

Annual Report 2019

EDP Finance B.V.

Annual Report
31 December 2019



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RESPONSIBILITY STATEMENT

The Managing Directors of the Company wish to state:

1. That the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of EDP Finance B.V.;
2. That the annual report gives a true and fair view of the position as per the balance sheet date, the development during the financial year of EDP Finance B.V. in the annual financial statements, together with a description of principal risks it faces;
3. That the managing director's report gives a true and fair review of the development and the performance of the business of EDP Finance B.V. during the financial year to which the report relates.

Amsterdam, 20 February 2020

The Managing Directors

EDP – Energias de Portugal, S.A.

van der Werff, M. F. C.

Nagelmaker, A. G. M.

TMF Netherlands B.V.



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REPORT OF THE MANAGING DIRECTORS

The Managing Directors of EDP Finance B.V. (hereinafter “the Company”) submit the annual report and the financial statements of the Company for the year ended 31st December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

General

The Company was incorporated under the laws of The Netherlands on 1st October 1999.

Activities

The principal activity of the Company is to act as a finance company to EDP Group. The policy of the group is to centralize financing in EDP – Energias de Portugal S.A. (“EDP S.A.”) and the Company for Group subsidiaries.

Results

During the year ended 31st December 2019, the Company recorded a loss of EUR 14.7 million.

The decrease in results during 2019 is essentially due to the decrease on the average amount of assets and its interest rate, resulting mostly from long-term assets that matured during the second half of 2018 were replaced partially or in full by other assets with lower rates as per improved market conditions. Such decrease was greater than the YoY decrease on the average amount and interest rate of debt, impacted by a smaller volume of maturities in 2018 and 2019, when compared to the assets.

Major Developments

EDP Finance B.V. exercised the right to extend two of its syndicated RCF facilities: EUR 2,095 million out of the EUR 2,240 million syndicated RCF were extended until 2025, and EUR 2,295 million out of the EUR 3,300 million syndicated RCF were extended until 2024.

Several long-term liabilities have reached maturity during the financial year, with a total of USD 1,205 and EUR 650 million, with an average rate of 3.92%.

In April 2019, the company prepaid and cancelled a Bilateral Loan of EUR 165 million that was due to mature in June 2022.

In July 2019, the company issued commercial paper in the amount of USD 250 million, with a 6-month maturity, out of a 5-year Commercial Paper Program that is extendable for an additional one-year period.

In September 2019, EDP Finance B.V. issued a Seven-Year EUR 600 million [coupon of 0.375%] Green Eurobond, under the EDP S.A. and EDP Finance B.V.’s “Programme for the Issuance of Debt Instruments” (EMTN) which includes a Keep Well agreement with EDP S.A. (see Note 5), with Use of Proceeds in line with EDP Group Green Bond Framework.

The financing transactions concluded in the year allowed the Company and EDP Group to reach different markets and investors, obtaining the necessary funding for current and next year’s redemptions as well as to strengthen the liquidity position, ahead of refinancing needs for the following years.

Subsequent Events

There are no subsequent events.

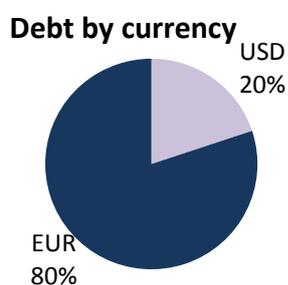
Debt

In 2019, EDP Finance B.V.'s debt totalled EUR 13,557 million. When compared to December 2018, the company's debt decreased by nearly EUR 176 million, mostly due to the repayment of debt that matured in 2019, in addition to the debt that was early repaid during the year.

Debt - EDP Finance B.V. EUR millions

	<u>Dec 2019</u>	<u>Dec 2018</u>	<u>Change</u>
Debt - Short term	3 826	3 020	27%
Bonds	1 916	1 897	1%
Bank loans	845	402	110%
Intercompany loans	807	571	41%
Amounts owed on commercial paper	258	150	72%
Debt - Long term	9 732	10 713	-9%
Bonds	9 292	10 332	-10%
Bank loans	439	381	15%
Debt under IFRSs	13 557	13 733	-1%

In terms of currencies of EDP Finance B.V. external debt after FX-hedges, the USD financing contracted to fund the purchase and capex of EDP Renewables North America justifies the Company's USD denominated debt (20% of EDP Finance B.V.'s debt). The Euro continues to be the main funding currency of the Company's debt (80%).



Rating

In April 2019, Standard & Poor's Global Ratings ("S&P") affirmed EDP S.A. and the Company's long-term rating at "BBB-" and its outlook as Stable. Ratings by Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") also affirmed at "Baa3" (April 2017) and "BBB-" (December 2018), respectively, both with Stable Outlook.

Risk Management

Please see Note 5 of the Notes to the Financial Statements.

Headcount

As at 31 December 2019, the Company has one employee.

Management Board

As a general guidance for Dutch public limited companies, in accordance with art. 166, Title 4, Book 2 Dutch Civil Code, certain major companies must aim for a balanced distribution between men and women with respect to their positions on the Management Board. During 2019, the Company's Board included a woman, M.F.C.van der Werff, who was appointed in October 2019 after the resignation of H. P. de Kanter, and, indirectly, two more women who are members of the Board of EDP S.A. and a Managing Director of the Company. The Company appoints directors based on quality over gender and will continue to ensure the diversity in the Board of Management through their experience, expertise, background and qualifications in order to comply with their responsibilities and properly execute their duties keeping in mind, nevertheless, the guidance of the Dutch Civil Code in future appointments of Managing Directors.

Expectations for 2020 and future developments

Given the cash flow generated by the Group as well as the available liquidity, the Company's refinancing needs are covered beyond 2021. The Company expects to continue its normal course of business in 2020, raising funding in the international loan and capital markets so as to refinance debt that matures as well as to provide the necessary funding to EDP Group companies.

Regarding the Benchmark Reform, the Company is aware and it is monitoring closely its developments, in order to assess its impact and take the necessary steps.

Audit Committee

The Company makes use of the exemption to establish its own Audit Committee, based on Article 3a of the Royal Decree of 26 July 2008 implementing Article 41 of the EU Directive 2006/43/EG. The Audit Committee of the parent company, EDP – Energias de Portugal, S.A., will act as Audit Committee for the Company. This Committee is composed as follows:

Luís Filipe Marques Amado: President

João Carvalho das Neves: Vice-President

Clementina Maria Dâmaso de Jesus Silva Barroso: Member

Maria del Carmen Rozado: Member

Maria Celeste Ferreira Lopes Cardona: Member

Amsterdam, 20 February 2020

The Managing Directors:

EDP Energias de Portugal, S.A.

van der Werff, M.F.C.

Nagelmaker, A. G. M.

TMF Netherlands B.V.



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EDP Finance B.V.

Financial Statements

31 December 2019



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Company Income Statement for the years ended 31 December 2019 and 2018

Thousand Euros	Notes	2019	2018
Interest income			
Amortized cost	7	306.609	335.945
Fair value through profit or loss	7	89.922	99.199
Interest expenses			
Amortized cost	7	-403.446	-423.840
Fair value through profit or loss	7	-44.185	-51.788
Net interest (expenses) / income		-51.100	-40.484
Net other financial income and expenses	8	33.008	24.140
Net financial (expenses) / income		-18.092	-16.344
Other operating (expenses) / income			
Services rendered	9	-72	800
Supplies and services	10	-1.450	-2.584
Personnel costs		-35	-35
(Loss) / Profit before income tax		-19.649	-18.163
Income tax (benefit) / expense	11	4.900	4.521
Net (loss) / profit for the year		-14.749	-13.642



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Company Statement of Other Comprehensive Income for the years ended 31 December 2019 and 2018

Thousand Euros	2019	2018
Net (loss) / profit for the year	-14.749	-13.642
Items that are or may be reclassified to profit or loss		
Cash flow hedge reserve	-	-50
Cost of hedging reserve	782	-
Tax effect from the cash flow hedge and cost of hedging reserves	-195	13
Other comprehensive income for the year (net of income tax)	587	-37
Total comprehensive income for the year	-14.162	-13.679



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Company Statement of Financial Position as at 31 December 2019 and 2018 (before proposed appropriation of result)

Thousand Euros	Notes	2019	2018
Assets			
Loans to and receivables from group entities	12	9.319.288	10.684.127
Derivative financial instruments	20	170.142	146.051
Deferred tax assets	13	5.476	772
Total Non-Current Assets		9.494.906	10.830.950
Loans to and receivables from group entities	12	3.940.958	2.592.033
Derivative financial instruments	20	105.188	65.328
Debtors and other assets		846	3.095
Tax receivable		3.771	9.652
Cash and cash equivalents	14	162.841	432.703
Total Current Assets		4.213.604	3.102.811
Total Assets		13.708.510	13.933.761
Equity			
Share capital	15	2.000	2.000
Share premium	15	11.980	11.980
Reserves and retained earnings	16	112.453	125.508
(Loss) / profit for the year		-14.749	-13.642
Total Equity		111.684	125.846
Liabilities			
Debt securities	17	9.292.326	10.331.930
Loans and credit facilities from third parties	17	439.261	381.030
Derivative financial instruments	20	37.371	21.590
Total Non-Current Liabilities		9.768.958	10.734.550
Debt securities	17	1.915.545	1.896.712
Loans and credit facilities from third parties	17	845.165	401.872
Loans from group entities	18	806.972	571.452
Amounts owed on commercial paper	19	258.000	150.000
Derivative financial instruments	20	1.937	52.173
Trade and other payables		249	1.096
Tax payable		-	60
Total Current Liabilities		3.827.868	3.073.365
Total Liabilities		13.596.826	13.807.915
Total Equity and Liabilities		13.708.510	13.933.761



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Company Statement of Changes in Equity for the years ended 31 December 2019 and 2018

Thousand Euros	Total Equity	Share capital	Share premium	Cash flow hedge/Cost of hedging reserves	Retained earnings	Result for the year
Balance as at 31 December 2017	139.525	2.000	11.980	37	106.906	18.602
Impact of IFRS 9 adoption (excluding hedge accounting impact)	-	-	-	-	-	-
Balance as at 1 January 2018	139.525	2.000	11.980	37	106.906	18.602
Prior year result	-	-	-	-	18.602	-18.602
Comprehensive income:						
Net result for the year	-13.642	-	-	-	-	-13.642
Changes in the cash flow hedge reserve net of taxes	-37	-	-	-37	-	-
Total comprehensive income for the year	-13.679	-	-	-37	-	-13.642
Balance as at 31 December 2018	125.846	2.000	11.980	-	125.508	-13.642
Impact of IFRS 9 adoption (hedge accounting)	-	-	-	-	-	-
Balance as at 1 January 2019	125.846	2.000	11.980	-	125.508	-13.642
Prior year result	-	-	-	-	-13.642	13.642
Comprehensive income:						
Net result for the year	-14.749	-	-	-	-	-14.749
Changes in the cost of hedging reserve net of taxes	587	-	-	587	-	-
Total comprehensive income for the year	-14.162	-	-	587	-	-14.749
Balance as at 31 December 2019	111.684	2.000	11.980	587	111.866	-14.749



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Company Statement of Cash Flows for the years ended 31 December 2019 and 2018

Thousand Euros	2019	2018
Cash flows from operating activities		
(Loss) / Profit for the year	-14.749	-13.642
Adjustments for:		
Net interest income / (expenses)	51.101	40.484
Net other financial income and expenses	-61.626	-38.617
Tax (expense) / income	-4.900	-4.521
	-30.174	-16.296
Changes in:		
Loans to and receivables from group entities	727.755	-1.197.120
Debtors and other assets	1.244	-3.169
Amounts owed on commercial paper	108.000	35.000
Loans from group entities	-241.097	2.247.968
Trade and other payables	158	1.051
	565.886	1.067.434
Interest received	264.336	329.794
Interest paid	-430.033	-443.374
Tax received	5.820	-4.724
Net cash generated from / (used in) operating activities	406.009	949.130
Cash flows from financing activities (*)		
Proceeds from issued debt securities	600.000	1.339.125
Redemption of debt securities	-1.753.677	-910.897
Proceeds of loans and credit facilities from third parties	487.803	-1.222.828
Net cash flow (used in)/generated from financing activities	-665.874	-794.600
Net increase / (decrease) in cash and cash equivalents	-259.865	154.530
Cash and cash equivalents at the beginning of the year	432.703	301.738
Effect of exchange rate fluctuations on cash and cash equivalents held	-9.997	-23.565
Cash and cash equivalents at the end of the year (**)	162.841	432.703

(*) See changes in Debt securities and Loans and credit facilities from third parties arising from financing activities, including cash and non-cash changes, in note 17 to the Financial Statements.

(**) See details of "Cash and cash equivalents" in note 14 to the Financial Statements.



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1. ECONOMIC ACTIVITY OF EDP FINANCE B.V.

EDP Finance B.V. ("the Company"), a corporation with limited liability, having its statutory seat in Amsterdam, The Netherlands, was incorporated under the laws of The Netherlands on 1 October 1999 with registered office at Herikerbergweg 130, 1101 CM Amsterdam, The Netherlands (EDP Finance B.V. is registered in the Dutch Chamber of Commerce under the number 34121496). The ultimate parent company of EDP Finance B.V. is EDP - Energias de Portugal, S.A. ("EDP S.A."), Lisbon, Portugal, which is also its ultimate controlling party.

The principal activity of the Company is to act as a finance company.

The Company's objective is to raise funds in the debt capital market and bank loan market to fund EDP Group (EDP) activities and investment plan. EDP Finance B.V. borrows funds from both markets and lends the funds to several EDP Group Companies. The financing of EDP Group activities is determined in accordance with the business plan approved for EDP, its debt maturity schedule and its conservative liquidity profile, considering the existing market conditions and the Group's strategic lines. The Financial Statements of EDP Group can be consulted in www.edp.com.

The company is managed prudently, taking into consideration the need to comply with its obligations and to fulfill the requirement of maintaining a positive Tangible Net Worth as agreed on the Keep Well agreement with EDP, S.A. (see paragraph in note 5)

As at 31 December 2019 and 2018, the Company has one employee, working in The Netherlands.

The financial statements only comprise the separate financial statements of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) and with the applicable sections of Part 9 of Book 2 of the Dutch Civil Code. The Company's Managing Directors approved the financial statements (referred to as financial statements) on 20 February 2020.

The accompanying financial statements of the Company reflect the results of the Company's operations and the financial position for the years ended 31 December 2019 and 2018.

As described in note 3, the Company adopted in the preparation of the financial statements as at 31 December 2019, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2019. The accounting policies used by the Company in preparing the financial statements described in this note were adopted in accordance.

The financial statements are presented in Euros, which is the Company's functional currency, rounded to the nearest thousand.

The preparation of financial statements in conformity with EU-IFRS requires the Company 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).

The financial statements have been prepared on a going concern basis.

Accounting policies have been applied consistently in all years presented in the financial statements.

b) 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 statement of financial position 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.

The following exchange rates have been applied as at 31 December 2019 and 2018:

Currency		2019 Closing rates	2018 Closing rates
Dollar	USD	1,123	1,145
Pound Sterling	GBP	0,851	0,895
Japanese Yen	JPY	n.a.	125,850

c) 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, and changes therein are generally recognised in profit or loss. Recognition, in profit or loss, of the resulting gains and losses on remeasurement of derivatives depends on the nature of the risk being hedged and of the hedge model used.

Derivative financial instruments are derecognised at settlement date or by an early termination agreement.

Hedge accounting - under IAS 39

The Company uses financial instruments to hedge interest rate risk and exchange rate risk resulting from its financing activities. Derivatives not qualifying for hedge accounting under IAS 39 are accounted for as held for trading, despite being contracted for economic hedge purposes.

Therefore, as per the economical hedge purpose for all derivatives, these are accounted as current or as non-current according to their remaining maturity, respectively under or over one year.

As permitted by IFRS 9, EDP Finance BV applied the hedge accounting requirements of IAS 39 in 2018, instead of the requirements of IFRS 9.

Hedging derivatives are recorded at fair value. Gains and losses arising from changes in fair value are recognised in accordance with the hedge accounting model applied by the Company. 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 year; and
- (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 profit and loss, 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 the Cash flow hedge reserve.

The cumulative gains or losses recognised in Cash flow hedge reserve 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 derivatives 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.

Effectiveness

For a hedge relationship to be classified as such, in accordance with IAS 39, its effectiveness must be demonstrated. Therefore, the Company performs prospective tests at the inception date of the hedge and prospective and retrospective tests in each quarter, to demonstrate the 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.

Hedge accounting - under IFRS 9

The Company uses financial instruments to hedge interest rate risk and exchange rate risk resulting from its financing activities. Derivatives not qualifying for hedge accounting under IFRS 9 are accounted for as held for trading, despite being contracted for economic hedge purposes.

Therefore, as per the economical hedge purpose for all derivatives, these are accounted as current or as non-current according to their remaining maturity, respectively under or over one year.

For 2019, the Company applied prospectively the hedge accounting requirements in IFRS 9 as from 1 January 2019.

Hedging derivatives are recorded at fair value. Gains and losses arising from changes in fair value are recognised in accordance with the hedge accounting model applied by the Company. Hedge relationship exists when:

- (i) The hedging relationships only consist of hedging instruments and hedged items that are eligible as per 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 profit and loss, 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 spreads are 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 the Cash flow hedge reserve.

The cumulative gains or losses recognised in Cash flow hedge reserve 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 derivatives 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.

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.

Offsetting

All derivative transactions entered into with external counterparties are under an ISDA agreement. EDP Finance B.V. has not applied any offsetting in its balance sheet as at reporting date.

d) Other financial 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 Finance B.V. classifies its financial assets, at initial recognition, in accordance with the aforementioned requirements introduced by IFRS 9, on the following categories:

Thousand Euros	Notes	Dec 2019	Dec 2018
Assets			
Financial assets at amortised cost			
Loans to and receivables from group entities	12	13.260.246	13.276.160
Debtors and other assets		846	3.095
Cash and cash equivalents	14	162.841	432.703
Financial assets at fair value through profit or loss (FVTPL)			
Derivative financial instruments	20	275.330	211.379
Liabilities			
Financial assets at amortised cost			
Debt securities	17	8.229.387	8.619.984
Loans and credit facilities from third parties	17	1.284.426	782.902
Loans from group entities	18	806.972	571.452
Amounts owed on commercial paper	19	258.000	150.000
Trade and other payables		249	1.096
Financial assets at fair value through profit or loss (FVTPL)			
Debt securities	17	2.978.484	3.608.658
Derivative financial instruments	20	39.308	73.763

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.

All of the Company's Loans and Debt Securities are measured at amortised cost, since all are held to collect the contractual cash flows, which represent solely payments of principal and interest and thus they meet the criteria for amortised cost measurement under IFRS 9.

Financial assets 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 or 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 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 Finance B.V. 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

Changes of the business model are not likely to occur. In case a change occurs, financial assets will be reclassified subsequent to their initial recognition.

Recognition and derecognition of financial assets

Regular way 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 contractual rights to receive their future cash flows have expired, (ii) the Company 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 Company has transferred control over the assets.

Impairment

IFRS 9 established an impairment model based on the expected credit losses (ECL). 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. If the credit risk on a financial asset does not increase significantly since its initial recognition, EDP Finance B.V. 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 Finance B.V. 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 Company 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, the impairment allowance would be allocated directly to the financial asset affected, which provides the same accounting treatment, from that point, 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 year, 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.

Credit risk on other receivables has no significant financing component, so the loss allowance is measured at initial recognition and throughout the life of the receivable, by the simplified approach, at an amount equal to lifetime ECL, which is not significant. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no significant impairment loss was identified.

EDP Finance B.V. assesses the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. 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 include: (i) credit ratings (as far as available) from external credit rating companies such as Standard and Poor, 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; (iv) Internal credit risk assessments on the credit profiles of EDP Group subsidiaries; and (v) macroeconomic information (such as market interest rates or growth rates). There were no significant changes in the assumptions or methodology applied in the assessment of expected credit losses, compared with the prior year.

e) Cash and cash equivalents

Cash and cash equivalents include balances with a maturity of less than three months from the date of acquisition, including cash and deposits at 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.

f) Other financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to liquidate capital and/or interests, through delivering cash or other financial assets to extinguish the contractual obligation, 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 rate 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) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest rate method. The effective interest rate includes all fees and premium or discount paid or received that are an integral part of the effective interest rate. This includes transaction costs that are directly attributable to the acquisition or issue of financial assets or liabilities

Interest income and interest expense presented in the Income statement include:

- Interest on financial assets and financial liabilities measured at amortised cost; and
- Interest on hedging derivatives.

Interest is recognised in profit and loss on an accrual basis.

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

h) Net other financial income and expenses

Financial results include foreign exchange gains and losses, realised gains and losses, unrealised gains and losses from changes in the fair value of derivatives (including accrued interest of trading derivatives) and changes in the fair value of the hedged items (including the ineffective portion).

i) Other operating income and expenses

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

j) 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 cash flow hedge derivatives and of cost of hedging recognised in equity are recognised in the income statement in the year the results that originated the deferred taxes are recognised.

Current tax is the tax expected to be paid on the taxable income for the year, 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.

EDP Finance, B.V. 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 Finance, B.V. 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.

k) Statement of cash flows

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

l) Determination of operating segments

The Company determined one operating segment based on the information that is internally provided to the management and the chief operating decision maker.

3. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

Standards, amendments and interpretations issued effective for the Company

The amendments to standards already issued and effective and that the EDP Finance, B.V. applied in the preparation of its financial statements, can be analysed as follows:

- IFRS 9 - Hedge accounting

As permitted by IFRS 9, the Company decided to continue to apply the hedge accounting requirements of IAS 39 in 2018, instead of the requirements of IFRS 9. Despite this, EDP Finance B.V. has performed an assessment of the changes resulting from the adoption of these requirements, through a detailed analysis of the existing hedging relationships as at 31 December 2018. From the analysis performed, no rebalancing was necessary as at 1 January 2019.

Accordingly, the Company has decided to apply prospectively the hedge accounting requirements of IFRS 9 for years beginning on 1 January 2019.

The prospective application of IFRS 9 requirements had no significant impact on the statement of financial position and equity of the Company.

With the application of the requirements for Hedge accounting of IFRS 9 the Company decided to dedesignate the GBP fair value hedge, as per 31 December 2018, and redesignate a new hedge relationship, as per January 2019, including the prospective application of the cost of hedging (see note 2 c).

- IFRS 16 - Leases

The International Accounting Standards Board (IASB) issued, in January 2016, IFRS 16 - Leases, with effective date of mandatory application for years beginning on or after 1 January 2019, with earlier adoption permitted for entities that have also adopted IFRS 15 - Revenue from Contracts with Customers. A Company is permitted to adopt the standard retrospectively or follow a modified retrospective approach, under which it does not restate 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. 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.

EDP Finance B.V. adopted the new standard on the required effective date in accordance with the modified retrospective transition approach, without adjustments to opening balance nor restatement of comparative information. The Company has not identified any contracts that are under this Standard, thus there are no impact on its financial statements.

The new standards that have been issued and that are already effective and that EDP Finance, B.V. has applied to its financial statements, with no significant impact are the following:

- IFRS 9 (Amended) - Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IFRIC 23 - Uncertainty over Income Tax Treatments;
- IAS 19 (Amended) - Plan Amendment, Curtailment or Settlement;
- IAS 28 (Amended) - Long-term Interests in Associates and Joint Ventures;
- "Annual Improvement Project (2015-2017)";

Standards, amendments and interpretations issued but not yet effective for the Company

The standards, amendments and interpretations issued but not yet effective for the Company (whose effective application date has not yet occurred or, despite their effective dates of application, they have not yet been endorsed by the EU) with no estimated significant impact 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 about certain accounting treatments, with impact in total assets, liabilities, equity, costs and income. Actual results may differ from these estimates.

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

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

Fair value of financial instruments

Fair values are based on listed market prices, if available, otherwise fair value is determined either by the price of similar recent transactions under market conditions or by pricing models based on net present value of estimated future cash flows techniques considering market conditions, time value, yield curves and volatility factors. These methodologies may require the use of assumptions or judgements in estimating fair values (see detailed information in note 22).

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

Impairment of financial assets measured at amortised cost

Impairment of financial assets measured at amortised cost is considered as an accounting estimate (see note 2 d)).

For 2019 and 2018, no impairment loss was recognised.

5. FINANCIAL-RISK MANAGEMENT POLICIES

Financial risk management

EDP Finance B.V.'s business is exposed to a variety of financial risks, including the effect of changes in foreign exchange and interest rates. The Company's exposure to financial risks arises essentially from the loans granted to EDP Group companies and from its debt portfolio, resulting in interest rate, exchange rate, liquidity and counterparty risk exposures. The Company has an overall low risk appetite and therefore aims to minimise these market risks arising from its relevant activities.

On 14 March 2001, EDP - Energias de Portugal, S.A. signed a Keep Well agreement with the Company. This agreement states that for as long as the Company has outstanding instruments under an external debt Programme and in case the Company shall have insufficient funds or other liquid assets to meet its payment obligations (including in respect of any Debt Obligations) at any time, EDP - Energias de Portugal S.A. shall make available to the Company funds sufficient to enable the Company to meet such payment obligations in full as they fall due. However, the Keep Well agreement is not a guarantee, direct or indirect, by EDP - Energias de Portugal, S.A. of any debt obligations or any other debt of the Company or any instrument issued by the Company.

The management of the financial risks of EDP Finance B.V. is carried out, measured and controlled, in accordance with the general risk management principles and exposure limits established for the EDP Group companies by EDP - Energias de Portugal, S.A., with specific adaptations according to the characteristics of each subsidiary. Financial risk management is implemented by the Financial Department of EDP - Energias de Portugal, S.A, under a service agreement signed between the latter and several EDP Group Companies, among which EDP Finance B.V.

The status of financial markets is analysed on an on-going basis in accordance with the EDP Group's risk management policy. Derivative financial instruments are used to minimise potential adverse effects, resulting from interest rate and/or foreign exchange rate risks on EDP Group's financial performance as further described below.

The Board of Directors of the Company is made aware of the exposure to the different risks on an ongoing basis and considers that the existing risk management policies and controls are appropriate to achieve the desired mitigation and low risk exposure.

The hedge relationships are established through instruments and structures that have critical terms similar to those of the hedged asset or liability, confirming the economic relationship between hedged item and hedging instrument. The hedge ratio is of 1:1 for all the hedging relationships to minimize hedge ineffectiveness. Therefore, the main source of ineffectiveness is a significant deterioration of the credit risk of a counterparty.

Exchange-rate risk management

EDP Finance B.V. has very low appetite to exchange-rate risk. The Company is exposed to exchange rate risk through its debt denominated in US Dollars (USD), British Pounds (GBP) and until June 2019 it had exposure to Japanese Yen (JPY). The Group's objective is to maintain a matched position between assets and liabilities in each currency in order to mitigate balance sheet exposure to foreign exchange risks. Any residual exposure is closely monitored and hedged with derivatives instruments, hence not generating relevant net exchange gains nor losses. The amounts recorded in the P&L on exchange gains or losses are off-set by exchange gains or losses recorded in other P&L captions due to the different natures of the items denominated in foreign currencies. Currently, the exposure to EUR/USD exchange rate risk results essentially from the USD debt issued to hedge the EDP Group investments in the USA. EDP Finance B.V. issued USD loans and debt securities (bonds) as well as executed foreign exchange derivative financial instruments that convert the debt issued in currencies such as EUR into USD, with the objective of mitigating the exchange rate risk related to the intercompany loans granted to finance the USD assets of the EDP Group. The exchange rate risk on the GBP and JPY bonds issued under the Medium-Term Notes Program has also been hedged as from their issuing date.

Under the aforementioned service agreement, the Financial Department of EDP – Energias de Portugal, S.A. manages EDP Finance B.V.'s exchange rate risk exposure resulting from foreign currency funding, seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the Company through exchange rate derivative financial instruments. The operations are revalued and monitored throughout their lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is duly assessed.

Sensitivity analysis - exchange rate

Though the Company has loans to EDP Group companies and issues debt instruments in currencies other than Euro, the impact on Equity or P&L due to changes in currency rates is not significant as the risk management policy in place aims to avoid material mismatches between assets and liabilities denominated in currencies other than Euro.

Interest rate risk management

EDP Finance B.V. has moderate appetite to interest-rate risk. The Company's interest rate risk management policy aim is to reduce exposure to interest rate changes which may affect the value of financial instruments, namely debt. EDP Finance BV mitigates this risk by maintaining an aligned fixed-floating ratio between its assets and liabilities and also through the use of derivative financial instruments.

Long-term loans contracted at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments.

All hedging operations are undertaken on liabilities of EDP Finance B.V.'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 the fair value of the hedged item attributable to the risk being hedged.

As the Company provides funding to different Group Companies according to their requirements (timing, amounts and tenor) and raises funding from the market according to refinancing needs and market conditions (timing, tenor and spread wise), interest rates applied to assets and liabilities may differ. The Company tries to manage such risk by refinancing its debt under the best possible conditions the market allows, extending the average life of its debt portfolio and lending to Group companies according to arms-length principles.

Sensitivity analysis - Interest rates

Based on the financial instruments with exposure to interest rate risk as at 31 December 2019 and 2018, a 50 basis points change in the reference interest rates would lead to the following increases / (decreases), gross from tax, in equity and results of EDP Finance B.V.:

Thousand Euros	Dec 2019			
	Results		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Assets				
Cash flow effect:				
Unhedged loans	25.877	-25.877	-	-
	<u>25.877</u>	<u>-25.877</u>	-	-
Liabilities				
Cash flow effect:				
Hedged debt	-12.302	12.302	-	-
Unhedged debt	-6.458	6.458	-	-
	<u>-18.760</u>	<u>18.760</u>	-	-
Fair value effect:				
Trading derivatives (accounting perspective)	-244	206	-	-
	<u>-244</u>	<u>206</u>	-	-
	<u>-19.004</u>	<u>18.966</u>	-	-

Thousand Euros	Dec 2018			
	Results		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Assets				
Cash flow effect:				
Unhedged loans	23.950	-23.950	-	-
	<u>23.950</u>	<u>-23.950</u>	<u>-</u>	<u>-</u>
Liabilities				
Cash flow effect:				
Hedged debt	-14.052	14.052	-	-
Unhedged debt	-7.241	7.241	-	-
	<u>-21.293</u>	<u>21.293</u>	<u>-</u>	<u>-</u>
Fair value effect:				
Trading derivatives (accounting perspective)	-2.222	1.406	-	-
	<u>-2.222</u>	<u>1.406</u>	<u>-</u>	<u>-</u>
	<u>-23.515</u>	<u>22.699</u>	<u>-</u>	<u>-</u>

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

Counterparty credit risk management

The Company has a low risk appetite for counterparty risk. EDP Group's policy regarding the management of counterparty risk on financial transactions involves the analysis of the technical capacity, competitiveness, credit rating and exposure of each counterparty, so as to avoid significant concentrations of credit risk.

Counterparties, external to EDP Group, in derivative financial instruments are credit institutions with strong credit ratings and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not required on these transactions.

EDP Finance B.V. documents its financial operations in accordance with international standards. Therefore, derivative financial instruments are contracted under ISDA Master Agreements, facilitating the transfer of the instruments in the market and ensuring compliance and consistency with EDP Group policies.

The credit risk arising from loans granted to EDP Group companies is mitigated by the control that EDP – Energias de Portugal, S.A. has over the management of those companies. As at 31 December 2019 and 2018, all loans granted by EDP Finance B.V. had as counterparties companies controlled by EDP – Energias de Portugal, S.A. None of the amounts receivable from related parties are past due or impaired and repayments have been received regularly and on time historically. So, as per 31 December 2019 and 31 December 2018 no past due nor impairment triggers were identified with respect to loans issued to group companies. EDP – Energias de Portugal, S.A. is rated Baa3/BBB- by S&P (since August 2017 and affirmed in April 2019)/Moody's (since February 2015 and affirmed in April 2017)/Fitch (since August 2012 and affirmed in December 2018), reflecting a low credit risk.

The Company monitors the credit risk using multiple inputs for risk assessment and for calculation of the loss allowances for financial assets, including: (i) credit ratings (as far as available) from external credit rating companies such as Standard and Poor, 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; (iv) Internal credit risk assessments on the credit profiles of EDP Group subsidiaries; and (v) macroeconomic information (such as market interest rates or growth rates). Since the application of IFRS 9, and the forward-looking approach, according to the assessment performed by Company has not identified any significant losses.

The maximum credit exposure equals the amount of total assets deducted by tax receivable as per 31 December 2019 and 31 December 2018 being 13.0 billion Euros and 13.9 billion Euros, respectively.

Liquidity risk management

The Company has a very low appetite for liquidity risk. Liquidity risk is managed by engaging and maintaining credit lines and financing facilities with a firm underwriting commitment with international financial institutions with sound credit ratings, as well as term deposits, allowing immediate access to funds and covering refinancing needs for the next 12 to 18 months. These lines are used to complement and backup commercial paper programmes, allowing for a diversification of EDP Finance B.V.'s short-term financing sources (see notes 14 and 17).

The table below shows the contractual undiscounted cash flows and the estimated interests due, computed using the rates available at 30 December 2019:

Thousand Euros	2020	2021	2022	2023	2024	Following years	Total
Debt securities	1.915.545	1.264.395	1.200.137	1.314.028	2.307.904	3.205.862	11.207.871
Loans and credit facilities from third parties	845.165	-	-	-	439.261	-	1.284.426
Interest Payments	520.291	24.530	150.003	124.283	45.375	29.438	893.920
	<u>3.281.001</u>	<u>1.288.925</u>	<u>1.350.140</u>	<u>1.438.311</u>	<u>2.792.540</u>	<u>3.235.300</u>	<u>13.386.217</u>

Capital management

EDP Finance, B.V. 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.

The company's goal in managing equity is to safeguard the 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 companies operating in this sector, EDP Finance, B.V. controls its financing structure based on several control mechanisms and ratios, some of which have been explained in previous sections..

6. OPERATING SEGMENT REPORT

The Company determined one operating segment. The Company generates interest income by providing loans to EDP Group entities as well as through derivative financial instruments concluded with banks to hedge market risks. The loans are provided to EDP Group companies in Portugal and Spain. Income by geographic market is presented in note 7.

These EDP Group companies are EDP - Energias de Portugal, S.A. (group parent company), EDP Renováveis, S.A., EDP Renováveis Servicios Financieros, S.L., EDP, S.A. Sucursal en España, EDP Servicios Financieros (España), S.A., EDP International Investments and Services, S.L. and EDP España, S.A.U.

7. INTEREST INCOME AND EXPENSES

Interest income and expenses are analysed as follows:

Thousand Euros	Dec 2019	Dec 2018
Interest income		
Amortized cost		
Loans to and receivables from group entities	305.773	335.562
Interest income from term deposits (Note 14)	836	383
Fair value through profit or loss		
Derivative financial instruments	89.922	99.199
	<u>396.531</u>	<u>435.144</u>
Interest expenses		
Amortized cost		
Bank loans	14.541	28.420
Medium term notes	386.850	395.420
Commercial Paper	2.055	-
Fair value through profit or loss		
Derivative financial instruments	44.185	51.788
	<u>447.631</u>	<u>475.628</u>

Loans to and receivables from group entities, by geographic market, is analysed as follows:

Thousand Euros	Dec 2019	Dec 2018
Portugal	193.910	212.667
Spain	111.863	122.895
	<u>305.773</u>	<u>335.562</u>

8. NET OTHER FINANCIAL INCOME AND EXPENSES

Net other financial income and expenses are analysed as follows:

Thousand Euros	Dec 2019	Dec 2018
Other financial income		
Derivative financial instruments - Trading	150.737	183.062
Hedge ineffectiveness (see note 20)	5.461	5.687
	<u>156.198</u>	<u>188.749</u>
Other financial expenses		
Derivative financial instruments - Trading	3.273	78.595
Foreign exchange losses	119.879	85.985
Other	38	29
	<u>123.190</u>	<u>164.609</u>
	<u>33.008</u>	<u>24.140</u>

As mentioned in note 5, the amounts recorded in the P&L on foreign exchange gains or losses are partially off-set by the exchange gains or losses recorded in other P&L lines within the caption presented in the table above, due to the different natures of the items denominated in foreign currencies, mainly by the mark-to-market of the derivatives. The remaining amount results from the net interest of new cross currency interest rate swaps with Group companies entered by the Company.

9. SERVICES RENDERED

Services rendered are analysed as follows:

Thousand Euros	Dec 2019	Dec 2018
Debt portfolio management	-72	800
	-72	800

The Company is remunerated for arranging, managing and maintaining the debt portfolios of EDP Group companies. Either party may terminate the service agreement by one month notice in writing to the other party. However, no such termination has taken place to date.

In 2019 this caption included the fees for the year (488 thousand Euros) and the adjustment of the previous year's estimated fees (-560 thousand Euros). In 2018 this caption included the fees for the year (1,049 thousand Euros) and the adjustment of the previous year's estimated fees (-249 thousand Euros).

10. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

Thousand Euros	Dec 2019	Dec 2018
EDP, S.A. Services	150	1.005
Specialised works - Consulting services	630	645
Specialised works - Legal services	369	551
Other	301	383
	1.450	2.584

The Company has signed a service agreement with EDP, S.A. This service agreement states that the Company has to pay an annual fee for services that EDP, S.A. provides to the Company by arranging, managing and maintaining all debt portfolios of the Company, based on the total amount of existing debt to manage. Either party may terminate the service agreement by one month notice in writing to the other party. However, no such termination has taken place to date.

11. INCOME TAX (BENEFIT) / EXPENSE

This caption is analysed as follows:

Thousand Euros	Dec 2019	Dec 2018
Tax (benefit) / expense	-4.900	-4.521
Profit / (Loss) before income tax	-19.649	-18.163
Effective tax rate of the Company	-25%	-25%

The effective corporate income tax rate of EDP Finance B.V. corresponds to the Dutch statutory tax rate of 25%.

Considering the approval of the Dutch budget law for tax year 2020 and the plans for the years thereafter, the company has estimated the deferred tax assets and liabilities (as applicable), by applying the tax rates according to the expected years of recoverability.

The major components of tax (benefit) / expense are the following:

Thousand Euros	Dec 2019	Dec 2018
Current tax (benefit) / expense in the year	-4.900	-4.521
	-4.900	-4.521

12. LOANS TO AND RECEIVABLES FROM GROUP ENTITIES

Loans to and receivables from Group entities are analysed as follows:

Thousand Euros	Dec 2019	Dec 2018
Non-Current:		
EDP Energias de Portugal, S.A.	7.400.000	8.850.000
EDP Renováveis Serviços Financieros, S.L.	1.306.252	1.013.864
EDP, S.A. Sucursal en España	-	66.297
EDP Servicios Financieros (España), S.A.	-	133.000
EDP Renováveis, S.A.	592.064	578.392
EDP International Investments and Services, S.L.	20.972	42.574
	9.319.288	10.684.127
Current:		
EDP Energias de Portugal, S.A.	3.335.974	2.455.629
EDP, S.A. Sucursal en España	66.297	27.144
EDP Servicios Financieros (España), S.A.	438.753	39.618
EDP International Investments and Services, S.L.	29.836	7.050
Accrued interest	70.098	62.592
	3.940.958	2.592.033
	13.260.246	13.276.160

Regarding a 1,500 million Euros bond issued by EDP Energias de Portugal, S.A., and fully subscribed by EDP Finance B.V., 600 million Euros were early repaid in October 2019.

The financial assets disclosed in this caption are measured at amortised cost.

As at 31 December 2019, these assets have an average maturity of 3.05 years (31 December 2018: 3.7 years) and bear interest at an average rate of 1.76% (31 December 2018: 1.74%).

For 31 December 2019, the maturity of loans to group entities split in different currencies, is analysed as follows:

Thousand Euros	2020	2021	2022	2023	2024	Following years	Total
Loans to and receivables from group entities:							
Euro	3.602.299	1.512.738	908.234	2.989.853	-	2.000.000	11.013.124
US Dollar	338.659	-	-	1.444.528	463.935	-	2.247.122
	<u>3.940.958</u>	<u>1.512.738</u>	<u>908.234</u>	<u>4.434.381</u>	<u>463.935</u>	<u>2.000.000</u>	<u>13.260.246</u>

For 31 December 2018, the maturity of loans to group entities split in different currencies, are analysed as follows:

Thousand Euros	2019	2020	2021	2022	2023	Following years	Total
Loans to and receivables from group entities:							
Euro	2.567.725	1.079.133	1.512.738	1.500.000	3.000.000	2.000.000	11.659.596
US Dollar	24.308	-	-	-	1.399.082	193.174	1.616.564
	<u>2.592.033</u>	<u>1.079.133</u>	<u>1.512.738</u>	<u>1.500.000</u>	<u>4.399.082</u>	<u>2.193.174</u>	<u>13.276.160</u>

Loans to group entities are not collateralised.

13. DEFERRED TAX ASSETS

The deferred tax assets of 5,476 thousand Euros (31 December 2018: 772 thousand Euros) refers to the tax losses that can be deducted from the taxable income assessed in the following years.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousand Euros	Dec 2019	Dec 2018
Bank deposits:		
Current deposits	162.841	432.703
	<u>162.841</u>	<u>432.703</u>

Cash and cash equivalents are freely disposable to be used by the Company. The interest received for the current or term deposits amounts to 836 thousand Euros (31 December 2018: 383 thousand Euros) (see note 7).

15. SHARE CAPITAL AND SHARE PREMIUM

The authorised share capital of the Company consists of 80,000 shares of 100 Euros each, of which 20,000 shares have been issued and fully paid-up.

During 2019 and 2018, no movements occurred in Share capital and Share premium.

16. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

Thousand Euros	Dec 2019	Dec 2018
Cash flow hedge reserve	-	-
Cost of hedging reserve	587	-
Retained earnings	111.866	125.508
	<u>112.453</u>	<u>125.508</u>

These amounts represent the accumulated results before the appropriation of results for the year.

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholders in accordance with article 20 of the Articles of Association of the Company. Furthermore, Dutch law prescribes that a Company may take distributions to the shareholders and other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law or the articles.

The Managing Directors propose to deduct the loss for the financial year ended 31 December 2019 of 14,749 thousand Euros from the retained earnings.

17. DEBT SECURITIES AND LOANS AND CREDIT FACILITIES FROM THIRD PARTIES

This caption is analysed as follows:

Thousand Euros	Dec 2019	Dec 2018
Non-Current:		
Debt securities	9.237.781	10.271.263
Fair value of the issued debt hedged risk	54.545	60.667
	<u>9.292.326</u>	<u>10.331.930</u>
Loans and credit facilities from third parties	439.261	381.030
	<u>9.731.587</u>	<u>10.712.960</u>
Current:		
Debt securities	1.716.311	1.688.790
Fair value of the issued debt hedged risk	7.534	1.133
Accrued interest	191.700	206.789
	<u>1.915.545</u>	<u>1.896.712</u>
Loans and credit facilities from third parties	841.289	400.000
Accrued interest	3.876	1.872
	<u>845.165</u>	<u>401.872</u>
	<u>2.760.710</u>	<u>2.298.584</u>
	<u>12.492.297</u>	<u>13.011.544</u>

EDP Finance B.V. has various credit facilities it uses for liquidity management, all with firm underwriting commitment, 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, totally available as at 31 December 2019 (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.

Debt securities issued under the Euro Medium Term Notes program were as follows:

Date issued	Interest rate	Type of hedge	Type of instrument	Conditions/ Redemption	Nominal amount Euro'000	ISIN
Dec/02	Fixed rate EUR (ii)	n.a.	n.a.	Dec/22	93.357	XS0160258280
Jun/05	Fixed rate EUR 4.125%	n.a.	n.a.	Jun/20	300.000	XS0223447227
Nov/08	Fixed rate GBP 8.625% (i)	Fair Value	CIRS	Jan/24	410.314	XS0397015537
Nov/08	Zero coupon (ii)	n.a.	n.a.	Nov/23	160.000	XS0399353506
Sep/13	Fixed rate EUR 4.875%	Fair Value	IRS	Sep/20	750.000	XS0970695572
Nov/13	Fixed rate EUR 4.125%	n.a.	n.a.	Jan/21	600.000	XS0995380580
Jan/14	Fixed rate USD 5.25%	n.a.	n.a.	Jan/21	667.616	XS1014868779
Sep/14	Fixed rate EUR 2.625% (i)	Fair Value	IRS	Jan/22	1.000.000	XS1111324700
Nov/14	Fixed rate USD 4.125%	n.a.	n.a.	Jan/20	667.616	XS1140811750
Apr/15	Fixed rate EUR 2.00% (i)	Fair Value	IRS	Apr/25	750.000	XS1222590488
Mar/16	Fixed rate EUR 2.375%	n.a.	n.a.	Mar/23	600.000	XS1385395121
Aug/16	Fixed rate EUR 1.125%	n.a.	n.a.	Feb/24	1.000.000	XS1471646965
Jan/17	Fixed rate EUR 1.875%	n.a.	n.a.	Sep/23	600.000	XS1558083652
Jun/17	Fixed rate USD 3.625%	n.a.	n.a.	Jul/24	890.155	XS1638075488
Nov/17	Fixed rate EUR 1.50%	n.a.	n.a.	Nov/27	500.000	XS1721051495
Jun-18	Fixed rate EUR 1.625%	n.a.	n.a.	Jan/26	750.000	XS1846632104
Oct-18	Fixed rate EUR 1.875%	n.a.	n.a.	Oct-25	600.000	XS1893621026
Sep-19	Fixed rate EUR 0.375%	n.a.	n.a.	Sep-26	600.000	XS2053052895

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

(ii) These issues correspond to private placements.

At 31 December 2019 all securities outstanding are listed either in the London Stock Exchange or in the Irish Stock Exchange.

In September 2019, under its "Debt Issuance Program (MTN)", EDP issued a green bond of 600 million Euros maturing in September 2026.

For 31 December 2019, the remaining maturity of debt securities and loans and credit facilities from third parties (including accrued interest and fair value of the issued debt hedged risk), by currency, is as follows:

Thousand Euros	2020	2021	2022	2023	2024	Following years	Total
Debt securities							
Euro (i)	1.204.138	598.551	1.200.137	1.314.028	1.423.265	3.205.862	8.945.981
US Dollar	711.407	665.844	-	-	884.639	-	2.261.890
	<u>1.915.545</u>	<u>1.264.395</u>	<u>1.200.137</u>	<u>1.314.028</u>	<u>2.307.904</u>	<u>3.205.862</u>	<u>11.207.871</u>
Loans and credit facilities from							
Euro	619.936	-	-	-	439.261	-	1.059.197
US Dollar	225.229	-	-	-	-	-	225.229
	<u>845.165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>439.261</u>	<u>-</u>	<u>1.284.426</u>
	<u>2.760.710</u>	<u>1.264.395</u>	<u>1.200.137</u>	<u>1.314.028</u>	<u>2.747.165</u>	<u>3.205.862</u>	<u>12.492.297</u>

For 31 December 2018, the remaining maturity of debt securities and loans and credit facilities from third parties (including accrued interest and fair value of the issued debt hedged risk), by currency, is as follows:

Thousand Euros	2019	2020	2021	2022	2023	Following years	Total
Debt securities							
Euro (i)	803.584	1.064.121	597.301	1.194.152	1.303.905	3.999.963	8.963.026
US Dollar (ii)	1.093.128	653.879	651.697	-	-	866.912	3.265.616
	<u>1.896.712</u>	<u>1.718.000</u>	<u>1.248.998</u>	<u>1.194.152</u>	<u>1.303.905</u>	<u>4.866.875</u>	<u>12.228.642</u>
Loans and credit facilities from							
Euro	401.540	-	-	164.794	36.722	-	603.056
US Dollar	332	-	-	-	179.514	-	179.846
	<u>401.872</u>	<u>-</u>	<u>-</u>	<u>164.794</u>	<u>216.236</u>	<u>-</u>	<u>782.902</u>
	<u>2.298.584</u>	<u>1.718.000</u>	<u>1.248.998</u>	<u>1.358.946</u>	<u>1.520.141</u>	<u>4.866.875</u>	<u>13.011.544</u>

- (i) These issues include a GBP bond that was converted into EUR through cross currency swaps.
(ii) These issues include a JPY bond that was converted into USD through cross currency swaps.

For 31 December 2019, the changes in Debt securities and Loans and credit facilities from third parties (excluding accrued interest) arising from financing activities, including cash (see Statement of Cash Flows) and non-cash changes, are as follows:

Thousand Euros	Dec 2018	Cash Flows	Foreign exchange movement	Fair value changes	Deferred discount	Dec 2019
Debt securities	12.021.853	-1.153.677	123.248	-3.507	28.254	11.016.171
Loans and credit facilities from third parties	781.030	487.803	9.222	-	2.495	1.280.550
	<u>12.802.883</u>	<u>-665.874</u>	<u>132.470</u>	<u>-3.507</u>	<u>30.749</u>	<u>12.296.721</u>

For 31 December 2018, the changes in Debt securities and Loans and credit facilities from third parties (excluding accrued interest) arising from financing activities, including cash (see Statement of Cash Flows) and non-cash changes, are as follows:

Thousand Euros	Dec 2017	Cash Flows	Foreign exchange movement	Fair value changes	Deferred discount	Dec 2018
Debt securities	11.464.664	428.228	116.317	-19.027	31.671	12.021.853
Loans and credit facilities from third parties	1.972.275	-1.222.828	23.738	-	7.845	781.030
	<u>13.436.939</u>	<u>-794.600</u>	<u>140.055</u>	<u>-19.027</u>	<u>39.516</u>	<u>12.802.883</u>

18. LOANS FROM GROUP ENTITIES

This caption is analysed as follows:

Thousand Euros	Dec 2019	Dec 2018
Current:		
EDP Servicios Financieros (España), S.A.	799.851	566.212
Other	7.121	5.240
	<u>806.972</u>	<u>571.452</u>

Loans from Group entities refers mainly to the current account with EDP Servicios Financieros (España), S.A. remunerated on an arm's length term.

The financial liabilities disclosed in this caption are measured at amortised cost

For 31 December 2019, the changes in Loans from group entities are as follows:

Thousand Euros					Foreign Exchange	Dec 2019
	Dec 2018	Additions	Repayments	Differences		
EDP Servicios Financieros (España), S.A.	566.212	3.043.181	-2.809.864	322	799.851	
Other	5.240	21.532	-19.646	-5	7.121	
	571.452	3.064.713	-2.829.510	317	806.972	

For 31 December 2018, the changes in Loans from group entities are as follows:

Thousand Euros					Foreign Exchange	Dec 2018
	Dec 2017	Additions	Repayments	Differences		
EDP Servicios Financieros (España), S.A.	1.900.641	5.547.061	-6.867.027	-14.463	566.212	
Other	-	24.728	-19.781	293	5.240	
	1.900.641	5.571.789	-6.886.808	-14.170	571.452	

19. AMOUNTS OWED ON COMMERCIAL PAPER

As at 31 December 2019, this caption refers to a trade of commercial paper of 258,000 thousand Euros which was settled on January 2nd 2020 (31 December 2018: trade of commercial paper of 150,000 thousand Euros which was settled on January 2nd 2019).

20. DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with IFRS 9, EDP Finance B.V. classifies derivative financial instruments as fair value hedges of recognised assets or liabilities (Fair value hedge) and as cash flow hedges of recognised liabilities and highly probable future transactions (Cash flow hedge). Derivatives that do not qualify for hedge accounting are recorded under derivatives held for trading.

In 2019 the fair value and the maturity of the derivative financial instruments are analysed as follows

Thousand Euros	Fair value		Notional			Total
	Assets	Liabilities	Up to 1 year	From 1 to 5 years	Over 5 Years	
Fair value hedges						
Interest rate swaps	86.161	-	500.000	1.000.000	600.000	2.100.000
Cross currency interest rate swaps	50.213	-	-	410.314	-	410.314
Derivatives held for trading						
Cross currency interest rate swaps	129.697	-39.308	520.895	1.837.381	317.398	2.675.674
Foreign exchange forwards	9.259	-	1.355.286	-	-	1.355.286
	275.330	-39.308	2.376.181	3.247.695	917.398	6.541.274

In 2018 the fair value and the maturity of the derivative financial instruments are analysed as follows

Thousand Euros	Fair value		Notional			Total
	Assets	Liabilities	Up to 1 year	From 1 to 5 years	Over 5 Years	
Fair value hedges						
Interest rate swaps	92.416	-	350.000	1.500.000	600.000	2.450.000
Cross currency interest rate swaps	27.354	-1.593	-	-	410.314	410.314
Derivatives held for trading						
Cross currency interest rate swaps	88.928	-70.975	263.703	2.005.677	250.000	2.519.380
Foreign exchange forwards	2.681	-1.195	988.644	-	-	988.644
	211.379	-73.763	1.602.347	3.505.677	1.260.314	6.368.338

In 2019, the undiscounted cash flow of the derivative financial instruments, per maturity, is as follows:

Thousand Euros					Following	Total
	2020	2021	2022	2023	years	
Fair value hedges						
Interest rate swaps	30.334	17.868	27.379	6.105	11.228	92.914
Cross currency interest rate swaps	17.487	17.569	17.527	17.527	740	70.850
Derivatives held for trading						
Cross currency interest rate swaps	57.656	31.283	79.379	-16.729	-64.898	86.691
Foreign exchange forwards	9.259	-	-	-	-	9.259
	114.736	66.720	124.285	6.903	-52.930	259.714

In 2018, the undiscounted cash flow of the derivative financial instruments, per maturity, is as follows:

Thousand Euros	2019	2020	2021	2022	Following years	Total
Fair value hedges						
Interest rate swaps	33.242	28.375	16.521	26.548	15.996	120.682
Cross currency interest rate swaps	15.847	15.741	15.867	15.825	-6.158	57.122
Derivatives held for trading						
Cross currency interest rate swaps	13.158	81.545	42.359	62.898	-49.998	149.962
Foreign exchange forwards	1.486	-	-	-	-	1.486
	63.733	125.661	74.747	105.271	-40.160	329.252

The Company enters into interest rate and cross currency interest rate swaps classified as held for trading to economically hedge exposures to changes in the fair value of its fixed rate debt as well as foreign exchange exposures from debt denominated in other currencies. In addition, the Company contracts fx forwards classified as held for trading to economically hedge net exposures in foreign currencies

The 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 level 2 (see note 22) and no changes of level were made during the year. These entities use generally accepted discounted cash flow techniques and data from public markets.

The changes in the fair value of hedging instruments and the hedged risks are analysed as follows:

Type of hedge	Hedging instrument	Hedged risk	Thousand Euros			
			2019		2018	
			Instrument	Risk	Instrument	Risk
Fair value	Interest rate swap	Interest rate	-1.356	1.338	-1.870	1.897
Fair value	Cross currency interest rate swaps	Interest and exchange rate	23.024	-16.763	-11.471	17.131
Cash flow	Cross currency interest rate swaps	Interest and exchange rate	-	-	6.075	-6.125
			21.668	-15.425	-7.266	12.903

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	Market input
Cross currency interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Libor 3M, Libor 6M; and exchange rates: EUR/GBP, EUR/USD and USD/JPY.
Interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M.
Foreign exchange forwards	Fair value indexed to the following exchange rate: EUR/USD.

The changes in the fair value reserve related to cost of hedging in 2019 were as follows:

Thousand Euros	Dec 2019
Balance at the beginning of the year	-
Fair value changes	782
Balance at the end of the year	782

The changes in the fair value reserve related to cash flow hedges in 2018 were as follows:

Thousand Euros	Dec 2018
Balance at the beginning of the year	50
Fair value changes	6.075
Recycling FX results from cash flow hedge reserve to income statement	-6.125
Balance at the end of the year	-

The gains and losses on the financial instruments portfolio booked in the profit and loss in 2019 and 2018 are as follows:

Thousand Euros	Dec 2019	Dec 2018
Derivatives held for trading	147.464	104.467
Fair value hedges:		
Derivatives	20.886	-13.341
Hedged liabilities	-15.425	19.028
Cash flow hedges:		
Recycling FX results from cash flow hedge reserve to income statement	-	6.125
	152.925	116.279

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2019 are as follows

Thousand Euros	Notional Thousand Euros	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps (i)	2.100.000	EUR	[2.80% - -0.35%]	[4.88% - 0.45%]
Currency interest rate				
CIRS (currency interest rate swaps) (ii)	410.314	EUR / GBP	3,67%	8,63%
CIRS (currency interest rate swaps) (iii)	2.675.674	EUR / USD	[3.68% - -0.38%]	[2.30% - -0.54%]

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2018 were as follows

Thousand Euros	Notional Thousand Euros	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps (i)	2.450.000	EUR	[2.88% - -0.27%]	[4.88% - 0.45%]
Currency interest rate				
CIRS (currency interest rate swaps) (ii)	410.314	EUR / GBP	3,67%	8,63%
CIRS (currency interest rate swaps) (iv)	79.460	USD / JPY	6,80%	3,11%
CIRS (currency interest rate swaps) (iii)	2.439.920	EUR / USD	[4.32% - -0.32%]	[2.38% - 1.36%]

- (i) EDP Finance BV pays floating rate and receives fixed rate;
- (ii) EDP Finance BV pays floating rate and receives fixed rate;
- (iii) EDP Finance BV pays and receives floating rate;
- (iv) EDP Finance BV pays and receives fixed rate.

21. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal, S.A. holds 100% of EDP Finance B.V.'s share capital.

Other Related Parties

TMF Netherlands B.V. fulfils administrative services to the Company and provides three statutory directors to the Company. Those three statutory directors consist of two natural persons and TMF Netherlands B.V.

Remuneration of directors

The charges regarding remuneration of directors that were engaged during the relevant period amount to 21,754 Euros (2018: 19,360 Euros) and refer only to the yearly management fees due on that period, with no other long term benefits nor outstanding balances as at 31 December 2019 and 2018.

Other management services

The charges regarding Other management services amount to 343,996 Euros (2018: 319,347 Euros) with no outstanding balances as at 31 December 2019 and 2018. The Other management services are consulting services provided by TMF Netherlands B.V.

Balances and transactions with related parties

As at 31 December 2019, the outstanding assets with related parties are analysed as follows:

Thousand Euros	Loans Granted	Derivatives	Other assets	Total
EDP - Energias de Portugal, S.A.	10.770.755	87.816	-	10.858.571
EDP Renováveis Servicios Financieros, S.L.	1.328.795	-	-	1.328.795
EDP, S.A. Sucursal en España	66.314	-	68	66.382
EDP Servicios Financieros (España), S.A.	440.566	1.743	545	442.854
EDP Renováveis, S.A.	602.428	129.156	332	731.916
Other	51.388	-	-102	51.286
	13.260.246	218.715	843	13.479.804

EDP Finance B.V.
Notes to the Financial Statements
for the years ended 31 December 2019 and 2018

As at 31 December 2018, the outstanding assets with related parties are analysed as follows:

Thousand Euros	Loans Granted	Derivatives	Other assets	Total
EDP - Energias de Portugal, S.A.	11.341.447	92.511	-	11.433.958
EDP Renováveis Serviços Financieros, S.L.	1.031.520	-	-	1.031.520
EDP, S.A. Sucursal en España	93.455	-	2.145	95.600
EDP Servicios Financieros (España), S.A.	174.455	-	212	174.667
EDP Renováveis, S.A.	585.044	88.929	546	674.519
Other	50.239	-	188	50.427
	13.276.160	181.440	3.091	13.460.691

The changes in Loans Granted are analysed as follows:

Thousand Euros	Loans Granted	
	2019	2018
Balance at beginning of the year	13.276.160	15.426.922
Loans advanced	700.365	5.789.811
Loan repayments received	-755.441	-7.955.483
Interest charged	238.823	343.141
Interest received	-231.317	-414.210
Foreign exchange	31.656	85.979
Balance at the end of year	13.260.246	13.276.160

As at 31 December 2019, the outstanding liabilities with related parties are analysed as follows:

Thousand Euros	Loans Obtained	Derivatives	Other liabilities	Total
EDP - Energias de Portugal, S.A.	560.140	39.308	258.161	857.609
EDP Servicios Financieros (España), S.A.	799.851	-	-	799.851
Other	7.121	-	-	7.121
	1.367.112	39.308	258.161	1.664.581

In December 2018, EDP S.A. concluded a "Tender Offer" targeting EDP Finance B.V.'s "2.6250% NOTES DUE APRIL 15, 2019", "4.1250% 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 500,000 thousand Euros. As a result of the offer, EDP S.A. acquired 98,909 thousand Euros of the "2.6250% NOTES DUE APRIL 15, 2019", 66,628 thousand Euros of the "4.1250% NOTES DUE JUNE 29, 2020", 287,778 thousand Euros of the "4.8750% NOTES DUE SEPTEMBER 14, 2020" and 46,783 thousand Euros of the "4.125% NOTES DUE JANUARY 20, 2021". As at 31 December 2019, this operation totalled 408,588 thousand Euros in EDP Finance B.V. liabilities

In December 2017, EDP S.A. concluded a "Tender Offer" targeting EDP Finance B.V.'s "4.9000% NOTES DUE OCTOBER 1, 2019," and "4.125% NOTES DUE JANUARY 15, 2020", limited to a total value of 500,000 thousand Dollars. As a result of the offer, EDP S.A. acquired 332,924 thousand Dollars of the "4.9000% NOTES DUE OCTOBER 1, 2019" and 167,076 thousand Dollars of the "4.125% NOTES DUE JANUARY 15, 2020". As at 31 December 2019, this operation totalled 151,552 thousand Euros in EDP Finance B.V. liabilities.

As at 31 December 2018, the outstanding liabilities with related parties are analysed as follows:

Thousand Euros	Loans Obtained	Derivatives	Other liabilities	Total
EDP - Energias de Portugal, S.A.	979.267	58.058	151.005	1.188.330
EDP Servicios Financieros (España), S.A.	566.212	1.195	-	567.407
EDP Renováveis, S.A.	5.240	-	-	5.240
	1.550.719	59.253	151.005	1.760.977

Income and expenses related to transactions with related parties as at 31 December 2019, are as follows:

Thousand Euros	Interest on Intra-Group Financial Mov.		Total
	Other	Other	
EDP - Energias de Portugal, S.A.	186.904	-150	186.754
EDP Renováveis Serviços Financieros, S.L.	61.872	-	61.872
EDP Servicios Financieros (España), S.A.	38.492	189	38.681
EDP, S.A. Sucursal en España	4.991	-349	4.642
EDP Renováveis, S.A.	137.328	106	137.434
Other	1.497	-18	1.479
	431.084	-222	430.862



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

Income and expenses related to transactions with related parties as at 31 December 2018, are as follows:

Thousand Euros	Interest on		Total
	Intra-Group Financial Mov.	Other	
EDP - Energias de Portugal, S.A.	173,683	-1,005	172,678
EDP Renováveis Serviços Financieros, S.L.	48,730	-	48,730
EDP Servicios Financieros (España), S.A.	32,275	-123	32,152
EDP, S.A. Sucursal en España	34,200	690	34,890
EDP Renováveis, S.A.	156,605	321	156,926
Other	8,185	-88	8,097
	453,678	-205	453,473

Other includes the expenses related with the service agreement with EDP, S.A (see note 10) as well as the services rendered to EDP Group companies (see note 9).

In the normal course of its activity, EDP Finance B.V. performs business transactions and operations with its related parties based on normal market conditions.

EDP – Energias de Portugal, S.A. and the Company entered into a Keep Well agreement on March 14, 2001 which remains applicable, details of which are provided in note 5.

22. 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). The credit risk factor in the data is based on the credit spread of similar companies in the market.

As at 31 December 2019 and 2018 the following table presents the interest rate curves of the major currencies to which the Company is exposed used for cash flow discount (in addition to the rates listed below, the Company adjusts discount rates for credit risk):

	31 December 2019		31 December 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%

Fair value of assets and liabilities as at 31 December 2019 and 31 December 2018 is analysed as follows:

Thousand Euros	Dec 2019			Dec 2018		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Loans to and receivables from group entities	13,260,246	13,701,280	441,034	13,276,160	13,559,929	283,769
Derivative financial instruments	275,330	275,330	-	211,379	211,379	-
Cash and cash equivalents (assets)	162,841	162,841	-	432,703	432,703	-
	13,698,417	14,139,451	441,034	13,920,242	14,204,011	283,769
Financial liabilities						
Debt securities	11,207,871	11,810,883	603,012	12,228,642	12,787,390	558,748
Loans and credit facilities from third parties	1,284,426	1,291,539	7,113	782,902	797,293	14,391
Loans from group entities	806,972	806,972	-	571,452	571,452	-
Amounts owed on purchased debt securities	258,000	258,000	-	150,000	150,000	-
Derivative financial instruments	39,308	39,308	-	73,763	73,763	-
	13,596,577	14,206,702	610,125	13,806,759	14,379,898	573,139

The market value of the medium/long term loans is calculated based on the discounted cash flows at market interest rates at the date of the statement of financial position, increased by the best estimate, at the same date, of market conditions applicable to the Company's debt, based on its average term. Regarding short term debt (current account), the market value does not differ substantially from the book value.

According to IFRS 13, EDP Finance B.V. 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 market for assets and liabilities;
- Level 2 – Fair value based on market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly; and
- Level 3 – Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

The fair value of EDP Finance B.V.'s financial assets and liabilities, in 2019 and 2018, is included in Level 2, described above.

The Company does not transfer financial assets nor liabilities between categories.

23. SUBSEQUENT EVENTS

No significant events occurred.

24. AUDIT AND NON-AUDIT FEES

Fees and expenses incurred for professional services are rendered as follows (VAT excluded):

Thousand Euros	Dec 2019	Dec 2018
Audit and statutory audit of accounts:		
- PricewaterhouseCoopers Accountants N.V.	130	115
- KPMG	-	-
Other audit procedures	-	-
Tax services	-	-
Other non-audit services	-	-
Total	130	115

PricewaterhouseCoopers Accountants N.V. has audited the financial statements of EDP Finance B.V. for 2019 and 2018. These fees relate to the audit of the 2019 and 2018 financial statements, regardless of whether the work was performed during the financial year.

Amsterdam, 20 February 2020

The Managing Directors

EDP – Energias de Portugal, S.A.

van der Werff, M. F. C.

Nagelmaker, A. G. M.

TMF Netherlands B.V.

EDP FINANCE BV

OTHER INFORMATION

1. Statutory Information

1.1 Proposed appropriation of result

In accordance with Article 20 – Profits, of the Articles of Association of the Company, the result for the year is at the disposal of the General Meeting of Shareholders. Dutch law stipulates that distributions may only be made to the extent the Company's equity is in excess of the reserves it is required to maintain by law and its Articles of Association. Moreover, no distributions may be made if the Management Board is of the opinion that, by such distribution, the Company will not be able to fulfil its financial obligations in the foreseeable future.

The Managing Directors propose to deduct the loss for the financial year ended 31 December 2019 of 14,749 thousand Euros from the retained earnings. Such proposal shall be deliberated at the General Meeting of Shareholders.

1.2 Independent Auditor's opinion

The independent auditor's report is included on the next page.



Independent auditor's report

To: the general meeting of EDP Finance B.V.

Report on the financial statements 2019

Our opinion

In our opinion, the financial statements of EDP Finance B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of EDP Finance B.V., Amsterdam.

The financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the following statements for 2019: the income statement, the statements of other comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

FHDT53EKZUZ-514542054-57

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Independence

We are independent of EDP Finance B.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

The Company's main activity is the financing of group companies, through bond offerings on the international capital markets. The Company has derivative financial instruments in place to mitigate interest rate risk and currency risk. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the managing directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 4 of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the measurement of expected credit losses and derivative valuation, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified the existence of the loans issued and hedge accounting as key audit matters because the importance of existence for users of the financial statements and the detailed requirements for hedge accounting.

Another area of focus, that was not considered as key audit matter, was the implementation of IFRS 9 Hedge Accounting. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the managing directors that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences, which are needed for the audit of a finance company. We therefore included specialists in the areas of valuation and accounting in our team.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.



Based on our professional judgement, we determined the materiality for the financial statements as a whole at €137,000,000 (2018: €139,000,000). As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders are the most important ones. Inherent to the nature of the Company's business, the amounts in the financial statements are large in proportion to the income statement line items services rendered, supplies and services, personnel costs and income tax (benefit)/expense. Based on qualitative considerations we performed audit procedures on those income statement line items, applying a benchmark of 10% of the total of those expenses.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the managing directors that we would report to them misstatements identified during our audit above €6,850,000 (2018: €6,950,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the managing directors. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Due to the nature of the Company, key audit matters do not change significantly year over year. As compared to last year there have been no changes in key audit matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><i>Measurement of expected credit losses</i> <i>Note 12</i> We consider the valuation of the loans issued, as disclosed in note 12 to the financial statements for a total amount of €13,260,246,000, to be a key audit matter. This is due to the size of the loan portfolio and impairment rules introduced by IFRS 9.</p> <p>The managing directors have determined that all loans issued are categorised as stage 1 loans, hence only a 12-month expected credit loss ('ECL') has been recognised.</p> <p>The impairment rules in IFRS 9 lead to an increase in complexity and in the degree of judgement required to calculate the ECL. Amongst other things, this applies to choices and judgements made in the impairment</p>	<p>We performed the following procedures to test the managing directors' assessment of the expected credit loss to support the valuation of the loans issued to EDP S.A. group companies:</p> <ul style="list-style-type: none"> With respect to the ECL calculation, we determined that the loans qualify as stage 1 loans by assessing the actual performance of the loans (i.e. no significant deterioration of credit risk). We evaluated the financial position of the counterparties of loans issued by assessing observable data from rating agencies, developments in credit spreads, the latest available financial information and other publicly available data in order to assess if there

Key audit matter

methodology, including the determination of the probability of default ('PD'), the loss given default ('LGD') and the exposure at default ('EAD'). With the introduction of IFRS 9, these calculations must also take into account forward-looking information ('FLI') of macro-economic factors considering multiple scenarios. Mainly with respect to the PD and LGD used in the determination of the expected credit losses, management has applied significant judgement given the low default character of the entity's loan portfolio. As a result, there is limited internal historical data to support and back-test the PD and LGD.

How our audit addressed the matter

- are no adverse conditions present suggesting to classify the loans as stage 2 or stage 3 loans.
- For the expected credit loss, we assessed that the impairment methodology and model applied by the entity were in accordance with the requirements of IFRS 9. We assessed that the FLI used by the client as part of the impairment methodology was appropriate considering the characteristics of the loan portfolio of EDP Finance B.V.
 - We assessed for a sample of financial instruments that the PD and LGD, applied by the managing directors, were based upon data from external data source providers and we have recalculated the impairment recorded in the financial statements.

We found the managing directors' assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.

Existence of the loans issued

Note 12

We consider the existence of the loans issued, as disclosed in note 12 to the financial statements for a total amount of €13,260,246,000, to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence for users of the financial statements.

We performed the following procedures to support the existence of the loans issued to EDP S.A. group companies:

- We confirmed the existence of the loans with the counterparties on a sample basis.
- We tested the input of contracts in the Company's treasury management system.
- We performed a substantive analytical procedure on the relationship between the interest expenses versus interest income, taken into consideration the applicable spread.
- We compared interest receipts with bank statements.

Based on the procedures as set out above, we found no material differences.

Derivative valuation

Note 20

We consider the fair value of the derivatives portfolio of €275,330,000 positive and €39,308,000 negative as disclosed in note 20 to the financial statements and used in the Company's hedge effectiveness testing to be a key audit matter. This is due to the nature of the portfolio that includes longer-dated interest rate swaps and cross-currency interest rate swaps and therefore valuation is a complex area.

We performed the following procedures to support the valuation of derivatives:

- We tested the valuation of derivatives as well as the valuation of hedged items in hedge accounting relationships (when relevant) by testing the input of contracts in the Company's valuation system on a sample basis.
 - We reconciled the interest rate curves and other market data with independent sources.
-



Key audit matter

How our audit addressed the matter

- We assessed whether the settings used in the valuation system and the models are in line with market practice.
- We also tested the mathematical accuracy of the models used and reconciled the outcome of the valuation system with the general ledger.

We found the managing directors' assumptions used in the valuation of derivatives to be reasonable compared to market data and the chosen models to be in line with market practice. Based on the procedures as set out above we found no material differences.

Hedge accounting**Note 20**

We consider the application of hedge accounting to be a key audit matter. Refer to note 20 to the financial statements. This is because of the detailed formal and technical requirements that are relevant to the application of hedge accounting and because inappropriate application of these requirements can lead to a material effect on the financial statements.

We performed the following procedures to support the appropriateness of the application of hedge accounting:

- We tested on a sample basis whether the hedge documentation and hedge effectiveness testing as prepared by the managing directors met the requirements of IFRS 9 *Financial Instruments*, and whether the hedge effectiveness test was mathematically correct.
- We reconciled the outcome of the effectiveness testing for the derivative portfolio as a whole to the financial statements.

Based on the procedures as set out above we found the application of hedge accounting to be appropriate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the managing directors; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.



The managing directors are responsible for the preparation of the other information, including the report of the managing directors and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of EDP Finance B.V. following the passing of a resolution by the shareholders at the annual meeting held on 1 June 2017. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of three years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 24 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the managing directors

The managing directors are responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the managing directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the managing directors are responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the managing directors should prepare the financial statements using the going-concern basis of accounting unless the managing directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. The managing directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the 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 but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 20 February 2020
PricewaterhouseCoopers Accountants N.V.

Original signed by L.H.J. Oosterloo RA

Appendix to our auditor's report on the financial statements 2019 of EDP Finance B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing directors.
- Concluding on the appropriateness of the managing directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company'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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the managing directors 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. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.



We provide the managing directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the managing directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.