024,762 thousand Euros, and includes 806,014 thousand Euros as non-current and 218,748 thousand Euros as current. The amount receivable relating to the initial CMEC includes 486,044 thousand Euros as non-current and 42,672 thousand Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousand Euros) deducted from the annuities for the years 2007 to 2017 and 231,349 thousand Euros as non-current and 28,165 thousand Euros as current, relating with the final adjustment recognised in accordance with the result achieved by the EDP/REN working group. The remaining 88,621 thousand Euros as non-current and 147,911 thousand Euros as current correspond to the receivable amounts through the revisibility calculation from 2014 to 2017. The revisibility calculation for 2015 and 2016 is still waiting the official approval.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 1,290,348 thousand Euros relates to the financial asset to be received by the EDP Group regarding the electricity distribution concessions in Portugal and electricity distribution and transmission concessions in Brazil, resulting from the application of the mixed and financial model. The variation in the period includes: (i) the effect of the depreciation of Brazilian Real against Euro in the amount of 73,483 thousand Euros; (ii) transfers from intangible assets assigned to concessions in the amount of 184,157 thousand Euros (see note 16); and (iii) the increase of brazilian transmission companies in the amount of 10,548 thousand Euros (this amount include the assets' remuneration and PIS/COFINS). Additionally, Amounts receivable from concessions - IFRIC 12 - Current refers to concessions in Portugal that ended in 2017.

The movements in Impairment losses on trade receivables - Non-Current are as follows:

| Thousand Euros | Group | |
|---|---|---|
| | Dec 2017 | Dec 2016 |
| **Balance at beginning of the period** | 64,956 | 30,984 |
| Charge of the period | 257 | 33,133 |
| Reversal of impairment losses | -2,552 | -2 |
| Exchange differences | -732 | 841 |
| **Balance at end of the period** | 61,929 | 64,956 |

The movements in Impairment losses on trade receivables - Current are as follows:

| Thousand Euros | Group | |
|---|---|---|
| | Dec 2017 | Dec 2016 |
| **Balance at beginning of the period** | 329,212 | 307,195 |
| Charge of the period | 108,418 | 130,817 |
| Reversal of impairment losses | -86,431 | -88,678 |
| Charge-off | -39,102 | -28,753 |
| Exchange differences | -8,503 | 10,946 |
| Perimeter variations/Other regularisations | 2,315 | -2,315 |
| **Balance at end of the period** | 305,909 | 329,212 |

In 2017, the movement, for the Company, in impairment losses on trade receivables refers to charge of the period in the amount of 13 thousand Euros and reversal of impairment losses in the amount of 248 thousand Euros (31 December 2016: reversal of impairment losses in the amount of 23 thousand Euros), booked in results of the period.

The movements in Impairment losses on debtors - Non-Current are as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 |
|---|---|---|
| **Balance at beginning of the period** | 3,229 | 3,215 |
| Charge of the period | - | 5 |
| Reversal of impairment losses | -1 | -66 |
| Exchange differences | -46 | 75 |
| **Balance at end of the period** | 3,182 | 3,229 |

The movements in Impairment losses on debtors - Current are as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 |
|---|---|---|
| **Balance at beginning of the period** | 21,410 | 21,130 |
| Charge of the period | 460 | 979 |
| Reversal of impairment losses | -3,800 | -330 |
| Charge-off | -5,172 | -11 |
| Exchange differences | -547 | 745 |
| Perimeter variations/Other regularisations | 65 | -1,103 |
| **Balance at end of the period** | 12,416 | 21,410 |

In 2017, the movement, for the Company, in impairment losses on debtors refers to charge of the period in the amount of 12 thousand Euros (31 December 2016: charge of the period in the amount of 60 thousand Euros) and reversal of impairment losses in the amount of 223 thousand Euros, booked in results of the period.

## 26. Other Debtors and Other Assets

Other debtors and other assets are as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 | Company Dec 2017 | Company Dec 2016 |
|---|---|---|---|---|
| **Debtors and other assets - Non-Current** | | | | |
| Loans to subsidiaries | - | - | 6,432,068 | 6,108,699 |
| Loans to related parties | 10,018 | 62,912 | 90 | 90 |
| Guarantees rendered to third parties | 51,041 | 53,533 | - | - |
| Derivative financial instruments | 163,874 | 206,482 | 191,610 | 723,368 |
| Excess of the pension fund financing (see note 35) | 58,952 | 57,585 | 63 | 65 |
| Sundry debtors and other operations | 234,887 | 56,516 | - | 31,102 |
| | 518,772 | 437,028 | 6,623,831 | 6,863,324 |
| **Debtors and other assets - Current** | | | | |
| Loans to subsidiaries | - | - | 1,573,553 | 1,409,450 |
| Dividends attributed by subsidiaries | - | - | 50,001 | - |
| Loans to related parties | 89,735 | 85,224 | 11,290 | 14,783 |
| Receivables from the State and concessors | 30,012 | 33,048 | - | - |
| Deposits to third parties | 24,606 | 28,336 | 6,727 | 15,990 |
| Derivative financial instruments | 129,350 | 176,471 | 523,931 | 343,218 |
| Subsidiary companies | - | - | 53,628 | 448,091 |
| Group's financial system (see note 44) | - | - | 688,078 | 743,759 |
| Sundry debtors and other operations | 30,925 | 31,237 | 14 | 4 |
| | 304,628 | 354,316 | 2,907,222 | 2,975,295 |
| | 823,400 | 791,344 | 9,531,053 | 9,838,619 |

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 4,875,717 thousand Euros (31 December 2016: 4,537,627 thousand Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 1,921,941 thousand Euros (31 December 2016: 1,697,252 thousand Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 44). Additionally, this caption includes 885,497 thousand Euros (31 December 2016: 885,832 thousand Euros) of loans granted to EDP Servicios Financieros España, S.A.U. through EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España (see notes 44 and 49).

Loans to related parties - Non-Current and Current, mainly includes loans granted to Empresa de Energia São Manoel S.A., Moray Offshore Windfarm (East) Limited, EDP Produção Bioeléctrica, S.A. and Parque Eólico Sierra del Madero, S.A. The changes in the period are due to the fact that this caption includes, in 2016, the loan granted to Eólica de Coahuila, S.A. de C.V., which, following the acquisition of control, is being full consolidated by EDP Group in 2017 (see note 5).

Derivative financial instruments – Current, for the Company, include 280,477 thousand Euros (31 December of 2016: 510,006 and 158,041 thousand Euros, Non Current and Current, respectively), related to a hedging instrument in USD and EUR with EDP Renováveis, S.A., contracted to hedge the foreign exchange rate risk of the debt in Dollars issued by EDP Finance B.V. and granted to EDP – Energias de Portugal – Sociedade Anónima, Sucursal en España (see note 39). This instrument is a Cross Currency Interest Rate Swap (CIRS) revalued at each balance sheet date at its market value, which is a spot foreign exchange rate valuation, resulting in a perfect fair value hedge (revaluation of fair value of the derivative instrument and the hedged liability). During the period EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España was made a partial repayment of the liability hedged in amount of 91,339 thousand Euros, corresponding to a notional of 619,281 thousand Dollars. The remaining derivative financial instruments, assets and liabilities, are essentially related to derivatives contracted with external entities as a pass-through to hedge EDP Group companies business related risks.

The variation in the caption Sundry debtors and other operations - Non Current is mainly due to the fair value of the contingent price related with the Naturgás transaction sale, in the amount of 149 million Euros.

## 27. Current Tax Assets

Current tax assets are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Income tax | 364,731 | 175,518 | 177,984 | 33,657 |
| Value added tax (VAT) | 83,415 | 285,160 | 6,395 | 5,531 |
| Special taxes Brazil | 130,977 | 64,439 | - | - |
| Other taxes | 2,170 | 1,628 | 877 | 823 |
| | 581,293 | 526,745 | 185,256 | 40,011 |

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Non-Current | 60,793 | 32,241 | - | - |
| Current | 520,500 | 494,504 | 185,256 | 40,011 |
| | 581,293 | 526,745 | 185,256 | 40,011 |

On an Individual and Group basis, the increase in income tax is mainly due to advance tax payments made by EDP S.A., net of the fiscal Group tax estimate in Portugal.

As at 31 December 2016, for the Group, the caption Value added tax (VAT) included the VAT receivable by Naturgas Group, in the context of an intragroup sale of gas distribution assets occurred in December 2016.

The Special taxes Brazil caption relates to the following taxes: CSLL (Social Contribution on net profits), PIS (Social integration programme) and COFINS (Social Security Financing Contribution).

In December 2014, the distribution companies EDP São Paulo and EDP Espírito Santo began to recognise tariff adjustments as payable and receivable amounts, considering that the triggering event for the recognition of the various taxes (e.g. IRPJ, CSLL, PIS and COFINS) would only be verified when the respective energy was consumed, in accordance with the legal opinion of independent consultants. This understanding was consistent with the interpretation of Brazilian Fiscal Authorities ("Receita Federal do Brasil" - RFB), made public through the consultation no. 26/02 of the COSIT.

On 30 June 2016, RFB approved the COSIT opinion no. 101/16 where it concluded that the receivables over tariff adjustments should integrate the basis for tax calculation at the time of the accounting recognition. Thus, companies requested independent consultants to update their legal opinions, and they kept their initial understanding.

In the third quarter of 2017, considering that the new COSIT procedure is more conservative and the possibility of appealing to the Tax Regularisation Special Programme ("Programa Especial de Regularização Tributária" - PERT), created by Provisional Measure no. 783/17 and regulated by Normative Instruction RFB 1711/17, the distribution companies changed their criteria and started to recalculate all taxes since the initial recognition of payable and receivable amounts related with tariff adjustments.

Additionally, Enerpeixe identified energy sale contracts, signed before 31 of December of 2003, with the possibility of being integrated in the cumulative fiscal regime with the consequential application of a PIS and COFINS tax rate of 3.65% compared to the 9.25% previously considered. These contracts were submitted to the evaluation of an independent consultant, who demonstrated that the pre-determined price did not decrease, in accordance with Law no. 11.196/05 and Normative Instruction RFB 658/06.

Following these operations, the companies recognized tax receivables totaling 180,920 thousand Euros (718,779 thousand Brazilian Reais) and tax payables totaling 129,607 thousand euros (514,917 thousand Brazilian Reais) (see note 40).

As at 31 December 2017, the captions Income tax and Special taxes Brazil include the amount of 120,175 thousand Euros (477,443 thousand Brazilian Reais), corresponding to the recognised asset of 180,920 thousand Euros net of compensations.

## 28. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 | Company Dec 2017 | Company Dec 2016 |
|---|---|---|---|---|
| **Cash** | 217 | 120 | 14 | 14 |
| | | | | |
| **Bank deposits** | | | | |
| Current deposits | 781,853 | 540,977 | 348,746 | 147,741 |
| Term deposits | 1,516,533 | 859,235 | 675,000 | 85,000 |
| Specific demand deposits in relation to institutional partnerships | 101,474 | 120,921 | - | - |
| | 2,399,860 | 1,521,133 | 1,023,746 | 232,741 |
| **Operations pending cash settlement** | | | | |
| Current deposits | - | - | 115,000 | 85,000 |
| | 2,400,077 | 1,521,253 | 1,138,760 | 317,755 |

Specific demand deposits in relation to institutional partnerships corresponds to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 37), under the Group accounting policy.

As at 31 December 2017, on a company basis, the caption Operations pending cash settlement represents commercial paper issued by EDP, S.A., which is booked as financial debt at the issuance trade date, under the Group accounting policy. This caption of 115,000 thousand Euros (31 December 2016: 85,000 thousand Euros) refers to commercial paper issued on 28 December 2017, acquired by EDP Finance B.V., which settlement date occurred on 2 January 2018.

## 29. Share Capital and Share Premium

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

On 11 May 2012, regarding EDP's eighth reprivatisation phase, the Portuguese State sold to China Three Gorges (Europe), S.A. (former - CWEI (Europe), S.A.), the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP, S.A.

On 21 February 2013, Parpública – Participações Públicas (SGPS) S.A. (Parpública) notified EDP that, on 19 February 2013, it sold 151,517,000 shares, which correspond to 4.14% of EDP's share capital.

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

On 29 September 2017, China Three Gorges (Europe), S.A. acquired 70,143,242 shares representing around 1.92% of EDP's share capital. After this acquisition, an off-market transaction, CTG Europe became the holder of 850,777,024 shares.

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

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2017 is as follows:

| | No. of Shares | % Capital | % Voting |
|---|---|---|---|
| China Three Gorges Corporation | 850,777,024 | 23.27% | 23.27% |
| CNIC Co., Ltd | 182,081,216 | 4.98% | 4.98% |
| Capital Group Companies, Inc. | 438,903,945 | 12.00% | 12.00% |
| Oppidum Capital, S.L. | 263,046,616 | 7.19% | 7.19% |
| BlackRock, Inc. | 182,733,180 | 5.00% | 5.00% |
| Mubadala Investment Company | 148,431,999 | 4.06% | 4.06% |
| Millennium BCP Group and Pension Fund | 89,126,167 | 2.44% | 2.43% |
| Sonatrach | 87,007,433 | 2.38% | 2.38% |
| Qatar Investment Authority | 82,868,933 | 2.27% | 2.27% |
| Norges Bank | 98,397,785 | 2.69% | 2.69% |
| EDP (Treasury stock) | 21,906,324 | 0.60% | |
| Remaining shareholders | 1,211,257,093 | 33.12% | |
| | **3,656,537,715** | **100.00%** | |

This breakdown should be read together with note 47 – Relevant or subsequent events, where the changes occurred in the shareholder structure after 31 December 2017 are disclosed.

Share capital and Share premium are as follows:

| Thousand Euros | Group and Company | |
|---|---|---|
| | Share capital | Share premium |
| **Balance as at 1 January** | 3,656,538 | 503,923 |
| Movements during the period | - | - |
| **Balance as at 31 December** | 3,656,538 | 503,923 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Net profit attributable to the equity holders of EDP (in Euros) | 1,113,168,602 | 960,561,006 | 765,427,037 | 758,031,089 |
| Net profit from continuing operations attributable to the equity holders of EDP (in Euros) | 1,113,168,602 | 960,561,006 | | |
| Weighted average number of ordinary shares outstanding | 3,634,756,353 | 3,634,971,187 | 3,636,269,353 | 3,636,484,187 |
| Weighted average number of diluted ordinary shares outstanding | 3,634,756,353 | 3,634,971,187 | 3,636,269,353 | 3,636,484,187 |
| Basic earnings per share attributable to equity holders of EDP (in Euros) | 0.31 | 0.26 | | |
| Diluted earnings per share attributable to equity holders of EDP (in Euros) | 0.31 | 0.26 | | |
| Basic earnings per share from continuing operations (in Euros) | 0.31 | 0.26 | | |
| Diluted earnings per share from continuing operations (in Euros) | 0.31 | 0.26 | | |

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

The average number of shares was determined as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Ordinary shares issued at the beginning of the period | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 |
| Effect of shares issued during the period | - | - | - | - |
| **Average number of realised shares** | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 | 3,656,537,715 |
| Effect of treasury stock | -21,781,362 | -21,566,528 | -20,268,362 | -20,053,528 |
| **Average number and diluted average number of shares during the period** | 3,634,756,353 | 3,634,971,187 | 3,636,269,353 | 3,636,484,187 |

## 30. Treasury Stock

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Book value of EDP, S.A.'s treasury stock (thousand Euros) | 62,957 | 63,528 | 56,862 | 57,433 |
| Number of shares | 21,906,324 | 22,056,438 | 20,393,324 | 20,543,438 |
| Market value per share (in Euros) | 2.885 | 2.894 | 2.885 | 2.894 |
| Market value of EDP, S.A.'s treasury stock (thousand Euros) | 63,200 | 63,831 | 58,835 | 59,453 |

Shares' transactions occurred between 1 January and 31 December 2017:

| | EDP, S.A. | Energia RE |
|---|---|---|
| Volume acquired (number of shares) | 300,000 | - |
| Average purchase price (in Euros) | 2.896 | - |
| Total purchases (thousand Euros) | 869 | - |
| Volume sold (number of shares) | -450,114 | - |
| Average selling price (in Euros) | 3.030 | - |
| Total sales (thousand Euros) | 1,364 | - |
| Final position (number of shares) | 20,393,324 | 1,513,000 |
| Highest market price (in Euros) | 3.374 | - |
| Lowest market price (in Euros) | 2.660 | - |
| Average market price (in Euros) | 3.014 | - |

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

## 31. Reserves and Retained Earnings

This caption is as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 | Company Dec 2017 | Company Dec 2016 |
|---|---|---|---|---|
| Legal reserve | 739,024 | 739,024 | 739,024 | 739,024 |
| Fair value reserve (cash flow hedge) | -103,578 | 43,235 | 7,496 | 54,217 |
| Tax effect of fair value reserve (cash flow hedge) | 27,436 | -13,749 | -1,726 | -16,034 |
| Fair value reserve (available for sale investments) | 36,649 | 52,096 | - | 20,190 |
| Tax effect of fair value reserve (available for sale investments) | -5,394 | -1,998 | - | 2,741 |
| Exchange differences arising on consolidation | -361,956 | -144,818 | - | - |
| Treasury stock reserve (EDP, S.A.) | 56,862 | 57,433 | 56,862 | 57,433 |
| Other reserves and retained earnings | 3,946,222 | 3,617,570 | 1,773,887 | 1,706,377 |
| | 4,335,265 | 4,348,793 | 2,575,543 | 2,563,948 |

*Legal reserve*

In accordance with article no. 295 of "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

*Fair value reserve (cash flow hedge)*

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

*Fair value reserve (available for sale investments)*

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

| Thousand Euros | Group Increases | Group Decreases |
|---|---|---|
| **Balance as at 1 January 2016** | 586,853 | -525,288 |
| Changes in fair value | 10,358 | -40,789 |
| Transfer of impairment to profit or loss | 31,821 | - |
| Transfer to the income statement relating to assets sold | - | -10,859 |
| **Balance as at 31 December 2016** | 629,032 | -576,936 |
| Changes in fair value | 9,651 | -1,496 |
| Transfer of impairment to profit or loss | 1,041 | - |
| Transfer of reserves from assets sold to profit or loss | - | -24,643 |
| **Balance as at 31 December 2017** | 639,724 | -603,075 |

Changes in fair value reserve attributable to the EDP Group during the period ended 31 December 2017 are as follows:

| Thousand Euros | Increases | Decreases |
|---|---|---|
| EDA - Electricidade dos Açores, S.A. | - | -455 |
| Feedzai - Consultadoria e Inovação Tecnológica, S.A. | 5,261 | - |
| Zephyr Fund (Energia RE portfolio) | 1,848 | - |
| REN - Redes Energéticas Nacionais, SGPS, S.A. | 94 | - |
| Other | 2,448 | -1,041 |
| | 9,651 | -1,496 |

*Exchange differences on consolidation*

Exchange differences on consolidation include the amounts resulting from changes in the value of net assets of subsidiaries, joint ventures and associated companies resulting from changes in exchange rates. The exchange rates used in the preparation of the financial statements are as follows:

| Currency | | Exchange rates at Dec 2017 | | Exchange rates at Dec 2016 | |
|---|---|---|---|---|---|
| | | Closing rates | Average exchange rate | Closing rates | Average exchange rate |
| US Dollar | USD | 1.199 | 1.129 | 1.054 | 1.107 |
| Brazilian Real | BRL | 3.973 | 3.605 | 3.431 | 3.858 |
| Macao Pataca | MOP | 9.653 | 9.063 | 8.420 | 8.848 |
| Canadian Dollar | CAD | 1.504 | 1.465 | 1.419 | 1.466 |
| Polish Zloty | PLN | 4.177 | 4.258 | 4.410 | 4.363 |
| Romanian Leu | RON | 4.659 | 4.569 | 4.539 | 4.491 |
| Pound Sterling | GBP | 0.887 | 0.877 | 0.856 | 0.819 |
| South African Rand | ZAR | 14.805 | 15.047 | 14.457 | 16.267 |
| Mexican Peso | MXN | 23.661 | 21.330 | 21.772 | 20.661 |
| Chinese Yuan | CNY | 7.804 | 7.628 | 7.320 | 7.351 |

*Treasury stock reserve (EDP, S.A.)*

In accordance with the article 324º of "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code), EDP, S.A. has created an unavailable reserve with an amount equal to the book value amount of treasury stock held in the company statements.

*Dividends*

On 19 April 2017, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2016 in the amount of 694,742 thousand Euros, corresponding to a dividend of 0.19 Euros per share (including the treasury stock dividend owned by EDP, S.A. and Energia RE in the amount of 3,818 thousand Euros and 287 thousand Euros, respectively). This distribution occurred on 17 May 2017.

## 32. Non-Controlling Interests

This caption is as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 |
|---|---|---|
| Non-controlling interests in income statement | 328,266 | 239,550 |
| Non-controlling interests in equity and reserves | 3,606,056 | 4,090,535 |
| | 3,934,322 | 4,330,085 |

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

| Thousand Euros | Group Dec 2017 | Group Dec 2016 |
|---|---|---|
| EDP Renováveis Group | 2,653,911 | 2,819,335 |
| EDP Brasil Group | 1,308,065 | 1,548,514 |
| Other | -27,654 | -37,764 |
| | 3,934,322 | 4,330,085 |

The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits attributable to non-controlling interests of 230,843 thousand Euros; (ii) a negative impact of 58,531 thousand Euros related to dividends attributable to non-controlling interests; (iii) a negative impact of 141,518 thousand Euros resulting from exchange differences; (iv) a negative impact of 34,060 thousand Euros resulting from share capital increases/decreases and other acquisitions/sales without change of control; (v) a positive impact resulting from a gain of control of EDPR subsidiary in Mexico of 16,646 thousand Euros (see note 5); (vi) a positive impact of 135,679 thousand Euros resulting from the sale without change of control of EDPR EU subsidiaries attributable to non-controlling interests (see note 5); and (vii) a negative impact of 315,691 thousand Euros resulting from the General and Voluntary Public Tender Offer for the acquisition of shares representative of the share capital of EDP Renováveis, S.A. (see note 5).

The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 100,180 thousand Euros of profits attributable to non-controlling interests; (ii) a decrease of 203,667 thousand Euros resulting from exchange differences; (iii) a negative impact of 59,720 thousand Euros related to dividends attributable to non-controlling interests; (iv) a negative impact of 13,235 thousand Euros from recognised actuarial losses (net of taxes); and (v) a negative impact of 64,474 thousand Euros resulting from share capital decreases.

## 33. Hydrological Account

The movements in the Hydrological account are as follows:

| Thousand Euros | Group and Company | |
|---|---|---|
| | Dec 2017 | Dec 2016 |
| **Balance at the beginning of the period** | 1,574 | 11,417 |
| Amounts received/(paid) during the period | - | -10,142 |
| Financial charges | - | 299 |
| **Balance at the end of the period** | 1,574 | 1,574 |

The hydrological account was established by Decree-Law 23/89, of 19 January, and reflects the accounting movements resulting from the application of the hydrological correction mechanism established by the mentioned Decree-Law. This legal mechanism is designed to match a sharp interannual irregularity of production costs with a tariff stability policy, which, as a rule, affects consumers by the average of the hydrological conditions.

Given the evolution of the national electricity sector, in particular with the liberalised market, the legislature sought to adapt the mechanism of hydrological correction account to the market conditions, and for such, issued Decree-Law 110/2010 of 14 October, which provides the termination of this mechanism by 31 December 2016 and establishes a transitional regime applicable until that date. Under the terms of this Decree-Law, the differential of hydrological adjustment should be reflected in the tariff calculation applicable to all energy consumers, to cover the variation risk of tariff costs and revenues associated to the hydrological variability in Portugal.

The positive differentials of the hydrological correction account must be delivered by EDP - Energias de Portugal, SA (EDP, S.A.) to the RND concessionaire, against the hydrological correction account, in benefit of the overall system usage tariff or another tariff applicable to all electricity consumers. Thus, the negative differentials must be recovered in favor of the hydrological correction account through the same tariff and delivered by the RND concessionaire to EDP, S.A.

The financial charges or income that have always been associated with the accumulated balance of this account are booked against results.

This Decree-Law establishes that the hydrological correction account, which has always been applied to the accounts of the EDP Group, should be evidenced in EDP, S.A.'s financial position statement and the corresponding annual movements explained in the notes to the financial statements.

According with Decree-Law 110/2010 of 14 October, the hydrological correction account mechanism ceased in the end of 2016. In that year, the amount in the hydrological account was exclusively financial charges supported by EDP, S.A. The document “Tariffs and prices for the electricity and other services for 2017”, published by ERSE, determined the tariffs of this year that do not considered any amount related to this mechanism, so the amount remained unchanged for this year.

## 34. Financial Debt

This caption is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| **Debts and borrowings - Non-current** | | | | |
| Bank loans: | | | | |
| - EDP, S.A. | 288,137 | 350,570 | 288,137 | 350,570 |
| - EDP Finance B.V. | 1,942,285 | 2,359,360 | - | - |
| - EDP Brasil Group | 454,786 | 588,845 | - | - |
| - EDP Renováveis Group | 825,927 | 686,276 | - | - |
| - EDP Produção | - | 73,688 | - | - |
| | 3,511,135 | 4,058,739 | 288,137 | 350,570 |
| Non-convertible bond loans: | | | | |
| - EDP, S.A. | - | 50,000 | 4,350,000 | 7,900,000 |
| - EDP Finance B.V. | 10,000,982 | 9,394,007 | - | - |
| - EDP Brasil Group | 679,445 | 696,122 | - | - |
| | 10,680,427 | 10,140,129 | 4,350,000 | 7,900,000 |
| Hybrid bond: | | | | |
| - EDP, S.A. | 739,168 | 739,168 | 739,168 | 739,168 |
| | 739,168 | 739,168 | 739,168 | 739,168 |
| Commercial paper: | | | | |
| - EDP, S.A. | 408,455 | 437,169 | 408,455 | 437,169 |
| - EDP Brasil Group | 32,722 | - | - | - |
| | 441,177 | 437,169 | 408,455 | 437,169 |
| Other loans | 16,923 | 21,681 | - | - |
| | 15,388,830 | 15,396,886 | 5,785,760 | 9,426,907 |
| Accrued interest | 1,249 | - | - | - |
| Other liabilities: | | | | |
| - Fair value of the issued debt hedged risk | 79,557 | 153,387 | - | - |
| **Total Debt and Borrowings** | 15,469,636 | 15,550,273 | 5,785,760 | 9,426,907 |
| **Collateral Deposits - Non-current *** | -34,874 | -31,936 | - | - |
| | 15,434,762 | 15,518,337 | 5,785,760 | 9,426,907 |

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| **Debt and borrowings - Current** | | | | |
| Bank loans: | | | | |
| - EDP, S.A. | 64,984 | 65,129 | 76,433 | 74,199 |
| - EDP Finance B.V. | 29,990 | 199,482 | - | - |
| - EDP Brasil Group | 110,779 | 90,234 | - | - |
| - EDP Renováveis Group | 166,101 | 99,185 | - | - |
| - Other | 20 | 5,696 | - | - |
| | 371,874 | 459,726 | 76,433 | 74,199 |
| Non-convertible bond loans: | | | | |
| - EDP, S.A. | 50,000 | - | 4,550,000 | - |
| - EDP Finance B.V. | 549,035 | 1,062,764 | - | - |
| - EDP Brasil Group | 205,561 | 178,671 | - | - |
| | 804,596 | 1,241,435 | 4,550,000 | - |
| Commercial paper: | | | | |
| - EDP, S.A. | 6,000 | 556,000 | 2,961,519 | 1,575,846 |
| | 6,000 | 556,000 | 2,961,519 | 1,575,846 |
| Other loans | 3,836 | 7,664 | - | - |
| | 1,186,306 | 2,264,825 | 7,587,952 | 1,650,045 |
| Accrued interest | 260,116 | 292,064 | 114,585 | 116,314 |
| Other liabilities: | | | | |
| - Fair value of the issued debt hedged risk | 1,707 | -80,486 | - | - |
| **Total Debt and Borrowings** | 1,448,129 | 2,476,403 | 7,702,537 | 1,766,359 |
| **Collateral Deposits - Current *** | -10,381 | -20,095 | - | - |
| | 1,437,748 | 2,456,308 | 7,702,537 | 1,766,359 |

* Deposits constituted as collateral for financial guarantee

Commercial Paper non-current refers to a Commercial Paper programs with a firm underwriting commitment for a period of over one year, in the amounts of 250,000 thousand US Dollars, 200,000 thousand Euros and 130,000 thousand Reais.

Main events of the period:

In January 2017, EDP Finance B.V. issued a Eurobond of 600 million Euros maturing in September 2023.

In June 2017, EDP Finance B.V. issued a total of 1,000 million US Dollars notes under Rule 144A and Regulation S of the U.S. Securities Act of 1933, maturing in July 2024. The securities were issued under EDP and EDP Finance B.V.'s Program for the Issuance of Debt Instruments (MTN).

In October 2017, EDP Finance B.V. cancelled an existing 3,150 million Euros Revolving Credit Facility ("RCF") that was due to mature in June, 2019, replacing it with a new 3,300 million Euros RCF with a 5-Year tenor, extendable for 2 additional years, subject to lenders authorisation.

In November 2017, EDP Finance B.V. issued a Eurobond of 500 million Euros maturing in November 2027.

In December 2017, EDP S.A. concluded a "Tender Offer" over the issues "4.900% NOTES DUE OCTOBER 1, 2019" and "4.125% NOTES DUE January 15, 2020", limited to a total value of 500 million US Dollars. As a result of the offer, EDP SA acquired 332,924 thousand US Dollars of the "4.900% NOTES DUE OCTOBER 1, 2019" and 167,076 thousand US Dollars of the "4.125% NOTES DUE January 15, 2020" (see note 19).

The nominal value of outstanding Bond loans placed with external counterparties, as at 31 December 2017, is as follows:

| Issuer | Issue date | Interest rate | Type of hedge | Conditions / Redemption | Nominal Value in Million Currency | Thousand Euros | |
|---|---|---|---|---|---|---|---|
| | | | | | | Group | Company |
| **Issued by EDP S.A.** | | | | | | | |
| EDP, S.A. (ii) | May-08 | Variable rate (iii) | n.a. | May-18 | 50 EUR | 50,000 | 50,000 |
| | | | | | | 50,000 | 50,000 |
| **Hybrid by EDP S.A.** | | | | | | | |
| EDP, S.A. (iv) | Sep-15 | Fixed rate EUR 5.375% (v) | n.a. | Sep-75 | 750 EUR | 750,000 | 750,000 |
| | | | | | | 750,000 | 750,000 |
| **Issued under the Euro Medium Term Notes program** | | | | | | | |
| EDP Finance B.V. | Dec-02 | Fixed rate EUR (iii) | n.a. | Dec-22 | 93 EUR | 93,357 | - |
| EDP Finance B.V.(i) | Jun-05 | Fixed rate EUR 4.125% | n.a. | Jun-20 | 300 EUR | 300,000 | - |
| EDP Finance B.V.(vi) | Nov-07 | Fixed rate USD 6.00% | Net Investment | Feb-18 | 531 USD | 442,373 | - |
| EDP Finance B.V.(i) | Nov-08 | Fixed rate GBP 8.625% | Fair Value | Jan-24 | 325 GBP | 410,314 | - |
| EDP Finance B.V. | Nov-08 | Zero coupon EUR (iii) | n.a. | Nov-23 | 160 EUR | 160,000 | - |
| EDP Finance B.V.(i) | Jun-09 | Fixed rate JPY (iii) | n.a. | Jun-19 | 10,000 JPY | 87,192 | - |
| EDP Finance B.V.(vi) | Sep-09 | Fixed rate USD 4.90% | Net Investment | Oct-19 | 637 USD | 530,758 | - |
| EDP Finance B.V.(i) | Nov-12 | Fixed rate CHF 4.00% | Fair Value/ Cash Flow | Nov-18 | 125 CHF | 103,922 | - |
| EDP Finance B.V.(i) | Sep-13 | Fixed rate EUR 4.875% | Fair Value | Sep-20 | 750 EUR | 750,000 | - |
| EDP Finance B.V. | Nov-13 | Fixed rate EUR 4.125% | n.a. | Jan-21 | 600 EUR | 600,000 | - |
| EDP Finance B.V. | Jan-14 | Fixed rate USD 5.25% | Net Investment | Jan-21 | 750 USD | 625,365 | - |
| EDP Finance B.V.(i) | Apr-14 | Fixed rate EUR 2.625% | Fair Value | Apr-19 | 650 EUR | 650,000 | - |
| EDP Finance B.V. | Jun-14 | Variable rate (iii) | Net Investment | Jun-19 | 100 USD | 83,382 | - |
| EDP Finance B.V.(i) | Sep-14 | Fixed rate EUR 2.625% | Fair Value | Jan-22 | 1,000 EUR | 1,000,000 | - |
| EDP Finance B.V.(vi) | Nov-14 | Fixed rate USD 4.125% | Net Investment | Jan-20 | 583 USD | 486,054 | - |
| EDP Finance B.V.(i) | Apr-15 | Fixed rate EUR 2.00% | Fair Value | Apr-25 | 750 EUR | 750,000 | - |
| EDP Finance B.V. | Mar-16 | Fixed rate EUR 2.375% | n.a. | Mar-23 | 600 EUR | 600,000 | - |
| EDP Finance B.V.(i) | Aug-16 | Fixed rate EUR 1.125% | n.a. | Feb-24 | 1,000 EUR | 1,000,000 | - |
| EDP Finance B.V. | Jan-17 | Fixed rate EUR 1.875% | n.a. | Sep-23 | 600 EUR | 600,000 | - |
| EDP Finance B.V. | Jun-17 | Fixed rate USD 3.625% | Net Investment | Jul-24 | 1,000 USD | 833,820 | - |
| EDP Finance B.V. | Nov-17 | Fixed rate EUR 1.50% | n.a. | Nov-27 | 500 EUR | 500,000 | - |
| | | | | | | 10,606,537 | - |

| Issuer | Issue date | Interest rate | Type of hedge | Conditions / Redemption | Nominal Value in Million Currency | Thousand Euros | |
|---|---|---|---|---|---|---|---|
| | | | | | | Group | Company |
| **Issued by the EDP Energias do Brasil Group in the Brazilian domestic market** | | | | | | | |
| Lajeado Energia | Nov-13 | CDI + 1.20% | n.a. | Nov-19 | 300 BRL | 75,515 | - |
| EDP São Paulo (ex-Bandeirante) | Apr-14 | CDI + 1.39% | n.a. | Apr-19 | 108 BRL | 27,184 | - |
| EDP Espírito Santo (ex-Escelsa) | Aug-14 | CDI + 1.50% | n.a. | Aug-20 | 177 BRL | 44,501 | - |
| Energias do Brasil | Oct-15 | IPCA + 8.3201% | n.a. | Sep-21 | 201 BRL | 50,716 | - |
| Energias do Brasil | Oct-15 | CDI + 1.74% | n.a. | Sep-18 | 332 BRL | 83,598 | - |
| Energias do Brasil | Oct-15 | IPCA + 8.2608% | n.a. | Sep-24 | 54 BRL | 13,551 | - |
| Energias do Brasil | Apr-16 | IPCA + 8.3479% | n.a. | Apr-22 | 267 BRL | 67,089 | - |
| Energest | Apr-16 | CDI + 2.25% | n.a. | Apr-18 | 36 BRL | 9,061 | - |
| Energest | Apr-16 | CDI + 2.265% | n.a. | Apr-20 | 54 BRL | 13,592 | - |
| Enerpeixe | Nov-16 | 114.50% * CDI | n.a. | Nov-19 | 350 BRL | 88,097 | - |
| Pecém | Dec-16 | CDI + 2.95% | n.a. | Nov-21 | 330 BRL | 83,063 | - |
| EDP São Paulo (ex-Bandeirante) | Apr-17 | 108.75% * CDI | n.a. | Apr-22 | 150 BRL | 37,756 | - |
| EDP Espírito Santo (ex-Escelsa) | Apr-17 | 108.75% * CDI | n.a. | Apr-22 | 190 BRL | 47,824 | - |
| Enerpeixe | Nov-17 | 116.00% * CDI | n.a. | Dec-22 | 320 BRL | 80,546 | - |
| EDP São Paulo (ex-Bandeirante) | Dec-17 | 107.50% * CDI | n.a. | Jan-21 | 100 BRL | 25,171 | - |
| EDP Pequenas Centrais Hidroelétricas | Dec-17 | CDI + 1.30% | n.a. | Dec-22 | 150 BRL | 37,756 | - |
| EDP Espírito Santo (ex-Escelsa) | Dec-17 | 107.50% * CDI | n.a. | Jan-21 | 120 BRL | 30,205 | - |
| Lajeado Energia | Dec-17 | 109.00% * CDI | n.a. | Dec-20 | 100 BRL | 25,171 | - |
| Lajeado Energia | Dec-17 | 113.70% * CDI | n.a. | Dec-22 | 200 BRL | 50,341 | - |
| | | | | | | 890,737 | - |
| | | | | | | 12,297,274 | 800,000 |

(i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.
(ii) Fixed in each year, varies over the useful life of the loan.
(iii) These issues correspond to private placements.
(iv) There is a call option exercisable at par by EDP at March 2021, March 2026 and subsequently, on each interest payment date.
(v) Fixed rate in the first 5.5 years, subsequently updated every 5 years.
(vi) Consolidated nominal value after the repurchase of securities by EDP - Energias de Portugal, S.A.

Some of the loans contracted by the EDP Group, mainly debt issued under the EMTN programme, include some usual clauses in this type of operations, namely, "change-of-control", "negative pledge", "pari-passu" and "cross-default" clauses, each one only applicable under a restricted set of circumstances.

The Group has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2017 and 2016 these loans amounted to 1,249,771 thousand Euros and 1,100,951 thousand Euros, respectively (see note 43).

EDP Group has several credit facilities it uses for liquidity management. EDP Group has short-term credit facilities of 226 million Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, which as at 31 December 2017 are totally available. EDP Group has also a Commercial Paper program of 100 million Euros with guaranteed placement, which as at 31 December 2017 is totally available. EDP Group has a medium term Revolving Credit Facility (RCF) of 3,300 million Euros, with a firm underwriting commitment and maturing in 2022, a RCF of 500 million Euros, with a firm underwriting commitment and maturing in 2020, and a RCF of 75 million Euros, with a firm underwriting commitment and maturing in 2019 which as at 31 December 2017 are totally available.

As at 31 December 2017, future debt and interest payments, by type of loan and currency, are as follows:

| Thousand Euros | Dec 2018 | Dec 2019 | Dec 2020 | Dec 2021 | Dec 2022 | Following years | Total |
|---|---|---|---|---|---|---|---|
| **Bank loans:** | | | | | | | |
| Euro | 144,427 | 111,999 | 1,592,654 | 255,313 | 74,308 | 230,083 | 2,408,784 |
| Brazilian Real | 127,779 | 161,513 | 75,823 | 64,615 | 65,306 | 263,268 | 758,304 |
| US Dollar | 25,426 | 302,658 | 11,624 | 11,808 | 11,566 | 161,008 | 524,090 |
| Other | 83,741 | 19,189 | 19,932 | 21,675 | 18,494 | 38,683 | 201,714 |
| | 381,373 | 595,359 | 1,700,033 | 353,411 | 169,674 | 693,042 | 3,892,892 |
| **Bond loans:** | | | | | | | |
| Euro | 303,583 | 652,500 | 1,070,299 | 596,102 | 1,183,316 | 3,960,257 | 7,766,057 |
| Brazilian Real | 217,235 | 131,014 | 200,433 | 221,015 | 122,320 | 4,662 | 896,679 |
| US Dollar | 499,769 | 686,261 | 483,958 | 620,755 | - | 826,708 | 3,117,451 |
| | 1,020,587 | 1,469,775 | 1,754,690 | 1,437,872 | 1,305,636 | 4,791,627 | 11,780,187 |
| **Hybrid Bond:** | | | | | | | |
| Euro | 32,140 | - | - | - | - | 739,168 | 771,308 |
| | 32,140 | - | - | - | - | 739,168 | 771,308 |
| **Commercial paper:** | | | | | | | |
| Euro | 6,046 | - | - | 200,000 | - | - | 206,046 |
| Brazilian Real | - | 33,971 | - | - | - | - | 33,971 |
| US Dollar | 2,973 | 208,455 | - | - | - | - | 211,428 |
| | 9,019 | 242,426 | - | 200,000 | - | - | 451,445 |
| **Other loans:** | | | | | | | |
| Euro | 1,283 | 91 | 42 | - | - | - | 1,416 |
| Brazilian Real | 3,727 | 1,746 | 894 | 428 | - | 13,722 | 20,517 |
| | 5,010 | 1,837 | 936 | 428 | - | 13,722 | 21,933 |
| | 1,448,129 | 2,309,397 | 3,455,659 | 1,991,711 | 1,475,310 | 6,237,559 | 16,917,765 |

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

| Thousand Euros | Dec 2017 Carrying amount | Dec 2017 Market value | Dec 2016 Carrying amount | Dec 2016 Market value |
|---|---|---|---|---|
| Debt and borrowings - Non-Current | 15,469,636 | 16,747,971 | 15,550,273 | 16,355,711 |
| Debt and borrowings - Current | 1,448,129 | 1,094,003 | 2,476,403 | 2,242,288 |
| | 16,917,765 | 17,841,974 | 18,026,676 | 18,597,999 |

In accordance with the Group's accounting policies - note 2 d) and f), the financial liabilities whose risks are being hedged by derivative financial instruments and that comply with hedge accounting requirements of IAS 39, are accounted at fair value. The financial liabilities are booked at amortised cost.

For fair value of debt purposes, the Hybrid bond was valued considering the maturity of the first call date (March 2021).

## 35. Employee Benefits

Employee benefits are as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 | Company Dec 2017 | Company Dec 2016 |
|---|---|---|---|---|
| Provisions for social liabilities and benefits | 763,249 | 815,264 | 4,137 | 3,088 |
| Provisions for medical liabilities and other benefits | 759,004 | 911,581 | 2,002 | 1,858 |
| | 1,522,253 | 1,726,845 | 6,139 | 4,946 |

This caption is as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 | Company Dec 2017 | Company Dec 2016 |
|---|---|---|---|---|
| Non-Current | 1,198,362 | 1,410,136 | 5,763 | 4,655 |
| Current | 323,891 | 316,709 | 376 | 291 |
| | 1,522,253 | 1,726,845 | 6,139 | 4,946 |

As at 31 December 2017, Provisions for social liabilities and benefits relate to retirement pension defined benefit plans.

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| **Balance at the beginning of the period** | 815,264 | 883,447 |
| Charge for the period | 26,950 | 27,412 |
| Past service cost (Curtailment/Plan amendments) | 17,426 | 12,824 |
| Actuarial (gains)/losses | 43,724 | 48,960 |
| Charge-off | -140,808 | -155,759 |
| Surplus/(Deficit) pension funding (see note 25) | 1,367 | -1,139 |
| Transfers, reclassifications and exchange differences | -674 | -481 |
| **Balance at the end of the period** | 763,249 | 815,264 |

The breakdown of actuarial gains and losses is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| Actuarial gains and losses arising from: | | |
| - changes in demographic assumptions | - | -3,325 |
| - changes in financial assumptions | 64,255 | 85 |
| - experience adjustments | 39,927 | 60,627 |
| Actuarial gains and losses arising from return on plan assets | -70,322 | -28,711 |
| Actuarial gains and losses of asset ceiling | 9,864 | 20,284 |
| | 43,724 | 48,960 |

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

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| **Balance at the beginning of the period** | 911,581 | 940,046 |
| Charge for the period | 40,743 | 39,044 |
| Past service cost (Curtailment/Plan amendments) | 770 | 563 |
| Actuarial (gains)/losses | 22,650 | 22,796 |
| Charge-off | -24,144 | -45,052 |
| Fund contributions | -163,888 | -81,940 |
| Transfers, reclassifications and exchange differences | -28,708 | 36,124 |
| **Balance at the end of the period** | 759,004 | 911,581 |

The breakdown of actuarial gains and losses is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| Actuarial gains and losses arising from: | | |
| - changes in financial assumptions | 28,001 | 10,727 |
| - experience adjustments | 3,017 | 12,061 |
| Actuarial gains and losses arising from return on plan assets | -8,368 | 8 |
| | 22,650 | 22,796 |

In accordance with accounting policies - note 2 n), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefits plans. The impact in reserves at 31 December 2004 amounted to 1,162,000 thousand Euros. In the following periods, actuarial gains and losses were recognised directly in reserves. As at 31 December 2017 losses of 66,374 thousand Euros (31 December 2016: 71,756 thousand Euros).

During 2017, under the employees' reduction program, EDP Group entered into early retirement and anticipation of retirement agreements with 90 portuguese employees that cease their services in 2017 and 2018. This increase in liabilities with employee benefits was measured and recognised in the income statement in the amount of 18,196 thousand Euros (see note 9).

The weighted average duration of the defined benefit liabilities in Portugal is 11 years.

In December 2016, following the decision and implementation of the autonomisation of the Medical Plan and Death Subsidy Plan in Portugal, was made a first contribution of 81,940 thousand Euros, in line with the financing plan approved by Insurance and Pension Funds Supervisory Authority (ASF). In 2017, EDP Group made contributions of 163,888 thousand Euros, as defined in the financing plan. In 2018, EDP Group estimates to make a contribution of 163,898 thousand Euros, as defined in the financing plan.

**Employee benefit plans**

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

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

**I. Defined benefit pension plans**

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

This Pension Fund covers the liability for retirement pension complementary benefits for age. The responsibilities for early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

In Spain, following the revision of the collective labour agreement ("Convénio Colectivo") signed in December 2007, EDP España Group companies implemented an early retirement program.

EDP São Paulo (ex-Bandeirante) in Brazil has two defined benefit plans managed by a closed complementary welfare entity, sponsored by companies of EDP Brasil Group, in order to manage a set of benefit plans for employees and ex-employees of the company:

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

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

EDP Espírito Santo (ex-Escelsa), EDP São Paulo (ex-Bandeirante) and Energest have Defined Benefit Plans that grant complementary pensions for retirement and early retirement.

In the pension plans in Portugal, and according with the Pension Funds regulation, the surplus amount of the assets fund, under certain conditions, can be reimbursed to the company.

In the pension plans in Brazil, the surplus amount of the assets fund generally can not be reimbursed to the company, since there are very strict rules on the amount that can be recovered, therefore the asset amount to be recognised is greatly reduced.

The number of participants covered by the pension plans and similar obligations was as follows:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Portugal | Spain | Brazil | Portugal | Spain | Brazil |
| **Number of participants:** | | | | | | |
| Retirees and pensioners | 17,831 | 1,451 | 1,807 | 17,780 | 1,368 | 1,608 |
| Active workers | 4,088 | 1,315 | 919 | 4,599 | 1,408 | 1,005 |
| | 21,919 | 2,766 | 2,726 | 22,379 | 2,776 | 2,613 |

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

| | Dec 2017 | | | | |
|---|---|---|---|---|---|
| | Portugal | Spain | Brazil | | |
| | | | EDP São Paulo (ex-Bandeirante) | EDP Espírito Santo (ex-Escelsa) | Energest |
| **Assumptions** | | | | | |
| Discount rate | 1.70% | 1.50% | 10.34% | 10.34% | 10.34% |
| Salary increase rate | 1.60% until 2019 // 1.85% after 2020 | 2.50% | 5.14% | 5.14% | 5.14% |
| Pension increase rate | 1.60% | 0.50% | 4.65% | 4.65% | 4.65% |
| Social Security salary appreciation | 2018 - 1.00% // after 2018 - 1.50% | not applicable | 4.65% | 4.65% | 4.65% |
| Inflation rate | 1.60% | 1.50% | 4.65% | 4.65% | 4.65% |
| Mortality table | Born< 1950 -- TV99/01 (+1) // Born>= 1950 -- TV99/01 | PERM/F-2000P | AT-2000 | AT-2000 | AT-2000 / RP 2000 Generational |
| Disability table | 50%EKV 80 | not applicable | Muller | Muller | Muller / Wyatt 1985 |
| Expected % of eligible employees accepting early retirement | (a) | not applicable | not applicable | not applicable | not applicable |

| | Dec 2016 | | | | |
|---|---|---|---|---|---|
| | Portugal | Spain | Brazil | | |
| | | | EDP São Paulo (ex-Bandeirante) | EDP Espírito Santo (ex-Escelsa) | Energest |
| **Assumptions** | | | | | |
| Discount rate | 1.70% | 1.75% | 12.00% | 12.00% | 12.00% |
| Salary increase rate | 1.50% until 2019 // 1.80% after 2020 | 3.00% | 6.06% | 6.06% | 6.06% |
| Pension increase rate | 1.30% | not applicable | 5.50% | 5.50% | 5.50% |
| Social Security salary appreciation | 2017 - 0.80% // After 2017 - 1.20% | not applicable | 5.50% | 5.50% | 5.50% |
| Inflation rate | 1.30% | 1.50% | 5.50% | 5.50% | 5.50% |
| Mortality table | Born< 1950 -- TV99/01 (+1) // Born>= 1950 -- TV99/01 | PERM/F-2000P | AT-2000 | AT-2000 / RP 2000 Generational | AT-2000 / RP 2000 Generational |
| Disability table | 50%EKV 80 | not applicable | Light Forte | Muller / Wyatt 1985 | Muller / Wyatt 1985 |
| Expected % of eligible employees accepting early retirement | (a) | not applicable | not applicable | not applicable | not applicable |

(a) 45% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).

The assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2017.

The liability for retirement pensions and related coverage for the Group is as follows:

| Thousand Euros | Dec 2017 Portugal | Spain | Brazil | Group |
|---|---|---|---|---|
| **Provision for Pension Plans** | | | | |
| Liability at the end of the period | 1,541,225 | 89,208 | 252,458 | 1,882,891 |
| Fair value of plan assets at the end of the period | -933,337 | - | -303,454 | -1,236,791 |
| Surplus/(Deficit) pension funding (see note 26) | 58,952 | - | - | 58,952 |
| Asset ceiling | - | - | 58,197 | 58,197 |
| **Provision at the end of the period** | 666,840 | 89,208 | 7,201 | 763,249 |

| Thousand Euros | Dec 2016 Portugal | Spain | Brazil | Group |
|---|---|---|---|---|
| **Provision for Pension Plans** | | | | |
| Liability at the end of the period | 1,586,902 | 87,815 | 274,074 | 1,948,791 |
| Fair value of plan assets at the end of the period | -917,393 | - | -330,624 | -1,248,017 |
| Surplus/(Deficit) pension funding (see note 26) | 57,585 | - | - | 57,585 |
| Asset ceiling | - | - | 56,905 | 56,905 |
| **Provision at the end of the period** | 727,094 | 87,815 | 355 | 815,264 |

The caption Asset ceiling refers to the unrecognised assets in the respective accounting periods. The reconciliation between the opening balance and the closing balance is as follows:

| Thousand Euros | Group Dec 2017 | Dec 2016 |
|---|---|---|
| **Asset ceiling at the beginning of the period** | 56,905 | 27,113 |
| Effect of changes in restricted net assets of benefits to the asset ceiling | 9,864 | 20,284 |
| Exchange differences | -8,572 | 9,508 |
| **Asset ceiling at the end of the period** | 58,197 | 56,905 |

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

| Thousand Euros | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Provision for Pension Plans** | | | | | |
| Liability at the end of the period | 1,882,891 | 1,948,791 | 1,979,411 | 2,162,044 | 2,171,716 |
| Fair value of plan assets at the end of the period | -1,236,791 | -1,248,017 | -1,182,979 | -1,271,247 | -1,250,007 |
| Surplus / (Deficit) pension funding | 58,952 | 57,585 | 58,724 | - | - |
| Asset ceiling | 58,197 | 56,905 | 27,113 | 36,344 | 33,490 |
| **Provision at the end of the period** | 763,249 | 815,264 | 882,269 | 927,141 | 955,199 |

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

| Thousand Euros | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Experience adjustments for the Plan liabilities | -55,281 | -51,686 | -16,902 | 11,260 | -25,100 |
| Experience adjustments for the Plan assets | 64,044 | -2,061 | 16,025 | 34,347 | 64,074 |

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Pension Funds are as follows:

| Thousand Euros | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Experience adjustments for the Plan liabilities | 15,354 | -8,941 | -2,271 | -11,923 | 308 |
| Experience adjustments for the Plan assets | 6,278 | 30,772 | -9,465 | 5,524 | -36,750 |

The past service liability of the pension plans for the Group is as follows:

| Thousand Euros | Dec 2017 Portugal | Spain | Brazil | Group |
|---|---|---|---|---|
| **Evolution of the liability** | | | | |
| Liability at the beginning of the period | 1,586,902 | 87,815 | 274,074 | 1,948,791 |
| Current service cost | 8,810 | 7,228 | -730 | 15,308 |
| Net interest on the pensions plan liability | 25,528 | 1,350 | 30,049 | 56,927 |
| Benefits paid | -192,306 | -9,249 | -19,115 | -220,670 |
| Past service cost (Curtailment/Plan amendments) | 17,426 | - | - | 17,426 |
| Actuarial losses and gains | 94,865 | 3,074 | 6,243 | 104,182 |
| Exchange differences | - | - | -39,032 | -39,032 |
| Other | - | -1,010 | 969 | -41 |
| **Liability at the end of the period** | 1,541,225 | 89,208 | 252,458 | 1,882,891 |

| Thousand Euros | Dec 2016 Portugal | Spain | Brazil | Group |
|---|---|---|---|---|
| **Evolution of the liability** | | | | |
| Liability at the beginning of the period | 1,693,576 | 94,172 | 191,663 | 1,979,411 |
| Current service cost | 9,296 | 4,584 | -204 | 13,676 |
| Net interest on the pensions plan liability | 30,497 | 1,597 | 26,307 | 58,401 |
| Benefits paid | -197,999 | -9,345 | -19,213 | -226,557 |
| Past service cost (Curtailment/Plan amendments) | 12,824 | - | - | 12,824 |
| Actuarial losses and gains | 38,497 | -3,325 | 22,215 | 57,387 |
| Exchange differences | - | - | 52,909 | 52,909 |
| Other | 211 | 132 | 397 | 740 |
| **Liability at the end of the period** | 1,586,902 | 87,815 | 274,074 | 1,948,791 |

The components of the consolidated net cost of this pension plans recognised during the period are as follows:

| Thousand Euros | Dec 2017 Portugal | Spain | Brazil | Group |
|---|---|---|---|---|
| Current service cost | 8,810 | 7,228 | -730 | 15,308 |
| Past service cost (Curtailment/Plan amendments) | 17,426 | - | - | 17,426 |
| **Operational component (see note 9)** | 26,236 | 7,228 | -730 | 32,734 |
| Net interest on the net pensions plan liability | 10,487 | 1,350 | -195 | 11,642 |
| **Financial component (see note 12)** | 10,487 | 1,350 | -195 | 11,642 |
| | 36,723 | 8,578 | -925 | 44,376 |

| Thousand Euros | Dec 2016 Portugal | Spain | Brazil | Group |
|---|---|---|---|---|
| Current service cost | 9,296 | 4,584 | -204 | 13,676 |
| Past service cost (Curtailment/Plan amendments) | 12,824 | - | - | 12,824 |
| **Operational component (see note 9)** | 22,120 | 4,584 | -204 | 26,500 |
| Net interest on the net pensions plan liability | 12,805 | 1,597 | -666 | 13,736 |
| **Financial component (see note 12)** | 12,805 | 1,597 | -666 | 13,736 |
| | 34,925 | 6,181 | -870 | 40,236 |

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

| Thousand Euros | Dec 2017 Portugal | Spain | Brazil | Group |
|---|---|---|---|---|
| **Pension funds** | | | | |
| Assets value at the beginning of the period | 917,393 | - | 330,624 | 1,248,017 |
| Group contribution | - | - | 1,421 | 1,421 |
| Plan participants contributions | - | - | 923 | 923 |
| Benefits paid | -63,141 | - | -19,065 | -82,206 |
| Interest on the pensions plan assets | 15,041 | - | 30,244 | 45,285 |
| Actuarial gains/(losses) | 64,044 | - | 6,278 | 70,322 |
| Exchange differences | - | - | -46,971 | -46,971 |
| **Assets value at the end of the period** | 933,337 | - | 303,454 | 1,236,791 |

The actuarial gains/losses in Brazil include the positive amount of 9,864 thousand Euros (35,560 thousand Reais) related to actuarial gains and losses of the asset ceiling not recognised in reserves (31 December 2016: positive in 20,284 thousand Euros).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 58,197 thousand Euros (230,718 thousand Reais). As at 31 December 2016, the asset ceiling amounted to 56,905 thousand Euros (195,158 thousand Reais).

| Thousand Euros | Dec 2016 Portugal | Spain | Brazil | Group |
|---|---|---|---|---|
| **Pension funds** | | | | |
| Assets value at the beginning of the period | 964,620 | - | 218,359 | 1,182,979 |
| Group contribution | - | - | 10,072 | 10,072 |
| Plan participants contributions | - | - | 976 | 976 |
| Benefits paid | -62,828 | - | -19,018 | -81,846 |
| Interest on the pensions plan assets | 17,692 | - | 26,973 | 44,665 |
| Actuarial gains/(losses) | -2,061 | - | 30,772 | 28,711 |
| Exchange differences | - | - | 62,294 | 62,294 |
| Other variations | -30 | - | 196 | 166 |
| **Assets value at the end of the period** | 917,393 | - | 330,624 | 1,248,017 |

The assets of the pension fund in Portugal are as follows:

| Thousand Euros | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2017 | 4,679 | 339,353 | 352,494 | 172,070 | 64,741 | 933,337 |
| 31 December 2016 | 19,945 | 401,788 | 326,169 | 88,928 | 80,563 | 917,393 |

| % | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2017 | 0.50% | 36.36% | 37.77% | 18.44% | 6.93% | 100.00% |
| 31 December 2016 | 2.17% | 43.80% | 35.55% | 9.69% | 8.79% | 100.00% |

The assets of the medical care and death subsidy fund in Portugal are as follows:

| Thousand Euros | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2017 | 1,179 | 85,542 | 88,854 | 43,374 | 16,320 | 235,269 |
| 31 December 2016 | 1,781 | 35,880 | 29,128 | 7,941 | 7,195 | 81,925 |

| % | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2017 | 0.50% | 36.36% | 37.77% | 18.44% | 6.93% | 100.00% |
| 31 December 2016 | 2.17% | 43.80% | 35.55% | 9.69% | 8.79% | 100.00% |

The portfolio of shares and bonds have a quoted market price in an active market.

Properties included in the fund, that are being used by the Group amount to 187,018 thousand Euros as at 31 December 2017 (31 December 2016: 68,430 thousand Euros). Bonds include 7,178 thousand Euros (31 December 2016: 6,983 thousand Euros) relating to bonds issued by EDP Finance B.V. and EDP, S.A.

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

| Thousand Euros | 2017 | 2016 |
|---|---|---|
| Shares: | | |
| EDP Renováveis | 10,005 | 9,119 |
| EDP S.A. | - | 250 |
| | 10,005 | 9,369 |

Pension fund assets in Brazil are as follows:

| Thousand Euros | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2017 | - | 250,451 | 49,759 | 1,012 | 2,232 | 303,454 |
| 31 December 2016 | - | 281,254 | 45,410 | 1,134 | 2,826 | 330,624 |

| % | Fund assets by nature | | | | | |
|---|---|---|---|---|---|---|
| | Liquidity | Bonds | Shares | Property | Other | Total |
| 31 December 2017 | 0.00% | 82.53% | 16.40% | 0.33% | 0.74% | 100.00% |
| 31 December 2016 | 0.00% | 85.07% | 13.73% | 0.34% | 0.85% | 100.00% |

**Assumptions regarding the discount rate**

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

The real return rate on assets of the pension Fund in 2017 was positive in 8.97% (2016: positive in 2.02%).

As at 31 December 2017 the amount of future benefits expected to be paid, related to the activity in Portugal, Spain and Brazil, is as follows:

| Expected future benefits to be paid | | | |
|---|---|---|---|
| **Portugal** | Pensions | Medical plan and other benefits | Total |
| **2018** | 192,178 | 36,125 | 228,303 |
| **2019** | 177,931 | 34,908 | 212,839 |
| **2020** | 163,028 | 34,765 | 197,793 |
| **2021** | 144,482 | 34,417 | 178,899 |
| **2022** | 124,361 | 34,521 | 158,882 |
| **2023** | 107,306 | 34,737 | 142,043 |
| **2024** | 91,840 | 34,767 | 126,607 |
| **2025** | 78,577 | 34,833 | 113,410 |
| **2026** | 67,795 | 34,509 | 102,304 |
| **2027** | 59,765 | 34,097 | 93,862 |

In 2017, the pensions paid by the funds in Portugal amounted 63,141 thousand Euros (31 December 2016: 62,828 thousand Euros).

| Expected future benefits to be paid | |
|---|---|
| **Spain** | Other Benefits |
| **2018** | 9,999 |
| **2019** | 7,956 |
| **2020** | 8,068 |
| **2021** | 8,184 |
| **2022** | 8,303 |
| **2023** | 8,426 |
| **2024** | 8,553 |
| **2025** | 8,684 |
| **2026** | 8,820 |
| **2027** | 8,959 |

In 2017, the pensions paid in Spain amounted 9,249 thousand Euros (31 December 2016: 9,345 thousand Euros).

The amount of 89,208 thousand Euros related to EDP España Group, included in provisions for social welfare and benefits, includes 81,215 thousand Euros (31 December 2016: 78,884 thousand Euros) related with provisions for the revision of the collective labour agreement and 7,993 thousand Euros (31 December 2016: 8,931 thousand Euros) related with responsibilities with pre-retirement before 31 December 2007.

| Expected future benefits to be paid | | | |
|---|---|---|---|
| **Brazil** | Pensions | Medical Plans and Other Benefits | Total |
| **2018** | 16,705 | 9,274 | 25,979 |
| **2019** | 17,431 | 10,205 | 27,636 |
| **2020** | 18,310 | 11,209 | 29,519 |
| **2021** | 19,303 | 12,302 | 31,605 |
| **2022** | 20,256 | 13,495 | 33,751 |
| **2023 to 2027** | 115,940 | 86,267 | 202,207 |

The contributions made to the Pension funds in 2017 amounted to 1,421 thousand Euros (31 December 2016: 10,072 thousand Euros) and were fully paid in cash.

The pensions paid by the Funds in 2017 in Brazil amounted 19,065 thousand Euros (31 December 2016: 19,018 thousand Euros).

The sensitivity analysis for the Pension Plan in Portugal is as follows:

| Thousand Euros | Liabilities at the end of the period | |
|---|---|---|
| | Increase | Decrease |
| Discount rate (0.5% movement) | -54,277 | 58,692 |
| Pension increase (0.5% movement) | 355,506 | -157,277 |
| Social Security Pension increase (0.5% movement) | -106,959 | 226,569 |
| Mortality (increase of 1 year in expected lifetime of plan participants) | 48,625 | |

The sensitivity analysis for the Pension Plan in Brazil is as follows:

| Thousand Euros | Liabilities at the end of the period | |
|---|---|---|
| | Increase | Decrease |
| Discount rate (0.5% movement) | -15,980 | 9,589 |
| Mortality (increase of 1 year in expected lifetime of plan participants) | 496 | |

### II. Defined Contribution Pension Plan

EDPR Europe and EDP España, EDP São Paulo (ex-Bandeirante) in Brazil and several subsidiaries in Portugal, have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

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

The EDP Group companies in Portugal resulting from the EDP spin-off in 1994 have a Medical Care and Death Subsidy Plans partially funded by a closed Pension Fund, complemented by a specific provision. The responsabilities regarding the remaining defined benefit plans are fully covered by a provision.

In Brazil, EDP Espírito Santo (ex-Escelsa), Energest and Investco also have Medical and other benefits plans for retired employees which are also fully covered by provisions.

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, survival benefits, life insurance, antiquity and retirement benefits, power and gas tariff discounts, among others.

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

| | Dec 2017 | | Dec 2016 | |
|---|---|---|---|---|
| | Portugal | Brazil | Portugal | Brazil |
| **Assumptions** | | | | |
| Discount rate | 1.70% | 10.34% | 1.70% | 12.00% |
| Annual increase rate of medical service costs | 1.80% | 10.92% (d) | 2.50% | 11.50% (b) |
| Estimated administrative expenses per beneficiary per year (Euros) | 306€/year (c) | not applicable | 242€/year | not applicable |
| Mortality | Born<1950 -- TV99/01 (+1) // Born>=1950 -- TV99/01 | RP-2000 Geracional | Born<1950 -- TV99/01 (+1) // Born>=1950 -- TV99/01 | RP-2000 Geracional |
| Disability table | 50%EKV 80 | Wyatt 85 Class 1 | 50%EKV 80 | Wyatt 85 Class 1 |
| Expected % of eligible employees accepting early retirement | (a) | not applicable | (a) | not applicable |

(a) 45% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).
(b) 11.50% in the first year, decreasing to 7.50% in 10 years.
(c) With 8% of reduction for the next two years, and increase of 1.6% after that date.
(d) 10.92% in the first year, decreasing to 6.74% in 10 years.

The number of participants covered by the Medical and other benefits plans is as follows:

| | Dec 2017 | | Dec 2016 | |
|---|---|---|---|---|
| | Portugal | Brazil | Portugal | Brazil |
| **Number of participants** | | | | |
| Retirees and pensioners | 17,815 | 1,276 | 17,762 | 1,280 |
| Active workers | 6,232 | 607 | 6,557 | 628 |
| | 24,047 | 1,883 | 24,319 | 1,908 |

The liability for medical care and other benefits and related coverage for the Group is as follows:

| | Dec 2017 | | |
|---|---|---|---|
| Thousand Euros | Portugal | Brazil | Group |
| **Provision for medical care and other benefits** | | | |
| Liability at the end of the period | 796,501 | 197,772 | 994,273 |
| Fair value of plan assets at the end of the period | -235,269 | - | -235,269 |
| **Provision at the end of the period** | 561,232 | 197,772 | 759,004 |

| | Dec 2016 | | |
|---|---|---|---|
| Thousand Euros | Portugal | Brazil | Group |
| **Provision for medical care and other benefits** | | | |
| Liability at the end of the period | 809,319 | 184,187 | 993,506 |
| Fair value of plan assets at the end of the period | -81,925 | - | -81,925 |
| **Provision at the end of the period** | 727,394 | 184,187 | 911,581 |

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

| Thousand Euros | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Provision for medical care and other benefits** | | | | | |
| Liability at the end of the period | 994,273 | 993,506 | 940,046 | 949,982 | 974,179 |
| Fair value of plan assets at the end of the period | -235,269 | -81,925 | - | - | - |
| **Provision at the end of the period** | 759,004 | 911,581 | 940,046 | 949,982 | 974,179 |

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

| Thousand Euros | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Experience adjustments for the Medical Plan liabilities | -452 | -5,816 | 1,087 | 5,828 | 48,685 |
| Experience adjustments for the Plan assets | 8,368 | -8 | - | - | - |

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

| Thousand Euros | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Experience adjustments for the Medical Plan liabilities | -2,565 | -6,245 | -24,833 | 44,054 | -42,551 |

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

| | Dec 2017 | | | Dec 2016 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Brazil | Group | Portugal | Brazil | Group |
| **Evolution of the liability** | | | | | | |
| Liability at the beginning of the period | 809,319 | 184,187 | 993,506 | 832,041 | 108,005 | 940,046 |
| Current service cost | 6,884 | 834 | 7,718 | 7,678 | 641 | 8,319 |
| Net interest on the net medical liabilities and other benefits | 13,585 | 20,643 | 34,228 | 15,649 | 15,076 | 30,725 |
| Benefits paid | -34,117 | -10,142 | -44,259 | -36,525 | -8,527 | -45,052 |
| Past service cost (Curtailment/ Plan amendments) | 770 | - | 770 | 563 | - | 563 |
| Actuarial gains and losses | 48 | 30,970 | 31,018 | -13,165 | 35,953 | 22,788 |
| Exchange differences | - | -29,102 | -29,102 | - | 33,110 | 33,110 |
| Other and "mútua" | 12 | 382 | 394 | 3,078 | -71 | 3,007 |
| **Liability at end of the period** | 796,501 | 197,772 | 994,273 | 809,319 | 184,187 | 993,506 |
| **Provision at end of the period** | 796,501 | 197,772 | 994,273 | 809,319 | 184,187 | 993,506 |

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

| | Dec 2017 | | | Dec 2016 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Brazil | Group | Portugal | Brazil | Group |
| Current service cost | 6,884 | 834 | 7,718 | 7,678 | 641 | 8,319 |
| Past service cost (Curtailment/Plan amendments) | 770 | - | 770 | 563 | - | 563 |
| **Operational component (see note 9)** | 7,654 | 834 | 8,488 | 8,241 | 641 | 8,882 |
| Net interest on the net medical liabilities and other benefits | 12,382 | 20,643 | 33,025 | 15,649 | 15,076 | 30,725 |
| **Financial component (see note 12)** | 12,382 | 20,643 | 33,025 | 15,649 | 15,076 | 30,725 |
| **Net cost for the period** | 20,036 | 21,477 | 41,513 | 23,890 | 15,717 | 39,607 |

The evolution of the consolidated assets of the Medical care and Death subsidy Funds is as follows:

| Thousand Euros | Portugal | |
|---|---|---|
| | Dec 2017 | Dec 2016 |
| **Funds** | | |
| Assets fair value at the beginning of the period | 81,925 | - |
| Group contribution | 163,888 | 81,940 |
| Benefits paid | -20,115 | - |
| Interest on the pensions plan assets | 1,203 | - |
| Actuarial gains/(losses) | 8,368 | -8 |
| Other variations | - | -7 |
| **Assets fair value at the end of the period** | 235,269 | 81,925 |

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

| Thousand Euros | Liabilities at the end of the period | |
|---|---|---|
| | Increase | Decrease |
| Discount rate (0.5% movement) | -54,045 | 60,567 |
| Health care cost trend (0.5% movement) | 13,082 | -12,005 |
| Mortality (increase of 1 year in expected lifetime of plan participants) | 16,800 | |

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

| Thousand Euros | Liabilities at the end of the period | |
|---|---|---|
| | Increase | Decrease |
| Discount rate (0.5% movement) | -11,815 | 13,116 |
| Mortality (increase of 1 year in expected lifetime of plan participants) | 7,319 | |

## 36. Provisions

Provisions are as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Provision for legal and labour matters and other contingencies | 85,049 | 98,574 | - | 20 |
| Provision for customer guarantees under current operation | 6,235 | 10,435 | - | - |
| Provision for dismantling and decommissioning | 463,556 | 462,887 | - | - |
| Provision for other liabilities and charges | 197,989 | 99,596 | 10,455 | 8,303 |
| | 752,829 | 671,492 | 10,455 | 8,323 |

This caption is as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Non-Current | 726,771 | 637,613 | 8,902 | 7,599 |
| Current | 26,058 | 33,879 | 1,553 | 724 |
| | 752,829 | 671,492 | 10,455 | 8,323 |

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

| Thousand Euros | Group | |
|---|---|---|
| | Dec 2017 | Dec 2016 |
| **Balance at the beginning of the period** | 98,574 | 75,991 |
| Charge for the period | 16,717 | 19,882 |
| Reversals | -18,620 | -8,015 |
| Charge-off for the period | -16,428 | -13,332 |
| Exchange differences and other | 4,806 | 24,048 |
| **Balance at the end of the period** | 85,049 | 98,574 |

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

Provision for legal and labour matters and other contingencies includes provisions for litigation in progress and other labour contingencies, which are related essentially with:

i) Requests for the refund of tariff increases paid by industrial consumers of the brazilian subsidiaries EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa) in the amount of 13,566 thousand Euros (31 December 2016: 13,443 thousand Euros). These requests result from the application of Administrative Orders DNAEE no. 38 of 27 February 1986 and no. 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;

ii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousand Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, as at 31 December 2016, the estimated liability amounted to 5,836 thousand Euros, corresponding to the indemnity discounted amount. The appeal presented by EDP Produção was denied, and confirmed court sentence that determined the legitimacy for Terriminas to collect the amount in which EDP Produção was condemned. EDP Produção paid 6,371 thousand Euros and appeal for the payment of the remaining amount of 1,629 thousand Euros (interest from 2 February 2013 to 30 September 2017) for lack of an enforceable instrument. The EDP appeal is pending, and it is considered remote that this amount may be required.

iii) During April 2015, ERSE has notified EDP Comercial on its decision regarding the opening of an administrative infraction proceeding, within the framework of the Energy Sector Sanctions Regime (RSSE), requesting several information. In July 2015, ERSE sent a statement of objection to EDP Comercial whose response with defense arguments was prepared and submitted within the deadlines set by law. On 10 December 2015, ERSE issued a decision condemning EDP Comercial to a fine of 7,500 thousand Euros. It was decided to appeal the decision within the legal deadline set for this purpose, and a provision in the above-mentioned amount was recognised. Following the appeal made by EDP Comercial, the case returned to the Competition, Regulation and Supervision Court (TCRS), for trial. On 2 March 2017, this Court decided to consider null the statement of objection and the final decision of ERSE. The Court dismissed the appeal filed by ERSE against the judgment of the TCRS, confirming in full the TCRS judgment. The process was sent to ERSE to, if it wishes to do so, issue a new statement of objection without the technical flaws that were recognised. The provision was reversed in accordance with these developments. At the moment, the EDP Group does not have elements to determine the value of the associated contingency, as at 31 December 2017 it is undetermined.

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

In accordance with IFRS 3, during an acquisition, the acquiring company shall recognise, at the acquisition date, a contingent liability for the present obligations resulting from past events which fair value can be reliably measured. Within the process of acquisition of control of Porto do Pecém in 2015, the Board of Directors identified a contingency, which estimated responsibility amounts to 5,473 thousand Euros (21,745 thousand Reais) as at 31 December 2017.

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

| Thousand Euros | Group | |
|---|---|---|
| | Dec 2017 | Dec 2016 |
| **Balance at the beginning of the period** | 10,435 | 3,295 |
| Charge for the year | 255 | - |
| Charge-off for the period | -9,099 | -2,491 |
| Exchange differences and other | 4,644 | 9,631 |
| **Balance at the end of the period** | 6,235 | 10,435 |

Provisions for customer guarantees under current operations include essentially provisions for commercial losses.

The movement in Provision for dismantling and decommissioning is as follows:

| Thousand Euros | Group | |
|---|---|---|
| | Dec 2017 | Dec 2017 |
| **Balance at the beginning of the period** | 462,887 | 276,072 |
| Changes in the perimeter | -5,895 | 48 |
| Unwinding (see note 12) | 5,976 | 7,650 |
| Charge for the period | - | 657 |
| Increase of the responsibility (see note 15) | 16,080 | 176,978 |
| Reversals | -401 | -833 |
| Exchange differences and other | -15,091 | 2,315 |
| **Balance at the end of the period** | 463,556 | 462,887 |

As at 31 December 2017, Provision for dismantling and decommissioning includes the following situations:

i) The Group has recognised a provision of 44,035 thousand Euros (31 December 2016: 43,865 thousand Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. The assumptions used in the calculation of the provision include an inflation rate of 2% and discount rates between 0.35% and 0.42%. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;

ii) Provisions for dismantling wind farms of 269,454 thousand Euros (31 December 2016: 268,191 thousand Euros) to cover the costs of bringing the sites to their original conditions, of which 105,907 thousand Euros refer to the wind farms in North America, 161,630 thousand Euros refer to the wind farms in Europe and 1,917 thousand Euros refer to the wind farms in Brazil.

The assumptions used when computing these provisions, are the following:

| | Europe | North America |
|---|---|---|
| Average cost per MW (Euros): | | |
| Wind (steel structure) | 25,873 | 26,715 |
| Wind (concrete structure) | 33,954 | - |
| Salvage value per MW (Euros): | | |
| Wind (steel structure) | 35,603 | 33,942 |
| Wind (concrete structure) | 19,787 | - |
| Discount rate: | | |
| Euro | [0.00% - 1.77%] | - |
| US Dollar | - | [0.72% - 2.94%] |
| Inflation rate: | | |
| Euro Zone | [1.01% - 2.35%] | - |
| USA | - | [2.00% - 2.30%] |
| Capitalisation (number of years) | 30 | 30 |

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the Group recognises provisions to cover the costs with the decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 31 December 2017, the provision amounts to 89,273 thousand Euros (31 December 2016: 90,183 thousand Euros) and 58,555 thousand Euros (31 December 2016: 58,210 thousand Euros) for the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the future liability and are accounted against an increase in property, plant and equipment and are depreciated on a straight line basis over the average useful life of the assets. The calculation of these provisions was based on an inflation rate between 1.38% and 2% and discount rates between 0% and 1.48%.

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

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| **Balance at the beginning of the period** | 99,596 | 150,714 | 8,303 | 13,469 |
| Charge for the period | 10,927 | 15,619 | 3,057 | 1,502 |
| Reversals | -12,505 | -42,386 | -905 | -1,109 |
| Charge-off for the period | -5,828 | -22,918 | - | -5,669 |
| CESE (see note 14) | 65,431 | - | - | - |
| "Lesividad" | 41,664 | - | - | - |
| Exchange differences and other | -1,296 | -1,433 | - | 110 |
| **Balance at the end of the period** | 197,989 | 99,596 | 10,455 | 8,303 |

As at 31 December 2017, EDP Group booked a provision related with the amount of CESE with the exception of the gas distribution in Portugal amount due to the sale of EDP Gás Distribuição during the fourth quarter of 2017 (see note 5 and 14).

The BOE 223/2017 published during the third quarter of 2017 opened the hearing process of the Order of the Minister of Energy, Tourism and Digital Agenda of 13 September, introducing a "lesividad" declaration procedure for the public interest Order IET/980/2016, which established a remuneration for electricity distribution companies until 2016. Thus, the remuneration that was determined was allegedly higher than it should be for 2016. Due to the fact that the remuneration for the distribution activity in 2017 was not yet fixed, EDP España has been calculating the remuneration based on the remuneration of 2016. As at 31 December 2017, EDP España has booked a provision in the amount of 41,664 thousand Euros, which includes 24,040 thousand Euros related to the potential "lesividad" effect of 2016 and 2017 and 17,624 thousand Euros as a result of the adjustment in the model that supports the recognition of the regulatory remuneration of assets in operation on 31 December 2014.

As at 31 December 2017, the caption Provision for other liabilities and charges includes a provision related with an agreement between EDM - Electricidade de Moçambique E.P and EDP. As part of the institutional collaboration, it was agreed in 2012 the rehabilitation and the conversion of 2 gas turbines of 16 MW decommissioned from Tunes Thermoelectric plant to be installed in Chokwé - Mozambique in open cycle mode. In 2014, EDM requested the transfer of the project to the Nacala area, where the turbines now need to be adapted to work on diesel. It is estimated that from this conversion a negative impact of 8,006 thousand Euros will arise (31 December 2016: 8,006 thousand Euros).

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

The processes whose losses were considered as possible, do not require the recognition of provisions and are periodically reassessed. The detail of possible contingencies is analised as follows:

| | Dec 2017 | | | |
|---|---|---|---|---|
| Thousand Euros | Subsidiaries based in Portugal | Subsidiaries based in Spain | Subsidiaries based in Brazil | Total |
| Administrative and Civil | 35,271 | 24,443 | 203,409 | 263,123 |
| Fiscal | 11,436 | 11,068 | 407,771 | 430,275 |
| Other | 45,761 | 1,047 | 28,403 | 75,211 |
| | 92,468 | 36,558 | 639,583 | 768,609 |

| | Dec 2016 | | | |
|---|---|---|---|---|
| Thousand Euros | Subsidiaries based in Portugal | Subsidiaries based in Spain | Subsidiaries based in Brazil | Total |
| Administrative and Civil | 47,810 | 5,732 | 267,253 | 320,795 |
| Fiscal | 14,663 | 7,856 | 361,905 | 384,424 |
| Other | 13,688 | 2,089 | 27,927 | 43,704 |
| | 76,161 | 15,677 | 657,085 | 748,923 |

The possible contingencies more relevant in Portugal, are as follows:

i) Within EDP Distribuição there is a contingency regarding the liability for supply and assembly costs of electricity distribution grids, including public illumination, with respect to the urbanistic reconversion and intervention area in Parque Expo 98. In this context, Parque Expo 98 claims that, between 1996 and 2014, it supported the costs that are responsibility of EDP Distribuição. In November 2015, Parque Expo 98 in liquidation addressed EDP Distribuição a separate judicial notice, in order to interrupt the limitation period (which would occur 20 years from the date of the referred agreement). Meanwhile Parque Expo 98, in liquidation, claims a reimbursement from EDP Distribuição of those costs in the amount of 15,811 thousand Euros;

ii) During April 2015, ERSE has notified EDP Distribuição about the resolution regarding the opening of the administrative infraction proceedings, within the framework of the Energy Sector Sanctions Regime (RSSE) requesting several information. After negotiations with ERSE, in December 2016, EDP Distribuição formally submitted a transaction proposal, which was accepted by ERSE, and involved the conviction of 14 negligent administrative offenses, the payment of a fine in the amount of 40 thousand Euros and also the payment of compensation to injured consumers. Therefore, this contingency, in June 2017, was finished;

iii) On 29 July 2016, the Portuguese Competition Authority (AdC) has notified EDP, S.A. and EDP Comercial, S.A. with a notice for alleged violation of competition laws, regarding the process about the commercial campaign done in partnership with Modelo Continente, designated as "Plano EDP Continente". This was an occasional campaign, limited to two years, which was one of several campaigns usually performed by several other market agents. As at 30 June 2017, EDP, S.A. and EDP Comercial, S.A. received AdC final decision which applied a fee of 2,900 thousand Euros to EDP,S.A. and 25,800 thousand Euros to EDP Comercial. The companies filed their appeal. EDP Group is convinced that this campaign has brought real benefits to consumers and competition in markets and that no transgression has been committed.

The possible contingencies more relevant in Brazil, are as follows:

i) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 24,742 thousand Euros (31 December 2016: 26,536 thousand Euros);

ii) There is a public civil action filed against EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa) by ADIC – Associação de Defesa dos Interesses Colectivos, claiming a compensation arising from a tariff readjustment on part A from 43 concessionaires. The estimated value attributable to Bandeirante and Escelsa amounts to 43,834 thousand Euros (31 December 2016: 44,047 thousand Euros);

iii) EDP São Paulo (ex-Bandeirante) is a party to a lawsuit related to the COFINS (Contribution for social security financing) from 1993 to 1995 in joinder with AES Eletropaulo, where is discussed the application of the tax amnesty introduced by the Provisional Measures paragraphs 1858-6 and 1858-8, granted to taxpayers who did not collect COFINS, considering it improper. In the trial of 2nd Instance, was partially confirmed the right to amnesty, and applied the Decree-Law 1,025/69, which established the payment of procedural costs in favor of the National Treasury. From this decision, an appeal was presented, which holds trial. The updated amount as at 31 December 2017 is 18,709 thousand Euros (31 December 2016: 21,186 thousand Euros);

iv) EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa) have administrative and judicial actions regarding tax compensations not ratified by the Brazilian Federal Revenue Bureau, which: (i) are protected by judicially recognised credits (IRPJ - Corporate tax income and CSLL - Social Contribution on net profits) and (ii) that result from tax contributions in 2001 of IRPJ, CSLL, PIS (Social integration programme) and COFINS considered to be excessive as a consequence of the application of "Parecer COSIT 26/2002" (Extraordinary Tariff Adjustment - RTE) published by the Brazilian Tax Authorities. According to this opinion, the amounts resulting from tariffs updated under RTE should be recognised and taxed only as of 2002. As at 31 December 2017, the updated values amount to 94,018 thousand Euros (31 December 2016: 96,828 thousand Euros);

v) Lajeado has a judicial tax action initiated by the Brazilian Tax Authorities in 2014 aimed at collecting tax contributions (IRPJ and CSLL) resulting from the disallowance of expenses regarding goodwill arising from a business combination (acquisition). As at 31 December 2017, this contingency amounts to 22,259 thousand Euros (31 December 2016: 24,950 thousand Euros);

vi) Porto do Pecém was subject to a tax execution procedure in the amount of 20,537 thousand Euros, related to an alleged non-taxation under IRPJ and CSLL of prior years' financial income and exchange rate gains (31 December 2016: 21,225 thousand Euros);

vii) The companies of EDP – Energias do Brasil (Energest, Lajeado, Investco, Enerpeixe, Santa Fé, Porto do Pecém and Costa Rica), through the Brazilian Association of Independent Power Producers - APINE and the Brazilian Association of Power Generation - ABRAGEL, filed a lawsuit seeking to suspend the effects of CNPE Resolution 03/13, which established the apportionment among all agents of the electricity market of part of the costs incurred with the excessive use of energy from thermic sources (oil, coal and gas), due to the scarcity of the rainfall regime (System Service Charge - ESS). The updated value as at 31 December 2017 is 28,670 thousand Euros (31 de December 2016: 7,987 thousand Euros). The increase on this contingency is due to metodology change that began to considerer the accounting reported by CCEE;

viii) Following a period of drought in the State of Ceará, the local government, through Decree 32,044 of 16 September 2016, introduced an extraordinary rate called the Emergency Water Charge (EHE) over the actual water consumption of thermoelectric power plants, and in particular the Porto do Pecém. On 13 October 2016, the Porto do Pecém submitted an administrative request to ANEEL for the purpose of transferring this additional cost to the Unit Variable Cost (UVC), in order to restore the economic-financial balance of the contract (CCEAR). ANEEL, through Order 3,293 of 19 December 2016, denied the request of the Porto do Pecém, which initiated proceedings against ANEEL.

In May 2017, the Porto de Pecém obtained an injunction that allows the full transfer of the EHE to the CVU. This injunction further determines the suspension of ANEEL's application of any penalty for possible reduction and/or interruption of energy production due to problems with water supply, including penalties for non-availability, suspension of commercial operation and replacement of "lastro", preventing this means any type of suspension of the payment of the fixed revenue to which the Porto de Pecém is entitled under the Contracts for Contracting of Energy in a Regulated Environment (CCEAR). Following this court decision and with reference as at 31 December 2017, the Porto do Pecém booked an amount receivable (assets), in the amount of 8,404 thousand Euros (33,390 thousand Reais), which will be invoiced to customers in the coming months.

As at 31 December 2017, the lawsuit against ANEEL requiring the guarantee of the economic-financial balance of the CCEARs by transferring the EHE to the UVC awaits judgment, and the likelihood of the contingency associated with the eventual need to return the now classified amount graduated as possible and the estimated total amount of 31,665 thousand Euros (125,803 thousands of Reais), referring to the estimate of EHE values during the period of validity of the first decree (1 October 2016 until 31 August 2017). The financial impacts arising from the new Decree No. 32,305 /2017, published on 11 August by the Government of the State of Ceará, are currently being analysed, as it extended the term of this charge for an indeterminate period.

Finally, it is important to identify litigation and contingencies that, although the EDP Group classifies its risk as remote, assume materially relevant values, namely:

i) On 27 October 2009 and 5 January 2010, the EDP Group received two tax settlements regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely EDP Espírito Santo (ex-Escelsa) and Enersul. As at 31 December 2017, the amount of this tax contingency amounts to 273 million Euros (31 December 2016: 264 million Euros).

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

Given the above, and considering that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional settlements. Thus, following the implied rejection of the hierarchical appeal, EDP presented a judicial claim, on 6 June 2012, which is still being analysed;

ii) EDP São Paulo (ex-Bandeirante) through the Power Industry Union of the State of São Paulo - SindiEnergia, filed two claims against the Treasury Department of the State of São Paulo, seeking the suspension of the effects of Decrees 55.421/2010 and 55.867/2010. Both claims deal with VAT incidence on energy technical losses (theft, deviation or fraud) and obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts, however, given that the higher courts jurisprudence supports the thesis discussed in this process, the EDP Group classifies as remote the risk of losing this action. The estimated value at 31 December 2017 amounts to 117,883 thousand Euros (31 December 2016: 115,195 thousand Euros).

## 37. Institutional Partnerships in USA

The caption Institutional partnerships in USA is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| Deferred income related to benefits provided | 914,612 | 819,199 |
| Liabilities arising from institutional partnerships in USA | 1,249,110 | 1,520,226 |
| | 2,163,722 | 2,339,425 |

EDPR North America recognises under this caption the receipts of institutional investors associated with wind and solar projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, and recognised over the useful life of the related projects (see note 7). Additionally, this liability is increased by the estimated interest based on the liability outstanding and the expected rate of return of the institutional investors (see note 12).

The movements in Institutional partnerships in USA wind farms are as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dez 2016 |
| **Balance at the beginning of the period** | 2,339,425 | 1,956,217 |
| Proceeds received from institutional investors | 449,067 | 628,381 |
| Cash paid for deferred transaction costs | -3,870 | -4,541 |
| Cash paid to institutional investors | -195,175 | -172,052 |
| Income (see note 7) | -225,568 | -197,544 |
| Unwinding (see note 12) | 88,561 | 90,337 |
| Exchange differences | -289,891 | 79,411 |
| Other | 1,173 | -40,784 |
| **Balance at the end of the period** | 2,163,722 | 2,339,425 |

During 2017, EDPR NA has received proceeds amounting to 389,196 thousand Euros (439,552 thousand US Dollars) related to institutional equity financing with Bank of New York Mellon, in exchange for an interest in the Vento XVII portfolio, and 59,871 thousand Euros (67,618 thousand US Dollars) related to institutional equity financing, in exchange for an interest in three solar plants located in the state of South Carolina.

During 2016, EDPR NA has secured and received proceeds amounting to 310,334 thousand Euros (343,488 thousand US Dollars) related to institutional equity financing with Bank of America Merrill Lynch and Bank of New York Mellon, in exchange for an interest in the Vento XV portfolio, and 102,791 thousand Euros (113,773 thousand US Dollars) related to institutional equity financing from MUFG and another institutional investor, in exchange for an interest in the Vento XVI portfolio. Additionally, the Group has received proceeds amounting to 215,256 thousand Euros (238,252 thousand US Dollars) related to institutional equity financing from an affiliate of Google Inc., secured in 2015, in exchange for an interest in the Vento XIV portfolio.

## 38. Trade and Other Liabilities from Commercial Activities

Trade and other liabilities from commercial activities - Non-Current are as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 |
|---|---|---|
| Investment government grants | 491,008 | 595,201 |
| Amounts payable for tariff adjustments - Electricity - Portugal | 10,632 | 76,611 |
| Amounts payable for tariff adjustments - Electricity - Brazil | 38,698 | 31,900 |
| Energy sales contracts - EDPR NA | 13,686 | 19,857 |
| Deferred income - CMEC | 364,428 | 226,521 |
| Amounts payable for concessions | 209,117 | 226,012 |
| Property, plant and equipment suppliers and accruals | 110,986 | 9,642 |
| Other creditors and sundry operations | 104,616 | 107,389 |
| | 1,343,171 | 1,293,133 |

Trade and other liabilities from commercial activities - Current are as follows:

| Thousand Euros | Group | | Company | |
|---|---|---|---|---|
| | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Suppliers | 947,702 | 1,020,684 | 366,401 | 255,888 |
| Accrued costs related with supplies | 657,669 | 478,797 | 272,958 | 288,274 |
| Property, plant and equipment suppliers and accruals | 639,345 | 800,429 | 715 | 1,459 |
| Holiday pay, bonus and other charges with employees | 162,902 | 164,407 | 31,165 | 27,256 |
| CO2 emission Licenses | 101,693 | 84,474 | - | - |
| Amounts payable for tariff adjustments - Electricity - Portugal | 249,914 | 81,045 | - | - |
| Amounts payable for tariff adjustments - Electricity - Brazil | 13,157 | 103,054 | - | - |
| Deferred income - CMEC | 83,012 | 33,712 | - | - |
| Other creditors and sundry operations | 642,737 | 595,819 | 15,224 | 13,915 |
| | 3,498,131 | 3,362,421 | 686,463 | 586,792 |

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

| Thousand Euros | Current | Non-Current |
|---|---|---|
| **Balance as at 1 January 2016** | 196,662 | 18,269 |
| Payment through the electricity tariff | -197,866 | - |
| Tariff adjustment of the period | 63,841 | 76,611 |
| Interest expense | 913 | - |
| Transfer to/from tariff adjustment receivable | -774 | - |
| Transfer from Non-Current to Current | 18,269 | -18,269 |
| **Balance as at 31 December 2016** | 81,045 | 76,611 |
| Payment through the electricity tariff | -78,761 | - |
| Tariff adjustment of the period | 170,092 | 10,632 |
| Interest expense (see note 12) | 20,718 | - |
| Transfer to/from tariff adjustment receivable | -19,791 | - |
| Transfer from Non-Current to Current | 76,611 | -76,611 |
| **Balance as at 31 December 2017** | 249,914 | 10,632 |

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments booked in EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa) in the accumulated amount of 35,127 thousand Euros (31 December 2016: 119,156 thousand Euros) and 16,728 thousand Euros (31 December 2016: 15,798 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 199,900 thousand Euros (see note 6), transfer to tariff adjustment receivable of 17,840 thousand Euros (see note 25), unwinding in the amount of 12,296 thousand Euros (see note 12), decrease in the amount received through the electricity tariff of 301,315 thousand Euros and the exchange differences due to depreciation of Brazilian Real with a negative impact of 11,820 thousand Euros.

Investment government grants are amortised through the recognition of a revenue in the income statement over the useful life of the related assets, in the amount of 27,826 thousand Euros as at 31 December 2017 (see note 11). This caption includes grants received by EDPR NA subgroup under the American Recovery and Reinvestment Act promoted by the United States of America Government.

At the moment of the EDPR NA acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousand US Dollars, being booked as a non-current liability under Energy sales contract - EDPR NA, which is amortised over the useful life of the contracts in Other operating income - Other.

Deferred income - CMEC Current and Non-Current, in the amount of 447,440 thousand Euros (31 December 2016: 260,233 thousand Euros) refers to the initial CMEC amount (833,467 thousand Euros) net of the amortisation of initial CMEC during the years 2007 to 2017 and including unwinding (see note 12), in the amount of 226,521 thousand Euros and 220,919 thousand Euros relating with the final adjustment recognised in accordance with the result achieved by the EDP/REN working group (256,539 thousand Euros), deducted of the period amortisation and unwinding charges.

Amounts payable for concessions includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 139,809 thousand Euros (31 December 2016: 142,248 thousand Euros) and the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 69,072 thousand Euros (31 December 2016: 83,066 thousand Euros).

The caption CO2 emission licenses includes the CO2 consumptions during 2017 in Portugal and Spain of 58,789 thousand Euros and 42,904 thousand Euros, respectively. This decrease in comparison with 2016 relates to the delivery in 2017 of the 2016 licences consumption, which are returned to regulatory authorities until April of the year following its consumption.

In the energy distribution activity, the subsidiaries of EDP Group in Portugal and Spain recover the deficits and tariff adjustments assets through the tariffs charged to their customers. The caption Other creditors and sundry operations - Current, includes the amounts payable to entities that have acquired the right to receive these assets in securitization or direct sales operations in Portugal and settlements to be made to the regulatory entity in Spain. As at 31 December 2017, under the transfer to these entities of assets recovered through the tariffs, these payables amount to 133,107 thousand Euros and 13,092 thousand Euros in Portugal and Spain, respectively (31 December 2016: 112,900 thousand Euros and 35,209 thousand Euros). Additionally, this caption includes 14,317 thousand Euros related to tariff adjustment payable (31 December 2016: 14,317 thousand Euros).

The decrease of the caption Property, plant and equipment suppliers and accruals is mainly driven by net payments in EDPR NA, where the construction of relevant windfarms is ongoing.

## 39. Other Liabilities and Other Payables

Other liabilities and other payables are as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 | Company Dec 2017 | Company Dec 2016 |
|---|---|---|---|---|
| **Other liabilities and other payables - Non-Current** | | | | |
| Loans from non-controlling interests | 591,779 | 563,862 | - | - |
| Put options over non-controlling interest liabilities | 2,197 | 2,299 | - | - |
| Derivative financial instruments | 91,092 | 138,642 | 112,714 | 155,453 |
| Group companies (see note 44) | - | - | 199,280 | 2,577,517 |
| Amounts payable and contigent prices for acquisitions/sales | 94,660 | 17,796 | - | - |
| Lease contracts with EDP Pension and Medical and Death Subsidy Funds | 79,414 | 28,873 | 79,414 | 28,873 |
| Other creditors and sundry operations | 15,842 | 9,629 | - | - |
| | 874,984 | 761,101 | 391,408 | 2,761,843 |
| **Other liabilities and other payables - Current** | | | | |
| Loans from non-controlling interests | 121,023 | 121,902 | - | - |
| Dividends attributed to related companies | 42,207 | 68,300 | - | - |
| Derivative financial instruments | 94,522 | 133,214 | 190,643 | 182,202 |
| Group companies (see note 44) | - | - | 1,591,110 | 37,752 |
| Group's financial system (see note 44) | - | - | 197,174 | 176,630 |
| Amounts payable and contigent prices for acquisitions/sales | 14,525 | 10,409 | - | - |
| Lease contracts with EDP Pension and Medical and Death Subsidy Funds | 6,434 | 2,484 | 6,434 | 2,484 |
| Other creditors and sundry operations | 5,429 | 8,723 | 109,268 | 144,470 |
| | 284,140 | 345,032 | 2,094,629 | 543,538 |
| | 1,159,124 | 1,106,133 | 2,486,037 | 3,305,381 |

The caption Loans from non-controlling interests Current and Non-Current mainly includes:

i) loans granted by ACE Portugal (CTG Group) due to the sale in 2017 of 49% of shareholding in EDPR PT – Parques Eólicos S.A and subsidiaries for a total amount of 37,362 thousand Euros, including accrued interests, bearing interest at a fixed rate of 3.75% (see notes 5 and 44);

ii) loans granted by Vortex Energy Investments II due to the sale in 2016 of 49% of shareholding in EDPR Participaciones S.L. and subsidiaries for a total amount of 231,751 thousand Euros, including accrued interests (31 December 2016: 245,981 thousand Euros), bearing interest at a fixed rate of a range between 3.32% and 7.55%;

iii) loans granted by ACE Poland (CTG Group) due to the sale in 2016 of 49% of shareholding in EDP Renewables Polska HoldCo, S.A. and subsidiaries for a total amount of 123,430 thousand Euros, including accrued interests (31 December 2016: 120,390 thousand Euros), bearing interest at a fixed rate of a range between 1.33% and 7.23% (see note 44);

iv) loans granted by ACE Italy (CTG Group) due to the sale in 2016 of 49% of shareholding in EDP Renewables Italia, S.r.l. and subsidiaries for a total amount of 78,436 thousand Euros, including accrued interests (31 December 2016: 83,618 thousand Euros), bearing interest at a fixed rate of 4.5% (see note 44);

v) loans granted by Vortex Energy Investments I due to the sale in 2014 of 49% of shareholding in EDPR France and subsidiaries for a total amount of 58,388 thousand Euros, including accrued interests (31 December 2016: 66,264 thousand Euros), bearing interest at a fixed rate of a range between 3.1% and 7.18%;

vi) loans granted by CITIC CWEI Renewables (CTG Group) due to the sale in 2013 of 49% of shareholding in EDP Renováveis Portugal, S.A. for a total amount of 61,140 thousand Euros, including accrued interests (31 December 2016: 71,501 thousand Euros), bearing interest at a fixed rate of 5.5% (see note 44);

vii) loans from Sonatrach to Central Térmica Ciclo Combinado Grupo 4 in the amount of 58,220 thousand Euros (31 December 2016: 58,220 thousand Euros).

The Amounts payable and contigent prices for acquisitions/sales includes the amounts related with the contingent prices for the acquisition of several European projects (mainly in Poland, Romania and Italy) and Brazilian projects, as well as the contingent prices related to the sale of gas distribution business in Spain and Portugal, in the amount of 48,726 thousand Euros and 52,142 thousand Euros, respectively.

The caption Group companies, on a Company basis, corresponds to the financing obtained by EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España through EDP Finance B.V., in Euros and US Dollar, with the component in foreign currency being covered by a hedging instrument (see note 26).

The variation in the caption Group companies Non-Current, on a Company basis, corresponds to the reclassification for the short term of two funding obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the funding of the investment plan of EDP Renováveis Group (see notes 44 and 49).

The variation in the caption Group companies Current, on a Company basis, includes the payment of 521 million Euros related to one of the funding obtained by EDP S.A. Sucursal en España through EDP Finance B.V. (see note 49). Under this prepayment, EDP Sucursal incurred in costs in the amount of 17,361 thousand Euros which are included in the financial costs under Interest expense on financial debt (see note 12).

The caption'Lease contracts with EDP Pension and Medical and Death Subsidy Funds corresponds to the lease contract regarding the building units of Porto headquarters acquired by EDP Pension Fund in December 2015 and the Lisbon headquarters building given as an in-kind contribution to EDP Medical and Death Subsidy Fund in September 2017.

Regarding the building units of Porto's headquarters, the lease contract is for a period of 25 years, with a monthly expense of 270 thousand Euros and an implicit rate of 6.42%. As at 31 December 2017, it amounts to 30,808 thousand Euros (31 December 2016: 31,357 thousand Euros) (see note 44).

Regarding the Lisbon headquarters' building, the building component was booked as an asset of EDP, S.A. in Property, Plant and Equipment, at the present value of the minimum lease payments. The lease contract is for a period of 25 years, with a monthly expense of 491 thousand Euros and an implicit rate of 5.82%. As at 31 December 2017, it amounts to 55,040 thousand Euros (see notes 15 and 44).

## 40. Tax Liabilities

Tax liabilities are as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 | Company Dec 2017 | Company Dec 2016 |
|---|---|---|---|---|
| Income tax | 86,645 | 326,951 | - | 263,313 |
| Withholding tax | 36,269 | 74,066 | 1,176 | 993 |
| Value Added Tax (VAT) | 133,896 | 289,807 | 17,042 | 2,809 |
| Special taxes Brazil | 193,901 | 96,685 | - | - |
| Other taxes | 204,296 | 233,911 | 955 | 886 |
| | 655,007 | 1,021,420 | 19,173 | 268,001 |

| Thousand Euros | Group Dec 2017 | Group Dec 2016 | Company Dec 2017 | Company Dec 2016 |
|---|---|---|---|---|
| Non-Current | 91,551 | 68,156 | - | - |
| Current | 563,456 | 953,264 | 19,173 | 268,001 |
| | 655,007 | 1,021,420 | 19,173 | 268,001 |

The decrease in Income tax caption is mainly due to the payment in May 2017 of December 2016 income tax and by the estimation of Income tax receivable in December 2017, by EDP, S.A.

As at 31 December 2016, for the Group, the caption Value added tax (VAT) included the VAT due by Naturgas Group, in the amount of 197,595 thousand Euros, in the context of an intragroup sale of gas distribution assets occurred in December 2016, which was paid in the first quarter of 2017.

As at 31 December 2017, the captions Income tax and Special taxes Brazil include the amount of 100,616 thousand Euros (399,737 thousand Brazilian Reais), corresponding to the recognised liability value of 129,607 thousand Euros (514,917 thousand Brazilian Reais) net of payments (see note 27).

As at 31 December 2017, for the Group, the caption Other taxes includes taxes regarding EDP España Group of 102,277 thousand Euros (31 December 2016: 96,409 thousand Euros). Additionally, includes 51,744 thousand Euros (31 December 2016: 52,965 thousand Euros) of special autonomous taxation on revaluations as a result of the fiscal revaluation of certain eligible EDP assets held in Portugal.

## 41. Assets and Liabilities Held for Sale

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

This caption is as follows:

| | Group | |
|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 |
| **Assets held for sale** | | |
| Gas distribution assets - Portugal | - | 551,802 |
| Electricity generation assets - United Kingdom | 58,179 | - |
| Electricity generation assets - Brazil | 10,271 | - |
| Electricity generation assets - Portugal | 161,819 | - |
| Other assets (see note 15) | 866 | - |
| | 231,135 | 551,802 |
| **Liabilities held for sale** | | |
| Gas distribution liabilities - Portugal | - | 75,854 |
| Electricity generation liabilities - Brazil | 3,262 | - |
| Electricity generation liabilities - Portugal | 111,419 | - |
| | 114,681 | 75,854 |
| | 116,454 | 475,948 |

During the last quarter of 2016, EDP Group began the selling process of the business of gas distribution in Portugal which was concluded in 4 October 2017 (see note 5). At the transaction date EDP Gás, S.G.P.S. had 5,765 thousand Euros in Cash and cash equivalents.

During the second quarter of 2017, EDPR Group committed to the plan to sell and consequently loss of control of Moray Offshore Windfarm (East) Limited, so, according to the analysis performed under IFRS 5, this sale was considered highly probable, and as at 30 June 2017, its assets and liabilities were classified as held for sale. On 7 July 2017, EDPR Group has reached a first agreement with Engie for the sale and subsequent loss of control of 23.3% of the equity shareholding and shareholder loans of the company, for an amount of 21 million Pounds (see notes 5 and 7). On this date, both shareholders signed an agreement, which determined the joint control of the company by EDPR and Engie, from the moment EDPR UK submitted the bid for the UK Auction, which took place in August 2017.

In the second semester of 2017, EDPR Group committed to the plan to sell the additional 53.4% of the capital stock and loans of Moray Offshore Windfarm (East) Limited, thus, according to the analysis performed under IFRS 5, this sale was considered highly probable, and related assets and liabilities have been classified as held for sale.

Accordingly, as at 31 December 2017, the assets attributable to the remaining capital shares and respective loans that will be disposed are recognised in non-current assets held for sale in the amount of 58,179 thousand Euros.

During the last quarter of 2017, the EDP Brasil Group started the process of selling Costa Rica Energética, Ltda. Assets and liabilities associated with this company were presented in non-current assets and liabilities held for sale. The main reclassifications were related to property, plant and equipment (4,166 thousand Euros) and other liabilities from commercial activities (3,150 thousand Euros).

Additionally, in the last quarter of 2017, the EDP Group started the process of selling electricity generation companies EDP Small Hydro, S.A. and Pebble Hydro - Consultoria, Investimento e Serviços, Lda. The assets and liabilities associated with these companies were presented in non-current assets and liabilities held for sale. The main reclassifications are related to intangible assets (109,046 thousand Euros); goodwill (33,583 thousand Euros); other liabilities non - current (18,076 thousand Euros); and bank loans (73,708 thousand Euros). Consolidation reserves of Pebble Hydro - Consultoria, Investimento e Serviços, Lda. include a negative cashflow hedge reserve, in the amount of 13,896 thousand Euros (net of taxes).

These reclassifications were made only for financial statement presentation purposes, without changing the measurement criteria of these assets and liabilities, as it is expected that the fair value less costs to sell is higher than its book value, in accordance with IFRS 5.

## 42. Derivative Financial Instruments

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

In 2017, the fair value and the maturity of the derivative financial instruments in EDP Group are as follows:

| | Fair value | | Notional | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Assets | Liabilities | Up 1 year | From 1 to 5 years | Over 5 Years | Total |
| **Net Investment hedge** | | | | | | |
| Cross-currency interest rate swaps | 47,565 | -5,377 | 30,535 | 209,004 | 500,000 | 739,539 |
| | 47,565 | -5,377 | 30,535 | 209,004 | 500,000 | 739,539 |
| **Fair value hedge** | | | | | | |
| Interest rate swaps | 96,117 | -1,706 | - | 1,850,000 | 600,000 | 2,450,000 |
| Cross-currency interest rate swaps | 46,966 | - | 103,922 | - | 410,314 | 514,236 |
| | 143,083 | -1,706 | 103,922 | 1,850,000 | 1,010,314 | 2,964,236 |
| **Cash flow hedge** | | | | | | |
| Commodities swaps | 68,885 | -106,652 | 604,902 | 375,102 | 13,850 | 993,854 |
| Interest rate swaps | 2,307 | -22,987 | 96,804 | 487,068 | 271,949 | 855,821 |
| Currency forwards | 21 | -8,208 | 164,134 | - | - | 164,134 |
| | 71,213 | -137,847 | 865,840 | 862,170 | 285,799 | 2,013,809 |
| **Trading** | | | | | | |
| Commodities swaps | 13,558 | -15,816 | 185,969 | 108,771 | - | 294,740 |
| Interest rate swaps | 14,311 | -688 | 470 | 600,000 | 300,000 | 900,470 |
| Cross-currency interest rate swaps | 2,468 | -18,740 | 150,000 | 130,703 | - | 280,703 |
| Currency forwards | 180 | -4,109 | 116,954 | 11,889 | - | 128,843 |
| Options purchased and sold | 846 | -1,331 | 21,426 | 1,752 | - | 23,178 |
| | 31,363 | -40,684 | 474,819 | 853,115 | 300,000 | 1,627,934 |
| | 293,224 | -185,614 | 1,475,116 | 3,774,289 | 2,096,113 | 7,345,518 |

As at 31 December 2017, EDP Group holds contracts for purchases and sales of commodities traded on futures' exchanges, namely Chicago Mercantile Exchange, Intercontinental Exchange, European Energy Exchange and OMIP, whose operations' fair value is settled on a daily basis and therefore is not included in the statement of financial position. The notional of these futures amounts to 827,571 thousand Euros with maturities in 2018 and 2019, and the fair value retained in cash flow hedge reserves of the Group related to these operations amounts to -37,968 thousand Euros.

In 2016, the fair value and the maturity of the derivative financial instruments in EDP Group were as follows:

| | Fair value | | Notional | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Assets | Liabilities | Up 1 year | From 1 to 5 years | Over 5 Years | Total |
| **Net Investment hedge** | | | | | | |
| Cross-currency interest rate swaps | 10,641 | -22,779 | 74,669 | 109,573 | 500,000 | 684,242 |
| | 10,641 | -22,779 | 74,669 | 109,573 | 500,000 | 684,242 |
| **Fair value hedge** | | | | | | |
| Interest rate swaps | 128,860 | -138 | - | 850,000 | 1,600,000 | 2,450,000 |
| Cross-currency interest rate swaps | 94,881 | -81,646 | 320,000 | 103,922 | 410,314 | 834,236 |
| | 223,741 | -81,784 | 320,000 | 953,922 | 2,010,314 | 3,284,236 |
| **Cash flow hedge** | | | | | | |
| Commodities swaps | 76,413 | -38,977 | 703,794 | 403,655 | - | 1,107,449 |
| Interest rate swaps | 7 | -53,337 | 105,240 | 425,077 | 433,765 | 964,082 |
| Currency forwards | 19,832 | -12,115 | 365,499 | 42,448 | - | 407,947 |
| | 96,252 | -104,429 | 1,174,533 | 871,180 | 433,765 | 2,479,478 |
| **Trading** | | | | | | |
| Commodities swaps | 24,615 | -29,530 | 299,537 | 84,906 | - | 384,443 |
| Interest rate swaps | 16,065 | -3,562 | 1,203 | 602,355 | 304,152 | 907,710 |
| Cross-currency interest rate swaps | 3,789 | -27,439 | 22,732 | 195,566 | - | 218,298 |
| Currency forwards | 6,229 | -2,333 | 209,425 | 7,492 | - | 216,917 |
| Options purchased and sold | 1,621 | - | - | 3,745 | - | 3,745 |
| | 52,319 | -62,864 | 532,897 | 894,064 | 304,152 | 1,731,113 |
| | 382,953 | -271,856 | 2,102,099 | 2,828,739 | 3,248,231 | 8,179,069 |

The management of financial risk of EDP, S.A. and other EDP Group companies, is carried out centrally by EDP, S.A. (note 4). On this basis, EDP, S.A. negotiates derivative financial instruments with external entities to hedge its own individual business risks, as well as for other companies of the Group, performing for these entities' as an intermediate in their contracting.

In 2017, the fair value and the maturity of the derivative financial instruments at Company level are as follows:

| | Fair value | | Notional | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Assets | Liabilities | Up 1 year | From 1 to 5 years | Over 5 Years | Total |
| **Fair value hedge** | | | | | | |
| Cross-currency interest rate swaps | 280,477 | - | 1,387,347 | - | - | 1,387,347 |
| | 280,477 | - | 1,387,347 | - | - | 1,387,347 |
| **Cash flow hedge** | | | | | | |
| Commodities swaps | 3,298 | - | 19,131 | - | - | 19,131 |
| | 3,298 | - | 19,131 | - | - | 19,131 |
| **Trading** | | | | | | |
| Commodities swaps | 206,344 | -165,147 | 1,948,563 | 699,475 | - | 2,648,038 |
| Interest rate swaps | 109,910 | -96,278 | - | 4,300,000 | 1,500,000 | 5,800,000 |
| Cross-currency interest rate swaps | 84,857 | -15,441 | 568,914 | 602,252 | 500,000 | 1,671,166 |
| Currency forwards | 17,525 | -12,339 | 906,713 | 11,889 | - | 918,602 |
| Commodities forwards | 12,363 | -12,164 | 59,799 | - | - | 59,799 |
| Options purchased and sold | 767 | -1,988 | 3,745 | 3,395 | - | 7,140 |
| | 431,766 | -303,357 | 3,487,734 | 5,617,011 | 2,000,000 | 11,104,745 |
| | 715,541 | -303,357 | 4,894,212 | 5,617,011 | 2,000,000 | 12,511,223 |

In 2016, the fair value and the maturity of the derivative financial instruments at Company level were as follows:

| | Fair value | | Notional | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Assets | Liabilities | Up 1 year | From 1 to 5 years | Over 5 Years | Total |
| **Fair value hedge** | | | | | | |
| Cross-currency interest rate swaps | 668,047 | - | 438,827 | 1,387,347 | - | 1,826,174 |
| | 668,047 | - | 438,827 | 1,387,347 | - | 1,826,174 |
| **Cash flow hedge** | | | | | | |
| Commodities swaps | 37,430 | - | 468,912 | - | - | 468,912 |
| | 37,430 | - | 468,912 | - | - | 468,912 |
| **Trading** | | | | | | |
| Commodities swaps | 93,604 | -124,229 | 1,854,949 | 780,423 | - | 2,635,372 |
| Interest rate swaps | 142,392 | -128,320 | - | 2,300,000 | 3,500,000 | 5,800,000 |
| Cross-currency interest rate swaps | 89,364 | -52,482 | 194,802 | 709,116 | 500,000 | 1,403,918 |
| Currency forwards | 28,010 | -26,509 | 979,887 | 92,389 | - | 1,072,276 |
| Commodities forwards | 6,118 | -6,115 | 63,879 | 3,714 | - | 67,593 |
| Options purchased and sold | 1,621 | - | - | 3,745 | - | 3,745 |
| | 361,109 | -337,655 | 3,093,517 | 3,889,387 | 4,000,000 | 10,982,904 |
| | 1,066,586 | -337,655 | 4,001,256 | 5,276,734 | 4,000,000 | 13,277,990 |

The fair value of derivative financial instruments is booked in Other debtors and other assets (see note 26) and Other liabilities and other payables (see note 39), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities, which are compared in each date of report to fair values available in common financial information platforms. Therefore, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of level 2 (see note 45) and no changes of level were made during this period. These entities use generally accepted discounted cash flow techniques and data from public markets.

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

The changes in the fair value, including accrued interest, of hedging instruments and risks being hedged are as follows:

| | | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|
| | | | Changes in fair value | | Changes in fair value | |
| Thousand Euros | Hedging instrument | Hedged risk | Instrument | Risk | Instrument | Risk |
| Net investment | Cross-curr. int. rate swaps | Subsidiaries in PLN, BRL, USD and CAD | 54,326 | -60,211 | 44,478 | -36,343 |
| Net investment | Currency forwards | Subsidiaries in CAD | - | - | -554 | 554 |
| Fair value | Interest rate swap | Interest rate | -34,311 | 34,256 | 41,318 | -41,062 |
| Fair value | Cross-curr. int. rate swaps | Exchange and interest rate | 33,731 | -27,669 | -130,207 | 141,342 |
| Cash flow | Interest rate swap | Interest rate | 32,650 | - | 33,134 | - |
| Cash flow | Currency forwards | Exchange rate | -15,904 | - | -603 | - |
| Cash flow | Commodities swaps | Commodity prices | -75,203 | - | 29,384 | - |
| | | | -4,711 | -53,624 | 16,950 | 64,491 |

During 2017 and 2016 the following market inputs were considered for the fair value calculation:

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

The changes in the fair value reserve related to cash flow hedges in 2017 and 2016 were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| **Balance at the beginning of the period** | 43,235 | -73,866 | 54,217 | -8,216 |
| Fair value changes | -39,678 | 80,363 | 88,466 | -12,423 |
| Transfers to results from hedging of financial liabilities and commodity prices | -28,180 | 32,760 | -135,187 | 74,856 |
| Transfers included in the initial cost of inventories from hedging of commodity prices | -79,406 | - | - | - |
| Comprehensive Income changes in associates | - | 1,248 | - | - |
| Changes resulting from acquisitions/sales without control changes | 451 | 2,730 | - | - |
| **Balance at the end of the period** | -103,578 | 43,235 | 7,496 | 54,217 |

On a Company basis, the derivative financial instruments classified as cash flow hedges are related to swaps and futures on energy prices in the iberian market to hedge the price risck associated to future energy purchases to sell them to EDP Comercial in 2018.

The gains and losses on the financial instruments portfolio, excluding accrued interest, booked in the Income Statement in 2017 and 2016 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| Derivatives held for trading | -24,836 | -83,931 | 18,683 | -19,931 |
| Net investment hedge - ineffectiveness | -5,148 | 12,521 | - | - |
| Fair value hedges: | | | | |
| -Derivatives | -580 | -88,889 | -296,317 | 78,971 |
| -Hedged liabilities | 6,587 | 100,280 | 296,317 | -78,971 |
| Cash flow hedges: | | | | |
| -Transfer to results from hedging of financial liabilities | -5,383 | -12,397 | - | - |
| -Transfer to results from hedging of commodity prices | 95,058 | -20,363 | 135,187 | -74,856 |
| -Ineffectiveness | 1,161 | 2,412 | 187 | 16 |
| | 66,859 | -90,367 | 154,057 | -94,771 |

The amount tranfered to results related to hedges of commodity prices is included in Revenues from energy sales and services and other and Cost of energy sales and other.

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2017 are as follows:

| | Group | | | |
|---|---|---|---|---|
| | Notional Euro'000 | Currency | EDP Pays | EDP Receives |
| **Interest rate contracts:** | | | | |
| Interest rate swaps | 4,117,189 | EUR | [ 4.45% - -0.85% ] | [ 4.88% - -0.85% ] |
| Interest rate swaps | 14,511 | PLN | [ 2.78% - 2.48% ] | 1.81% |
| Interest rate swaps | 57,807 | USD | 1.86% | 1.00% |
| Interest rate swaps | 16,785 | CAD | 2.59% | 1.43% |
| **Currency and interest rate contracts:** | | | | |
| CIRS (currency interest rate swaps) | 410,314 | EUR/GBP | 3.66% | 8.63% |
| CIRS (currency interest rate swaps) | 74,069 | USD/JPY | 6.80% | 3.11% |
| CIRS (currency interest rate swaps) | 174,087 | EUR/PLN | [ 2.11% - 1.39% ] | -0,33% |
| CIRS (currency interest rate swaps) | 150,000 | EUR/RON | [ 2.23% - 2.10% ] | -0,33% |
| CIRS (currency interest rate swaps) | 45,719 | EUR/BRL | [ 6.48% - 5.37% ] | -0,33% |
| CIRS (currency interest rate swaps) | 56,634 | BRL/USD | [ 12.66% - 11.13% ] | [ 4.34% - 3.53% ] |
| CIRS (currency interest rate swaps) | 103,922 | EUR/CHF | [ 3.96% - 3.80% ] | 4.01% |
| CIRS (currency interest rate swaps) | 19,734 | EUR/CAD | [ 1.93% - 1.82% ] | -0,33% |
| CIRS (currency interest rate swaps) | 500,000 | USD/EUR | [ 3.27% - 3.20% ] | 1.13% |

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2016 were as follows:

| | Group | | | |
|---|---|---|---|---|
| | Notional Euro'000 | Currency | EDP Pays | EDP Receives |
| **Interest rate contracts:** | | | | |
| Interest rate swaps | 4,281,711 | EUR | [ 4.45% - -0.84% ] | [ 4.88% - -0.84% ] |
| Interest rate swaps | 19,742 | PLN | [ 2.78% - 2.48% ] | 1.81% |
| Interest rate swaps | 20,339 | CAD | 2.59% | 0.91% |
| **Currency and interest rate contracts:** | | | | |
| CIRS (currency interest rate swaps) | 730,314 | EUR/GBP | [ 3.69% - 1.32% ] | [ 8.63% - 6.63% ] |
| CIRS (currency interest rate swaps) | 81,037 | USD/JPY | 6.80% | 3.11% |
| CIRS (currency interest rate swaps) | 198,031 | EUR/PLN | [ 2.12% - 1.33% ] | [ -0.31% - -0.32% ] |
| CIRS (currency interest rate swaps) | 39,939 | EUR/BRL | [ 12.69% - 11.04% ] | -0.30% |
| CIRS (currency interest rate swaps) | 65,588 | BRL/USD | [ 17.32% - 16.52% ] | [ 3.82% - 2.84% ] |
| CIRS (currency interest rate swaps) | 103,922 | EUR/CHF | [ 3.98% - 3.82% ] | 4.01% |
| CIRS (currency interest rate swaps) | 17,946 | EUR/CAD | [ 1.33% - 1.23% ] | -0.32% |
| CIRS (currency interest rate swaps) | 500,000 | USD/EUR | [ 3.27% - 3.20% ] | 1.13% |

## 43. Commitments

Financial, operating and real guarantees granted by EDP Group, not included in the Statement of Financial Position, are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| Thousand Euros | Dec 2017 | Dec 2016 | Dec 2017 | Dec 2016 |
| **Financial guarantees** | | | | |
| EDP Brasil Group | 1,297,333 | 1,510,507 | - | - |
| EDP Renováveis Group | 6,955 | 21,039 | - | - |
| | 1,304,288 | 1,531,546 | - | - |
| **Operating guarantees** | | | | |
| EDP, S.A. | 902,592 | 501,334 | 902,592 | 501,334 |
| EDP España Group | 303,101 | 257,773 | - | - |
| EDP Brasil Group | 604,285 | 463,704 | - | - |
| EDP Renováveis Group | 2,789,736 | 2,367,120 | - | - |
| Other | - | 4,323 | - | - |
| | 4,599,714 | 3,594,254 | 902,592 | 501,334 |
| **Total** | 5,904,002 | 5,125,800 | 902,592 | 501,334 |
| **Real guarantees** | 7,762 | 4,137 | - | - |

The financial guarantees contracted as at 31 December 2017 and 2016 include 942,646 thousand Euros and 1,110,133 thousand Euros, respectively, related with loans obtained by Group companies and are already included in the consolidated debt.

Included in the operating guarantees contracted as at 31 December 2017 and 2016, are the amounts of 393,944 thousand Euros and 495,692 thousand Euros which, respectively, refer to corporate guarantees provided by EDP Renováveis relating to EDPR Renováveis Group commercial commitments already reflected in the Statement of Financial Position. Additionally, EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 31 December 2017 and 2016, 784,049 thousand Euros and 325,674 thousand Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

In addition to the information disclosed above:

i) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, willful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 31 December 2017 and 2016, EDPR's obligations under the tax equity agreements, in the amount of 1,258,661 thousand Euros and 1,428,275 thousand Euros, respectively, are already reflected under the caption Institutional Partnerships in USA;

ii) The Group has also project finance loans and deposits constituted as collateral for financial guarantee, which are disclosed in note 34.

In the Group, the commitments relating to future lease payments under operating leases and purchase obligations are disclosed by maturity, as follows:

| | Dec 2017 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Operating lease commitments | 1.407.125 | 89.961 | 135.379 | 117.551 | 1.064.234 |
| Purchase obligations | 20.597.417 | 4.524.876 | 5.108.130 | 2.784.960 | 8.179.451 |
| | 22.004.542 | 4.614.837 | 5.243.509 | 2.902.511 | 9.243.685 |

| | Dec 2016 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Operating lease commitments | 1.415.286 | 78.217 | 130.808 | 104.359 | 1.101.902 |
| Purchase obligations | 22.477.372 | 4.182.581 | 5.097.182 | 3.313.522 | 9.884.087 |
| | 23.892.658 | 4.260.798 | 5.227.990 | 3.417.881 | 10.985.989 |

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

Purchase obligations include 14,481,883 thousand Euros essentially related with very long-term contracts for energy acquisition in the brazilian market (by regulatory imposition) which are updated with the respective projected rates and discounted at present value by a rate that represents the weighted average cost of capital (WACC) of the EDP Brasil Group, as follows:

| Thousand Euros | Dec 2017 | Dec 2016 |
|---|---|---|
| Purchase obligation - Present value | 14.481.883 | 15.088.520 |
| Purchase obligation - Nominal amount | 18.313.855 | 20.286.380 |

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

The nature of purchase obligations breaks down as follows:

| Thousand Euros | Dec 2017 | Dec 2016 |
|---|---|---|
| Fuel acquisition | 3.380.444 | 4.273.355 |
| Electricity acquisition | 12.900.272 | 14.382.677 |
| O&M contracts | 1.091.670 | 1.257.234 |
| Fixed assets, equipment and miscellaneous materials acquisition | 1.573.712 | 802.169 |
| Supply and assembly contract | 655.067 | 774.832 |
| Other supplies and services | 996.252 | 987.105 |
| | 20.597.417 | 22.477.372 |

The reduction in electricity purchase obligations is essentially due to the depreciation of Brazilian Real against the Euro during 2017.

The commitments for fuel and electricity acquisition are disclosed, by maturity, as follows:

| | Dec 2017 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Fuel acquisition | 3,380,444 | 1,004,412 | 1,208,262 | 539,094 | 628,676 |
| Electricity acquisition | 12,900,272 | 1,463,858 | 2,478,446 | 2,095,030 | 6,862,938 |
| | 16,280,716 | 2,468,270 | 3,686,708 | 2,634,124 | 7,491,614 |

| | Dec 2016 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Fuel acquisition | 4,273,355 | 1,051,949 | 1,283,423 | 914,063 | 1,023,920 |
| Electricity acquisition | 14,382,677 | 1,509,932 | 2,631,299 | 2,159,492 | 8,081,954 |
| | 18,656,032 | 2,561,881 | 3,914,722 | 3,073,555 | 9,105,874 |

As at 31 December 2017, purchase obligations of fixed assets, equipment and miscellaneous materials correspond to: (i) 548,955 thousand Euros relating to property, plant and equipment acquisition; (ii) 53,460 thousand Euros relating to intangible assets acquisition; and (iii) 324,763 thousand Euros relating to equipment and miscellaneous materials acquisition.

The commitments relating to future lease payments under finance leases and to short and medium-long term financial debt are disclosed in notes 15 and 34, respectively. The commitments relating to pension and medical plans and other benefits are disclosed in note 35. The commitments related to the joint ventures are disclosed in note 20.

EDP Group has the following liabilities arising from put options on investments, held by third parties:

- Put option related to 25% of the share capital of Tivano S.r.l., exercisable under certain conditions, between July 2016 and July 2020. The exercise price is 450 thousand Euros, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 31 December 2017 the put option amounts to 1,618 thousand Euros (31 December 2016: 1,575 thousand Euros) (see note 39);

- Put option related to 25% of the share capital of San Mauro S.r.l., exercisable under certain conditions, between March 2017 and March 2022. The exercise price corresponds to 25% of the final purchase price of the company, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 31 December 2017 the put option amounts to 259 thousand Euros (31 December 2016: 341 thousand Euros) (see note 39);

- Put option related to 25% of the share capital of AW 2 S.r.l., exercisable under certain conditions, between April 2017 and April 2022. The exercise price corresponds to 25% of the final purchase price of the company, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 31 December 2017 the put option amounts to 292 thousand Euros (31 December 2016: 383 thousand Euros) (see note 39).

Some of the transactions related to the disposal of non-controlling interests while retaining control, carried out in 2017 and in previous years, incorporate contingent assets and liabilities according to the terms of the corresponding agreements.

At Company level, the commitments relating to future lease payments under operating leases and purchase obligations are disclosed, by maturity, as follows:

| | Dec 2017 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Operating lease commitments | 237,620 | 12,134 | 21,076 | 18,571 | 185,839 |
| Purchase obligations | 110,693 | 51,796 | 58,897 | - | - |
| | 348,313 | 63,930 | 79,973 | 18,571 | 185,839 |

| | Dec 2016 | | | | |
|---|---|---|---|---|---|
| | Capital outstanding by maturity | | | | |
| Thousand Euros | Total | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years |
| Operating lease commitments | 87,575 | 6,239 | 11,615 | 6,647 | 63,074 |
| Purchase obligations | 166,085 | 64,387 | 75,270 | 26,428 | - |
| | 253,660 | 70,626 | 86,885 | 33,075 | 63,074 |

The caption Purchase obligations relates to O&M contracts.

## 44. Related Parties

### Shares held by company officers

The number of shares of EDP S.A. held or attributable to company officers as at 31 December 2017 and 2016 are as follows:

| | 2017 Nr. of shares | 2016 Nr. of shares |
|---|---|---|
| **General and Supervisory Board** | | |
| China Three Gorges Corporation (represented by Eduardo de Almeida Catroga) | 850,777,024 | 780,633,782 |
| China Three Gorges (Europe), S.A. (represented by Dingming Zhang) | 850,777,024 | 780,633,782 |
| Draursa, S.A. (represented by Felipe Fernández Fernández) | 1,350 | - |
| Fernando Maria Masaveu Herrero | 265,065,136 | 265,065,136 |
| Mubadala Investment Company (represented by Mohamed Al Fahim) | 148,431,999 | 148,431,999 |
| Sonatrach (represented by Ferhat Ounoughi) | 87,007,433 | 87,007,433 |
| Vasco Joaquim Rocha Vieira | 3,203 | 3,203 |
| Banco Comercial Português, S.A. (represented by Nuno Manuel da Silva Amado) | 89,126,167 | 89,342,093 |
| João Carvalho das Neves | 7,429 | 7,429 |
| | | |
| **Executive Board of Directors** | | |
| António Luís Guerra Nunes Mexia | 91,000 | 91,000 |
| António Fernando Melo Martins da Costa | 54,299 | 54,299 |
| João Manuel Manso Neto | 1,268 | 1,268 |
| João Manuel Veríssimo Marques da Cruz | 79,578 | 81,378 |
| Nuno Maria Pestana de Almeida Alves | 150,000 | 150,000 |
| Miguel Nuno Simões Nunes Ferreira Setas | 7,382 | 7,382 |
| Miguel Stilwell de Andrade | 140,000 | 140,000 |
| Rui Manuel Rodrigues Lopes Teixeira | 31,733 | 8,333 |

The EDP, S.A bonds and the number of shares of other EDP group companies held or attributable to company officers are disclosed in part I section A - Ownership structure of chapter 4 - Corporate governance.

Under the General and voluntary tender offer over the shares representing the share capital of EDP Renováveis, S.A., under the terms of the article 19 of the Rule (EU) 596/2014 of the European Parliament and of the Council and article 248-B of the Portuguese Securities Code ("Código dos Valores Mobiliários"), during the third quarter, the Company Officers have sold the following shares:

- António Luís Guerra Nunes Mexia - 4,200 shares;
- Nuno Maria Pestana de Almeida Alves - 5,000 shares;
- António Fernando Melo Martins da Costa - 1,480 shares;
- Miguel Nuno Simões Nunes Ferreira Setas - 1,200 shares;
- Rui Manuel Rodrigues Lopes Teixeira - 12,370 shares;
- Miguel Stilwell de Andrade - 2,510 shares;
- João Manuel Veríssimo Marques da Cruz - 1,200 shares;
- João Carvalho das Neves - 3,200 shares.

Additionally, Rui Manuel Rodrigues Lopes Teixeira bought 23,400 shares representing the share capital of EDP.

### Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remunerations Committee appointed by the Shareholders' General Meeting, except for the remuneration of the members of the Executive Board of Directors (EBD), which is set by a Remunerations Committee appointed by the General and Supervisory Board (GSB).

*Short-term employee benefits*

During 2017, the annual fixed and variable remuneration cost accounted for the members of the EBD and the fixed remuneration of the GSB, was as follows:

| Thousand Euros | EBD | GSB |
|---|---|---|
| President | 1,568 | 515 |
| Members | 5,831 | 1,389 |
| | **7,399** | **1,904** |

The remuneration costs accounted with the EBD includes the amount of 2,419 thousand Euros related to the annual variable remuneration. This amount was calculated considering the best estimation of the variable remuneration for the year of 2017, in accordance with Remunerations Committee policy of the GSB, deducted from the correction of the accrual from the previous year compared with the amount paid.

Additionally, the Remunerations Committee policy of the GSB foresees, in certain circumstances, a variable multi-annual remuneration to the EBD members, corresponding to the current mandate (2015-2017). On this basis, an estimated amount of 11,510 thousand Euros was accrued (31 December 2016: 10,611 thousand Euros).

During 2017, the remuneration costs of the members of the Remunerations Committee of the General Assembly and Sustainability Commitee amounted to 35,000 Euros and 7,000 Euros, respectively.

*Post-employment benefits*

EDP has no specific retirement benefits system in place for its directors. The remuneration fixed by the Remuneration Committee of the General and Supervisory Board provides for a retirement savings plan-type standard financial product for the members of the Executive Board of Directors, who contribute 10% (ten percent) of their net fixed annual remuneration. It was granted by decision of the General Meeting of 19 April 2017 as part of the remuneration policy statement. This financial product does not entail any cost to EDP in the future, as it is merely a subscription to a financial product while the members of the managing body hold their positions and is not covered by Article 402 (1) of the "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code).

**Audit and non audit fees**

In 2017, KPMG fees relating to external audit and statutory audit of all subsidiaries of EDP Group, except Group EDP Brasil, amounted to 6,062,451 Euros. Additionally, the total fees charged by KPMG for other assurance services, and other non audit services amounted to 1,071,645 Euros and 263,700 Euros, respectively.

In 2017, KPMG Portugal fees relating to external audit and statutory audit of all subsidiaries of EDP Group in Portugal, amounted to 2,567,137 Euros. The total fees charged by KPMG Portugal for other assurance of reliability services to subsidiaries of EDP Group in Portugal amounted to 771,985 Euros. Additionally, KPMG Portugal charged fees related to other non audit services to subsidiaries of EDP Group in Spain amounted to 10,900 Euros.

**Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP**

In the course of its activity and regardless their relevance, EDP concludes business and operations under normal market conditions for similar transactions with different entities, namely financial institutions, including holders of qualified shareholdings in EDP's share capital and those related parties.

On 11 May 2012, after the strategic partnership agreement concluded with China Three Gorges Corporation (CTG) came into effect in December 2011, this company (and three other group companies) became part of EDP's General and Supervisory Board.

Under the strategic partnership with China Three Gorges Corporation, on 28 June 2013 EDP Renováveis, S.A. sold for a total final price of 368 million Euros to a CTG Group company (CITIC CWEI Renewables S.C.A.) a 49% shareholding in EDP Renováveis Portugal and 25% of the shareholder loans capital and supplementary capital contributions under the applicable rules for additional contributions granted to this company.

Also under this partnership, on 6 December 2013, EDP Brasil signed a memorandum of understanding with CWE Investment Corporation (CWEI), currently designated as China Three Gorges Corporation, a wholly owned subsidiary of CTG, setting out the main guidelines for a future partnership in joint investments between EDP Brasil and CWEI and that governs parties' participation in joint projects in Brazil. These investments by CWEI Brasil will be considered for purposes of fulfilment of the strategic partnership agreement in relation to the total investment of 2 billion Euros to be made by CTG up to 2015 (including co-funding of operating investments) in ready-to-build and operational renewable energy generation projects.

On 19 May 2015, EDP Renováveis, S.A. has completed the sale to CTG, of a 49% equity shareholding in selected wind farms in Brazil. This transaction was recognised as a sale without loss of control, having the Group recognised non-controlling interests of 50,943 thousand Euros and an impact in reserves attributable to the Group of 10,337 thousand Euros in 2015.

On 27 October 2016, the transaction relating with the sale of the minority interest in the wind generation assets of EDP Renováveis in Italy and Poland to CTG wich purchase and sale agreement was signed on 28 December 2015. CTG, through ACE Poland S.A.R.L. and ACE Italy S.A.R.L., both owned in 100% by ACE Investment Fund LP, an entity owned by China Three Gorges Hong Kong Ltd, subsidiary of CTG, formalised the payment of approximately 363 million Euros corresponding to the final price agreed between the parties.

In the second quarter of 2017, EDP Renewables, SGPS, S.A. concluded the sale to ACE Portugal S.A.R.L. (company hold by CTG) of 49% of EDPR PT-PE (see note 5).

**Balances and transactions with companies of China Three Gorges Group**

In accordance with the EDP/CTG strategic partnership, EDP Renováveis Group has completed the sale of 49% of EDPR Portugal, EDPR Brazil, EDPR PT-PE, EDPR Italia and EDPR Polska to CTG Group.

Following these transactions, CTG Group granted loans to the EDPR Group in the amount of 300,368 thousand Euros including accrued interests (31 December 2016: 275,509 thousand Euros) (see note 39), and interests were booked in the amount of 7,167 thousand Euros (31 December 2016: 5,168 thousand Euros).

In 2017, EDPR Portugal and EDPR PT PE distributed dividends to CTG in the amounts of 19,600 thousand Euros and 12,495 thousand Euros, respectively.

**Balances with EDP Pension and Medical and Death Subsidy Funds**

In December 2015, EDP, S.A. signed a lease contract related with the building units of the Porto headquarters (sold to the EDP Pension Fund in December 2015) for a period of 25 years with an implicit rate of 6.42%. As at 31 December 2017, the present value of the contract amounts to 30,808 thousand Euros (31 December 2016: 31,357 thousand Euros) (see note 39).

In September 2017, EDP, S.A. signed a lease contract related with the building of the Lisbon headquarters (given as an in-kind contribution to the EDP Medical and Death Subsidy Funds) for a period of 25 years with an implicit rate of 5.82%. As at 31 December 2017, the present value of the contract amounts to 55,040 thousand Euros, which given it's nature, was booked as Property, Plant and Equipment against Other creditors and other liabilities (see notes 15 and 39).

Following the decision and implementation of the autonomisation of the Medical Plan and Death Subsidy Plan and in line with the financing plan approved by Insurance and Pension Funds Supervisory Authority (ASF), EDP Group has committed to make a total estimated contribution of 577 million Euros until 2023. During 2017, a contribution of 163,888 thousand Euros was made (see note 35).

**Balances and transactions with subsidiaries, joint ventures and associates**

In their ordinary course of business, EDP Group companies establish commercial transactions and operations with other Group companies, whose terms reflect current market conditions.

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

**Credits held**

| | December 2017 | | | |
|---|---|---|---|---|
| Thousand Euros | Intra-Group Financial Mov. | Loans and Interests receivable | Other Credits | Total |
| EDP Comercial | - | 75,946 | 303,097 | 379,043 |
| EDP Distribuição | - | 1,921,941 | 57,074 | 1,979,015 |
| EDP Espanã | - | - | 55,405 | 55,405 |
| EDP Finance B.V. | - | 849,849 | 38,944 | 888,793 |
| EDP Produção | 280,059 | 4,875,717 | 143,603 | 5,299,379 |
| EDP Imobiliária e Participações | - | 15,842 | 264 | 16,106 |
| EDP IS (ex-Balwerk) | 8,008 | 192,694 | 40 | 200,742 |
| EDP Renováveis | - | - | 284,964 | 284,964 |
| EDP Servicios Financieros España | 354,641 | 885,497 | 10,355 | 1,250,493 |
| EDP Serviço Universal | - | - | 38,839 | 38,839 |
| Other | 45,370 | 49,364 | 166,884 | 261,618 |
| | 688,078 | 8,866,850 | 1,099,469 | 10,654,397 |

The amount of 849,849 thousand Euros refers to the repurchase in market by EDP, S.A. of two bond issues issued by EDP Finance B.V.

| | December 2016 | | | |
|---|---|---|---|---|
| Thousand Euros | Intra-Group Financial Mov. | Loans and Interests receivable | Other Credits | Total |
| EDP IS (ex- Balwerk) | 4,549 | 192,733 | 3,928 | 201,210 |
| EDP Comercial | 70,585 | 75,946 | 215,936 | 362,467 |
| EDP Distribuição | - | 1,697,252 | 127,312 | 1,824,564 |
| EDP Finance B.V. | - | 485,753 | 58,718 | 544,471 |
| EDP Produção | 222,334 | 4,537,627 | 185,595 | 4,945,556 |
| EDP Imobiliária e Participações | - | 104,091 | 682 | 104,773 |
| EDP Renováveis | - | - | 679,689 | 679,689 |
| EDP Servicios Financieros España | 371,951 | 885,832 | 4,832 | 1,262,615 |
| EDP Serviço Universal | - | - | 351,490 | 351,490 |
| Other | 74,340 | 39,451 | 209,569 | 323,360 |
| | 743,759 | 8,018,685 | 1,837,751 | 10,600,195 |

**Debits held**

| Thousand Euros | December 2017 Intra-Group Financial Mov. | Loans and Interests payable | Other Debits | Total |
|---|---|---|---|---|
| EDP Distribuição | 62,381 | - | 25,805 | 88,186 |
| EDP Finance B.V. | - | 13,641,435 | 99,116 | 13,740,551 |
| EDP Produção | - | - | 401,756 | 401,756 |
| EDP Imobiliária e Participações | 7,068 | - | 2,593 | 9,661 |
| Pebble Hydro | - | 41,500 | 1,023 | 42,523 |
| Other | 127,725 | 3,336 | 220,954 | 352,015 |
| | 197,174 | 13,686,271 | 751,247 | 14,634,692 |

The amount of 13,641,435 thousand Euros includes 6 intragroup bonds issued by EDP Finance B.V. to EDP S.A. as at 31 December 2017, in the total amount of 8,928,914 thousand Euros, with variable rate at medium-long term (5, 7 and 10 years).

| Thousand Euros | December 2016 Intra-Group Financial Mov. | Loans and Interests payable | Other Debits | Total |
|---|---|---|---|---|
| EDP Distribuição | 136,598 | - | 61,807 | 198,405 |
| EDP Finance B.V. | - | 19,439,433 | 141,960 | 19,581,393 |
| EDP Produção | - | - | 372,532 | 372,532 |
| EDP Soluções Comerciais | 6,875 | - | 9,721 | 16,596 |
| Pebble Hydro | - | 62,006 | 1,226 | 63,232 |
| Naturgas Comercializadora | - | - | 21,845 | 21,845 |
| Other | 33,157 | 2,845 | 251,850 | 287,852 |
| | 176,630 | 19,504,284 | 860,941 | 20,541,855 |

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

**Expenses**

| Thousand Euros | December 2017 Interest on Intra-Group Financial Mov. | Interest on Loans Obtained | Other Losses | Total |
|---|---|---|---|---|
| EDP Finance B.V. | - | -384,093 | -103,721 | -487,814 |
| EDP Produção | - | - | -1,356,622 | -1,356,622 |
| EDP España | - | - | -105,647 | -105,647 |
| Other | -24 | -40 | -99,143 | -99,207 |
| | -24 | -384,133 | -1,665,133 | -2,049,290 |

| Thousand Euros | December 2016 Interest on Intra-Group Financial Mov. | Interest on Loans Obtained | Other Losses | Total |
|---|---|---|---|---|
| EDP Finance B.V. | - | -629,753 | -186,309 | -816,062 |
| EDP Produção | - | - | -1,333,905 | -1,333,905 |
| Naturgas Comercializadora | - | - | -134,502 | -134,502 |
| Other | -57 | -278 | -202,950 | -203,285 |
| | -57 | -630,031 | -1,857,666 | -2,487,754 |

**Income**

| Thousand Euros | December 2017 Interest on Intra-Group Financial Mov. | Interest on Loans Granted | Other Gains | Total |
|---|---|---|---|---|
| EDP Comercial | 115 | 2,471 | 980,106 | 982,692 |
| EDP Distribuição | 1,395 | 86,038 | 59,107 | 146,540 |
| EDP España | - | - | 565,475 | 565,475 |
| EDP Produção | 992 | 213,035 | 569,564 | 783,591 |
| EDP Finance B.V. | - | 26,736 | 99,928 | 126,664 |
| EDP Renováveis | - | - | 102,589 | 102,589 |
| Other | 500 | 41,387 | 336,517 | 378,404 |
| | 3,002 | 369,667 | 2,713,286 | 3,085,955 |

Other gains include income from equity investments of 832,204 thousand Euros (see note 12).

| Thousand Euros | December 2016 Interest on Intra-Group Financial Mov. | Interest on Loans Granted | Other Gains | Total |
|---|---|---|---|---|
| EDP Comercial | 435 | 2,478 | 1,000,796 | 1,003,709 |
| EDP Distribuição | 881 | 149,390 | 178,917 | 329,188 |
| EDP Produção | 2,349 | 211,264 | 392,779 | 606,392 |
| EDP Finance B.V. | - | 1,954 | 122,705 | 124,659 |
| Naturgas Comercializadora | - | - | 124,381 | 124,381 |
| EDP España | - | - | 461,511 | 461,511 |
| Outras | 670 | 41,758 | 410,632 | 453,060 |
| | 4,335 | 406,844 | 2,691,721 | 3,102,900 |

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

**Assets and Liabilities**

| Thousand Euros | December 2017 Assets | Liabilities | Net Value |
|---|---|---|---|
| **Joint Ventures** | | | |
| EDP Produção Bioeléctrica | 15,214 | 3,635 | 11,579 |
| Empresa de Energia Cachoeira Caldeirão | 499 | 1,209 | -710 |
| Empresa de Energia São Manoel | 28,311 | - | 28,311 |
| Cide HC Energía | 7,677 | 143 | 7,534 |
| Moray Offshore Windfarm (East) | 19,282 | - | 19,282 |
| Other | 6,612 | 3,916 | 2,696 |
| | 77,595 | 8,903 | 68,692 |
| **Associates** | | | |
| MABE Construção e Administração de Projectos | 5,288 | - | 5,288 |
| Parque Eólico Sierra del Madero | 12,785 | - | 12,785 |
| Other | 13,073 | 21 | 13,052 |
| | 31,146 | 21 | 31,125 |
| | 108,741 | 8,924 | 99,817 |

| Thousand Euros | December 2016 Assets | Liabilities | Net Value |
|---|---|---|---|
| **Joint Ventures** | | | |
| EDP Produção Bioeléctrica | 15,114 | 5,146 | 9,968 |
| Eólica de Coahuila | 24,316 | - | 24,316 |
| Empresa de Energia Cachoeira Caldeirão | 14,622 | 1,403 | 13,219 |
| Empresa de Energia São Manoel | 29,583 | 1 | 29,582 |
| Cide HC Energía | 16,099 | 19 | 16,080 |
| HC Tudela Cogeneración | 3,616 | 2,254 | 1,362 |
| Other | 7,816 | 4,260 | 3,556 |
| | 111,166 | 13,083 | 98,083 |
| **Associates** | | | |
| Eoliennes en Mer Dieppe Le Tréport | 5,945 | - | 5,945 |
| Eoliennes en Mer Iles d'Yeu et Noirmoutier | 7,286 | - | 7,286 |
| MABE Construção e Administração de Projectos | 5,369 | - | 5,369 |
| Parque Eólico Sierra del Madero | 12,785 | - | 12,785 |
| Other | 9,023 | 2,432 | 6,591 |
| | 40,408 | 2,432 | 37,976 |
| | 151,574 | 15,515 | 136,059 |

**Transactions**

| Thousand Euros | December 2017 Operating Income | Financial Income | Operating Expenses | Financial Expenses |
|---|---|---|---|---|
| ***Joint Ventures*** | | | | |
| EDP Produção Bioeléctrica | 1,519 | 188 | -48,466 | - |
| Cide HC Energía | 91,100 | 24 | -253 | - |
| Other | 22,574 | 1,835 | -30,065 | - |
| | 115,193 | 2,047 | -78,784 | - |
| **Associates** | | | | |
| MABE Construção e Administração de Projectos | 132 | 515 | - | - |
| Desarrollos Eólicos de Canarias | 1,087 | - | -7 | - |
| Other | 840 | 815 | -31 | - |
| | 2,059 | 1,330 | -38 | - |
| | 117,252 | 3,377 | -78,822 | - |

| Thousand Euros | December 2016 Operating Income | Financial Income | Operating Expenses | Financial Expenses |
|---|---|---|---|---|
| ***Joint Ventures*** | | | | |
| EDP Produção Bioeléctrica | 1,616 | 208 | -45,228 | - |
| Cide HC Energía | 89,785 | 55 | -323 | - |
| Empresa de Energia Cachoeira Caldeirão | 939 | 3,103 | -10,013 | - |
| Other | 6,057 | 727 | -14,068 | -1 |
| | 98,397 | 4,093 | -69,632 | -1 |
| **Associates** | | | | |
| Korsokuntza, AIE | 3,775 | - | - | - |
| Other | 2,329 | 1,251 | -772 | - |
| | 6,104 | 1,251 | -772 | - |
| | 104,501 | 5,344 | -70,404 | -1 |

## 45. Fair Value of Financial Assets and Liabilities

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through quotations supplied by third parties or through internal models, which are based on cash flow discounting techniques and option valuation models. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors, including credit risk.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg).

As at 31 December 2017 and 2016, the following table presents the interest rate curves of the major currencies to which the Group is exposed used for cash flow discount (in addition to the rates listed below, the Group adjusts discount rates for credit risk):

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Currency | | Currency | |
| | EUR | USD | EUR | USD |
| 3 months | -0.33% | 1.69% | -0.32% | 1.00% |
| 6 months | -0.27% | 1.84% | -0.22% | 1.32% |
| 1 year | -0.19% | 2.11% | -0.08% | 1.69% |
| 2 years | -0.15% | 2.08% | -0.16% | 1.45% |
| 3 years | 0.01% | 2.17% | -0.10% | 1.69% |
| 4 years | 0.17% | 2.21% | -0.02% | 1.85% |
| 5 years | 0.31% | 2.24% | 0.08% | 1.98% |
| 6 years | 0.44% | 2.28% | 0.19% | 2.08% |
| 7 years | 0.56% | 2.31% | 0.31% | 2.16% |
| 8 years | 0.67% | 2.34% | 0.44% | 2.23% |
| 9 years | 0.78% | 2.37% | 0.56% | 2.29% |
| 10 years | 0.89% | 2.40% | 0.66% | 2.34% |

The fair value of financial assets and liabilities is as follows:

| | Group Dec 2017 | | | Group Dec 2016 | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Carrying amount | Fair value | Difference | Carrying amount | Fair value | Difference |
| **Financial assets** | | | | | | |
| Available for sale investments | 124,016 | 124,016 | - | 165,044 | 165,044 | - |
| Debtors/other assets from commercial activities | 6,165,109 | 6,165,109 | - | 5,656,055 | 5,656,055 | - |
| Other debtors and other assets | 530,176 | 530,176 | - | 408,391 | 408,391 | - |
| Derivative financial instruments | 293,224 | 293,224 | - | 382,953 | 382,953 | - |
| Financial assets at fair value through profit or loss | 37,544 | 37,544 | - | 9,567 | 9,567 | - |
| Collateral deposits/financial debt | 45,255 | 45,255 | - | 52,031 | 52,031 | - |
| Cash and cash equivalents | 2,400,077 | 2,400,077 | - | 1,521,253 | 1,521,253 | - |
| | 9,595,401 | 9,595,401 | - | 8,195,294 | 8,195,294 | - |
| **Financial liabilities** | | | | | | |
| Financial debt | 16,917,765 | 17,841,974 | 924,209 | 18,026,676 | 18,597,999 | 571,323 |
| Suppliers and accruals | 1,587,047 | 1,587,047 | - | 1,821,113 | 1,821,113 | - |
| Institutional partnerships in USA | 2,163,722 | 2,163,722 | - | 2,339,425 | 2,339,425 | - |
| Trade/other payables from commercial activities | 2,763,247 | 2,763,247 | - | 2,239,240 | 2,239,240 | - |
| Other liabilities and other payables | 973,510 | 973,510 | - | 834,277 | 834,277 | - |
| Derivative financial instruments | 185,614 | 185,614 | - | 271,856 | 271,856 | - |
| | 24,590,905 | 25,515,114 | 924,209 | 25,532,587 | 26,103,910 | 571,323 |

Given that EDP Group's financial assets and liabilities, recognised at amortised cost, are predominantly short-term and level 2, changes in fair value were not considered. Fair value of EDP Group's loans was determined considering current market interest rates.

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

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

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

| Thousand Euros | 31 December 2017 Level 1 | 31 December 2017 Level 2 | 31 December 2017 Level 3 | 31 December 2016 Level 1 | 31 December 2016 Level 2 | 31 December 2016 Level 3 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Available for sale investments | - | 77,573 | 46,443 | 50,369 | 72,725 | 41,950 |
| Derivative financial instruments | - | 293,224 | - | - | 382,953 | - |
| Financial assets at fair value through profit or loss | - | - | 37,544 | - | - | 9,567 |
| | - | 370,797 | 83,987 | 50,369 | 455,678 | 51,517 |
| **Financial liabilities** | | | | | | |
| Derivative financial instruments | - | 185,614 | - | - | 271,856 | - |
| | - | 185,614 | - | - | 271,856 | - |

The movement in financial assets and liabilities included in Level 3 is as follows:

| Thousand Euros | Available for sale investments Dec 2017 | Available for sale investments Dec 2016 | Financial assets at fair value through profit or loss Dec 2017 | Financial assets at fair value through profit or loss Dec 2016 |
|---|---|---|---|---|
| **Balance at beginning of period** | 41,950 | 33,733 | 9,567 | 9,288 |
| Change in fair value | 6,939 | 8,128 | - | - |
| Acquisitions | 510 | 714 | 31,647 | 4,016 |
| Disposals | -1,994 | -42 | - | - |
| Impairment | -1,041 | -435 | - | - |
| Other changes | 79 | -148 | -3,670 | -3,737 |
| **Balance at the end of the period** | 46,443 | 41,950 | 37,544 | 9,567 |

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

## 46. CO2 Licenses

The movements in the portfolio of CO2 Licenses held for trading and classified as inventories are as follows:

| CO2 (Ton) | Group Dec 2017 | Group Dec 2016 |
|---|---|---|
| CO2 Licenses held for trading on 1 January | 5,854,000 | - |
| Licenses acquired in the market | 10,820,000 | 18,409,433 |
| Emission Licenses transferred from trading portfolio to intangibles | -16,674,000 | -12,555,433 |
| CO2 Licenses held for trading on 31 December | - | 5,854,000 |
| CO2 Licenses for trading on 31 December (in thousand Euros) | - | 38,269 |

Purchases and sales of Licenses are booked based on the listed price on the transaction date. Emission Licenses transferred to the trading portfolios are classified as Inventories (see note 24), in accordance with Accounting policy - note 2 y).

Fair value corresponds to the spot price (closing price) at the end of December in each period.

## 47. Relevant or Subsequent Events

### Amendment of qualified shareholding - Norges Bank

On 8 January 2018, Norges bank informed EDP about the amendment of its title of imputation on its qualifying shareholding of 113,814,364 ordinary shares, which represents 3.11% of EDP's share capital and voting rights.

In a total amount of 113,814,364 ordinary shares, 73,396,967 were held directly, while the remaining 40,417,397 were associated through financial instruments, specifically "Shares on Loan (right to recall)" and "CFDs" (30,724,700 and 9,962,697 respectively).

The level 2.00% of EDP's share capital directly held by Norges Bank was exceeded on 5 January 2018.

Subsenquently, on 5 February 2018, Norges Bank notified EDP about the amendment of its title of imputation on its qualifying shareholding, which represents since 2 February 2018, 2.78% of EDP share capital and voting rights, in a total amount of 101,615,777 ordinary shares of EDP. This action represents a reduction below 2.00% level of EDP's share capital.

Of this amount, 72,470,786 were directly held (1.98% of the share capital) and the remaining are related through financial instruments, specifically "Shares on Loan (right to recall)" and "CFD's" (21,763,266 shares and 7,381,725 shares, respectively, in a total of 0.80% of EDP's share capital).

However, on 12 February 2018 Norges Bank annouced a new amendment and, at this date, the qualifying shareholding totalized 102,201,700 ordinary shares, which represents 2.80% of the share capital and voting rights.

The total qualifying shareholding is composed by 73.323.718 ordinary shares were directly held and the remaining 28,877,982 ordinary shares (2.01% of the share capital) were attributable through financial instruments being 21,496,257 as "Shares on Loan (right to recall)" and 7,381,725 as "CFD's" (0,79% of the share capital). This limit of 2.00% of share capital directly held was crossed on 9 February 2018.

After this date, on 15 February 2018, Norges Bank comunicated a new amendment, and, at this date, its qualyfing participation corresponded to 2.75% of EDP's share capital and respective voting rights, which is similar to 101,701,700 shares.

So, at this date, Norges Bank held in a directly way 1.96% of EDP's share capital which totalize 71,755,943 shares, and 0.79% of EDP's share capital held through financial instruments, in particular 21,564,032 shares through "Shares on Loan (right to recall)" and 7,381,725 shares through "CFD's", which totalize 28,945,757 shares. The value directly held by Norges Bank decrease below to 2.00% on 14 February 2018.

**Sale of 97 million Euros of tariff deficit in Portugal**

On 29 January 2018, EDP Serviço Universal, S.A, 100% owned by EDP Group and last resource supplier, agreed the sell of 97 million Euros of the 2017 tariff deficit related with special regime generation.

The related tariff deficit resulted from the 5-year deferral of the recovery of the 2017 overcost with the acquisition of energy from special regime generation, including adjustments for 2015 and 2016.

**Amendment of qualified shareholding - State Street Corporation**

On 31 January 2018, State Street Corporation notified EDP about the amendment of its title of imputation because had reached 2.00% of EDP's share capital and vote rights, which corresponds to 73,143,774 ordinary shares. This stage was completed on 25 January 2018.

On 1 February 2018, State Street Corporation informed EDP about the amendment of its title of imputation because its shareholding decreased to less than 2% of EDP share capital and respective voting rights. The situation was verified on 26 January 2018, and qualifying shareholding was composed by 73,126,582 ordinary shares.

However, on 2 February 2018, State Street Corporation launched a new notification and informed EDP that had reached the number of 73,427,450 ordinary shares, which correspond to a 2.01% of the total share capital and voting rights. This stage was achieved on 26 January 2018.

On 6 February 2018, State Street Corporation reported to EDP a decrease in its shareholding to 72,844,942 shares, which represents to less than 2% of share capital and voting rights. This situation was verified on 31 January 2018.

State Street Corporation provided information about the chain of entities relevant for the calculation of the siginificant shareholding. Consequently, the situation is described below:

| Communication date | 31 January 2018 | | 2 February 2018 | | 6 February 2018 | |
|---|---|---|---|---|---|---|
| Entity | % Capital | % of vote | % Capital | % of vote | % Capital | % of vote |
| State Street Global Advisors Inc | 0.98% | 0.98% | 0.99% | 0.99% | 0.98% | 0.98% |
| State Street Global Advisors Limited | 0.79% | 0.79% | 0.79% | 0.79% | 0.79% | 0.79% |
| State Street Global Advisors (Japan) Co., Ltd | 0.12% | 0.12% | 0.12% | 0.12% | 0.12% | 0.12% |
| State Street Global Advisors Australia Limited | 0.07% | 0.07% | 0.07% | 0.07% | 0.07% | 0.07% |
| State Street Global Advisors Asia Limited | 0.04% | 0.04% | 0.04% | 0.04% | 0.03% | 0.03% |
| Total | 2.00% | 2.00% | 2.01% | 2.01% | 1.99% | 1.99% |

**EDPR provide 50MW long-term contract in Northern Indiana, United States**

On 12 February 2018, EDP Renováveis, S.A (EDPR), 82.6% controlled by EDP, announced, through its subsidiary EDP Renewables North America LLC, a long term contract to sell the energy produced by 50MW with Nestlé from Meadow Lake VI wind farm.

The Meadow Lake VI wind farm will achieve 200MW, after on August 2017 had already announced a long term contract for 150MW. The project is located in the State of Indiana with start of operations expected for 2018.

With this new agreement, EDPR has already secured 1.3 GW long term contracts in US for projects to be installed in 2016-2020 period, which corresponds to 71% of 1.8 GW addiction capacity objective for the period.

**EDPR secures a 200 MW PPA relative to a new wind farm in the US**

On 26 February 2018, EDPR, 82.6% controlled by EDP, secured a Power Purchase Agreement (PPA) with Great Plains Energy which has the objective of selling energy produced by 200 MW from the new wind project, Prairie Queen wind farm. Prairie Queen wind farm is located in the Allen County, Kansas, and the start of operations is expected for 2019.

With this new contract, which is a 20-year agreement, EDPR will expand its activity in Kansas, reaching 82% of the total objective in US for 2016-2020 period (1.5 GW of 1.8GW).

**Acquisition by EDP - Energias do Brasil of stake in CELESC – Centrais Elétricas de Santa Catarina, S.A.**

On 19 December 2017 EDP Brasil signed a Share Purchase and Sale Agreement and Other Covenants (SPSA), entering a commitment to acquire from Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI) 33.1% of the common shares, corresponding to 5,140,868 shares, and 1.9% of the preferred shares, corresponding to 437,807 shares. Jointly, these shares represent 14.5% of the total shares of the issue of CELESC – Centrais Elétricas de Santa Catarina, S.A. CELESC is a publicly held company, registered with the Brazilian Securities and Exchange Commission – CVM, that operates in distribution, generation and transmission segments of electric energy in the Brazilian state of Santa Catarina.

The total acquisition price is 230 million Brazilian Reais (58 million Euros), to be restated at the variation of the interbank deposit rate - CDI until the date that the transaction is effectively concluded. The acquisition price shall be reduced by the amount of any distributions of Dividends or Interest on Shareholders' Equity that may be declared and/or paid by CELESC between the SPSA signing date and the conclusion of the transaction.

Pursuant to the terms of the SPSA, the conclusion of the transaction is subject to verification of certain precedent conditions, usual for this type of operation, among which are included: (i) approval by the Brazilian Anti-Trust Authority – CADE; and (ii) the approval of the National Supervisory Authority for Complementary Pension Plans (PREVIC). Therefore, this acquisition has not been accounted in the 2017 financial statements.

Once the Transaction is finalised, EDP Brasil intends to exercise the rights inherent to the acquired shareholding stake, including the nomination of members to CELESC's Board of Directors in accordance with the Corporate Law and CELESC's Bylaws. At this moment EDP Brasil has no plans or intention of altering the composition of CELESC's shareholding control, having informed that after the transaction is concluded it will hold a Voluntary Public Offering ("Voluntary POS"), at the price of 27 Brazilian Reais per share, to acquire up to 7,374,000 of CELESC's preferred shares. These correspond to up to 32% of the total preferred shares of the issue of CELESC. The pro-rata distribution among the shareholders is guaranteed should the offering be successful and adherence be more than the maximum number of the shares object of the Voluntary POS to be acquired.

The price of the shares object of the Voluntary POS shall be adjusted in the event of the declaration and/or payment on the part of CELESC of any dividends or interest on shareholders' equity until the date of the Voluntary POS.

CADE published on 26 January 2018 the approval for the acquisition, no appeal being applicable since 14 February 2018.

PREVIC authorised the acquisition on 23 February 2018, by the Official Letter nº 344/2018/Previc.

## 48. Recent Accounting Standards and Interpretations Issued

### Standards, amendments and interpretations issued effective for the Group

The changes to standards that has been issued and is already effective and applied by EDP Group on its financial statements are the following:

- IAS 7 (Amended) - Disclosure Initiative

  The International Accounting Standards Board (IASB) issued, in January 2016, amendments to IAS 7 - Statement of Cash Flows, with effective date of mandatory application for periods beginning on or after 1 January 2017, being allowed its early adoption.

  These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, such as:

  - Changes from financing cash flows;
  - Changes arising from obtaining or losing control of subsidiaries or other businesses;
  - The effect of changes in foreign exchange rates; or
  - Changes in fair values.

  This disclosure was included in note 54.

The new standard that have been issued and is already effective and that the Group has applied on its consolidated financial statements with no significant impact is the following:

- IAS 12 (Amended) - Recognition of Deferred Tax Assets for Unrealised Losses.

**Standards, amendments and interpretations issued but not yet effective for the Group**

The standards, amendments and interpretations issued but not yet effective for the Group, which impact is being evaluated, are the following:

- IFRS 9 - Financial Instruments

  IFRS 9 was endorsed by European Commission Regulation 2067/2016, 22 November 2016. IFRS 9 (versions of 2009 and 2010) introduces new requirements for the classification and measurement of financial assets and liabilities. Under this new approach, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The version of IFRS 9 published in 2013 adresses new requirements for hedge accounting. Then, in 2014, IFRS 9 has reviewed some guidelines for classification and measurement for financial instruments (including enlarge the instruments measured at fair value with the changes present in other comprehensive income, from some investments in equity instruments to other investments such as bonds) and has introduced new requirements to adress the impairment of financial assets, under the expected loss model.

  IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment of financial assets and hedge accounting.

  IFRS 9 is applicable for the annual periods beginning on 1 January 2018 (with early application permitted). Except for hedge accounting, retrospective application is required but the disclosure of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  EDP Group will adopt the new standard on the required effective date and will not restate comparative information.

  During 2017, EDP Group has performed a detailed assessment of of the impact on all the aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes until its adoption, since EDP Group has not yet finalised the testing and assessment of controls over its new IT systems and the internal control procedures, and the new accounting policies are subject to change until EDP Group presents its first financial statements that include the date of initial application.

  Overall, the EDP Group expects no significant impacts on its statement of financial position and equity, except for the effect of applying the impairment requirements of IFRS 9. EDP Group expects an increase in the loss allowance resulting in a negative impact on equity as presented below. Moreover, EDP Group will implement the required changes in classification of certain financial instruments.

  EDP Group has reviewed its financial assets and liabilities in order to access qualitative and quantitative impacts on the adoption of the Standard. Accordingly, the main material impacts are the following.

  (a) Classification and measurement

  IFRS 9 determines that the classification and measurement of financial assets shall be based on the business model used to manage them and on the characteristics of their contractual cash flows. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, being the remain financial assets measured at fair value recognised through other comprehensive income (FVOCI - if they are held under a business model whose objective is achieved both by collecting contractual cash flows and by selling) or through profit or loss (FVTPL - if they are not classified in any of the previous models and are, for example, managed on the basis of their fair value). Regarding the classification and measurement of financial liabilities, the changes to IAS 39 introduced by IFRS 9 are residual.

  The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value mostly all financial assets currently held at fair value.

  At 31 December 2017, the Group had equity investments classified as available for sale with a fair value of 96,309 thousand Euros that are held for long term strategic purposes. Under IFRS 9, EDP Group has designated these investments as measured at FVOCI. Consequently, the amounts recognised in other comprehensive income will not be recycled to profit or loss in the future. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

  EDP Group has also identified equity investments classified as available for sale with a fair value of 27,707 thousand Euros that, under IFRS 9, EDP Group has designated as measured at FVTPL. The AFS reserve of 18,300 thousand Euros related to these investments, which is currently presented as accumulated OCI, will be reclassified to retained earnings as of 1 January 2018.

Regarding regulatory receivables that consubstantiate on financial assets on EDP Group's financial statements, namely the receivables related to tariff adjustments (deviations and deficits), CMEC and concessions - IFRIC 12, with the exception of tariff deficits held by EDP Serviço Universal, S.A., no changes can be foreseen with respect to the classification of assets held in Portugal, Spain and Brasil. Tariff Deficits generated by EDP Serviço Universal, S.A., currently measured at amortised cost under IAS 39, are subject to a dual classification under IFRS 9. Tariff Deficits that are held within the objective to collect contractual cash flows under tariffs (principal and interest), in the amount of 136,223 thousand Euros, will remain measured at amortised cost. Tariff Deficits for which the Group expects not only to hold and collect contractual cash flows (principal and interest), but also to sell to third parties without recourse (bilateral contracts or securitization operations) a significant amount on a relatively frequent basis, in the amount of 431,514 thousand Euros, will be measured at fair value through OCI. At the transition date, the estimated fair value of these assets results in a positive increase of approximately 8,000 thousand Euros, net of deferred taxes, to be subsequently recycled to profit or loss upon derecognition of the underlying asset.

Loans and trade receivables are generally held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. EDP Group analysed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 (2014) establishes a new impairment model based on the expected credit losses (ECL), which replaces the current impairment model based on the incurred credit losses set out in IAS 39. Thus, a loss event will no longer need to occur before the recognition of an impairment allowance. The new model will accelerate the recognition of impairment losses on debt instruments held that are measured at amortised cost or at at fair value through other comprehensive income (which includes loans, bank balances and deposits, trade receivables and debt securities). If the credit risk on a financial asset has not increased significantly since its initial recognition, an entity shall measure the loss allowance for that financial asset at an amount equal to 12-month expected credit losses. If the credit risk has increased significantly since its inicial recognition, an entity shall measure the loss allowance for that financial asset at an amount equal to lifetime expected credit losses. As soon as the loss event occur (what is currently defined as 'objective evidence of impaiment'), the impairment allowance would be allocated directly to financial asset affected, which provide the same accounting treatment, from that point, similar to the current IAS 39, including the treatment of interest revenue.

*Trade and other receivables, including contract assets*

EDP Group will apply the simplified approach and record lifetime expected losses on all trade receivables and contract assets, including those with a significant financing component.

The estimated ECLs were calculated based on actual credit loss experience over a period that, per business and type of customers, was considered statistically relevant and representative of the specific characteristics of the underlying credit risk. When applicable, EDP Group estimated the ECL rates separately for corporates and individuals.

Considering the particularities of each business, exposures were segmented based on common credit risk characteristics such as credit risk grade, geographic region and/or industry - for corporates; and type of product purchased - for individuals, as applicable. Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which historical data was collect, current conditions and EDP Group's view of economic conditions over the expected lives of the receivables.

For receivable assets related to regulatory assets, loans, financial entities and state, EDP Group performed an analysis based on the general approach and no significant impacts are expected.

EDP Group estimates that the application of IFRS 9's impairment requirements at 1 January 2018, results in an increase of the impairment losses recognised, if compared with the impairment losses recognized under IAS 39, which results in a decrease, net of deferred taxes, of about 30,000 thousand Euros in Reserves and retained earnings.

At an individual level, concerning intercompany financial assets, there is no evidence of significant historical losses. Nevertheless, EDP is assessing eventual impacts of the application of the expected credit loss model.

(c) Hedge accounting

IFRS 9 (2013) introduces new requirements for hedge accounting, promoting a closer alignment with the risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9. In order to avoid a partial application of IFRS hedge accounting premises, EDP Group decided to continue to apply IAS 39 until the ongoing project on the accounting for macro hedging is completed. Therefore, EDP Group will maintain its accounting policy, as described in Note 2 (d).

Nevertheless, focusing on the already established main premises, the adoption of IFRS 9 results in a more accurate representation of risk management activities in the financial statements. In addition, the criteria for the eligibility of hedged items is extended to risk components of non-financial elements, to net positions and to aggregate exposures. For hedging instruments, the main changes concern to the possibility of deferring certain effects in OCI (e.g., the time value of an option), until the hedged item impacts profit or loss. IFRS 9 also eliminates the requirement for testing effectiveness under which the results of the retrospective test needed to fall with a range of 80%-125%, allowing entities to rebalance the hedging relationship if risk management objectives have not changed.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs. EDP Group's assessment included an analysis to identify data gaps against current processes. EDP Group is in process of implementing the system and controls changes that it believes will be necessary to capture the required data.

- IFRS 15 - Revenue from the Contracts with Customers (object of clarification issued in April 12, 2016)

The IASB, issued on 28 May 2014, IFRS 15 Revenue from Contracts with Costumers. IFRS 15 was endorsed by EU Commission Regulation 1905/2016, 22 September 2016, with an effective date of application for periods beginning on or after 1 January 2018. This standard replaces existing revenue recognition guidance and is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The new standard presents the principles that shall be applied by an entity in order to provide more useful information to users of financial statements about the nature, amount, term and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as provided in the 5 steps methodology, namely: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations; and (v) recognise revenue when (or as) the entity satisfies a performance obligation.

The Group plans to adopt IFRS 15 using the cumulative effect method (modified retrospective approach), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, EDP Group will not apply the requirements of IFRS 15 to the comparative period presented.

The analysis performed resulted on the assessment of the following preliminary impacts:

(a) Sale of goods

Revenue related to the sale of energy and access tariffs to energy distribution network is currently measured at fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after elimination of intra-group sales.

Revenue recognition occurs when the significant risks and rewards of ownership are transferred to the buyer, the entity retains neither continuing managerial involvement to the extent usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

The moment when an entity has transferred the significant risks and rewards of ownership to the buyer varies depending on the activities carried out by the overall EDP Group companies.

For contracts with customers in which the sale of energy and access tariffs is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the EDP Group's revenue recognition pattern and timing. The EDP Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Considering the analysis undertaken, EDP Group concluded on the reclassification of certain penalties inherent to the performance of the companies EDP São Paulo, EDP Espírito Santo and Porto de Pecém. In 2017, these penalties amounted to 10,039 thousand Euros and were booked in the Income statement under the caption Operating costs. Under IFRS 15, these penalties are now recorded as a decrease to the item 'Revenues from energy sales and services and other'.

(b) Rendering of services

The revenue recognition related with services rendered is currently based on the percentage of completion of the transaction at the reporting date. This occurs when the amount of revenue can be reliably measured, when it is probable the existence of economic benefits associated with the transaction to the entity who sells, when the percentage of completion of the transaction at the reporting date can be reliably measured and the costs incurred with the transaction and the costs to be incurred to complete the transaction can be reliably measured. Whenever it is not possible to reliably measure the completion of a transaction involving services rendered, revenue is only recognised to the extent of the expenses recognised as recoverable.

EDP Group concluded that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, under IFRS 15 the Group will continue to recognise revenue for these service contracts/service components of bundled contracts over time rather than at a point in time.

By applying a percentage of completion method, the Group currently recognises revenue and Trade and other receivables, even if receipt of the total consideration is conditional on successful completion of installation services. Under IFRS 15, earned consideration that is conditional should be recognised as a contract asset rather than receivable.

EDP Group provides certain services either on their own or bundled together with the sale of goods (energy or equipment). Currently, EDP Group accounts for the energy, equipment and services as separate deliverables. Under IFRS 15, allocation of the consideration will be made based on relative stand-alone selling prices. Hence, this allocation and, consequently, the timing of the amount of revenue recognised in relation to these sales would be affected. EDP Group analysed these contracts and concluded that no material differences arises from the actual revenue recognition based on separate deliverables and the IFRS 15 stand-alone prices allocation.

(c) Incremental costs of obtaining a contract – sales commissions

EDP Group establishes contracts with third parties for the promotion (sale) of energy / services in Portugal and Spain. These third parties act as sales agents and are remunerated through sales commissions according to a clearly identified pricing list (depending on the good(s) or services(s) sold), on a sale by sale basis.

Under current accounting policy EDP Group recognises these costs as expense as they are incurred. According to IFRS 15, an entity shall recognise as an asset the incremental costs of obtaining a contract with a customer, if the entity expects to recover these costs. The costs that an entity incurs to obtain a contract with a customer are considered incremental costs since the entity would not have incurred in these costs if the contract had not been obtained (e.g., a sales commission).

The costs to obtain a contract will, therefore, be eligible for capitalization under IFRS 15, as of 1 January 2018, to be amortised according to the pattern of transfer of goods or services to which the asset relates (considering the analysis undertaken on the EDP Group portfolio of goods and services to which these commissions relate, the assets' usefull life ranges varies between 6 and 8 years). Consequently, EDP Group estimated impact on Reserves and retained earnings, net of deferred taxes, of approximately 55,000 thousand Euros.

Disclosures

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. In 2017, the Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

To summarize, the preliminary estimated impacts on the adoption of IFRS 9 and IFRS 15 Standards is as follows:

| Thousand Euros | Reserves / Retained Earnings |
|---|---|
| **As at 31 December 2017** | **4,335,265** |
| Estimated adjustments due to IFRS 9 adoption | -22,000 |
| Estimated adjustments due to IFRS 15 adoption | 55,000 |
| **Estimated opening balance at 1 Jan 2018** | **4,368,265** |

- IFRS 16 - Leases

The International Accounting Standards Board (IASB) issued, in January 2016, IFRS 16 - Leases, with effective date of mandatory application for periods beginning on or after 1 January 2019, with earlier adoption permitted for entities that have also adopted IFRS 15 - Revenue from Contracts with Customers. This standard has not yet been adopted by the European Union.

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17 - Leases and its associated interpretative guidance. The objective is to ensure that lessees and lessors provide relevant information to the users of financial statements, namely about the effect that leases have on the financial position, financial performance and cash flows of the entity.

The main issues considered are as follows:

- inclusion of some considerations in order to distinguish leases from service contracts, based on the existence of control of the underlying asset at the time that it is available for use by the lessee; and

- introduction of a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. As a consequence, a lessee recognises depreciation costs and interest costs separately.

At the date of the publication of these consolidated financial statements, the EDP Group has already carried out an inventory of the existing lease contracts and is currently performing a technical analysis considering the provisions of IFRS 16. In addition, EDP Group is revising the existing information systems in order to assess to what extent will be necessary to adapt them to the requirements of this standard. At this stage, it is not possible to estimate the magnitude of the impacts inherent to the adoption of this standard.

The standards, amendments and interpretations issued but not yet effective for the Group (despite their effective dates of application, they have not yet been endorsed by the UE) with no estimated significant impact are the following:

- IFRS 4 (Amended) - Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts;
- IFRS 2 (Amended) - Classification and Measurement of Share-based Payment Transactions;
- IFRS 9 (Amended) - Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IFRS 17 - Insurance Contracts;
- IAS 28 (Amended) - Long-term Interests in Associates and Joint Ventures;
- IAS 40 (Amended) - Transfers of Investment Property;
- IFRIC 22 - Foreign Currency Transactions and Advance Payments;
- IFRIC 23 - Uncertainty over Income Tax Treatments;
- "Annual Improvement Project (2014-2016)";
- "Annual Improvement Project (2015-2017)".

## 49. EDP Branch in Spain

The aim of EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, interests in EDP Servicios Financieros (España), S.A.U. and EDP España, S.A.U. are directly allocated to the assets of EDP Sucursal, as well as the majority interests in EDP Renováveis, S.A.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and direct representation on iberian ambit EDP Management Committee.

The Executive Committee is composed essentially by five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP in Spain, namely the Department of M&A ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Administration and Finance ("Direcção de Administração e Finanças"), Department of Human Resources ("Direcção de Recursos Humanos"), Department of Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of EDP Spain Foundation ("Direcção da Fundação EDP Espanha") and IT Department ("Direcção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory, being provided with 174 human resources as at 31 December 2017, including 104 in its own payroll. Lastly, the Spanish branch of EDP has direct representation on iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

The condensed Statement of Financial Position of the Branch is as follows:

| Thousand Euros | EDP Branch | |
|---|---|---|
| | Dec 2017 | Dec 2016 |
| Investments in subsidiaries: | | |
| - EDP Renováveis, S.A. | 4,154,431 | 3,854,811 |
| - EDP España, S.A.U. | 2,105,002 | 2,105,002 |
| - EDP Servicios Financieros (España), S.A.U. | 482,695 | 482,695 |
| - EDP International Investments and Services, S.L. | 281,854 | 281,854 |
| Deferred tax assets | 72,487 | 66,652 |
| Other debtors and others assets (see note 26) | 894,059 | 1,397,592 |
| Total Non-Current Assets | 7,990,528 | 8,188,606 |
| | | |
| Debtors and other assets | 733,390 | 600,756 |
| Tax receivable | 80,389 | 29,600 |
| Cash and cash equivalents | 1,454 | 1,627 |
| Total Current Assets | 815,233 | 631,983 |
| **Total Assets** | 8,805,761 | 8,820,589 |
| | | |
| Equity | 6,933,048 | 6,141,016 |
| | | |
| Employee benefits | 3,073 | 2,062 |
| Trade and other payables (see note 39) | 199,279 | 2,577,517 |
| Provisions | 260 | 260 |
| Total Non-Current Liabilities | 202,612 | 2,579,839 |
| | | |
| Trade and other payables | 1,652,768 | 96,638 |
| Tax payable | 17,333 | 3,096 |
| Total Current Liabilities | 1,670,101 | 99,734 |
| **Total Liabilities** | 1,872,713 | 2,679,573 |
| **Total Equity and Liabilities** | 8,805,761 | 8,820,589 |

## 50. Environmental Matters

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are booked as expenses for the period, except if they qualify to be recognised as an asset according with IAS 16.

Investments of an environmental nature booked as Property, plant and equipment and intangible assets during 2017 and 2016, in the Group, are as follows:

| Thousand Euros | Group | |
|---|---|---|
| | Dec 2017 | Dec 2016 |
| Air and climate protection | 133,452 | 153,087 |
| Water management | 130 | 501 |
| Waste management | 3 | 53 |
| Soil, subterranean and surface water protection | 1,371 | 1,361 |
| Noise and vibration reduction | 430 | 290 |
| Biodiversity protection | 11,571 | 11,134 |
| Landscape protection | 9,382 | 1,674 |
| Energetic efficiency | 12,337 | 5,158 |
| Radiations management | 5 | - |
| Research and development in the environmental area | 9 | - |
| Other environmental management and protection activities | 11,203 | 5,930 |
| | 179,893 | 179,188 |

Following an analysis to the expenses of an environmental nature incurred by EDP Group, the environmental matters reporting procedures changed. Therefore, the purchased and granted free CO2 emissions licenses were included in the 2017 and 2016 report, as a Group environmental investment, in Air and climate protection (see note 16).

The variation of the caption Air and climate protection correspond essentially to the fact of Soto and Aboño denitrification system were already operating in 2017. In 2016, the investment in these systems were around 38,900 thousands of Euros compared to a slightly lower investment in 2017 (21,879 thousands of Euros).

During the period, the Group recognised expenses that are as follows:

| Thousand Euros | Group Dec 2017 | Group Dec 2016 |
|---|---|---|
| Air and climate protection | 7,795 | 8,323 |
| Water management | 8,069 | 10,765 |
| Waste management | 13,573 | 15,279 |
| Soil, subterranean and surface water protection | 2,243 | 1,662 |
| Noise and vibration reduction | 154 | 122 |
| Biodiversity protection | 4,399 | 4,066 |
| Landscape protection | 19 | 12 |
| Energetic efficiency | 8,470 | 12,074 |
| Radiations management | 15 | 19 |
| Research and development in the environmental area | 393 | 508 |
| Other environmental management and protection activities | 11,871 | 8,853 |
| | 57,001 | 61,683 |

Under current and future socioeconomic trends and practices followed by the EDP Group regarding to sustainability and environment, the group accounts for provisions to cover the costs of dismantling, decommissioning, restoring and decontaminating land where electric power plants are located, of 89,173 thousand Euros and 58,555 thousand Euros for thermoelectric power plants located in Portugal and Spain, respectively. Regarding the liability to dismantle and restore the land where wind farms are located to its original condition, as at 31 December 2017, the provisions amount to 269,454 thousand Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 44,035 thousand Euros (see notes 2 o) and 36).

Environmental income recognised in 2017 relates to the sale of environmental waste of 7,008 thousand Euros (31 December 2016: 4,957 thousand Euros) and the sale of by-products of 367 thousand Euros (31 December 2016: 105 thousand Euros).

## 51. Transfers of Financial Assets - Tariff Adjustments

In Portugal, Decree - Law 237-B/2006 of 19 December and Decree - Law 165/2008 of 21 August, refer to the transfer to third parties of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, through which the EDP Group has made, since 2008, a number of transfer operations of financial assets.

For the following operations, assets were transferred to securitisation companies, that financed their purchases through debt securities registered in the Securities Commission (CMVM):

• In May 2013, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2012 overcost of the acquisition of electricity activity from special regime production, in the amount of 422,692 thousand Euros. The transaction was performed by the amount of 450,000 thousand Euros, generating a gain of 22,510 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 400 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 4,695 thousand Euros, both maturing in 2017. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 81 thousand Euros, as at 31 December 2017;

• In April 2014, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2013 overcost of the acquisition of electricity activity from special regime production, in the amount of 694,857 thousand Euros. The transaction was performed by the amount of 750,000 thousand Euros, generating a gain of 50,141 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 473 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 5,588 thousand Euros, both maturing in 2018. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 195 thousand Euros, as at 31 December 2017;

• In December 2014, EDP Distribuição de Energia, S.A., sold without recourse to Tagus, the right to recover part of the 2012 CMEC compensation adjustment in the amount of 228,826 thousand Euros. The transaction was performed by the amount of 239,832 thousand Euros generating a gain of 10,711 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Distribuição of Expense Reserve Notes issued by Tagus at par value in the amount of 317 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,690 thousand Euros, both maturing in 2019. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account and are booked under financial assets at fair value through profit or loss, by the net amount of 1,126 thousand Euros, as at 31 December 2017;

• In March 2015, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2014 overcost of the acquisition of electricity activity from special regime production, in the amount of 465,418 thousand Euros. The transaction was performed by the amount of 499,461 thousand Euros, generating a gain of 31,737 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 410 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,488 thousand Euros, both maturing in 2019. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 964 thousand Euros, as at 31 December 2017;

• In August 2016, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2016 overcost of the acquisition of electricity activity from special regime production, in the amount of 598,883 thousand Euros. The transaction was performed by the amount of 599,987 thousand Euros, generating a loss of 7,417 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 381 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 3,635 thousand Euros, both maturing in 2021. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 3,158 thousand Euros, as at 31 December 2017;

• In December 2017, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2017 overcost of the acquisition of electricity activity from special regime production, in the amount of 583,539 thousand Euros. The transaction was performed by the amount of 600,000 thousand Euros, generating a gain of 13,004 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 372 thousand Euros, Liquidity Notes issued by Tagus at par value in the amount of 1,275 thousand Euros and Senior Notes issued by Tagus at par value in the amount of 30,000 thousand Euros, all maturing in 2021. The Liquidity and Class R Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses. These Notes are booked under

Under IAS 39, the assets (tariff adjustments) transferred in these operations were derecognised from the Statement of Financial Position of EDP Group.

## 52. Investigation process about CMEC and DPH

In 2012, the European Commission ("EC") and the Portuguese authorities (Public Prosecution Services) received complaints concerning the early termination of the Power Purchase Agreements ("PPAs") and the costs for the maintenance of the contractual balance ("CMEC"), as well as in respect of EDP's rights to use the Public Hydro Domain ("DPH").

The above-mentioned investigation conducted by the Portuguese authorities is still pending.

As part of the liberalisation of the power sector in Portugal following changes in European Union legislation, Decree-Law no. 240/2004 was introduced which provided for the early termination of PPAs that were signed in 1996. As a result of this required early termination, EDP and REN - Rede Eléctrica Nacional, S.A. ("REN") agreed in 2005 and in 2007 to the early termination of their long-term PPAs, with effect from 1 July 2007. The methodology which was used to determine the amount of the compensation that EDP was entitled to receive in connection with such early termination, the CMEC, was approved by the EC in 2004 (Decision N161/2004) which considered the compensation as effectively and strictly necessary.

On 8 March 2008, the Government, REN and EDP Produção signed several service concession arrangements for which EDP Produção paid approximately 759 million Euros as consideration of the economic and financial balance for the use of the public hydro domain.

Following the complaint received, the EC requested clarifications from the Portuguese State in relation to the early termination of the PPAs and its replacement for the CMEC, having concluded in September 2013 that the compensation payments for early termination did not exceed what was necessary to repay the shortfall in investment costs repayable over the asset's lifetime, and determined that the implementation of the CMEC remains in keeping with the terms notified to and approved by the EC in 2004. Thus, the EC decided that no in depth investigation into the CMEC process was necessary.

In May 2017, the EC formally concluded its investigation into the DPH concession rights and stated that the compensation paid in connection with such concessions was compatible with market conditions. As a result, the EC concluded that the financial methodology used to assess the price of the concessions was appropriate and resulted in a fair market price, and therefore, no state aid had been granted to EDP.

On 2 June 2017, EDP became aware of Portugal's Public Prosecution Services investigation in relation to the amounts due to EDP for the termination of the PPAs and compensation paid by EDP for the DPH concessions. Portugal's Public Prosecution Services stated that the investigations continue and the facts may relate to active and passive corruption and economic participation in business and searches were conducted at the offices of EDP, grid operator REN and the local division of a consulting group. In the context of the Investigation, the Portuguese Public Prosecution Services stated that certain members of EDP's Executive Board of Directors, as well as former EDP directors, that had signed the relevant contracts were named as targets of the Investigation.

EDP does not accept any accusations of wrongdoing on its part or on the part of any member of the EDP Group and believes that the amounts due for the termination of PPAs under the CMEC and the amount paid for the DPH concession rights were fair and in compliance with market conditions and based on arm's length transactions. However, it is difficult to predict any outcome at this early stage in the process as well as any potential impacts in the financial statements.

### 53. Operating Segments

In accordance with IFRS 8, an operating segment is a Group component:

(i) that engages in business activities from which it may earn revenues and incur expenses;
(ii) whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
(iii) for which discrete financial information is available.

The Group develops a set of regulated and liberalised activities in the energy sector, with special emphasis in generation, distribution and supply of electricity and gas.

The Group manages its activities based on several business segments, which includes the activities in Iberia. Moreover, the EDP Group also makes a separate analysis of the electricity generation business through wind and solar power sources, which is achieved in a specific segment (EDP Renováveis). Finally, taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Brasil).

The Executive Board of Directors regularly reviews segmental reports, using Operating Profit to assess and release each business operating performance, as well as to allocate resources.

The management of financial activities of all EDP Group entities (except Brazil) is undertaken centrally by the Financial Department at holding level, in accordance with policies approved by the Executive Board of Directors. As a result of this management, all financial operations and financial results are disclosed only at Group level.

Following the legislation issued in December 2016 (article 170 of Law 42/2016 - State Budget for 2017), which determined that the final adjustment of the CMEC would be determined and based on a study prepared and presented by ERSE (initially estimated to be issued until the end of the first semester of 2017), power plants held by EDP - Gestão da Produção de Energia, S.A., covered by the CMEC mechanism included in the "LT Contracted Production" segment migrated to the free-market production regime on 1 July 2017. Thus, the EDP Group started to present the segments previously denominated "LT Contracted Production" and "Liberalised Activities" in the segment "Generation and Supply in the Iberian Peninsula".

For comparability purposes and regarding the changes occurred in the segments composition, a corresponding change was made in the homologous previous year information.

The segments defined by the Group are the following:

• Generation and Supply in Iberia;
• Regulated Networks in Iberia;
• EDP Renováveis;
• EDP Brasil.

The Generation and Supply segment in Iberia corresponds to the activity of regulated and liberalised generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

• EDP - Gestão da Produção de Energia, S.A.;
• Fisigen – Empresa de Cogeração, S.A.;
• Pebble-Hydro – Consultoria, Investimentos e Serviços, Lda.;
• EDP Small-Hydro, S.A.;
• Empresa Hidroeléctrica do Guadiana, S.A.;
• Hidroeléctrica Del Cantábrico, S.A.U.;
• Central Térmica Ciclo Combinado Grupo 4, S.A.;
• EDP Comercial - Comercialização de Energia, S.A.;
• EDP - España, S.A.U.;
• Naturgás Comercializadora, S.A.;
• EDP Gás.Com - Comércio de Gás Natural, S.A.;
• Greenvouga - Sociedade Gestora do Aproveitamento Hidroeléctrico do Ribeiradio-Ermida, S.A;
• EDP Energía Gás S.L.

Additionally, this segment includes the Iberian energy management business unit (UNGE) as well as the elimination of transactions between companies identified above. UNGE is the EDP Group unit responsible for the management of purchases and sales of energy in the Iberian market, and also for the related hedging transactions.

The Regulated Networks segment in Iberia corresponds to the activities of electricity and gas distribution in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

• EDP Distribuição - Energia, S.A.;
• EDP Serviço Universal, S.A.;
• Electra de Llobregat Energía, S.L.;
• Hidrocantábrico Distribucion Eléctrica, S.A.U.;
• EDP Gás Distribuição, S.A. (until the closing date);
• EDP Gás Serviço Universal, S.A.;
• Naturgás Energia Distribución, S.A.U. (until the closing date);
• EDP España Distribución Gas, S.A. (until the closing date);
• Naturgas Suministro GLP, S.A.U. (until the closing date).

The EDP Renováveis segment corresponds to the power generation activity through wind and solar energy resources and includes all the companies of EDPR Europe, EDPR North America and EDPR Brasil subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies composing this segment, including consolidation adjustments.

The EDP Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the holding EDP Energias do Brasil, S.A. and all its subsidiaries. As in the EDP Renováveis segment, this segment includes all the adjustments for the companies composing this segment, including consolidation adjustments.

**Segment Definition**

The amounts reported in each operating segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position captions of each subsidiary and business unit, as well as income statement captions for each operating segment, are determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

In each business segment, Assets include the Property, Plant and Equipment, Intangible Assets, Goodwill, Trade Receivables and Inventories captions. The captions Debtors and other assets are allocated to each segment according to its nature. The remaining assets are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

In each business segment, Liabilities include the Provisions and Employee benefits captions. The captions Trade and other payables are allocated to each segment according to its nature. The remaining liabilities are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

Under IFRS 8, the EDP Group discloses as Operating investment, additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore, in each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment; Intangible Assets; and Amounts receivable from concessions - IFRIC 12 under the financial asset model, excluding CO2 licenses and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period. Goodwill is disclosed in note 17.

In consolidated financial statements, Joint Ventures and associated companies are accounted under the equity method, in accordance with the Group accounting policy disclose in note 2. These equity accounted investees are disclosed by business segment under IFRS 8 and presented in the business segment correspondent to its operating activity.

**Geographic information**

The Group manages its activity based on business segments mentioned above, however has business in several geographical locations, being its main office located in Portugal.

Revenues from energy sales and services and other by geographic market, for EDP Group, are presented in note 6. Additionally, the geographical information bellow, details the Non-current assets excluding Financial instruments, Deferred tax assets and Employee benefits. In the disclosure of this information, the Revenues from energy sales and services and other, as well as the Non-current assets, are based on companies' geographical location were the Assets are booked.

Non-current assets by geographical market for the Group EDP, are as follows:

| | Dec 2017 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Iberia | Brazil | USA | Other | Group |
| Property, plant and equipment | 6,869,565 | 4,448,116 | 2,221,150 | 6,762,635 | 2,429,149 | 22,730,615 |
| Intangible assets | 3,602,846 | 58,031 | 904,487 | 82,333 | 99,663 | 4,747,360 |
| Goodwill | 49,937 | 1,348,317 | 46,639 | 659,144 | 128,631 | 2,232,668 |
| | 10,522,348 | 5,854,464 | 3,172,276 | 7,504,112 | 2,657,443 | 29,710,643 |

| | Dec 2016 | | | | | |
|---|---|---|---|---|---|---|
| Thousand Euros | Portugal | Iberia | Brazil | USA | Other | Group |
| Property, plant and equipment | 7,099,947 | 5,174,968 | 2,438,327 | 7,225,517 | 2,254,977 | 24,193,736 |
| Intangible assets | 3,860,597 | 69,866 | 1,036,230 | 98,633 | 63,218 | 5,128,544 |
| Goodwill | 83,520 | 2,404,454 | 49,995 | 748,187 | 128,696 | 3,414,852 |
| | 11,044,064 | 7,649,288 | 3,524,552 | 8,072,337 | 2,446,891 | 32,737,132 |

## EDP Group Operating Segments Information
## as at 31 December 2017

| Thousand Euros | Iberia | | EDP Renováveis | EDP Brasil | Total Segments |
|---|---|---|---|---|---|
| | Generation and Supply | Regulated Networks | | | |
| **Revenues from energy sales and services and others** | 7,817,808 | 5,352,487 | 1,636,762 | 3,432,521 | 18,239,578 |
| Revenues inter-segments | 44,802 | 2,168,557 | 279,942 | 1,232 | 2,494,533 |
| Revenues from third parties | 7,773,006 | 3,183,930 | 1,356,820 | 3,431,289 | 15,745,045 |
| **Gross Profit** | 1,235,719 | 1,596,241 | 1,601,619 | 969,205 | 5,402,784 |
| Other income | 43,876 | 46,210 | 320,508 | 3,640 | 414,234 |
| Supplies and services | -313,509 | -321,742 | -326,886 | -171,640 | -1,133,777 |
| Personnel costs and employee benefits | -157,864 | -145,389 | -100,761 | -129,418 | -533,432 |
| Other costs | -253,495 | -277,342 | -128,162 | -56,893 | -715,892 |
| **Gross Operating Profit** | 554,727 | 897,978 | 1,366,318 | 614,894 | 3,433,917 |
| Provisions | 6,012 | 1,948 | 185 | -8,295 | -150 |
| Amortisation and impairment | -589,166 | -309,380 | -563,365 | -164,003 | -1,625,914 |
| **Operating Profit** | -28,427 | 590,546 | 803,138 | 442,596 | 1,807,853 |
| **Equity method in joint ventures and associates** | 7,559 | 120 | 2,708 | -4,532 | 5,855 |
| **Assets** | 11,301,024 | 5,728,072 | 15,347,912 | 4,214,591 | 36,591,599 |
| **Equity accounted Investments in joint ventures and associates** | 25,205 | 69 | 303,518 | 381,190 | 709,982 |
| **Liabilities** | 2,621,617 | 2,205,774 | 1,272,493 | 934,900 | 7,034,784 |
| **Operating Investment** | 195,870 | 348,729 | 1,051,098 | 214,174 | 1,809,871 |

**Reconciliation of information between Operating Segments and Financial Statements for December 2017**

| Thousand Euros | |
|---|---|
| **Total Revenues from energy sales and services and others of Reported Segments** | **18,239,578** |
| Revenues from energy sales and services and others from Other Segments | 390,638 |
| Adjustments and Inter-segments eliminations* | -2,884,229 |
| **Total Revenues from energy sales and services and others of EDP Group** | **15,745,987** |
| | |
| **Total Gross Profit of Reported Segments** | **5,402,784** |
| Gross Profit from Other Segments | 390,261 |
| Adjustments and Inter-segments eliminations* | -401,967 |
| **Total Gross Profit of EDP Group** | **5,391,078** |
| | |
| **Total Gross Operating Profit of Reported Segments** | **3,433,917** |
| Gross Operating Profit from Other Segments ** | 548,461 |
| Adjustments and Inter-segments eliminations* | 7,571 |
| **Total Gross Operating Profit of EDP Group** | **3,989,949** |
| | |
| **Total Operating Profit of Reported Segments** | **1,807,853** |
| Operating Profit from Other Segments | 521,719 |
| Adjustments and Inter-segments eliminations* | -11,655 |
| **Total Operating Profit of EDP Group** | **2,317,917** |
| | |
| **Total Assets of Reported Segments** | **36,591,599** |
| Assets Not Allocated | 5,442,234 |
| Financial Assets | 2,838,027 |
| Taxes Assets | 1,329,021 |
| Other Assets | 1,275,186 |
| Assets from Other Segments | 999,638 |
| Inter-segments assets eliminations* | -958,422 |
| **Total Assets of EDP Group** | **42,075,049** |
| | |
| **Total Equity accounted Investments in joint ventures and associates of Reported Segments** | **709,982** |
| Equity accounted Investments in joint ventures and associates from Other Segments | 133,100 |
| **Total Equity accounted Investments in joint ventures and associates of EDP Group** | **843,082** |
| | |
| **Total Liabilities of Reported Segments** | **7,034,784** |
| Liabilities Not Allocated | 22,040,914 |
| Financial Liabilities | 17,032,446 |
| Institutional partnership in USA | 2,163,722 |
| Taxes Liabilities | 1,029,988 |
| Other payables | 1,813,184 |
| Hydrological correction account | 1,574 |
| Liabilities from Other Segments | 753,046 |
| Inter-segments Liabilities eliminations* | -1,233,955 |
| **Total Liabilities of EDP Group** | **28,594,789** |
| | |
| **Total Operating Investment of Reported Segments** | **1,809,871** |
| Operating Investment from Other Segments | -84,384 |
| **Total Operating Investment of EDP Group** | **1,725,487** |
| Discomission of Tangible Assets | 16,080 |
| Emission of CO2 Licenses and Green Certificates | 110,520 |
| Investment Grants | 10,642 |
| Other Investments *** | 143,981 |
| **Total Fixed Assets additions of EDP Group (Notes 15 e 16)** | **2,006,710** |

| | Total of Reported Segments | Other Segments | Adjustments and Inter-segments eliminations* | Total of EDP Group |
|---|---|---|---|---|
| **Other income** | **414,234** | 658,094 | -35,329 | **1,036,999** |
| **Supplies and services** | **-1,133,777** | -275,707 | 418,951 | **-990,533** |
| **Personnel costs and employee benefits** | **-533,432** | -160,541 | 13,140 | **-680,833** |
| **Other costs** | **-715,892** | -63,646 | 12,776 | **-766,762** |
| | | | | |
| **Provisions** | **-150** | 3,777 | - | **3,627** |
| **Amortisation and impairment** | **-1,625,914** | -30,520 | -19,225 | **-1,675,659** |
| | | | | |
| **Equity method in joint ventures and associates** | **5,855** | 5,666 | - | **11,521** |

* Mainly related with intragroup balances and transactions eliminations;
** Includes 591 million Euros related with the gain on Naturgás sale;
*** The caption Other Investments is mainly due to the in-kind contribution of the Lisbon headquarter (+ 120 million Euros), lease contract of the Lisbon headquarter (+ 55 million Euros), partially compensated by the held for sale reclassification of the investment in the intangible assets of EDP Gás Distribuição (-14 million Euros), which was sold in the fourth quarter of 2017.

## EDP Group Operating Segments Information
## as at 31 December 2016 *

| Thousand Euros | Iberia Generation and Supply | Iberia Regulated Networks | EDP Renováveis | EDP Brasil | Total Segments |
|---|---|---|---|---|---|
| **Revenues from energy sales and services and others** | 7,759,988 | 5,492,637 | 1,484,563 | 2,427,421 | 17,164,609 |
| Revenues inter-segments | 49,206 | 2,199,683 | 304,815 | 931 | 2,554,635 |
| Revenues from third parties | 7,710,782 | 3,292,954 | 1,179,748 | 2,426,490 | 14,609,974 |
| **Gross Profit** | 1,724,708 | 1,727,461 | 1,453,214 | 849,384 | 5,754,767 |
| Other income | 15,086 | 66,678 | 251,296 | 79,553 | 412,613 |
| Supplies and services | -300,909 | -334,822 | -304,740 | -158,812 | -1,099,283 |
| Personnel costs and employee benefits | -128,907 | -151,197 | -93,894 | -115,892 | -489,890 |
| Other costs | -242,619 | -318,299 | -134,925 | -60,919 | -756,762 |
| **Gross Operating Profit** | 1,067,359 | 989,821 | 1,170,951 | 593,314 | 3,821,445 |
| Provisions | 19,544 | 1,300 | -4,705 | -7,650 | 8,489 |
| Amortisation and impairment | -361,700 | -342,075 | -602,287 | -145,232 | -1,451,294 |
| **Operating Profit** | 725,203 | 649,046 | 563,959 | 440,432 | 2,378,640 |
| **Equity method in joint ventures and associates** | 3,921 | 245 | -185 | -29,924 | -25,943 |
| **Assets** | 11,482,269 | 7,830,709 | 15,662,361 | 4,456,809 | 39,432,148 |
| **Financial assets - Investments in joint ventures and associates** | 18,146 | 712 | 340,119 | 344,224 | 703,201 |
| **Liabilities** | 2,180,188 | 2,523,921 | 1,475,553 | 910,376 | 7,090,038 |
| **Operating Investment** | 377,776 | 461,898 | 1,026,188 | 169,015 | 2,034,877 |

* Segments report restatement due to the segment change

**Reconciliation of information between Operating Segments and Financial Statements for December 2016**

| Thousand Euros | |
|---|---|
| **Total Revenues from energy sales and services and other of Reported Segments** | **17,164,609** |
| Revenues from energy sales and services and others from Other Segments | 472,399 |
| Adjustments and Inter-segments eliminations* | -3,041,844 |
| **Total Revenues from energy sales and services and other of EDP Group** | **14,595,164** |
| | |
| **Total Gross Profit of Reported Segments** | **5,754,767** |
| Gross Profit from Other Segments | 449,144 |
| Adjustments and Inter-segments eliminations* | -465,879 |
| **Total Gross Profit of EDP Group** | **5,738,032** |
| | |
| **Total Gross Operating Profit of Reported Segments** | **3,821,445** |
| Gross Operating Profit from Other Segments | -37,529 |
| Adjustments and Inter-segments eliminations* | -24,609 |
| **Total Gross Operating Profit of EDP Group** | **3,759,307** |
| | |
| **Total Operating Profit of Reported Segments** | **2,378,640** |
| Operating Profit from Other Segments | -74,195 |
| Adjustments and Inter-segments eliminations* | -40,366 |
| **Total Operating Profit of EDP Group** | **2,264,079** |
| | |
| **Total Assets of Reported Segments** | **39,432,148** |
| Assets Not Allocated | 4,846,130 |
| Financial Assets | 2,299,697 |
| Taxes Assets | 1,398,916 |
| Other Assets | 1,147,517 |
| Assets from Other Segments | 1,144,234 |
| Inter-segments assets eliminations* | -1,338,766 |
| **Total Assets of EDP Group** | **44,083,746** |
| | |
| **Total Equity accounted Investments in joint ventures and associates of Reported Segments** | **703,201** |
| Equity accounted Investments in joint ventures and associates from Other Segments | 117,364 |
| **Total Equity accounted Investments in joint ventures and associates of EDP Group** | **820,565** |
| | |
| **Total Liabilities of Reported Segments** | **7,090,038** |
| Liabilities Not Allocated | 23,692,678 |
| Financial Liabilities | 18,102,530 |
| Institutional partnership in USA | 2,339,425 |
| Taxes Liabilities | 1,675,665 |
| Other payables | 1,573,484 |
| Hydrological correction account | 1,574 |
| Liabilities from Other Segments | 910,829 |
| Inter-segments Liabilities eliminations* | -1,346,171 |
| **Total Liabilities of EDP Group** | **30,347,374** |
| | |
| **Total Operating Investment of Reported Segments** | **2,034,877** |
| Operating Investment from Other Segments | 45,128 |
| **Total Operating Investment of EDP Group** | **2,080,005** |
| Discomission of Tangible Assets | 176,978 |
| Emission of CO2 Licenses and Green Certificates | 124,649 |
| Investment Grants | 6,569 |
| Other Investments | 18,701 |
| **Total Fixed Assets additions of EDP Group (Notes 15 e 16)** | **2,406,902** |

| | Total of Reported Segments | Other Segments | Adjustments and Inter-segments eliminations* | Total of EDP Group |
|---|---|---|---|---|
| **Other income** | **412,613** | 36,980 | -22,279 | **427,314** |
| **Supplies and services** | **-1,099,283** | -291,015 | 442,424 | **-947,874** |
| **Personnel costs and employee benefits** | **-489,890** | -189,272 | 18,546 | **-660,616** |
| **Other costs** | **-756,762** | -43,366 | 2,579 | **-797,549** |
| | | | | |
| **Provisions** | **8,489** | 6,586 | 1 | **15,076** |
| **Amortisation and impairment** | **-1,451,294** | -43,253 | -15,757 | **-1,510,304** |
| | | | | |
| **Equity method in joint ventures and associates** | **-25,943** | 3,881 | - | **-22,062** |

* Mainly related with intragroup balances and transactions eliminations

## 54. Consolidated and Company Reconciliation of Changes in the responsabilities of Financing activities

| Thousand Euros | Group | | | | |
|---|---|---|---|---|---|
| | Financial debt and Derivative financial instruments (include Collateral Deposits) | | | | |
| | Loans obtained (Note 34) | Collateral Deposits (Note 34) | Derivative financial instruments (Note 42)* | Institutional partnerships in USA (Note 37) | Loans from related parties (Note 39) |
| **Balance as at 31 de December 2016** | **18,026,676** | **-52,031** | **-78,082** | **2,339,425** | **685,764** |
| **Cash flows:** | | | | | |
| Receipts/(payments) relating to financial debt (include Collateral Deposits) | -447,042 | 6,699 | - | - | - |
| Interest and similar costs of financial debt including hedge derivatives | -830,101 | - | 40,171 | - | - |
| Receipts/(payments) relating to loans from non-controlling interests | - | - | - | - | 8,229 |
| Interest and similar costs relating to loans from non-controlling interests | - | - | - | - | -25,405 |
| Receipts/(payments) relating to derivative financial instruments | - | - | -90,876 | - | - |
| Receipts/(payments) from institutional partnerships - USA | - | - | - | 250,022 | - |
| Perimeter variations | 252,350 | -1,900 | -1,011 | - | 7,168 |
| Exchange rate | -736,865 | 1,977 | -7,541 | -289,892 | 3,002 |
| Fair value changes | -81,415 | - | 84,850 | - | - |
| Interests and accrued and deferred costs | 807,870 | - | -40,643 | 1,174 | 34,044 |
| Unwinding | - | - | - | 88,561 | - |
| ITC/PTC recognition | - | - | - | -225,568 | - |
| Reclassification to Assets held for sale | -73,708 | - | -18,244 | - | - |
| **Balance as at 31 de December 2017** | **16,917,765** | **-45,255** | **-111,376** | **2,163,722** | **712,802** |

* The Group consideres as financing activities the derivative financial instruments of Fair Value Hedge, Cash Flow Hedge associated with interest rate and Trading

| Thousand Euros | Company | | | |
|---|---|---|---|---|
| | Financial debt and Derivative financial | | | |
| | Loans obtained (Note 34) | Derivative financial instruments (Note 42)* | Group's financial system (Note 26 and 39) | Group companies (Note 39) |
| **Balance as at 31 de December 2016** | **11,193,266** | **-691,501** | **-567,129** | **2,615,269** |
| **Cash flows:** | | | | |
| Receipts/(payments) relating to financial debt (include Collateral Deposits) | 2,323,319 | - | - | - |
| Interest and similar costs of financial debt including hedge derivatives | -310,404 | -6,296 | - | - |
| Receipts/(payments) relating to loans from related parties | - | - | 76 225 | -520,894 |
| Interest and similar costs of loans from related parties including hedge derivatives | - | 43,974 | - | -138,717 |
| Receipts/(payments) relating to derivative financial instruments | - | 34,380 | - | - |
| Exchange rate | -28,937 | - | - | -296,317 |
| Fair value changes | - | 251,929 | - | - |
| Interests and accrued and deferred costs | 311,053 | -41,372 | - | 131,049 |
| **Balance as at 31 de December 2017** | **13,488,297** | **-408,886** | **-490,904** | **1,790,390** |

* The Group consideres as financing activities the derivative financial instruments of Fair Value Hedge, Cash Flow Hedge associated with interest rate and Trading

# Annex I. Companies in the Consolidation Perimeter

The subsidiary companies where the Group exercises control as at 31 December 2017 are as follows:

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-17 Euro'000 | Liabilities 31-Dec-17 Euro'000 | Equity 31-Dec-17 Euro'000 | Revenues 31-Dec-17 Euro'000 | Net Profit/(Loss) 31-Dec-17 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **Group's parent holding company and Related Activities:** | | | | | | | | | |
| **Portugal:** | | | | | | | | | |
| EDP - Energias de Portugal, S.A. (EDP Group Parent Company) | Lisbon | 3,656,537,715 EUR | 24,144,755 | 16,700,186 | 7,444,569 | 4,837,319 | 765,427 | 100.00% | - |
| CEO – Companhia da Energia Oceânica, S.A. | Póvoa do Varzim | 65,435 EUR | 1,812 | 665 | 1,147 | - | -223 | 52.07% | - |
| EDP Estudos e Consultoria, S.A. | Lisbon | 50,000 EUR | 9,742 | 4,986 | 4,756 | 15,747 | 1,161 | 100.00% | 100.00% |
| EDP Imobiliária e Participações, S.A. | Lisbon | 10,000,000 EUR | 26,717 | 19,696 | 7,021 | 7,732 | -248 | 100.00% | 100.00% |
| EDP Inovação, S.A. | Lisbon | 50,000 EUR | 51,939 | 44,116 | 7,822 | 5,494 | 726 | 100.00% | 100.00% |
| EDP Internacional, S.A. | Lisbon | 50,000 EUR | 14,266 | 12,815 | 1,450 | 3,597 | -1,856 | 100.00% | 100.00% |
| EDP IS – Investimentos e Serviços, Sociedade Unipessoal, Lda | Lisbon | 140,309,500 EUR | 434,605 | 200,767 | 233,838 | - | 1,958 | 100.00% | 100.00% |
| EDP Ventures, SGPS, S.A. | Lisbon | 50,000 EUR | 35,664 | 23,399 | 12,265 | 34 | -1,605 | 100.00% | - |
| ENAGÁS - SGPS, S.A. | Lisbon | 299,400 EUR | 8,095 | 30 | 8,065 | - | -131 | 60.00% | - |
| Fundo EDP CleanTech FCR | Lisbon | 25,000,000 EUR | 25,000 | 274 | 24,726 | - | -274 | 60.00% | - |
| Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A. | Sacavem | 2,200,000 EUR | 15,741 | 7,968 | 7,774 | 15,141 | 2,215 | 100.00% | 100.00% |
| Sãvida - Medicina Apoiada, S.A. | Lisbon | 450,000 EUR | 14,589 | 9,254 | 5,335 | 25,838 | 476 | 100.00% | 100.00% |
| SCS - Serviços Complementares de Saúde, S.A. | Lisbon | 50,000 EUR | 335 | 101 | 234 | 180 | - | 100.00% | - |
| **Other Countries:** | | | | | | | | | |
| EDP - Ásia Soluções Energéticas Limitada | Macao | 1,500,000 MOP | 2,237 | 31 | 2,206 | 690 | 56 | 100.00% | 5.00% |
| EDP Finance, B.V. | Amsterdam | 2,000,000 EUR | 15,879,852 | 15,740,328 | 139,524 | - | 18,602 | 100.00% | 100.00% |
| EDP International Investments and Services, S.L. | Oviedo | 4,702 EUR | 502,004 | 154,620 | 347,384 | - | 11,693 | 100.00% | 36.07% |
| EDP Servicios Financieros España, S.A.U. | Oviedo | 10,300,058 EUR | 3,699,630 | 3,164,677 | 534,954 | - | 36,894 | 100.00% | 100.00% |
| Energia RE - Soceidade Cativa de Resseguro, S.A. | Luxembourg | 3,000,000 EUR | 130,188 | 79,679 | 50,508 | 48 | -370 | 100.00% | 100.00% |
| **Electricity and Gas Activity - Portugal:** | | | | | | | | | |
| **Electricity Generation:** | | | | | | | | | |
| EDP - Gestão da Produção de Energia, S.A. | Lisbon | 1,263,285,505 EUR | 8,690,218 | 6,942,297 | 1,747,920 | 1,464,932 | -103,310 | 100.00% | 100.00% |
| EDP Small Hydro, S.A. | Lisbon | 6,950,786 EUR | 81,224 | 2,487 | 78,736 | 4,460 | 16,054 | 100.00% | - |
| Empresa Hidroeléctrica do Guadiana, S.A. | Lisbon | 48,750,000 EUR | 453,964 | 424,724 | 29,239 | 50,031 | -27,074 | 100.00% | - |
| Energin – Sociedade de Produção de Electricidade e Calor, S.A. | Lisbon | 50,000 EUR | 175 | 8 | 168 | - | -46 | 65.00% | - |
| FISIGEN - Empresa de Cogeração, S.A. | Lisbon | 50,000 EUR | 26,372 | 27,221 | -849 | 20,746 | 1,967 | 51.00% | - |
| Greenvouga - Soc. Gest. do Aproveit. Hidroel. de Ribeiradio-Ermida, S.A. | Lisbon | 1,000,000 EUR | 248,392 | 182,926 | 65,466 | 5,801 | -6,067 | 100.00% | - |
| O e M Serviços – Operação e Manutenção Industrial, S.A. | Viseu | 500,000 EUR | 606 | - | 606 | - | -90 | 100.00% | 100.00% |
| Pebble Hydro - Consultoria, Invest. e Serv., Lda | Lisbon | 5,100 EUR | 103,879 | 97,004 | 6,875 | 12,591 | 1,349 | 100.00% | - |
| Tergen - Operação e Manutenção de Centrais Termoeléctricas, S.A. | Carregado | 250,000 EUR | 3,661 | 2,647 | 1,014 | 6,662 | 5 | 100.00% | - |
| **Electricity Distribution:** | | | | | | | | | |
| EDP Distribuição de Energia, S.A. | Lisbon | 200,000,000 EUR | 4,823,846 | 3,667,418 | 1,156,428 | 2,444,084 | 234,923 | 100.00% | 100.00% |
| EDP MOP-Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A. | Lisbon | 50,000 EUR | 964 | 728 | 236 | 2 | -438 | 100.00% | - |
| **Electricity Supply:** | | | | | | | | | |
| EDP Comercial - Comercialização de Energia, S.A. | Lisbon | 20,824,695 EUR | 820,831 | 720,986 | 99,845 | 3,215,628 | 30,412 | 100.00% | 100.00% |
| EDP Serviço Universal, S.A. | Lisbon | 10,100,000 EUR | 1,258,045 | 1,227,102 | 30,943 | 2,639,921 | 1,092 | 100.00% | - |
| **Gas Distribution:** | | | | | | | | | |
| EDP Gás Serviço Universal, S.A. | Oporto | 1,049,996 EUR | 22,990 | 13,352 | 9,638 | 11,050 | -3,373 | 100.00% | 100.00% |
| **Gas Supply:** | | | | | | | | | |
| EDP GÁS.Com - Comércio de Gás Natural, S.A. | Lisbon | 50,000 EUR | 94,047 | 80,357 | 13,690 | 421,352 | 1,569 | 100.00% | 100.00% |
| **Shared Services:** | | | | | | | | | |
| EDP Soluções Comerciais, S.A. | Lisbon | 50,000 EUR | 66,044 | 61,508 | 4,537 | 149,887 | 3,931 | 100.00% | 100.00% |
| EDP Valor - Gestão Integrada de Serviços, S.A. | Lisbon | 4,550,000 EUR | 102,337 | 93,670 | 8,666 | 49,659 | 1,992 | 100.00% | 100.00% |
| **Other Activities:** | | | | | | | | | |
| CNET - Centre for New Energy Technologies, S.A. | Sacavem | 300,000 EUR | 1,470 | 1,116 | 354 | 192 | 51 | 60.00% | - |
| EDP Mediadora, S.A. | Lisbon | 50,000 EUR | 5,976 | 3,703 | 2,273 | 3,746 | 1,893 | 100.00% | - |
| EDP Ventures - Sociedade de Capital de Risco, S.A. | Lisbon | 125,000 EUR | 370 | 123 | 247 | 265 | 129 | 100.00% | - |
| SGORME – Soc. Gestora de Operações da Rede de Mobilidade Eléctrica, S.A. | Lisbon | 500,000 EUR | 140 | 821 | -680 | - | -14 | 91.00% | - |
| **Electricity and Gas Activity - Spain:** | | | | | | | | | |
| **Electricity Generation:** | | | | | | | | | |
| EDP España, S.A.U. (HC Energia Subgroup Parent Company) | Oviedo | 421,739,790 EUR | 3,747,189 | 676,451 | 3,070,738 | 1,615,840 | -50,919 | 100.00% | 100.00% |
| Central Termica Ciclo Combinado Grupo 4, S.L. | Oviedo | 2,117,000 EUR | 157,557 | 319,923 | -162,366 | 47,771 | -14,169 | 75.00% | - |
| EDP Iberia, S.L. | Bilbao | 130,260,000 EUR | 2,871,124 | 145,240 | 2,725,884 | 9,554 | 357,537 | 100.00% | - |
| Iberenergia, S.A.U | Oviedo | 60,200 EUR | 220,584 | 203,403 | 17,180 | 65,405 | -460 | 100.00% | - |
| **Electricity Distribution:** | | | | | | | | | |
| Electra de Llobregat Energía, S.L. | Barcelona | 90,000 EUR | 4,942 | 5,196 | -255 | 377 | 16 | 75.00% | - |
| **Electricity Supply:** | | | | | | | | | |
| EDP Comercializadora de Ultimo Recurso, S.A. | Oviedo | 240,000 EUR | 34,550 | 27,936 | 6,614 | 104,862 | -2,964 | 100.00% | - |
| EDP Energia Ibérica, S.A. | Oviedo | 60,200 EUR | 1,040 | 13,907 | -12,866 | 845 | -42 | 100.00% | - |
| EDP Energía, S.A.U. | Oviedo | 1,000,000 EUR | 299,248 | 243,017 | 56,230 | 1,298,909 | 919 | 100.00% | - |
| Hidrocantábrico Distribucion Eléctrica, S.A.U | Oviedo | 44,002,000 EUR | 944,735 | 573,409 | 371,326 | 218,718 | 62,971 | 100.00% | - |
| **Gas Supply:** | | | | | | | | | |
| EDP Comercializadora, S.A.U. | Bilbao | 1,487,895 EUR | 432,412 | 425,976 | 6,435 | 789,160 | -12,057 | 100.00% | - |
| **Electricity Activity - Brazil:** | | | | | | | | | |
| **Parent company and Related Activities:** | | | | | | | | | |
| EDP Energias do Brasil, S.A. (EDP Brasil Subgroup Parent Company) | Sao Paulo | 4,682,715,947 BRL | 2,335,421 | 338,394 | 1,997,028 | 1,575 | 167,998 | 51.27% | - |
| EDP Transmissão, S.A. | Espirito Santo | 8,630,148 BRL | 5,444 | 4,757 | 687 | 4,288 | 39 | 51.27% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-17 Euro'000 | Liabilities 31-Dec-17 Euro'000 | Equity 31-Dec-17 Euro'000 | Revenues 31-Dec-17 Euro'000 | Net Profit/(Loss) 31-Dec-17 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **Electricity Activity - Brazil:** | | | | | | | | | |
| **Electricity Generation:** | | | | | | | | | |
| Costa Rica Energética, Ltda | Sao Paulo | 14,318,185 BRL | 8,003 | 3,262 | 4,741 | 5,429 | 1,881 | 26.15% | - |
| EDP Pequenas Centrais Hidroelectricas, S.A. | Sao Paulo | 95,101,597 BRL | 76,955 | 40,859 | 36,096 | 39,963 | 14,926 | 51.27% | - |
| Energest, S.A. | Sao Paulo | 39,635,901 BRL | 73,309 | 35,358 | 37,951 | 53,838 | 24,166 | 51.27% | - |
| Enerpeixe, S.A. | Sao Paulo | 282,627,748 BRL | 539,082 | 355,336 | 183,746 | 100,886 | 39,883 | 30.76% | - |
| Investco, S.A. | Tocantins | 804,458,842 BRL | 303,799 | 79,868 | 223,931 | 49,044 | 13,264 | 20.91% | - |
| Lajeado Energia, S.A. | Sao Paulo | 6,867,541 BRL | 327,152 | 189,891 | 137,261 | 153,922 | 36,279 | 28.64% | - |
| Porto do Pecém Geração de Energia, S.A. | Ceara | 3,007,810,902 BRL | 1,070,173 | 522,939 | 547,234 | 473,198 | 20,460 | 51.27% | - |
| Resende Engenharia e Assessoria, Ltda | Sao Paulo | 21,533,319 BRL | 5,337 | - | 5,337 | - | -5 | 51.27% | - |
| Santa-Fé Energia, S.A. | Espirito Santo | 86,371,000 BRL | 43,273 | 10,643 | 32,630 | 10,198 | 4,852 | 51.27% | - |
| **Electricity Distribution:** | | | | | | | | | |
| EDP Espírito Santo Distribuição de Energia S.A. | Espirito Santo | 650,572,403 BRL | 907,680 | 703,677 | 204,003 | 819,230 | 34,986 | 51.27% | - |
| EDP São Paulo Distribuição de Energia S.A. | Sao Paulo | 596,669,107 BRL | 932,241 | 647,383 | 284,858 | 1,102,918 | 53,180 | 51.27% | - |
| **Electricity Supply:** | | | | | | | | | |
| APS Soluções em Energia, S. A. | Rio Grande do Sul | 37,942,773 BRL | 23,621 | 15,188 | 8,433 | 14,128 | 3,010 | 51.27% | - |
| EDP - Comercialização e Serviços de Energia, LTDA. | Sao Paulo | 26,217,026 BRL | 125,199 | 98,607 | 26,592 | 985,582 | 29,139 | 51.27% | - |
| EDP Comercialização Varejista, Ltda | Sao Paulo | - BRL | 1 | 3 | -2 | - | -2 | 51.27% | - |
| **Other Activities:** | | | | | | | | | |
| EDP Grid Gestão de Redes Inteligentes de Distribuição, S.A. | Espirito Santo | 45,138,730 BRL | 37,480 | 23,421 | 14,060 | 3,389 | 3,171 | 51.27% | - |
| **Renewable Energy Activity:** | | | | | | | | | |
| **Parent company and Related Activities:** | | | | | | | | | |
| EDP Renováveis, S.A. (EDP Renováveis Subgroup Parent Company) | Oviedo | 4,361,540,810 EUR | 6,468,168 | 1,016,006 | 5,452,163 | 21,991 | 113,383 | 82.56% | 82.56% |
| EDP Renováveis Servicios Financieros, S.L. | Oviedo | 84,691,368 EUR | 2,475,204 | 2,064,308 | 410,897 | 26 | 7,671 | 82.56% | - |
| **Europe Geography / Platform:** | | | | | | | | | |
| **Spain:** | | | | | | | | | |
| EDP Renewables Europe, S.L.U. (EDPR EU Subgroup Parent Company) | Oviedo | 249,498,800 EUR | 2,993,578 | 499,615 | 2,493,963 | 47,175 | 123,841 | 82.56% | - |
| Acampo Arias, S.L.U. | Zaragoza | 3,314,300 EUR | 35,667 | 31,275 | 4,392 | 3,367 | 830 | 82.56% | - |
| Aplicaciones Industriales de Energías Limpias, S.L. | Zaragoza | 131,288 EUR | 1,369 | 1 | 1,369 | - | 583 | 50.78% | - |
| Aprofitament D'Energies Renovables de la Terra Alta, S.A. | Barcelona | 1,994,350 EUR | 65 | 50 | 15 | 134 | -13 | 49.61% | - |
| Bon Vent de Corbera, S.L.U. | Barcelona | 7,255,000 EUR | 59,577 | 36,430 | 23,147 | 12,624 | 3,681 | 82.56% | - |
| Bon Vent de L'Ebre, S.L.U. | Barcelona | 12,600,000 EUR | 55,150 | 38,510 | 16,640 | 13,525 | 4,600 | 42.11% | - |
| Bon Vent de Vilalba, S.L.U. | Barcelona | 3,600,000 EUR | 53,430 | 48,322 | 5,107 | 12,178 | 3,260 | 42.11% | - |
| Desarrollos Eólicos de Teruel, S.L. | Zaragoza | 60,100 EUR | 502 | 442 | 60 | - | - | 42.11% | - |
| EDP Renovables España, S.L.U. | Oviedo | 46,128,100 EUR | 1,312,398 | 604,399 | 707,999 | 179,240 | 60,274 | 82.56% | - |
| EDPR Offshore España, S.L. | Oviedo | 385,500 EUR | 1,704 | 1 | 1,703 | - | 978 | 82.56% | - |
| EDPR Participaciones, S.L.U. | Oviedo | 7,968,700 EUR | 538,865 | 185,243 | 353,622 | - | 27,424 | 42.11% | - |
| EDPR Yield, S.A.U. | Oviedo | 99,405,403 EUR | 493,188 | 5,096 | 488,093 | - | 34,525 | 82.56% | - |
| Eólica Arlanzón, S.A. | Madrid | 4,508,980 EUR | 18,243 | 5,827 | 12,416 | 3,894 | 1,091 | 70.18% | - |
| Eólica Campollano, S.A. | Madrid | 6,559,994 EUR | 68,656 | 43,580 | 25,075 | 13,093 | 2,643 | 61.92% | - |
| Eólica de Radona, S.L.U. | Madrid | 22,088,000 EUR | 48,656 | 25,610 | 23,046 | 8,908 | 1,928 | 42.11% | - |
| Eólica del Alfoz, S.L.U. | Madrid | 8,480,000 EUR | 125,316 | 93,042 | 32,273 | 28,531 | 8,661 | 42.11% | - |
| Eólica Don Quijote, S.L.U. | Albacete | 3,006 EUR | 36,543 | 35,410 | 1,132 | 8,838 | 2,721 | 42.11% | - |
| Eólica Dulcinea, S.L.U. | Albacete | 10,000 EUR | 24,110 | 23,610 | 499 | 5,646 | 1,518 | 42.11% | - |
| Eólica Fontesilva, S.L.U. | La Coruna | 6,860,000 EUR | 44,932 | 30,771 | 14,161 | 6,981 | 1,196 | 82.56% | - |
| Eólica La Brújula, S.A. | Madrid | 3,294,000 EUR | 49,248 | 28,007 | 21,241 | 9,131 | 2,421 | 82.56% | - |
| Eólica La Janda, S.L.U. | Madrid | 4,525,000 EUR | 183,924 | 154,241 | 29,683 | 39,929 | 14,463 | 82.56% | - |
| Eólica La Navica, S.L.U. | Madrid | 10,000 EUR | 27,455 | 25,332 | 2,122 | 7,047 | 2,457 | 42.11% | - |
| Eólica Sierra de Ávila, S.L. | Madrid | 12,977,466 EUR | 99,171 | 63,575 | 35,596 | 16,253 | 2,536 | 82.56% | - |
| Iberia Aprovechamientos Eólicos, S.A. | Zaragoza | 1,918,728 EUR | 20,734 | 16,976 | 3,758 | 5,031 | 1,393 | 77.61% | - |
| Parc Eòlic de Coll de Moro, S.L.U. | Barcelona | 7,808,920 EUR | 85,994 | 75,765 | 10,228 | 12,134 | 2,747 | 82.56% | - |
| Parc Eòlic de Torre Madrina, S.L.U. | Barcelona | 7,754,897 EUR | 78,315 | 63,066 | 15,249 | 12,999 | 3,884 | 82.56% | - |
| Parc Eòlic de Vilalba dels Arcs, S.L.U. | Barcelona | 3,065,739 EUR | 36,172 | 27,032 | 9,141 | 7,030 | 2,407 | 82.56% | - |
| Parc Eòlic Serra Voltorera, S.L.U. | Barcelona | 3,458,010 EUR | 23,648 | 12,543 | 11,105 | 3,937 | 1,097 | 82.56% | - |
| Parque Eólico Altos del Voltoya, S.A. | Madrid | 6,434,349 EUR | 23,772 | 3,897 | 19,875 | 5,829 | 1,400 | 76.37% | - |
| Parque Eólico la Sotonera, S.L. | Zaragoza | 2,000,000 EUR | 14,584 | 5,632 | 8,953 | 3,287 | 1,357 | 57.66% | - |
| Parque Eólico Los Cantales, S.L.U. | Zaragoza | 1,963,050 EUR | 18,711 | 13,626 | 5,086 | 5,433 | 1,890 | 82.56% | - |
| Parque Eólico Santa Quiteria, S.L. | Huesca | 63,006 EUR | 19,795 | 2,434 | 17,361 | 4,527 | 1,550 | 69.32% | - |
| Renovables Castilla la Mancha, S.A. | Albacete | 60,102 EUR | 26,675 | 23,936 | 2,739 | 5,965 | 1,746 | 74.31% | - |
| Tébar Eólica, S.A. | Madrid | 4,720,400 EUR | 16,374 | 9,807 | 6,567 | 2,279 | 895 | 82.56% | - |
| **Portugal:** | | | | | | | | | |
| EDP Renováveis Portugal, S.A. | Oporto | 7,500,000 EUR | 501,533 | 385,234 | 116,299 | 139,852 | 59,826 | 42.11% | - |
| EDP Renewables, SGPS, S.A. | Oporto | 50,000 EUR | 159,064 | 21,043 | 138,020 | - | 137,960 | 82.56% | - |
| EDPR PT - Parques Eólicos, S.A. | Oporto | 50,000 EUR | 157,706 | 76,819 | 80,886 | - | 27,165 | 42.11% | - |
| EDPR PT - Promoção e Operação, S.A. | Oporto | 50,000 EUR | 12,414 | 6,097 | 6,317 | 10,608 | -778 | 82.56% | - |
| Eólica Alto da Teixosa, S.A. | Cinfães | 50,000 EUR | 28,606 | 24,416 | 4,190 | 4,777 | 1,425 | 42.11% | - |
| Eólica da Alagoa, S.A. | Arcos de Valdevez | 50,000 EUR | 8,943 | 3,597 | 5,346 | 3,321 | 2,054 | 25.26% | - |
| Eólica da Coutada, S.A. | Vila Pouca de Aguiar | 50,000 EUR | 164,937 | 143,651 | 21,286 | 25,416 | 7,249 | 42.11% | - |
| Eólica da Lajeira, S.A. | Oporto | 50,000 EUR | 66,030 | 60,716 | 5,315 | 9,601 | 2,995 | 42.11% | - |
| Eólica da Serra das Alturas, S.A. | Boticas | 50,000 EUR | 12,799 | 6,982 | 5,817 | 2,924 | 1,298 | 21.10% | - |
| Eólica da Serra das Beiras, S.A. | Arganil | 50,000 EUR | 103,271 | 87,085 | 16,186 | 16,501 | 4,458 | 42.11% | - |
| Eólica da Terra do Mato, S.A. | Oporto | 50,000 EUR | 46,394 | 42,493 | 3,901 | 7,417 | 1,726 | 42.11% | - |
| Eólica de Montenegrelo, S.A. | Vila Pouca de Aguiar | 50,000 EUR | 20,260 | 10,835 | 9,425 | 5,372 | 2,397 | 21.10% | - |
| Eólica do Alto da Lagoa, S.A. | Oporto | 50,000 EUR | 24,352 | 17,833 | 6,519 | 5,282 | 2,013 | 42.11% | - |
| Eólica do Alto do Mourisco, S.A. | Boticas | 50,000 EUR | 24,909 | 21,521 | 3,388 | 4,127 | 1,418 | 42.11% | - |
| Eólica do Cachopo, S.A. | Oporto | 50,000 EUR | 63,272 | 55,520 | 7,753 | 10,625 | 3,848 | 42.11% | - |
| Eólica do Castelo, S.A. | Oporto | 50,000 EUR | 36,830 | 34,665 | 2,166 | 4,824 | 1,263 | 42.11% | - |
| Eólica do Espigão, S.A. | Miranda do Corvo | 50,000 EUR | 29,899 | 19,351 | 10,549 | 6,094 | 2,262 | 42.11% | - |
| Eólica do Sincelo, S.A. | Oporto | 150,000 EUR | 4,406 | 311 | 4,095 | - | -589 | 82.56% | - |
| Eólica do Velão, S.A. | Oporto | 50,000 EUR | 40,733 | 37,687 | 3,045 | 6,143 | 2,004 | 42.11% | - |
| Eólica dos Altos de Salgueiros-Guilhado, S.A. | Vila Pouca de | 50,000 EUR | 12,332 | 10,976 | 1,356 | 2,045 | 577 | 42.11% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-17 Euro'000 | Liabilities 31-Dec-17 Euro'000 | Equity 31-Dec-17 Euro'000 | Revenues 31-Dec-17 Euro'000 | Net Profit/(Loss) 31-Dec-17 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **Renewable Energy Activity:** | | | | | | | | | |
| **Europe Geography / Platform:** | | | | | | | | | |
| **Portugal:** | | | | | | | | | |
| | Aguiar | | | | | | | | |
| Eólico da Linha, S.A. | Oporto | 100,000 EUR | 15,014 | 11,151 | 3,863 | - | -747 | 82.56% | - |
| Gravitangle - Fotovoltaica Unipessoal, Lda | Oporto | 5,000 EUR | 4,139 | 2,031 | 2,108 | 975 | 553 | 82.56% | - |
| Malhadizes - Energia Eólica, S.A | Oporto | 50,000 EUR | 18,737 | 12,397 | 6,340 | 5,467 | 2,484 | 42.11% | - |
| Stirlingpower Unipessoal, Lda | Oporto | 2,500 EUR | 2,917 | 2,484 | 433 | 406 | 203 | 82.56% | - |
| **France:** | | | | | | | | | |
| EDP Renewables France, S.A.S. | Paris | 151,703,747 EUR | 214,507 | 78,723 | 135,784 | 26,002 | 8,767 | 42.11% | - |
| Bourbriac II, S.A.S. | Paris | 1,000 EUR | 77 | 88 | -11 | - | -7 | 82.56% | - |
| Centrale Eolienne Canet-Pont de Salars, S.A.S. | Paris | 125,000 EUR | 12,554 | 9,829 | 2,725 | 2,217 | 538 | 21.46% | - |
| Centrale Eolienne Gueltas Noyal-Pontivy, S.A.S. | Paris | 761,006 EUR | 6,120 | 1,483 | 4,637 | 1,362 | 624 | 21.47% | - |
| Centrale Eolienne Neo Truc L'Homme, S.A.S. | Paris | 3,830,700 EUR | 13,520 | 10,827 | 2,694 | 1,688 | -57 | 42.11% | - |
| Centrale Eolienne Patay, S.A.S. | Paris | 131,200 EUR | 11,861 | 6,824 | 5,038 | 2,531 | 971 | 21.47% | - |
| Centrale Eolienne Saint Barnabé, S.A.S. | Paris | 96,000 EUR | 12,324 | 7,512 | 4,812 | 2,234 | 720 | 21.47% | - |
| Centrale Eolienne Segur, S.A.S. | Paris | 113,050 EUR | 12,560 | 7,569 | 4,991 | 2,683 | 946 | 21.47% | - |
| EDPR France Holding, S.A.S. | Paris | 8,500,000 EUR | 27,261 | 13,376 | 13,885 | - | -3,191 | 82.56% | - |
| EDPR Offshore France, S.A.S. | Paris | 1 EUR | - | 3 | -2 | - | -1 | 82.56% | - |
| Eolienne de Callengeville, S.A.S. | Paris | 37,004 EUR | 9 | 17 | -8 | - | -5 | 82.56% | - |
| Eolienne de Saugueuse, S.A.S. | Paris | 1,000 EUR | 9,716 | 8,095 | 1,621 | 1,825 | 606 | 21.47% | - |
| Eolienne D'Etalondes, S.A.R.L. | Paris | 1,000 EUR | 12 | 62 | -51 | - | -4 | 82.56% | - |
| Monts de la Madeleine Energie, S.A.S. | Paris | 37,000 EUR | 936 | 904 | 33 | - | 10 | 82.56% | - |
| Monts du Forez Energie, S.A.S. | Paris | 37,000 EUR | 692 | 687 | 4 | - | -7 | 82.56% | - |
| Neo Plouvien, S.A.S. | Paris | 5,040,000 EUR | 8,903 | 6,508 | 2,395 | 1,493 | 198 | 42.11% | - |
| Parc Éolien de Boqueho-Pouagat, S.A.S. | Paris | 1,000 EUR | 11,102 | 10,889 | 213 | 813 | 222 | 82.56% | - |
| Parc Éolien de Citernes, S.A.S. | Paris | 1,000 EUR | 3 | 3 | -1 | - | -1 | 82.56% | - |
| Parc Éolien de Dammarie, S.A.R.L. | Paris | 1,000 EUR | 14,463 | 14,274 | 189 | 2,369 | 513 | 42.11% | - |
| Parc Éolien de Flavin, S.A.S. | Paris | 1,000 EUR | 2,459 | 2,462 | -2 | - | -3 | 82.56% | - |
| Parc Éolien de Francourville, S.A.S. | Paris | 1,000 EUR | 16,725 | 16,187 | 537 | 2,465 | 472 | 42.11% | - |
| Parc Éolien de la Champagne Berrichonne, S.A.R.L. | Paris | 3,700 EUR | 18,956 | 18,475 | 481 | 1,489 | 476 | 82.56% | - |
| Parc Eolien de La Hetroye, S.A.S. | Paris | 37,004 EUR | 18 | 28 | -10 | - | -3 | 82.56% | - |
| Parc Éolien de Louvières, S.A.S. | Paris | 1,000 EUR | 1 | 1 | -1 | - | -2 | 82.56% | - |
| Parc Eolien de Mancheville, S.A.R.L. | Paris | 1,000 EUR | 5,606 | 5,717 | -111 | 23 | -30 | 82.56% | - |
| Parc Eolien de Montagne Fayel, S.A.S. | Paris | 37,000 EUR | 14,996 | 13,670 | 1,326 | 2,480 | 487 | 42.11% | - |
| Parc Éolien de Preuseville, S.A.R.L. | Paris | 1,000 EUR | 8,525 | 7,706 | 819 | 1,286 | 225 | 42.11% | - |
| Parc Éolien de Prouville, S.A.S. | Paris | 1,000 EUR | 1 | 1 | -1 | - | -1 | 82.56% | - |
| Parc Eolien de Roman, S.A.R.L. | Paris | 1,000 EUR | 9,240 | 8,033 | 1,207 | 1,712 | 555 | 42.11% | - |
| Parc Éolien de Tarzy, S.A.R.L. | Paris | 1,504,692 EUR | 11,012 | 10,142 | 870 | 1,600 | 166 | 42.11% | - |
| Parc Eolien de Varimpre, S.A.S. | Paris | 37,003 EUR | 10,690 | 10,776 | -87 | 2,252 | 545 | 21.47% | - |
| Parc Eolien des Longs Champs, S.A.R.L. | Paris | 1,000 EUR | 281 | 366 | -85 | - | 4 | 82.56% | - |
| Parc Eolien des Vatines, S.A.S. | Paris | 841,014 EUR | 10,576 | 11,432 | -856 | 1,806 | 287 | 21.47% | - |
| Parc Eolien d'Escardes, S.A.S. | Paris | 1,000 EUR | 15,793 | 14,838 | 956 | 2,572 | 371 | 42.11% | - |
| Parc Eolien du Clos Bataille, S.A.S. | Paris | 410,096 EUR | 8,771 | 9,558 | -787 | 1,712 | 383 | 21.47% | - |
| Parc Eolien Nordex XXVII, S.A.S. | Paris | 37,000 EUR | 278 | 290 | -12 | - | -23 | 82.56% | - |
| SOCPE de la Mardelle, S.A.R.L. | Paris | 3,001,000 EUR | 7,016 | 3,905 | 3,111 | 989 | 95 | 42.11% | - |
| SOCPE de la Vallée du Moulin, S.A.R.L. | Paris | 8,001,000 EUR | 14,506 | 5,591 | 8,915 | 2,067 | 479 | 42.11% | - |
| SOCPE de Sauvageons, S.A.R.L. | Paris | 1,000 EUR | 7,082 | 6,922 | 160 | 1,067 | 116 | 62.74% | - |
| SOCPE des Quinze Mines, S.A.R.L. | Paris | 1,000 EUR | 14,297 | 17,419 | -3,122 | 2,176 | -315 | 62.74% | - |
| SOCPE Le Mee, S.A.R.L. | Paris | 1,000 EUR | 11,245 | 10,941 | 304 | 1,615 | 194 | 62.74% | - |
| SOCPE Petite Piece, S.A.R.L. | Paris | 1,000 EUR | 3,410 | 3,230 | 181 | 514 | 38 | 62.74% | - |
| **Poland:** | | | | | | | | | |
| EDP Renewables Polska, Sp. z o.o. | Warsaw | 435,045,000 PLN | 225,012 | 16,039 | 208,972 | 7,831 | 4,951 | 82.56% | - |
| EDP Renewables Polska HoldCo, S.A. | Warsaw | 100,100 PLN | 212,664 | 36,668 | 175,996 | - | -36,212 | 42.11% | - |
| EDP Renewables Polska OPCO, S.A. | Warsaw | 100,000 PLN | 13 | 1 | 11 | - | -6 | 82.56% | - |
| Elektrownia Wiatrowa Kresy I, Sp. z o.o. | Warsaw | 70,210 PLN | 122,160 | 48,811 | 73,349 | 9,824 | -348 | 42.11% | - |
| Farma Wiatrowa Starozreby, Sp. z o.o. | Warsaw | 466,000 PLN | 441 | 57 | 384 | - | -3,771 | 82.56% | - |
| Karpacka Mala Energetyka, Sp. z o.o. | Warsaw | 50,000 PLN | 91 | 452 | -361 | - | -27 | 82.56% | - |
| Korsze Wind Farm, Sp. z o.o. | Warsaw | 38,855,000 PLN | 88,247 | 61,328 | 26,919 | 15,346 | 4,395 | 42.11% | - |
| Masovia Wind Farm I, Sp. z o.o. | Warsaw | 1,258,000 PLN | 14,476 | 685 | 13,791 | - | -66 | 82.56% | - |
| Miramit Investments, Sp. z o.o. | Warsaw | 55,000 PLN | 560 | 359 | 201 | - | -2 | 82.56% | - |
| Molen Wind II, Sp. z o.o. | Warsaw | 14,600 PLN | 65,759 | 56,114 | 9,645 | 8,473 | 429 | 42.11% | - |
| Morska Farma Wiatrowa Neptun, Sp. z o.o. | Warsaw | 220,000 PLN | 12 | - | 12 | - | -2 | 82.56% | - |
| Radziejów Wind Farm, Sp. z o.o. | Warsaw | 27,605,000 PLN | 32,624 | 29,102 | 3,522 | 3,131 | -1,363 | 42.11% | - |
| Relax Wind Park I, Sp. z o.o. | Warsaw | 46,540,000 PLN | 141,490 | 126,844 | 14,646 | 21,625 | 2,624 | 42.11% | - |
| Relax Wind Park III, Sp. z o.o. | Warsaw | 59,603,000 PLN | 134,954 | 110,749 | 24,205 | 10,106 | -10,775 | 42.11% | - |
| Relax Wind Park IV, Sp. z o.o. | Warsaw | 4,490,000 PLN | 108 | -1 | 109 | - | -2 | 82.56% | - |
| **Romania:** | | | | | | | | | |
| EDPR RO PV, S.r.l. | Bucharest | 225,000,000 RON | 48,961 | 3,615 | 45,345 | - | -380 | 82.56% | - |
| Cernavoda Power, S.A. | Bucharest | 335,692,400 RON | 183,404 | 124,515 | 58,890 | 18,164 | 3,425 | 70.18% | - |
| Cujmir Solar, S.A. | Bucharest | 41,806,000 RON | 17,798 | 3,074 | 14,724 | 3,417 | 1,486 | 82.56% | - |
| EDPR România, S.R.L. | Bucharest | 840,007,180 RON | 262,508 | 61,535 | 200,973 | 32,533 | 12,685 | 82.56% | - |
| Foton Delta, S.A. | Bucharest | 14,304,000 RON | 6,026 | 1,073 | 4,953 | 1,129 | 331 | 82.56% | - |
| Foton Epsilon, S.A. | Bucharest | 17,304,840 RON | 10,117 | 1,854 | 8,263 | 2,089 | 880 | 82.56% | - |
| Pestera Wind Farm, S.A. | Bucharest | 269,955,070 RON | 105,640 | 65,460 | 40,180 | 13,671 | 3,212 | 70.18% | - |
| Potelu Solar, S.A. | Bucharest | 30,468,040 RON | 11,345 | 808 | 10,538 | 2,115 | 860 | 82.56% | - |
| Sibioara Wind Farm, S.r.l. | Bucharest | 81,900,600 RON | 43,449 | 35,259 | 8,190 | 5,394 | 661 | 70.18% | - |
| Studina Solar, S.A. | Bucharest | 32,130,000 RON | 14,372 | 2,713 | 11,659 | 2,811 | 1,130 | 82.56% | - |
| Vanju Mare Solar, S.A. | Bucharest | 38,660,000 RON | 13,730 | 1,882 | 11,848 | 2,496 | 944 | 82.56% | - |
| VS Wind Farm, S.A. | Bucharest | 216,170,000 RON | 81,839 | 36,307 | 45,532 | 11,907 | 4,342 | 70.18% | - |
| **Great Britain:** | | | | | | | | | |
| EDPR UK Limited | Cardiff | 9,578,002 GBP | 91,379 | 13,103 | 78,276 | - | -1,442 | 82.56% | - |
| Moray Offshore Renewable Power Limited | Cardiff | 23,027,589 GBP | 86,489 | 60,487 | 26,002 | - | 48 | 82.56% | - |
| Moray Offshore Windfarm (West) Limited | Cardiff | 1 GBP | 2,300 | 2,574 | -273 | - | -14 | 82.56% | - |
| **Italy:** | | | | | | | | | |
| EDP Renewables Italia Holding, S.r.l. | Milan | 347,000 EUR | 41,357 | 35,813 | 5,543 | - | -5,584 | 82.56% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-17 Euro'000 | Liabilities 31-Dec-17 Euro'000 | Equity 31-Dec-17 Euro'000 | Revenues 31-Dec-17 Euro'000 | Net Profit/(Loss) 31-Dec-17 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **Renewable Energy Activity:** | | | | | | | | | |
| **Europe Geography / Platform:** | | | | | | | | | |
| **Italy:** | | | | | | | | | |
| EDP Renewables Italia, S.r.l. | Milan | 34,439,343 EUR | 216,603 | 163,493 | 53,110 | 15,678 | 10,331 | 42.11% | - |
| AW 2, S.r.l. | Milan | 100,000 EUR | 2,123 | 274 | 1,849 | - | -126 | 82.56% | - |
| Castellaneta Wind, S.r.l. | Milan | 16,014 EUR | 4 | 8 | -4 | - | -2 | 82.56% | - |
| Conza Energia, S.r.l. | Milan | 456,000 EUR | 4,533 | 572 | 3,961 | - | -240 | 82.56% | - |
| Laterza Wind, S.r.l. | Milan | 16,665 EUR | 4 | 7 | -3 | - | -2 | 82.56% | - |
| Lucus Power, S.r.l. | Milan | 10,000 EUR | 17,503 | 15,250 | 2,253 | - | -157 | 82.56% | - |
| Parco Eolico Banzi, S.r.l. | Milan | 9,000,000 EUR | 46,832 | 4,435 | 42,397 | 7,615 | 3,756 | 42.11% | - |
| Pietragalla Eolico, S.r.l. | Milan | 15,218 EUR | 28,961 | 22,673 | 6,287 | 7,780 | 3,215 | 42.11% | - |
| Re Plus, S.r.l | Milan | 100,000 EUR | 937 | 1,237 | -300 | - | -15 | 82.56% | - |
| San Mauro, S.r.l. | Milan | 70,000 EUR | 7,397 | 5,766 | 1,631 | - | -84 | 82.56% | - |
| T Power, S.p.A. | Milan | 1,000,000 EUR | 4,709 | 1,689 | 3,020 | - | -49 | 82.56% | - |
| TACA Wind, S.r.l. | Milan | 1,160,000 EUR | 11,133 | 8,409 | 2,723 | - | -176 | 82.56% | - |
| Tivano, S.r.l. | Milan | 100,000 EUR | 25,190 | 24,514 | 677 | 2,412 | 421 | 82.56% | - |
| Villa Castelli Wind, S.r.l. | Milan | 100,000 EUR | 32,351 | 19,285 | 13,065 | 7,269 | 2,858 | 42.11% | - |
| WinCap, S.r.l. | Milan | 2,550,000 EUR | 18,432 | 14,841 | 3,591 | - | -134 | 82.56% | - |
| **Other Countries:** | | | | | | | | | |
| EDP Renewables Belgium, S.A. | Brussels | 61,500 EUR | 1,021 | 2,115 | -1,094 | - | -250 | 82.56% | - |
| EDPR International Investments B.V. | Amsterdam | 20,000 EUR | 28,066 | 45 | 28,021 | - | 4,989 | 82.56% | - |
| Greenwind, S.A. | Brussels | 24,924,000 EUR | 82,310 | 33,918 | 48,392 | 13,813 | 4,553 | 42.11% | - |
| **North America Geography / Platform:** | | | | | | | | | |
| **United States of America:** | | | | | | | | | |
| EDP Renewables North America LLC (EUA Subgroup Parent Company) | Delaware | 4,129,973,714 USD | 3,794,834 | 354,172 | 3,440,662 | 58,294 | -19,789 | 82.56% | - |
| 17th Star Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| 2007 Vento I LLC | Delaware | 677,067,971 USD | 601,572 | 1,314 | 600,258 | 16,346 | 10,562 | 82.56% | - |
| 2007 Vento II LLC | Delaware | 550,078,268 USD | 455,068 | 599 | 454,469 | - | -174 | 42.11% | - |
| 2008 Vento III LLC | Delaware | 653,203,192 USD | 539,314 | 84 | 539,230 | - | -548 | 42.11% | - |
| 2009 Vento IV LLC | Delaware | 209,926,792 USD | 174,165 | 75 | 174,089 | - | -127 | 82.56% | - |
| 2009 Vento V LLC | Delaware | 72,700,710 USD | 59,716 | 42 | 59,674 | - | -126 | 42.11% | - |
| 2009 Vento VI LLC | Delaware | 145,341,688 USD | 120,414 | 15 | 120,399 | - | -112 | 82.56% | - |
| 2010 Vento VII LLC | Delaware | 162,514,434 USD | 134,829 | 45 | 134,784 | - | -113 | 82.56% | - |
| 2010 Vento VIII LLC | Delaware | 165,496,311 USD | 137,173 | 47 | 137,126 | - | -111 | 82.56% | - |
| 2011 Vento IX LLC | Delaware | 119,224,014 USD | 98,885 | 117 | 98,768 | - | -110 | 42.11% | - |
| 2011 Vento X LLC | Delaware | 117,084,302 USD | 97,023 | 3 | 97,020 | - | -110 | 82.56% | - |
| 2014 Sol I LLC | Delaware | 77,978,903 USD | 64,803 | 13 | 64,790 | - | -75 | 42.11% | - |
| 2014 Vento XI LLC | Delaware | 308,123,075 USD | 256,956 | 75 | 256,881 | - | -14 | 42.11% | - |
| 2014 Vento XII LLC | Delaware | 183,187,668 USD | 153,551 | 849 | 152,702 | - | -18 | 42.11% | - |
| 2015 Vento XIII LLC | Delaware | 343,392,406 USD | 286,056 | 130 | 285,926 | - | -103 | 42.11% | - |
| 2015 Vento XIV LLC | Delaware | 303,465,879 USD | 252,891 | 45 | 252,845 | - | -103 | 42.11% | - |
| 2016 Vento XV LLC | Delaware | 544,921,039 USD | 454,873 | 604 | 454,269 | - | -103 | 82.56% | - |
| 2016 Vento XVI LLC | Delaware | 202,699,375 USD | 169,040 | 122 | 168,918 | - | -103 | 82.56% | - |
| 2017 Sol II LLC | Delaware | 128,912,135 USD | 107,555 | 61 | 107,494 | - | 5 | 82.56% | - |
| 2017 Vento XVII LLC | Delaware | 358,796,597 USD | 299,815 | 660 | 299,156 | - | -17 | 82.56% | - |
| Alabama Ledge Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Antelope Ridge Wind Power Project LLC | Delaware | 12,828,809 USD | - | 1 | -1 | - | - | 82.56% | - |
| Arbuckle Mountain Wind Farm LLC | Delaware | 159,850,394 USD | 135,505 | 2,653 | 132,852 | 7,103 | 319 | 42.11% | - |
| Arkwright Summit Wind Farm LLC | Delaware | 30,515,849 USD | 46,396 | 20,970 | 25,426 | - | -10 | 82.56% | - |
| Arlington Wind Power Project LLC | Delaware | 105,838,062 USD | 109,735 | 7,570 | 102,165 | 12,387 | 2,123 | 42.11% | - |
| Aroostook Wind Energy LLC | Delaware | 41,852,750 USD | 31,244 | 846 | 30,398 | - | -10 | 82.56% | - |
| Ashford Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Athena-Weston Wind Power Project II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Athena-Weston Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Avondale Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| AZ Solar LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| BC2 Maple Ridge Holdings LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| BC2 Maple Ridge Wind LLC | Delaware | 280,238,162 USD | 214,987 | 2 | 214,985 | - | -8,680 | 82.56% | - |
| Big River Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Black Prairie Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Black Prairie Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Black Prairie Wind Farm LLC | Delaware | 6,412,830 USD | 5,347 | 2 | 5,345 | - | - | 82.56% | - |
| Blackstone Wind Farm II LLC | Delaware | 233,892,534 USD | 270,911 | 76,699 | 194,212 | 21,409 | 5,414 | 82.56% | - |
| Blackstone Wind Farm III LLC | Delaware | 6,266,950 USD | - | 7 | -7 | - | - | 82.56% | - |
| Blackstone Wind Farm IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blackstone Wind Farm LLC | Delaware | 108,858,369 USD | 124,832 | 35,194 | 89,638 | 9,185 | 349 | 82.56% | - |
| Blackstone Wind Farm V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Canyon Wind Power VII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Canyon Windpower II LLC | Texas | 113,265,833 USD | 114,316 | 4,270 | 110,046 | 7,358 | -3,842 | 82.56% | - |
| Blue Canyon Windpower III LLC | Texas | - USD | - | - | - | - | - | 82.56% | - |
| Blue Canyon Windpower IV LLC | Texas | - USD | - | - | - | - | - | 82.56% | - |
| Blue Canyon Windpower V LLC | Texas | 70,838,171 USD | 116,496 | 4,380 | 112,117 | 18,621 | 7,463 | 42.11% | - |
| Blue Canyon Windpower VI LLC | Delaware | 115,779,189 USD | 108,940 | 3,003 | 105,937 | 10,533 | 2,717 | 82.56% | - |
| Blue Harvest Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot IX LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot VI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot VII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot VIII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Blue Marmot XI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Broadlands Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Broadlands Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-17 Euro'000 | Liabilities 31-Dec-17 Euro'000 | Equity 31-Dec-17 Euro'000 | Revenues 31-Dec-17 Euro'000 | Net Profit/(Loss) 31-Dec-17 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **Renewable Energy Activity:** | | | | | | | | | |
| **North America Geography / Platform:** | | | | | | | | | |
| **United States of America:** | | | | | | | | | |
| Broadlands Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Buffalo Bluff Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Cameron Solar LLC | Delaware | 31,508,425 USD | 32,354 | 6,099 | 26,255 | 6 | -19 | 82.56% | - |
| Castle Valley Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Chateaugay River Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Clinton County Wind Farm LLC | Delaware | 245,983,122 USD | 205,099 | - | 205,099 | - | - | 82.56% | - |
| Cloud County Wind Farm LLC | Delaware | 205,547,422 USD | 197,853 | 5,339 | 192,514 | 22,731 | 6,101 | 42.11% | - |
| Cloud West Wind Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Coldwater Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Coos Curry Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Crittenden Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Cropsey Ridge Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Crossing Trails Wind, Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Dairy Hills Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Diamond Power Partners LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Drake Peak Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Dry Creek Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| East Klickitat Wind Power Project LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR CA Solar Park VI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR Offshore North America LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| EDPR Solar Ventures I LLC | Delaware | 48,438,734 USD | 69,018 | 26,351 | 42,668 | - | 903 | 42.11% | - |
| EDPR Solar Ventures II LLC | Delaware | 61,395,080 USD | 107,548 | 56,434 | 51,114 | - | -84 | 82.56% | - |
| EDPR Vento I Holding LLC | Delaware | 340,033,977 USD | 283,527 | - | 283,527 | - | - | 82.56% | - |
| EDPR Vento IV Holding LLC | Delaware | 68,995,105 USD | 57,529 | - | 57,529 | - | - | 82.56% | - |
| EDPR WF LLC | Delaware | 49,317,020 USD | 41,122 | - | 41,122 | - | - | 82.56% | - |
| EDPR Wind Ventures X LLC | Delaware | 64,050,614 USD | 98,841 | 12,576 | 86,265 | - | 7,954 | 82.56% | - |
| EDPR Wind Ventures XI LLC | Delaware | 117,199,433 USD | 256,919 | 142,144 | 114,775 | - | 8,895 | 42.11% | - |
| EDPR Wind Ventures XII LLC | Delaware | 75,087,191 USD | 153,500 | 90,740 | 62,760 | - | 1,540 | 42.11% | - |
| EDPR Wind Ventures XIII LLC | Delaware | 114,558,165 USD | 286,327 | 183,480 | 102,848 | - | 5,431 | 42.11% | - |
| EDPR Wind Ventures XIV LLC | Delaware | 68,888,210 USD | 253,036 | 187,739 | 65,297 | - | 5,938 | 42.11% | - |
| EDPR Wind Ventures XV LLC | Delaware | 205,158,677 USD | 454,783 | 271,995 | 182,788 | - | 12,254 | 82.56% | - |
| EDPR Wind Ventures XVI LLC | Delaware | 89,894,294 USD | 169,015 | 93,099 | 75,916 | - | 880 | 82.56% | - |
| EDPR Wind Ventures XVII LLC | Delaware | - USD | 364,927 | 356,906 | 8,021 | - | 8,518 | 82.56% | - |
| Estill Solar I LLC | Delaware | 34,797,748 USD | 34,324 | 5,267 | 29,056 | 70 | 44 | 82.56% | - |
| Five-Spot LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Ford Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Franklin Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Green Country Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Green Power Offsets LLC | Delaware | 10,515 USD | - | - | - | - | - | 82.56% | - |
| Gulf Coast Windpower Management Company LLC | Delaware | - USD | - | - | - | - | - | 61.92% | - |
| Hampton Solar II LLC | Delaware | 32,852,302 USD | 32,551 | 5,142 | 27,409 | 42 | 17 | 82.56% | - |
| Headwaters Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Headwaters Wind Farm LLC | Delaware | 304,821,296 USD | 286,665 | 6,445 | 280,220 | 27,856 | 10,179 | 42.11% | - |
| Hidalgo Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Hidalgo Wind Farm LLC | Delaware | 377,195,721 USD | 333,456 | 14,091 | 319,365 | 22,899 | 4,475 | 82.56% | - |
| High Prairie Wind Farm II LLC | Delaware | 85,315,238 USD | 98,155 | 10,253 | 87,902 | 13,110 | 4,123 | 42.11% | - |
| High Trail Wind Farm LLC | Delaware | 206,744,535 USD | 246,281 | 19,765 | 226,516 | 31,180 | 10,114 | 82.56% | - |
| Hog Creek Wind Project LLC | Delaware | 31,334,264 USD | 84,205 | 57,985 | 26,220 | 458 | 99 | 82.56% | - |
| Horizon Wind Chocolate Bayou I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Midwest IX LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest VII LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest X LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Northwest XI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Panhandle I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Southwest I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Southwest II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Southwest III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Southwest IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind Energy Valley I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wind MREC Iowa Partners LLC | Delaware | - USD | - | - | - | - | - | 61.92% | - |
| Horizon Wind Ventures I LLC | Delaware | 133,090,984 USD | 735,774 | 218,120 | 517,654 | - | 9,442 | 82.56% | - |
| Horizon Wind Ventures IB LLC | Delaware | 41,422,368 USD | 458,666 | 197,192 | 261,474 | - | 33,350 | 42.11% | - |
| Horizon Wind Ventures IC LLC | Delaware | 376,176,571 USD | 544,654 | 93,207 | 451,447 | - | 30,498 | 42.11% | - |
| Horizon Wind Ventures II LLC | Delaware | 139,162,553 USD | 175,041 | 47,148 | 127,893 | - | 1,383 | 82.56% | - |
| Horizon Wind Ventures III LLC | Delaware | 24,807,698 USD | 60,619 | 9,723 | 50,896 | - | 4,799 | 42.11% | - |
| Horizon Wind Ventures IX LLC | Delaware | 52,448,949 USD | 99,411 | 60,420 | 38,991 | - | 266 | 42.11% | - |
| Horizon Wind Ventures VI LLC | Delaware | 90,417,690 USD | 121,189 | 38,184 | 83,005 | - | 1,846 | 82.56% | - |
| Horizon Wind Ventures VII LLC | Delaware | 103,901,732 USD | 135,508 | 39,721 | 95,787 | - | 1,827 | 82.56% | - |
| Horizon Wind Ventures VIII LLC | Delaware | 112,858,438 USD | 137,994 | 39,515 | 98,479 | - | 1,312 | 82.56% | - |
| Horizon Wind, Freeport Windpower I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horizon Wyoming Transmission LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Horse Mountain Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Indiana Crossroads Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Indiana Crossroads Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Jericho Rise Wind Farm LLC | Delaware | 163,634,708 USD | 148,983 | 6,872 | 142,111 | 13,813 | 5,930 | 82.56% | - |

| Subsidiaries | Head Office | Share capital / Currency | Assets 31-Dec-17 Euro'000 | Liabilities 31-Dec-17 Euro'000 | Equity 31-Dec-17 Euro'000 | Revenues 31-Dec-17 Euro'000 | Net Profit/(Loss) 31-Dec-17 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|
| **Renewable Energy Activity:** | | | | | | | | | |
| **North America Geography / Platform:** | | | | | | | | | |
| **United States of America:** | | | | | | | | | |
| Juniper Wind Power Partners LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Lexington Chenoa Wind Farm II LLC | Delaware | 600,283 USD | - | - | - | - | - | 82.56% | - |
| Lexington Chenoa Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Lexington Chenoa Wind Farm LLC | Delaware | 15,808,246 USD | 13,834 | 701 | 13,134 | - | -10 | 82.56% | - |
| Lone Valley Solar Park I LLC | Delaware | 27,763,059 USD | 24,174 | 488 | 23,686 | 1,477 | 47 | 42.11% | - |
| Lone Valley Solar Park II LLC | Delaware | 49,642,570 USD | 44,775 | 865 | 43,910 | 3,117 | 849 | 42.11% | - |
| Long Hollow wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Lost Lakes Wind Farm LLC | Delaware | 144,412,628 USD | 120,807 | 4,745 | 116,062 | 17,552 | 4,380 | 82.56% | - |
| Machias Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Madison Windpower LLC | Delaware | 15,322,095 USD | 4,186 | 361 | 3,825 | 469 | -898 | 82.56% | - |
| Marble River LLC | Delaware | 245,975,367 USD | 317,389 | 87,646 | 229,743 | 19,577 | 5,159 | 82.56% | - |
| Martinsdale Wind Farm LLC | Delaware | 4,409,537 USD | 3,737 | 87 | 3,651 | - | - | 82.56% | - |
| Meadow Lake Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Meadow Lake Wind Farm II LLC | Delaware | 160,759,459 USD | 125,211 | 3,145 | 122,066 | 9,194 | 124 | 82.56% | - |
| Meadow Lake Wind Farm III LLC | Delaware | 114,219,163 USD | 134,605 | 38,602 | 96,003 | 8,393 | 474 | 82.56% | - |
| Meadow Lake Wind Farm IV LLC | Delaware | 102,313,000 USD | 111,495 | 31,675 | 79,820 | 6,181 | -550 | 82.56% | - |
| Meadow Lake Wind Farm LLC | Delaware | 219,973,290 USD | 239,179 | 70,061 | 169,118 | 13,383 | -2,798 | 82.56% | - |
| Meadow Lake Wind Farm V LLC | Delaware | 138,266,325 USD | 147,389 | 30,220 | 117,169 | 4,291 | 2,006 | 82.56% | - |
| Meadow Lake Wind Farm VI LLC | Delaware | 9,941,714 USD | 9,634 | 1,351 | 8,284 | - | -6 | 82.56% | - |
| Mesquite Wind LLC | Delaware | 143,396,614 USD | 188,369 | 12,079 | 176,290 | 19,796 | 2,891 | 82.56% | - |
| New Trail Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Nine Kings Transco LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| North Slope Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Number Nine Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Old Trail Wind Farm LLC | Delaware | 222,756,855 USD | 241,372 | 6,154 | 235,218 | 36,229 | 15,171 | 42.11% | - |
| OPQ Property LLC | Delaware | -28,865 USD | 145 | - | 145 | - | 26 | 82.56% | - |
| Pacific Southwest Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Paulding Wind Farm II LLC | Delaware | 116,330,159 USD | 133,211 | 4,279 | 128,931 | 18,833 | 6,976 | 42.11% | - |
| Paulding Wind Farm III LLC | Delaware | 201,173,747 USD | 175,530 | 3,711 | 171,819 | 13,732 | 4,166 | 82.56% | - |
| Paulding Wind Farm IV, LLC | Delaware | 750,810 USD | 1,495 | 880 | 615 | - | -12 | 82.56% | - |
| Paulding Wind Farm LLC | Delaware | 15,443 USD | - | 4 | -4 | - | -4 | 82.56% | - |
| Paulding Wind Farm V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Paulding Wind Farm VI LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Peterson Power Partners LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Pioneer Prairie Wind Farm I LLC | Delaware | 319,307,535 USD | 357,697 | 14,331 | 343,366 | 57,256 | 21,107 | 42.11% | - |
| Poplar Camp Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Post Oak Wind LLC | Delaware | 167,932,124 USD | 209,755 | 8,469 | 201,286 | 23,709 | 3,622 | 42.11% | - |
| Prairie Queen Wind Farm LLC | Delaware | 3,680,251 USD | 4,314 | 1,246 | 3,069 | - | - | 82.56% | - |
| Quilt Block Wind Farm LLC | Delaware | 60,642,888 USD | 141,644 | 88,527 | 53,117 | 3,604 | 2,731 | 82.56% | - |
| Rail Splitter Wind Farm LLC | Delaware | 207,545,297 USD | 139,452 | 5,969 | 133,482 | 8,105 | -3,032 | 82.56% | - |
| Redbed Plains Windfarm LLC | Delaware | 53,535,809 USD | 141,778 | 96,362 | 45,416 | 2,161 | 828 | 82.56% | - |
| Reloj del Sol Wind Farm LLC | Delaware | 59,457 USD | 830 | 780 | 50 | - | - | 82.56% | - |
| Renville County Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Rio Blanco Wind Farm LLC | Delaware | 2,889,661 USD | 2,491 | 81 | 2,409 | - | - | 82.56% | - |
| Rising Tree Wind Farm II LLC | Delaware | 32,651,655 USD | 29,966 | 456 | 29,511 | 3,113 | 1,023 | 42.11% | - |
| Rising Tree Wind Farm III LLC | Delaware | 181,064,313 USD | 167,088 | 2,971 | 164,117 | 16,283 | 5,689 | 42.11% | - |
| Rising Tree Wind Farm LLC | Delaware | 149,971,555 USD | 140,115 | 3,744 | 136,371 | 13,818 | 4,389 | 42.11% | - |
| Riverstart Solar Park II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Riverstart Solar Park III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Riverstart Solar Park IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Riverstart Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Riverstart Solar Park V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Rolling Upland Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Rosewater Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Rush County Wind Farm, LLC | Delaware | 2,297,529 USD | 1,979 | 64 | 1,916 | - | - | 82.56% | - |
| Saddleback Wind Power Project LLC | Delaware | 2,502,308 USD | 1,736 | 7 | 1,729 | - | - | 82.56% | - |
| Sagebrush Power Partners LLC | Delaware | 163,655,706 USD | 118,541 | 3,345 | 115,196 | 11,635 | 1,633 | 82.56% | - |
| Sardinia Windpower LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Signal Hill Wind Power Project LLC | Delaware | 4,502 USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm III LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm IV LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Simpson Ridge Wind Farm V LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Spruce Ridge Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Stinson Mills Wind Farm LLC | Delaware | 4,045,072 USD | 3,307 | 17 | 3,290 | - | - | 82.56% | - |
| Sustaining Power Solutions LLC | Delaware | 49,473,290 USD | 8,616 | 12,249 | -3,633 | 38,285 | -21,977 | 82.56% | - |
| Sweet Stream Wind Farm LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Telocaset Wind Power Partners LLC | Delaware | 54,725,551 USD | 104,287 | 7,755 | 96,531 | 16,233 | 6,463 | 42.11% | - |
| Timber Road Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Tug Hill Windpower LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Tumbleweed Wind Power Project LLC | Delaware | 4,003 USD | - | - | - | - | - | 82.56% | - |
| Turtle Creek Wind Farm LLC | Delaware | 7,980,580 USD | 7,447 | 805 | 6,642 | - | -5 | 82.56% | - |
| Waverly Wind Farm II LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Waverly Wind Farm LLC | Delaware | 300,688,777 USD | 266,734 | 4,459 | 262,274 | 20,393 | 7,869 | 42.11% | - |
| Western Trail Wind Project I LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Wheat Field Holding LLC | Delaware | 26,466,595 USD | 22,018 | - | 22,018 | - | -14 | 42.11% | - |
| Wheat Field Wind Power Project LLC | Delaware | 26,405,596 USD | 95,694 | 28,639 | 67,055 | 12,434 | 5,571 | 42.11% | - |
| Whiskey Ridge Power Partners LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Whistling Wind WI Energy Center LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| White Stone Solar Park LLC | Delaware | - USD | - | - | - | - | - | 82.56% | - |
| Whitestone Wind Purchasing LLC | Delaware | 2,948,067 USD | 1,518 | 55 | 1,463 | - | 9 | 82.56% | - |

| Subsidiaries | Head Office | Share capital / Currency | | Assets 31-Dec-17 Euro'000 | Liabilities 31-Dec-17 Euro'000 | Equity 31-Dec-17 Euro'000 | Revenues 31-Dec-17 Euro'000 | Net Profit/(Loss) 31-Dec-17 Euro'000 | % Group | % Company |
|---|---|---|---|---|---|---|---|---|---|---|
| **Renewable Energy Activity:** | | | | | | | | | | |
| **North America Geography / Platform:** | | | | | | | | | | |
| **United States of America:** | | | | | | | | | | |
| Wildcat Creek Wind Farm LLC | Delaware | - | USD | - | - | - | - | - | 82.56% | - |
| Wilson Creek Power Project LLC | Delaware | - | USD | - | - | - | - | - | 82.56% | - |
| Wind Turbine Prometheus, LP | Delaware | 5,990 | USD | - | - | - | - | - | 82.56% | - |
| WTP Management Company LLC | Delaware | - | USD | - | - | - | - | - | 82.56% | - |
| **Canada:** | | | | | | | | | | |
| EDP Renewables Canada, Ltd. (Canada Subgroup Parent Company) | Ontario | 35,000,000 | CAD | 17,849 | 622 | 17,228 | - | -819 | 82.56% | - |
| EDP Renewables Canada LP Holdings, Ltd. | Ontario | 8,703,215 | CAD | 21,644 | 2,445 | 19,198 | - | -1,521 | 82.56% | - |
| EDP Renewables Sharp Hills Project GP, Ltd. | Alberta | - | CAD | - | - | - | - | - | 82.56% | - |
| EDP Renewables Sharp Hills Project LP | Alberta | -15,193 | CAD | 3,144 | 3,194 | -50 | - | -2 | 82.56% | - |
| Nation Rise Wind Farm GP, Inc. | Bristish Columbia | - | CAD | - | - | - | - | - | 82.56% | - |
| Nation Rise Wind Farm LP | Ontario | 1,451,186 | CAD | 4,126 | 3,204 | 922 | - | -29 | 82.56% | - |
| SBWF GP, Inc. | Ontario | 1,061 | CAD | 2 | - | 2 | - | - | 42.11% | - |
| South Branch Wind Farm II GP Inc. | Bristish Columbia | - | CAD | - | - | - | - | - | 82.56% | - |
| South Branch Wind Farm II GP LP | Ontario | 54,006 | CAD | 1,016 | 1,002 | 14 | - | -21 | 82.56% | - |
| South Dundas Wind Farm LP | Ontario | 26,574,893 | CAD | 51,032 | 23,446 | 27,586 | 7,422 | 2,843 | 42.11% | - |
| **Mexico:** | | | | | | | | | | |
| EDPR Servicios de México, S. de R.L. de C.V. | Mexico City | 53,411,875 | MXN | 1,579 | 546 | 1,033 | - | -453 | 82.56% | - |
| Eólica de Coahuila, S.A. de C.V. | Mexico City | 7,189,723 | USD | 304,623 | 292,461 | 12,162 | 31,957 | 4,264 | 42.11% | - |
| Vientos de Coahuila, S.A. de C.V. | Mexico City | 2,421 | USD | 3,942 | 3,965 | -24 | - | -33 | 82.56% | - |
| **South America Geography / Platform:** | | | | | | | | | | |
| **Brazil:** | | | | | | | | | | |
| EDP Renovaveis Brasil, SA (EDPR BR Subgroup Parent Company) | Sao Paulo | 550,407,312 | BRL | 167,161 | 8,365 | 158,796 | 1,718 | 11,489 | 82.56% | - |
| Babilônia Holding, S.A. | Sao Paulo | 146,925,894 | BRL | 45,672 | - | 45,672 | - | -166 | 82.56% | - |
| Central Eólica Aventura I, S.A. | Sao Paulo | 10,001,765 | BRL | 33,989 | 28,352 | 5,638 | - | 43 | 42.10% | - |
| Central Eólica Aventura II, S.A. | Sao Paulo | 119,500 | BRL | 5 | - | 5 | - | -15 | 82.56% | - |
| Central Eólica Babilônia I, S.A. | Fortaleza | 37,232,288 | BRL | 25,212 | 15,895 | 9,317 | - | -47 | 82.56% | - |
| Central Eólica Babilônia II, S.A. | Fortaleza | 36,333,489 | BRL | 26,599 | 17,501 | 9,099 | - | -42 | 82.56% | - |
| Central Eólica Babilônia III, S.A. | Fortaleza | 36,936,528 | BRL | 29,757 | 20,513 | 9,244 | - | -16 | 82.56% | - |
| Central Eólica Babilônia IV, S.A. | Fortaleza | 35,581,489 | BRL | 24,393 | 15,477 | 8,916 | - | -32 | 82.56% | - |
| Central Eólica Babilônia V, S.A. | Fortaleza | 35,580,489 | BRL | 24,403 | 15,483 | 8,920 | - | -31 | 82.56% | - |
| Central Eólica Baixa do Feijao I, S.A. | Sao Paulo | 39,216,713 | BRL | 35,196 | 21,550 | 13,647 | 8,765 | 3,938 | 42.11% | - |
| Central Eólica Baixa do Feijao II, S.A. | Sao Paulo | 40,551,200 | BRL | 33,699 | 19,513 | 14,187 | 8,251 | 3,947 | 42.11% | - |
| Central Eólica Baixa do Feijao III, S.A. | Sao Paulo | 67,416,713 | BRL | 41,306 | 21,309 | 19,998 | 8,038 | 3,151 | 42.11% | - |
| Central Eólica Baixa do Feijao IV, S.A. | Sao Paulo | 44,433,110 | BRL | 33,842 | 19,230 | 14,612 | 7,808 | 3,309 | 42.11% | - |
| Central Eólica Jau, S.A. | Sao Paulo | 55,330,738 | BRL | 110,793 | 85,246 | 25,547 | 9,394 | 5,820 | 42.11% | - |
| Central Nacional de Energia Eólica, S.A. | Sao Paulo | 12,396,000 | BRL | 7,630 | 2,110 | 5,519 | 3,109 | 1,612 | 42.11% | - |
| Elebras Projetos, Ltda | Sao Paulo | 103,779,268 | BRL | 68,576 | 33,289 | 35,286 | 23,546 | 8,784 | 42.11% | - |

The companies main financial data of joint ventures as at 31 December 2017 are as follows:

| Jointly controled entities * | H | Head Office | Share Capital / Currency | | Activity | % Group | % Company |
|---|---|---|---|---|---|---|---|
| Arquiled Group | | Mora | 168,700 | EUR | Other activities | 46.15% | - |
| Bioastur, AIE | | Sérin | 60,101 | EUR | Electricity generation | 50.00% | - |
| Bioeléctrica Group | | Lisbon | 50,000 | EUR | Electricity generation | 50.00% | - |
| Ceprastur, A.I.E. | | Oviedo | 360,607 | EUR | Electricity generation | 46.86% | - |
| CHC Comercializador de Referencia, S.L.U. | | Madrid | 72,000 | EUR | Electricity Supply | 50.00% | - |
| CIDE HC Energía, S.A. | | Madrid | 500,000 | EUR | Electricity Supply | 50.00% | - |
| Companhia Energética do JARI - CEJA | | Sao Paulc | 707,823,746 | BRL | Electricity generation | 25.63% | - |
| Compañía Eólica Aragonesa, S.A. | | Zaragoza | 6,701,165 | EUR | Renewable energies | 41.28% | - |
| Desarrollos Energeticos Canarios, S.A. | | Las Palma | 15,025 | EUR | Gas Distribution | 41.20% | - |
| EME2 - Engenharia, Manutenção e Serviços, ACE | | Lisbon | - | EUR | Electricity supply | 60.00% | - |
| Empresa de Energia Cachoeira Caldeirão S.A. | | Amapá | 728,600,000 | BRL | Electricity generation | 25.63% | 40.00% |
| Empresa de Energia São Manoel, S.A. | | Rio de Janeiro | 2,273,974,102 | BRL | Electricity generation | 17.09% | - |
| Energia Ásia Consultoria, Limitada | | Macao | 200,000 | MOP | Other activities | 50.00% | 49.00% |
| Evolución 2000, S.L. | | Albacete | 117,994 | EUR | Renewable energies | 40.58% | - |
| Flat Rock Windpower II LLC | | Delaware | 209,647,187 | USD | Renewable energies | 41.28% | - |
| Flat Rock Windpower LLC | | Delaware | 534,426,287 | USD | Renewable energies | 41.28% | - |
| HC Tudela Cogeneración, S.L. | | Oviedo | 306,030 | EUR | Electricity generation | 50.10% | - |
| Hydro Global Investment, Ltd | | Hong Kor | 88,500,000 | USD | Other activities | 50.00% | - |
| Les Eoliennes Flottantes du Golfe du Lion, S.A.S. | | Montpelli | 40,000 | EUR | Renewable energies | 28.90% | - |
| Moray Offshore Windfarm (East) Limited | | Cardiff | 10,000,000 | GBP | Renewable energies | 63.32% | - |
| Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A. | | Ceara | 1,527,000 | BRL | Electricity generation | 25.63% | - |
| Pecém Transportadora de Minérios, S.A. | | Ceara | 2,688,994 | BRL | Electricity generation | 25.63% | - |
| Sino - Portuguese Centre for New Technologies (Shangai) CO., Ltd | | Shanghai | 21,600,000 | CNY | Other activities | 40.00% | - |

The companies main financial data of joint ventures as at 31 December 2016 are as follows:

| Jointly controled entities * | Head Office | Share capital / Currency | | Activity | % Group | % Company |
|---|---|---|---|---|---|---|
| Flat Rock Windpower II LLC | New York | 208,647,187 | USD | Renewable energies | 38.76% | - |
| Flat Rock Windpower LLC | New York | 530,426,287 | USD | Renewable energies | 38.76% | - |
| Arquiled Group | Lisbon | 168,700 | EUR | Other activities | 46.15% | - |
| Bioastur, AIE | Sérin | 60,101 | EUR | Electricity generation | 50.00% | - |
| Bioeléctrica Group | Lisbon | 50,000 | EUR | Electricity generation | 50.00% | 40.00% |
| Empresa de Energia Cachoeira Caldeirão S.A. - MEP | Amapá | 627,600,500 | BRL | Electricity generation | 25.64% | - |
| Compañía Eólica Aragonesa, S.A. | Zaragoza | 6,701,165 | EUR | Renewable energies | 38.76% | - |
| Ceprastur, A.I.E. | Oviedo | 360,607 | EUR | Electricity generation | 44.01% | - |
| CHC Comercializador de Referencia, S.L. | Madrid | 60,000 | EUR | Gas Supply | 50.00% | - |
| CIDE HC Energía, S.A. | Madrid | 500,000 | EUR | Gas Supply | 50.00% | - |
| Eólica de Coahuila, S. de R.L. de C.V. | Mexico City | 7,189,723 | USD | Renewable energies | 39.54% | - |
| Desarrollos Energeticos Canarios, S.A. | Las Palmas | 15,025 | EUR | Gas Distribution | 38.69% | - |
| EDP ASIA - Investimento e Consultadoria , Limitada | Macao | 200,000 | MOP | Other activities | 50.00% | 49.00% |
| EME2 - Engenharia, Manutenção e Serviços, ACE | Lisbon | - | EUR | Electricity supply | 60.00% | - |
| Evolución 2000, S.L. | Albacete | 117,994 | EUR | Renewable energies | 38.11% | - |
| Hydro Global Investment, Ltd | Hong Kong | 10,000,000 | USD | Other activities | 50.00% | - |
| Companhia Energética do JARI | Sao Paulo | 578,623,746 | BRL | Electricity generation | 25.64% | - |
| Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A. | Ceara | 1,527,000 | BRL | Electricity generation | 25.64% | - |
| Pecém Transportadora de Minérios, S.A. | Ceara | 2,688,994 | BRL | Electricity generation | 25.64% | - |
| Empresa de Energia São Manoel, S.A. | Rio de Janeiro | 1,573,974,102 | BRL | Electricity generation | 17.09% | - |
| Sino - Portuguese Centre for New Technologies (Shangai) CO., Ltd | Shanghai | 3,012,660 | EUR | Other activities | 40.00% | - |
| Tébar Eólica, S.A. | Cuenca | 4,720,400 | EUR | Renewable energies | 38.76% | - |
| HC Tudela Cogeneración, S.L. | Oviedo | 306,030 | EUR | Electricity generation | 50.10% | - |

* The companies financial data of joint ventures are disclosed in note 20

The companies where the Group has significant influence as at 31 December 2017 are as follows:

| Associated companies | Head Office | Share capital / Currency | | Activity | % Group | % Compan y |
|---|---|---|---|---|---|---|
| AMBERTREE - Tecnologia para Redes de Energia Electrica, Lda | Lisbon | 5,000 | EUR | Electricity supply | 26.00% | - |
| Aprofitament D'Energies Renovables de L'Ebre, S.L. | Barcelona | 3,870,030 | EUR | Renewable energies | 10.97% | - |
| Biomasas del Pirineo, S.A. | Huesca | 454,896 | EUR | Renewable energies | 24.77% | - |
| Blue Canyon Windpower LLC | Texas | 40,364,480 | USD | Renewable energies | 25.00% | - |
| Carriço Cogeração - Sociedade de Geração de Eletricidade e Calor, S.A. | Lisbon | 50,000 | EUR | Electricity generation | 35.00% | - |
| Desarollos Eolicos de Canárias, S.A. | Gran Canaria | 1,817,130 | EUR | Renewable energies | 36.94% | - |
| EDERG - Produção Hidroeléctrica, Lda | Lisbon | 400,000 | EUR | Electricity generation | 25.00% | - |
| EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A. | Oporto | 150,000 | EUR | Other activities | 30.00% | - |
| Eoliennes en Mer Dieppe Le Tréport, S.A.S. | Bois Guillaume | 31,436,000 | EUR | Renewable energies | 35.50% | - |
| Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S. | Nantes | 36,376,000 | EUR | Renewable energies | 35.50% | - |
| Kosorkuntza, A.I.E. | Bilbao | - | EUR | Electricity generation | 25.00% | - |
| Les Eoliennes en Mer Services, S.A.S. | Courbevoie | 40,000 | EUR | Renewable energies | 35.50% | - |
| Mabe Construções e Administração de Projetos, Lda. | Ceara | 520,459,000 | BRL | Other activities | 25.63% | - |
| Nine Kings Wind Farm LLC | Delaware | - | USD | Renewable energies | 41.28% | - |
| Parque Eólico de Belmonte, S.A. | Asturias | 120,400 | EUR | Renewable energies | 24.69% | - |
| Parque Eólico Sierra del Madero, S.A. | Soria | 7,193,970 | EUR | Renewable energies | 34.68% | - |
| Portsines - Terminal Multipurpose de Sines, S.A. | Sines | 4,200,000 | EUR | Other activities | 39.60% | - |
| Principle Power, Inc | Seattle | 356,066 | USD | Other activities | 22.72% | - |
| Solar Siglo XXI, S.A. | Ciudad Real | 80,000 | EUR | Electricity generation | 20.64% | - |
| WINDPLUS, S.A. | Lisbon | 1,250,000 | EUR | Renewable energies | 16.02% | - |

The companies where the Group has significant influence as at 31 December 2016 are as follows:

| Associated companies | Head Office | Share capital / Currency | | Activity | % Group | % Company |
|---|---|---|---|---|---|---|
| Blue Canyon Wind Power I LLC | Oklahoma | 40,364,480 | USD | Renewable energies | 25.00% | - |
| Aprofitament D'Energies Renovables de L'Ebre, S.A. | Barcelona | 3,869,020 | EUR | Renewable energies | 10.30% | - |
| AMBERTREE - Tecnologia para Redes de Energia Electrica, Lda | Lisbon | 5,000 | EUR | Electricity supply | 26.00% | - |
| Biomasas del Pirineo, S.A. | Huesca | 454,896 | EUR | Renewable energies | 23.26% | - |
| Carriço Cogeração, S.A. | Lisbon | 50,000 | EUR | Electricity generation | 35.00% | - |
| Desarollos Eolicos de Canárias, S.A. | Gran Canaria | 2,391,900 | EUR | Renewable energies | 34.69% | - |
| EDERG - Produção Hidroeléctrica, Lda | Lisbon | 400,000 | EUR | Electricity generation | 25.00% | - |
| EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A. | Alcobaça | 150,000 | EUR | Other activities | 30.00% | - |
| Inkolan, A.I.E. | Bilbao | - | EUR | Gas Distribution | 12.50% | - |
| Kosorkuntza, A.I.E. | Bilbao | - | EUR | Electricity generation | 25.00% | - |
| Mabe Construções e Administração de Projetos, Lda. | Ceara | 520,459,000 | BRL | Other activities | 25.64% | - |
| Eoliennes en Mer Dieppe Le Tréport, S.A.S. | Dieppe | 14,471,028 | EUR | Renewable energies | 33.34% | - |
| Les Eoliennes en Mer Iles d'Yeu et Noirmoutier, S.A.S. | Nantes | 17,186,958 | EUR | Renewable energies | 33.34% | - |
| Portsines - Terminal Multipurpose de Sines, S.A. | Sines | 4,200,000 | EUR | Other activities | 39.60% | - |
| Principle Power, Inc | Seattle | 356,066 | USD | Other activities | 24.65% | - |
| Parque Eólico de Belmonte, S.A. | Madrid | 120,400 | EUR | Renewable energies | 23.18% | - |
| Parque Eólico Sierra del Madero, S.A. | Madrid | 7,194,021 | EUR | Renewable energies | 32.56% | - |
| Solar Siglo XXI, S.A. | Ciudad Real | 80,000 | EUR | Electricity generation | 19.38% | - |
| Tolosa Gasa, S.A. | Tolosa | - | EUR | Gas Distribution | 40.00% | - |
| WINDPLUS, S.A. | Lisbon | 1,250,000 | EUR | Renewable energies | 15.04% | - |

* The companies financial data of associated companies are disclosed in note 20

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2017, are as follows:

| Other companies | Head Office and Country | % Indirect | % Direct |
|---|---|---|---|
| EDA, S.A. | Azores - Portugal | 10.00% | - |
| Parque Eólico Montes de las Navas, S.L. | Madrid - Spain | 17.00% | - |
| Yedesa Cogeneración, S.A. | Almería - Spain | 10.00% | - |
| Sigma Sustainable Energies Fund II | Edinburgh - Scotland | 21.88% | - |

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício Monumental - Av. Praia da Vitória, 71 - A, 8º
1069-006 Lisboa - Portugal
+351 210 110 000 | www.kpmg.pt

# INDEPENDENT AUDITORS' REPORT

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying consolidated financial statements of **EDP – Energias de Portugal, S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 (showing a total of 42,075,049 thousand euros and shareholders' equity attributable to the Group of 9,545,938 thousand euros, including a net profit attributable to the shareholders of EDP – Energias de Portugal, S.A. of 1,113,169 thousand euros), and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of **EDP – Energias de Portugal, S.A.** as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors)). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the entities that comprise the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas'Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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Matriculada na Conservatória do registo Comercial de Lisboa sob o Nº PT 502 161 078

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Accounting for estimated revenue (1,015,112 thousands of euros)

Refer to note 2 p) Accounting Policies, note 3 Critical accounting estimates and judgments and note 25 of the Financial Statements.

| The risk | Our response |
| --- | --- |
| Part of the revenues associated with energy sales is based on estimates of electricity and gas values provided to customers in the period between the last meters reading and the end of the year ("estimated revenues") and not billed at year end date.<br><br>The methodology for estimating energy in meters is complex and requires management to apply judgments and assumptions related to:<br><br>- Volumes of energy consumed by customers in low voltage. The Group's estimated accrual for unbilled revenue at the year-end is based on average historical consumption per customer, consumption profiles, with adjustments made for electricity losses in the distribution network and changes in consumption patterns, such as seasonality, weather patterns and other adjustments;<br>- Assessment of the valuation to be attributed to the estimated quantities, taking into account the tariff categories associated with each client. The Group applies the unit price (which depends on several factors, including the tariff category, contracted power, voltage, customer typology, consumption schedule, among others), to the volume of energy supplied and unbilled in order to calculate the revenue for the period between the date of the last reading and the year end date. | The audit procedures included, among others, a combination of controls tests, detail tests and analytical procedures for sales, energy balance and energy estimation in meters.<br><br>Additionally:<br><br>- We tested the database associated with the determination of the volume of energy purchased and sold, having carried out tests on a sample basis to the key controls that affect commercial systems;<br>- We tested on a sample basis the estimate of the volume of energy calculated by the Group for the different typologies of customers, using internal and external sources of information, having obtained and analyzed the justifications for the main differences;<br>- We critically analyzed the assumptions associated with the unit price, by comparison with historical prices. Additionally, we evaluated the general consistency of the assumptions and inputs considered in the calculation of the estimated value of the revenue related to energy supplied and not billed;<br>- For the regulated entities we verified the compliance between the unit prices included in the actual billing with the prices approved by the Energy Regulatory Authority; and<br>- We also evaluated the adequacy of the disclosures made by the Group in relation to this estimate, taking into account the applicable accounting framework. |

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## Valuation of the Group's pension and other post-employment obligations (the Group shows a net defined benefit liability of 1,463,301 thousand euros)

Refer to note 2 n) Accounting Policies, note 3 Critical accounting estimates and judgments and notes 9, 26 and 35 of the Financial Statements.

| The risk | Our response |
| --- | --- |
| The valuation of the Group's liabilities with pension and other post-employment benefits involves judgments and estimates regarding various assumptions, among others, discount rate, inflation rate, salary and pension growth rates and mortality tables. | Our auditing procedures in this area included the critical analysis and evaluation of the reasonableness of the significant assumptions used by the Group, namely the discount rate, inflation rate, salary and pension growth rate, mortality tables, compared to market referrals and internally developed information.<br><br>We evaluated the work produced and the conclusions obtained by the independent actuaries hired by EDP, as well as their professional competence, capabilities and objectivity. We tested the valuation of the investments included in the assets of the pension fund.<br><br>Further, we considered the adequacy of the Group's disclosures regarding pension and other post-employment obligations, including sensitivity analysis, considering the applicable accounting framework. |

## Income tax

Refer to note 2 r) Accounting Policies, note 3 Critical accounting estimates and judgments and notes 13, 23, 27, 36, 40 of the Financial Statements.

| Income tax expense | Income tax asset (ITA) and Income tax liability (ITL) | Deferred tax asset (DTA) and liability (DTL) | Contingent liability disclosure | Non recurring itens |
|---|---|---|---|---|
| 10 million euros | ITA: 365 million euros<br>ITL: 87 million euros | DTA: 809 million euros<br>DTL: 467 million euros | | Special tax regularization program in Brazil<br>US Tax Reform |

### The risk

The Group has operations in multiple countries, with different tax regimes. The application of tax legislation to the various transactions has inherent complexity and requires the exercise of judgment in determining the respective tax impact, as well as in the identification of tax contingencies, quantification of provisions and determination of contingent liabilities.

### Our response

Our audit procedures included among others, the following procedures:

- We tested the design and implementation of key controls regarding the accounting for and disclosure of transactions with fiscal impact;
- We involved tax specialists in the analysis of the reasonableness of current tax estimates and deferred taxes;
- We evaluated the reasonableness of the projections of taxable income prepared by management that support the analysis of the recoverability of deferred tax assets;
- With the support of tax specialists and based on existing jurisprudence, legal opinions, inspection of internal documentation and exchange of correspondence between the Group and the tax authorities, inquiries of those in charge of the tax department of the Group, we evaluated the completeness of the tax matters identified, as well as the conclusions of the Group regarding the status, possible outcomes and associated contingencies. We assessed the adequacy of provisions recorded;

| The risk | Our response (cont.) |
|---|---|
| | - We analysed the conclusions of EDP Brasil and EDP Renováveis' local auditors regarding the impacts of the Special tax regularization program in Brazil (PERT) and of the income tax rate reduction established by the US Tax Reform;<br>- We considered the adequacy of the Group's disclosures considering the applicable accounting framework. |

## Regulatory and legal risks and Litigation

Refer to note 2 o) Accounting Policies, note 3 Critical accounting estimates and judgments and notes 14, 25 and 36 of the Financial Statements.

| The risk | Our response |
|---|---|
| In recent years, and particularly in 2017, there has been an increase in the complexity of the regulatory environment and its sanctioning regime, in the energy sector. In addition in view of the diversity and size of its activity in different geographies, the Group is involved in various legal and regulatory litigation and contingencies.<br><br>These regulatory issues and litigation require management to exercise judgment in determining certain assets and liabilities, contingencies, quantifying provisions and disclosing information.<br><br>We focused on this area due to the significance of the amounts and the degree of judgment required in the calculation of the Final Adjustment of the CMEC mechanism ("Costs for the Maintenance of Contractual Equilibrium"), of the CMEC Annual Revisibity, Clawback costs, and in the determination of potential impacts from the Ordinances and Orders published during 2016 and 2017. | In this area our audit procedures included the following, among others:<br><br>- Analysis of the legislation and regulation issued during 2017;<br>- Meetings with the Board of Directors and the Regulation and Competition Office of the Group;<br>- Reading and analysis of the legal opinions obtained by the Group to support management's estimates and judgments regarding the main legal and regulatory matters;<br>- Reading and analysis of Executive Board of Directors' minutes of meetings;<br>- Analysis of the list of lawsuits brought against the Group by third parties and of the contingencies identified by the Group in accordance with the information obtained in the Group and in the responses to our requests for external confirmation from lawyers on the status of the legal proceedings in which the Group is involved;<br>- Critical analysis of the probability of success scenarios elaborated by management, the magnitude of potential losses and conclusions reached through meetings with those responsible for legal departments; and<br>- Evaluation of the reasonableness of the assets and liabilities recognized, the provisions established by the Group and the disclosures related to provisions and / or contingent liabilities arising from regulatory changes, legal actions and other claims, taking into account the applicable accounting framework and the respective materiality. |

## Carrying value of certain non-current assets with an aggregated value of 31 billion of euros

Property, Plant and equipment – 22,730,615 thousands of euros
Intangible assets – 4,747,360 thousands of euros
Goodwill – 2,232,668 thousands of euros
Investments in joint ventures and associates – 843,082 thousands of euros

Refer to note 2 b), h) and i) Accounting Policies, note 3 Critical accounting estimates and judgments and notes 11, 15, 16 and 20 of the Financial Statements

| The risk | Our response |
|---|---|
| The recovery of certain non-current assets, including power generation and distribution assets, gas distribution assets (recorded under property, plant and equipment), goodwill and concession rights (recorded under intangible assets) and investments in joint ventures, depends on obtaining sufficiently profitable business in the future.<br><br>The determination of the recoverable value of an asset is subjective due to the uncertainty inherent in the financial projections and the discount of the future cash flows, since many of the key assumptions such as discount rates, inflation rates, exchange rates, price curves and commodities prices, depend on economic, political and regulatory factors in the countries where the Group operates.<br><br>In 2017 the Group, with the support on an independent external expert, prepared impairment tests on the recoverability of Group's assets, and identified and impairment loss of 251 million euros, including 196 million euros in the coal plants in the Iberian Peninsula and 49 million euros in certain wind farms in Europe. | As part of our audit we performed the following procedures, among others:<br><br>- We analyzed the Group's calculation of value in use or fair value less costs to sell, and the main assumptions considered in the models for each Cash Generating Unit or assets tested on an individual basis, and our valuations specialists were involved for this purpose;<br>- We performed inquiries regarding the significant assumptions used in the impairment tests, requested sensitivity analysis to certain assumptions, and assess to legal opinions and studies that supported significant assumptions;<br>- We compared financial projections with the budgets approved by the business areas;<br>- We tested the mathematical accuracy of the models used as well as the consistency of the assumptions used by the different entities of the Group;<br>- We analysed the valuation reports prepared by the independent external expert;<br>- We assessed the adequacy of the disclosures made in the financial statements taking into account the applicable accounting framework. |

## Disposal of Naturgás Group

Refer to note 2 b) and u) Accounting Policies, note 3 Critical accounting estimates and judgments and notes 5 and 32 of the Financial Statements.

| The risk | Our response |
|---|---|
| On 27 July 2017, the Group disposed its component Naturgás Energía Distribución, S.A.U. and recognized a gain on disposal of 591 million euros.<br><br>The disposal was considered a key audit matter to the Group given the significance of the gain and the judgments and estimates involved in the determination of the consideration received and contingent consideration. | Our audit procedures included the following, among others:<br><br>- Reviewed the sale and purchase agreement and assessed whether the conditions precedent stipulated in the SPA were met at the disposal date;<br>- Reviewed management's calculation of the gain on disposal by reconciling the consideration received to bank statements, assessed the reasonableness of the estimates underlying the determination of contingent consideration receivable and payable and by agreeing the net assets disposed to the underlying accounting records;<br>- Evaluated the consistency of the accounting treatment applied in view of IFRS, as adopted by the European Union, namely management determination that this transaction does not constitute a discontinuing operation.<br>- We also assessed the adequacy of the disclosures made by the Group in relation to this transaction. |

## Transactions involving non-controlling interests

Refer to note 2 b) Accounting Policies and note 3 Critical accounting estimates and judgments and notes 5 and 32 of the Financial Statements.

| The risk | Our response |
|---|---|
| The Group has implemented in the past an asset rotation strategy based on the sale of minority interests in operating or under development wind farms, reinvesting the inflow to develop new projects. In the course of 2017, the Group sold to ACE Portugal S.A.R.L. 49% of the share capital of EDPR PT – Parques Eólicos, S.A., which holds a 422 MW wind portfolio in Portugal, for a final price of 210 million euros.<br><br>Transactions with non-controlling interests require the application of significant judgment in the assessment of the existence of control by the Group after the transactions and in respect of any contractual obligations to deliver cash or other financial assets to the holders of the shares, as well as accounting for financial instruments as capital or debt instruments. | Our audit procedures included the following, among others:<br><br>- Analysis of the purchase and sale agreements, as well as the shareholders' agreements related to this transaction;<br>- Analysis of the consistency of the accounting treatment applied in view of IFRS, as adopted by the European Union and its accounting impacts in non-controlling interests, reserves and retained earnings.<br>- We also assessed the adequacy of the disclosures made by the Group in relation to this transaction, taking into account the applicable accounting framework. |

## Responsibilities of Management and the Supervisory Body for the Consolidated Financial Statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards, as adopted by the European Union;
- the preparation of the management report, and the corporate governance report, in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

**Auditor´s Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in the internal control that we identify during our audit;
- determine from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### On the additional matters provided in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed auditors of EDP - Energias de Portugal, S.A. for the first time at the extraordinary shareholders' meeting held on the 31 January 2005 to complete last year of the term of the three year period running from 2003 to 2005. We were appointed at the shareholders' meeting on 21 April 2015 for the current term from 2015 to 2017.

- The Executive Board of Directors has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the consolidated financial statements due to fraud.
- We confirm that the audit opinion is consistent with the additional report that we prepared and delivered to the Supervisory Body of the Group on 1 March 2018.
- We declare that we have not provided any prohibited services as described in article nr. 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent from the Group in conducting the audit.

1 March 2018

**KPMG & Associados**
**Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**
represented by
Vítor Manuel da Cunha Ribeirinho (ROC nr. 1081)

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício Monumental - Av. Praia da Vitória, 71 - A, 8º
1069-006 Lisboa - Portugal
+351 210 110 000 | www.kpmg.pt

# INDEPENDENT AUDITORS' REPORT

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of **EDP – Energias de Portugal, S.A.** (the Entity or EDP, S.A.), which comprise the statement of financial position as at 31 December 2017 (showing a total of 24,144,755 thousand euros and total equity of 7,444,569 thousand euros, including a net profit of 765,427 thousand euros), and the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of **EDP – Energias de Portugal, S.A**. as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with Ordem dos Revisores Oficiais de Contas Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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Matriculada na Conservatória do registo Comercial de Lisboa sob o Nº PT 502 161 078

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## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Derivative financial instruments valuation (715,541 thousands of euros asset and 303,357 thousands of euros liability)

Refer to note 2 d) Accounting Policies, note 3 Critical accounting estimates and judgments and notes 4, 26 and 42 of the Financial Statements.

| The risk | Our response |
| --- | --- |
| EDP Group financial risk management is performed centrally by EDP, S.A. which enters into various derivative financial instruments with the objective of mitigating potential adverse effects of changes in interest rates, foreign exchange movements and commodities prices. The fair value of these derivatives is determined through the application of valuation techniques which involve the use of estimates, judgments and assumptions.<br><br>The accounting treatment of financial instruments is complex, namely in what concerns to hedge accounting as well as the uncertainty associated with the estimates. | As part of our audit, we performed the following procedures, among others:<br><br>- We have tested the design and implementation of controls over the identification, measurement, recognition and management of derivative financial instruments;<br>- We have evaluated the methodologies, inputs and assumptions considered in determining fair values, with the support of our professionals specialized in financial instruments;<br>- We have analyzed the inputs considered in the valuation models, based on available market data to assess their suitability;<br>- We have analyzed the adequacy of the documentation prepared by EDP, S.A., in the scope of hedge accounting; and<br>- We have analyzed the adequacy of the derivative financial instruments and hedge accounting disclosures, namely about the valuation basis and inputs used in determining the fair value, in accordance with the applicable accounting framework. |

## Carrying value of financial investments in subsidiaries which aggregate of 11,501,702 thousands of euros

Refer to note 2.b) Accounting Policies, note 3 Critical accounting estimates and judgments and note 18 of Financial Statements.

| The risk | Our Response |
| --- | --- |
| The recovery of financial investments in subsidiaries owning power generation and distribution assets, gas distribution assets and in the electricity and gas supply business, depends on achieving sufficiently profitable business in the future.<br><br>The estimated recoverable amount of an asset is subjective due to the inherent uncertainty involved in the financial projections and discount of future cash flows since many of the key assumptions, such as discount rates, inflation rates, country risk rates, foreign exchange rates and commodities prices depend on economic, political and regulatory factors in the country in which it operates. | As part of our audit, we performed the following procedures, among others:<br><br>- We analyzed the calculation made by EDP, S.A., of the value in use or the fair value less costs to sell and the main assumptions considered in the valuation models of the financial investments of EDP, S.A., and our specialists were involved for this purpose;<br>- We compared financial projections with approved budgets by the business areas;<br>- We tested the mathematical accuracy of the models used, as well as the consistency of the assumptions used in the different financial projections; and<br>- We assessed the adequacy of the disclosures made in the financial statements, in particular whether the disclosures of the sensitivity analysis of key assumptions reflected the inherent risks in the valuation of financial investments, taking into account the applicable accounting framework. |

## Responsibilities of Management and the Supervisory Body for the Financial Statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards, as adopted by the European Union;
- the preparation of the management report, and the corporate governance report, in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Company's financial reporting process.

## Auditor´s Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;
- determine from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### On the additional matters provided in the article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed auditors of EDP - Energias de Portugal, S.A. for the first time at the extraordinary shareholders' meeting held on the 31 January 2005 to complete last year of the term of the three year period running from 2003 to 2005. We were appointed at the shareholders' meeting on 21 April 2015 for the current term from 2015 to 2017.
- The Executive Board of Directors has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due

to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud.

- We confirm that the audit opinion is consistent with the additional report that we prepared and delivered to the supervisory body of the Entity on the 1 March 2018.
- We declare that we have not provided any prohibited services as described in article nr. 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas statutes and we have remained independent from the Entity during the performance of the audit.

1 March 2018

**KPMG & Associados**
**Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**
represented by
Vítor Manuel da Cunha Ribeirinho (ROC nr. 1081)