

edp

ENERGY AS THE NEW ART

ANNUAL REPORT
2016

ENERGY AS THE NEW ART

40 years of EDP

It's time to celebrate energy

Over these 40 years, the world has changed and energy has changed with it. Through the art of reinventing, innovating, revolutionizing and transforming the future. Through creativity driven by the engine of technology. Today we look at the past as a gallery of memories that inspires us to create anew.

Energy embodies an infinite narrative built every day as an inexhaustible and inspiring work of art.

Energy as the new Art

This Report

The Annual Report of EDP – Energias de Portugal, S.A. (“EDP”), which incorporates a chapter regarding Corporate Governance, was prepared in accordance with the provisions set out on Portuguese Companies Code and Securities Code and it also complies, more specifically with regard to the Corporate Governance report, set out on CMVM’s Regulations no. 4/2013 and 5/2008, concerning Corporate Governance and Disclosure Requirements of the public companies. The financial statements presented in the report are prepared in accordance with the International Financial Reporting Standards (IFRS), adopted in the European Union.

The Annual Report, also aims to report on the performance of the society in the different dimensions of sustainability, focusing on material issues and under the standards of the Global Reporting Initiative, G4.

Additionally, EDP makes available a set of reports at **www.edp.pt**:

- Annual Report of the General and Supervisory Board;
- Sectoral reports, in particular: Social Report, Biodiversity Report, Ethics Ombudsman’s Report, Stakeholders’ Report and Health and Safety Report.
- Annual and sustainability reports of the societies Hidroeléctrica del Cantábrico, EDP – Energias do Brasil and EDP Renováveis;
- Management Approach on Sustainability, which endorses the issues set by G4 methodology and explains the relation between organizational processes and material issues for the society.

ENERGY AS THE NEW ART

Index

01	EDP	
	Company Presentation	12
	Recognition	24
02	Strategic Approach	
	Business Framework	31
	Strategic Agenda	48
	Goals and Targets	52
	Risk Management	53
03	Performance	
	Material Themes of the Year	63
	Financial Sustainability	65
	Activities	74
	Ethics	85
	Innovation	91
	Environment	95
	Stakeholders	106
	Complementary Indicators	135
04	Corporate Governance	145
05	Financial Statements	263
06	Annexes	425





HUMANITY
AS THE *NEW*ART



renewables

Canada

United States

Mexico

Brazil

United Kingdom

Belgium

France

Spain
Portugal

Poland

Romania

Italy

Angola

Present in 14 countries and has 9.8 milion electricity customers

EDP – Energias de Portugal, S.A. is a listed company (“sociedade aberta”), whose ordinary shares are publicly traded in the “Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais”. EDP is established in Portugal, organized under the laws of Portugal and registered with the Commercial Registry Office of Lisbon, under no. 500.697.256. Its registered head office is located at Avenida 24 de Julho, nr. 12, 1249-300 Lisboa, Portugal.

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

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

EDP is one of the largest wind power operator worldwide with windfarms for energy generation in the Iberian Peninsula, the United States, Canada, Brazil, France, Belgium, Italy, Poland, Romania and Mexico and is developing wind projects in the United Kingdom. Additionally, EDP generates solar photovoltaic energy in Portugal, Romania and the United States. In Brazil, EDP is the fifth largest private operator in electricity generation, has 2 electricity distribution concessions and is the fourth largest private supplier in the liberalised market.

EDP has a relevant presence in the world energy landscape, being present in 14 countries, with **9.8 million electricity customers, 1.5 million gas customers** and more than **12 thousand employees** around the world. On December 31, 2016, EDP had an installed capacity of **25 GW** and generated **70TWh** during 2016, of which **65% from renewable sources**.

China

EDP in the World



6,537	employees
5,442,602	electricity customers
646,762	gas customers
10,428 MW	installed capacity
30,648 MW	net generation
44,599 GWh	electricity distributed
7,114 GWh	gas distributed
1,021 MW	capacity under construction



1,886	employees
1,067,509	electricity customers
850,890	gas customers
5,723 MW	installed capacity
186 MW	installed capacity equity ²
13,984 GWh	net generation
9,190 GWh	electricity distributed
26,441 GWh	gas distributed
0 MW	capacity under construction



2,961	employees
3,315,679	electricity customers
2,670 MW	installed capacity
296 MW	installed capacity equity ²
9,546 GWh	net generation
24,425 GWh	electricity distributed
127 MW	capacity under construction
231 MW	capacity under construction equity ²

France **100%** GENERATION FROM RENEWABLE SOURCES¹

53 **employees**

388 MW installed capacity
777 GWh net generation
18 MW capacity under construction

Belgium **100%** GENERATION FROM RENEWABLE SOURCES¹

02 **employees**

71 MW installed capacity
128 GWh net generation

Italy **100%** GENERATION FROM RENEWABLE SOURCES¹

23 **employees**

144 MW installed capacity
258 GWh net generation

Poland **100%** GENERATION FROM RENEWABLE SOURCES¹

38 **employees**

418 MW installed capacity
951 GWh net generation

Romania **100%** GENERATION FROM RENEWABLE SOURCES¹

32 **employees**

521 MW installed capacity
1,143 GWh net generation

United States **100%** GENERATION FROM RENEWABLE SOURCES¹

410 **employees**

4,631 MW installed capacity
179 MW installed capacity equity²
12,501 GWh net generation
100 MW capacity under construction

Canada **100%** GENERATION FROM RENEWABLE SOURCES¹

05 **employees**

30 MW installed capacity
75 GWh net generation

Mexico

07 **employees**

200 MW installed capacity

United Kingdom

34 **employees**

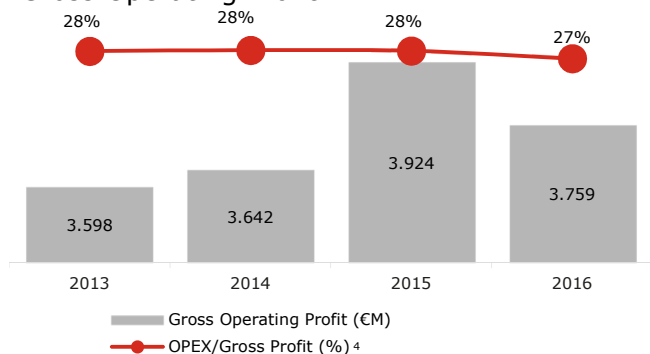
China and Angola

offices

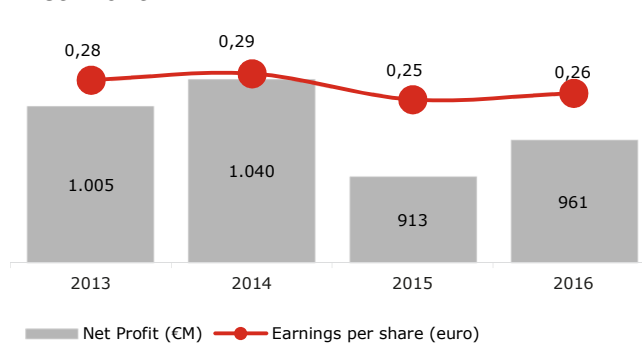
¹ Includes hydro, wind and solar.
² Accounted according to the equity method.

EDP in Numbers

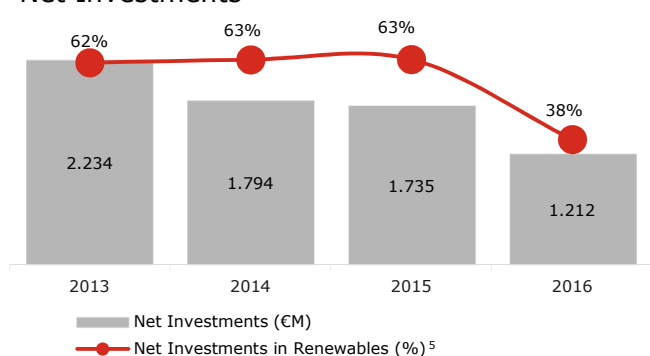
Gross Operating Profit



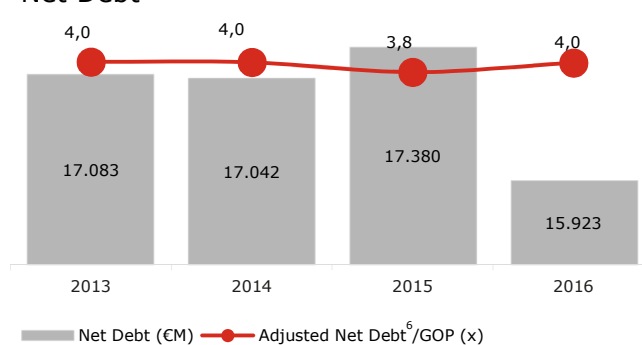
Net Profit ¹



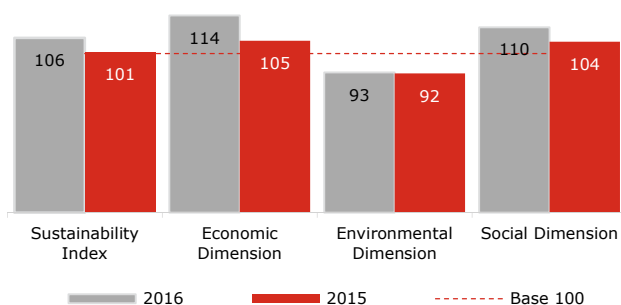
Net Investments ²



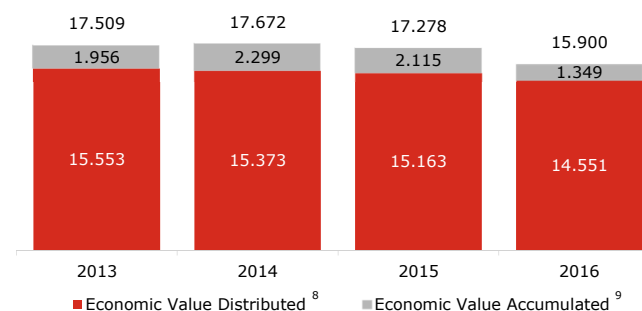
Net Debt ³



EDP Sustainability Index



Economic Value Generated (€M) ⁷



¹ Net Profit attributable to EDP Equity holders.

² From 2016, considers Capex (excluding REPSOL assets acquisition), organic Financial Investments and Divestments ("Asset Rotation") including granted and/or sold shareholder loans.

³ Includes Financial Debt, Cash and Equivalents, Short-term financial assets at fair-value, net investment and fair value hedge and collateral deposits associated to financial debt and 50% of the amount related with the emission of subordinated debt instrument (hybrid).

⁴ (Supplies and Services + Personnel Costs and Employee Benefits - Curtailment) / (Gross Profit + Income arising from Institutional Partnerships).

⁵ Includes Net Investments from hydro, wind and solar generation.

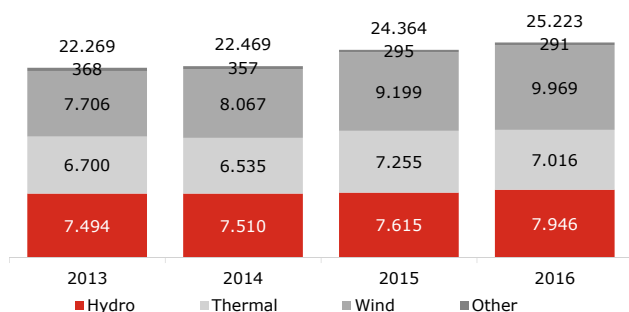
⁶ Net Debt adjusted by amounts receivable from tariff adjustments and amounts receivable through the CMEC revisibility calculation

⁷ Generated Economic Value (GEV): Turnover + Other Operating Income + gains/losses with the sale of financial assets + financial income + share of profit in associates.

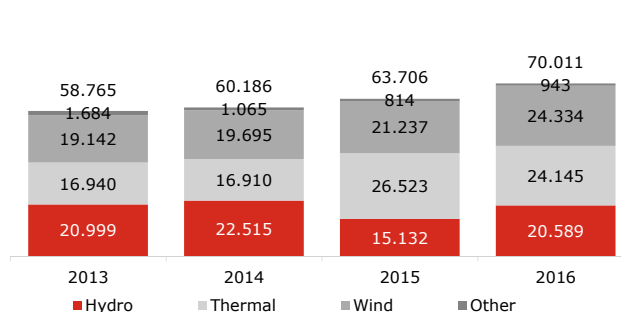
⁸ Distributed Economic Value (DEV): Cost of Sales + Operating Expenses + Other Operating Expenses + Current Tax + Financial Expenses + Dividend Payment

⁹ Accumulated Economic Value: GEV - DEV.

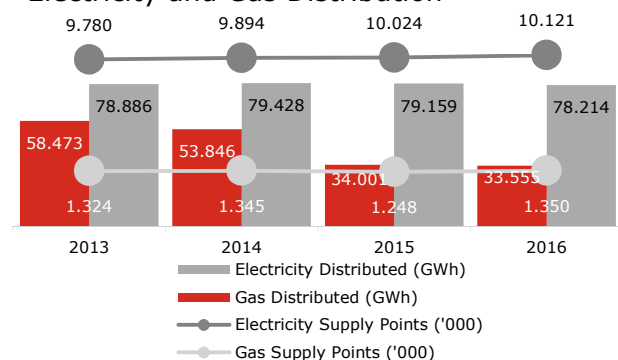
Electricity Generation Installed Capacity (MW)



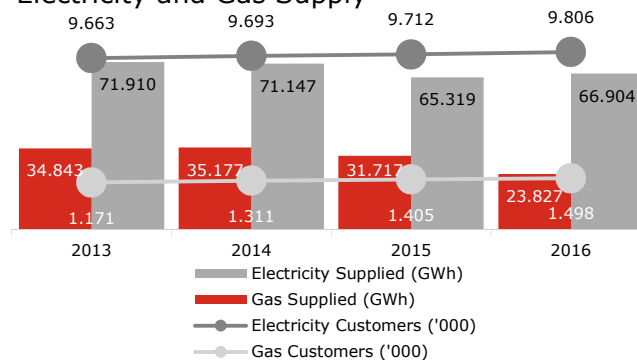
Electricity Generation Net Generation (GWh)



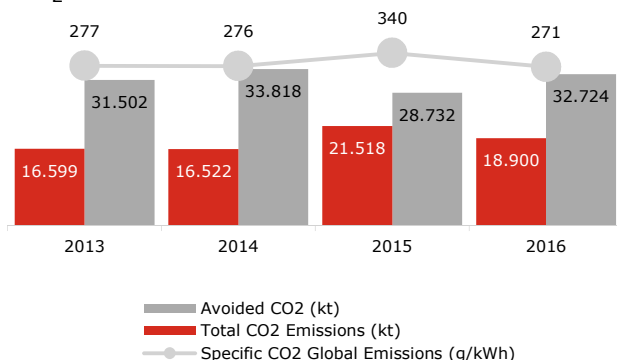
Electricity and Gas Distribution



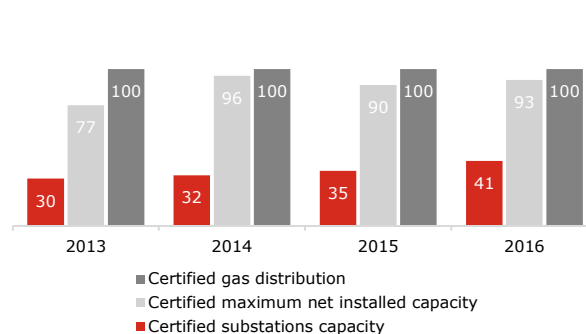
Electricity and Gas Supply



CO₂ Emitted and Avoided

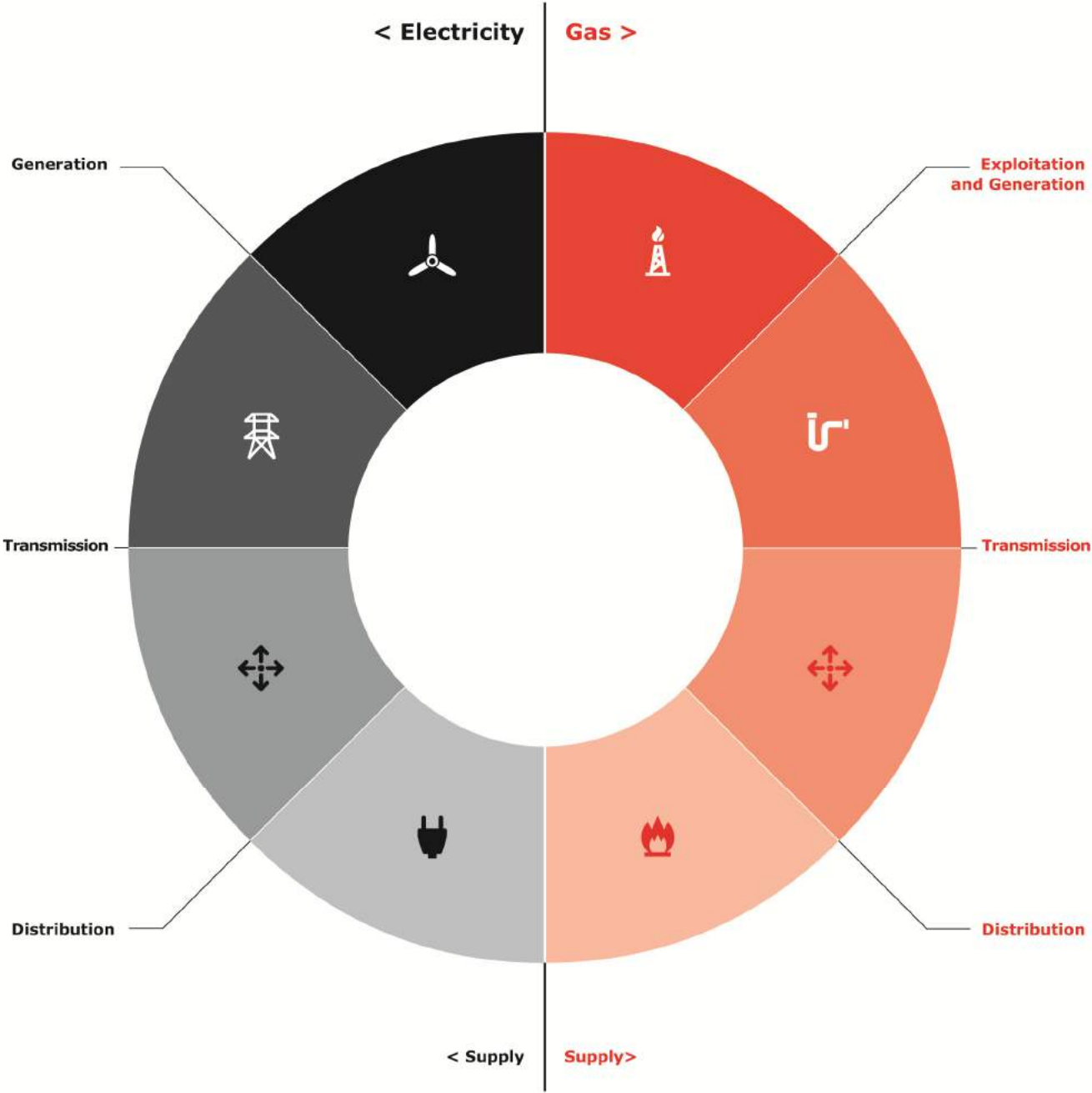


ISO 14001:2004 Certification (%) ¹⁰



¹⁰ In Portugal, the commercial activity is 100% certified, since 2015, by ISO 140001

Value Chain



Vision

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

Values

Initiative

Demonstrated through the behaviour and attitude of our people.

Trust

Of shareholders, customers, suppliers and other Stakeholders.

Excellence

In the way we perform.

Sustainability

Aimed at improving the quality of life for present and future generations.

Innovation

With the objective of creating value within the various areas in which we operate.

Commitments

Sustainability

- We assume the social and environmental responsibilities that result from our performance thus contributing towards the development of the regions in which we operate.
- We avoid specific greenhouse gas emissions with the energy we produce.
- We ensure the participatory, competent and honest governance of our business.

People

- We join conduct and professional rigour to enthusiasm and initiative, emphasizing team work.
- We promote the development of skills and merit.
- We believe that the balance between private and professional life is fundamental in order to be successful.

Results

- We fulfil the commitments that we embraced in the presence of our shareholders.
- We are leaders due to our capacity of anticipating and implementing.
- We demand excellence in everything that we do.

Clients

- We place ourselves in our clients' shoes whenever a decision has to be made.
- We listen to our clientes and answer in a simple and clear manner.
- We surprise our clientes by anticipating their needs.

Organisation

Governance

EDP's governance structure is based on the dual model and consists of the **General Meeting, Executive Board of Directors, General and Supervisory Board** and the **Statutory Auditor**.

The separation of management and supervision roles is embodied in an Executive Board of Directors, which is responsible for the management of the company's business, and a General and Supervisory Board, the highest supervisory body.

Considering this structure, we can say that the dual model of corporate governance in place in EDP has allowed effective separation of the company's supervision and management in pursuit of the goals and interests of EDP and its shareholders, employees and other stakeholders, thereby contributing to achieving the degree of **trust and transparency** necessary for its adequate functioning and optimisation.

Furthermore, this model has proved appropriate to the company's shareholder structure as it allows supervision by key shareholders on the General and Supervisory Board.

The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors, as well as the Statutory Auditor and alternate auditor and members of the other corporate bodies, including the Board of the General Meeting, the Remuneration Committee of the General Meeting and the Sustainability and Environment Board at the General Meeting of April 21, 2015, for the three-year period from 2015 to 2017.

Business Structure

Iberia		EDP Renewables		EDP Brasil	
Portugal	Spain				
Electricity Generation					
EDP Produção	HC Energía	EDP Renováveis Portugal	EDP Renewables España	Energest	Porto do Pecém
EDP Produção Bioeléctrica*	HC Cogeneración*	EDP Renewables France	EDP Renewables Belgium	Lajeado Energia	EDP PCH
	Bioastur*	EDP Renewables Polska	EDP Renewables Romania	Enerpeixe	Costa Rica
		EDP Renewables North America	EDP Renewables Canada	Santa Fé	CEJA (Jari)*
		EDP Renewables Italia	EDP Renováveis Brasil		
		EDPR UK		Cachoeira Caldeirão*	São Manoel*
Electricity and Gas Distribution					
EDP Distribuição	HC Distribución			EDP Bandeirante	EDP Escelsa
EDP Gás Distribuição	Naturgas Distribución				
Electricity and Gas Supply and Trading					
EDP Serviço Universal	EDP Comercializadora			EDP Comercializadora	EDP Grid
EDP Comercial	EDP Comercializadora Último Recurso			EDP Soluções em Energia	
EDP Gás Serviço Universal	EDP Empresas de Servicios Energéticos				
EDP Gás.Com	CIDE HC Energia*				

*Equity Consolidated Method

Corporate Bodies

Board of the General Meeting

António Manuel de Carvalho Ferreira Vitorino, **Chairman**

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

Maria Teresa Isabel Pereira, **Company Secretary**

Statutory Auditor

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

Permanent Statutory Auditor

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

General and Supervisory Board

Eduardo de Almeida Catroga (in representation of China Three Gorges Corporation), **Chairman**

Luís Filipe Marques Amado, **Vice-Chairman**

Ya Yang (in representation of China Three Gorges New Energy Co. Ltd.)

Guojun Lu (in representation of China International Water & Electric Corp.)

Dingming Zhang (in representation of China Three Gorges (Europe), S.A.)

Shengliang Wu (in representation of China Three Gorges (Portugal), Sociedade Unipessoal, Lda.)

Felipe Fernández Fernández (in representation of DRAURSA, S.A.)

Fernando Maria Masaveu Herrero

Nuno Manuel da Silva Amado (in representation of Banco Comercial Português, S.A.)

Ferhat Ounoughi (in representation of Sonatrach)

Mohamed Ali Ismaeil Ali Al Fahim (in representation of Senfora BV)

António Sarmento Gomes Mota

Maria Celeste Ferreira Lopes Cardona

Ilídio da Costa Leite de Pinho

Jorge Avelino Braga de Macedo

Vasco Joaquim Rocha Vieira

Augusto Carlos Serra Ventura Mateus

João Carvalho das Neves

Alberto Joaquim Milheiro Barbosa

María del Carmen Fernández Rozado

António Manuel de Carvalho Ferreira Vitorino

Executive Board of Directors

António Luís Guerra Nunes Mexia, **Chairman**

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Fernando Melo Martins da Costa

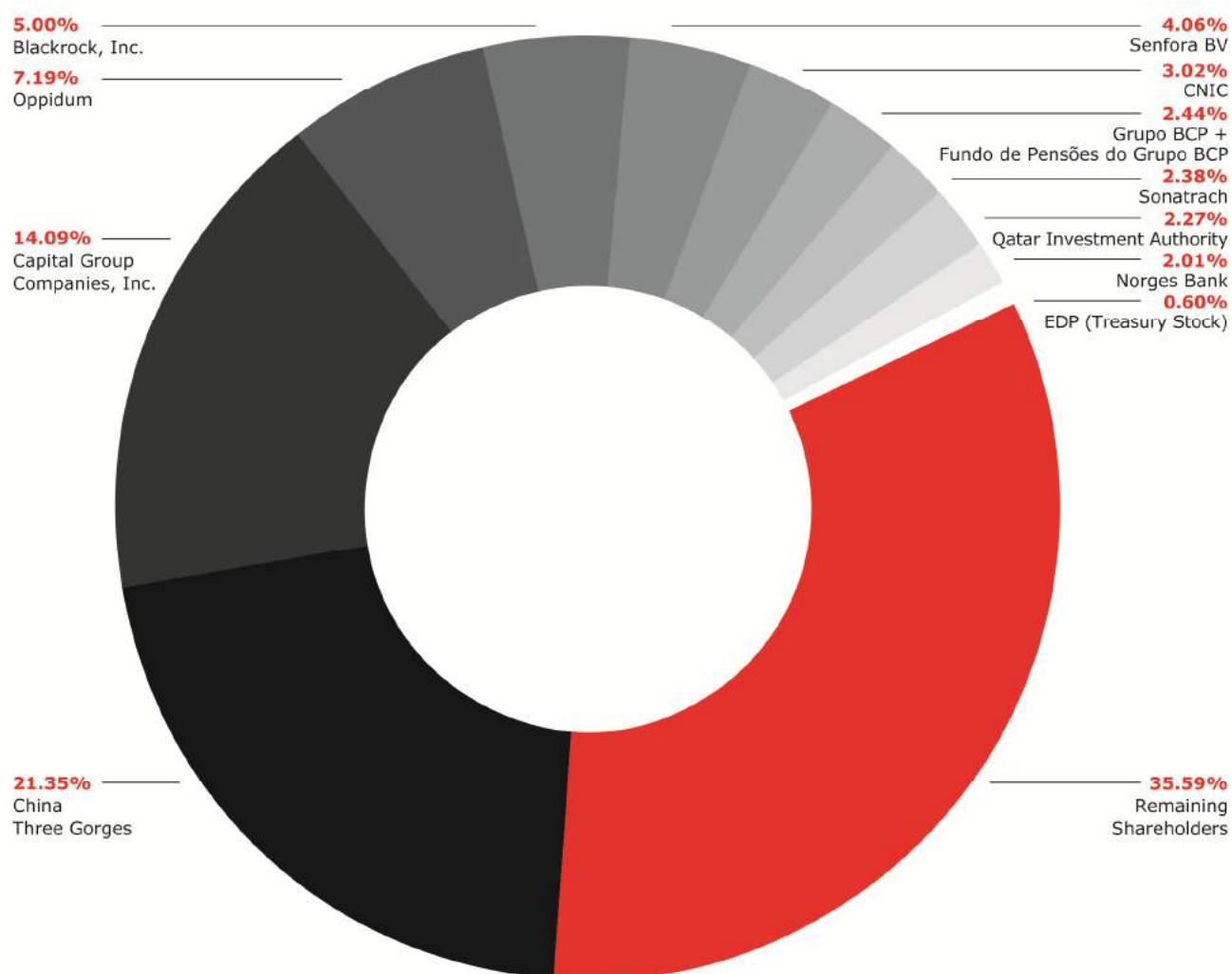
João Manuel Veríssimo Marques da Cruz

Miguel Stilwell de Andrade

Miguel Nuno Simões Nunes Ferreira Setas

Rui Manuel Rodrigues Lopes Teixeira

Shareholder's Structure



Corporate Recognition

EDP in the 2016 Ethisphere Institute ranking

EDP was awarded for the fifth consecutive year as one of the most ethical companies in the world. EDP is the only Portuguese company, of the 131 companies to feature in this international ranking and one of the four electricity utilities globally.

EDP in the European ranking for supporting startups

EDP is ranked 10th in "Europe's 25 Corporate Startup Stars" ranking, led by the Nesta Innovation Foundation and the Startup Europe Partnership, a body created by the European Commission to accelerate the globalisation of European startups.

EDP among the five best energy brands in the world

EDP was shortlisted for the Charge Energy Branding Awards, in the Best Energy Brand category. The aim of these awards is to draw attention to the need for a strong brand in a fast-changing environment, such as the energy sector.

EDP distinguished for the promotion of equal opportunities in the workplace

EDP was ranked 12th in the first edition of the Thomson Reuters Diversity & Inclusion Index and Ratings (D&I). This analysis evaluates the performance of 4,200 listed companies with regard to respect for diversity in the workplace environment.

EDP is part of the Dow Jones Sustainability World Index

EDP is part of the Dow Jones Sustainability World Index for the 9th year running, ranking among the top 5 electrical utilities in the world.

EDP is part of Ethibel

EDP is on the Ethibel EXCELLENCE Investment Register and is included in the "Ethibel Sustainability Index Excellence Europe", for demonstrating an above average performance in its sector in terms of Corporate Social Responsibility.

EDP is in the Euronext VIGEO - World 120, Europe 120 and Eurozone 120 sustainability indices

EDP is recognised by VIGEO as one of the best companies in the world in terms of sustainability.

EDP is in the STOXX Global ESG Leaders and STOXX Sustainability indices

These indices produced by STOXX are based on the ESG research analysis of Sustainalytics (ESG Leaders Indices) and Bank J. Safra Sarasin (STOXX Sustainability Indices).

EDP given Prime Status by OEKOM

OEKOM, an ESG financial analyst, provides sustainability information to financial services companies that manage more than 600 billion euros.

EDP is a member of the FTSE4GOOD Global Index

The methodology used in the evaluation of more than 4,000 companies is based on a set of around 300 indicators grouped into 14 themes across the three ESG pillars (Environmental, Social and Governance).

EDP is included in the ECPI indices

ECPI is an analyst and financial services provider that scrutinises companies on the basis of public information, through grouped ESG indicators.

EDP is a member of Thomson Reuters CRI Europe ESG Index (TRCRI Europe)

Thomson Reuters indices measure the performance of more than 4,600 companies, on the basis of more than 225 ESG indicators. The assessment is based on information available in the Thomson Reuters ASSET4 ESG database.

EDP is included in the MSCI ESG Indices

EDP is included in a set of ESG indices by Morgan Stanley Capital International, including the World ESG, Europe ESG, World Low Carbon Leaders and ACWI Low Carbon Leaders indices.

EDP is included in the Platts Index

The Group is in 56th position in the Platts Top 250 - Global Energy Company ranking.

EDP in the CDP - Climate Change

EDP is part of "A List" of the CDP - Climate Change, a ranking that includes companies with the maximum rating of A, a status only achieved by 10% of the 2,000 companies evaluated.

EDP in the CDP - Water

EDP is part of the "B List" of the CDP - Water program, which ranks companies according to their water management strategy, risk assessment and capitalization opportunities in the water domain.

EDP received the Bronze class distinction in the Sustainability Yearbook of 2016

EDP has been a member of RobecoSAM Sustainability Yearbook, since 2007. In 2016, RobecoSAM awarded EDP the Bronze distinction in the Electrical Utilities Industry. This category groups electric utilities whose score is in the range of 5 to 10% of the industry leader score.

Portugal

EDP Comercial is honoured in the Green Project Awards 2015

EDP Comercial's Auto-consumption Solar Energy service has been awarded an Honourable Mention in the Green Project Awards 2015 in the "Products and Services" category.

The website energia.edp.pt wins Navegantes XXI award

The "Associação da Economia Digital - ACEPI", recognized EDP Comercial's website in the category ".pt" domain, where the main content is in Portuguese; the best practices, legal requirements and internet security rules stand out; and has contributed unequivocally to promote the .pt, the Portuguese language and boost the Digital Economy.

EDP wins the Five Stars Awards

EDP's Solar Energy solution and Funciona service were the winners in the "Solar Energy - Domestic Use" and "Energy - Technical Assistance" categories. This review focused on trust in the brand and innovation of products and services, respectively.

EDP recognised as a trusted brand by Readers Digest Selections

EDP was recognised as the most trusted brand in the 16th edition of the study by Reader's Digest Selections in the "Public Utilities" category. The aim of this annual study is to identify the "Trusted Brands" by the Portuguese in 65 categories of products and services.

EDP chosen as best company in the Human Resources Awards

EDP is the company in which readers of Human Resources magazine would most like to work. This edition also awarded Best Chairman/CEO to António Mexia for the fifth consecutive year, and first place in the "Mobility" and "Internal Communication" categories.

EDP recognised by the Marketeer Awards

EDP was picked as the best company in the "Energy" category for the second consecutive year. It also won the "Art and Culture" category, for the Fundação EDP's "7 Billion Others" exhibition.

EDP honoured in the Portugal Digital Awards 2016

EDP's Information Systems Department was awarded a special mention in the "Best Return on Digital Investment" category, in the Jornal de Negócios and IDC Portugal initiative in partnership with Novabase and Vodafone, which aims to reward and promote digital transformation in Portugal.

EDP wins the Energy Retail Award (ERA)

The EDP Smart House solution won the Energy Retail Award, one of the prizes in the European Utility Industry Awards. This recognition rewards innovation within the energy retail sector in Europe, both for solutions focused on the direct relationship with customers and for new models of energy retail.

Spain

Memoria de Sostenibilidad recognised by Ministerio de Empleo y Seguridad Social

The EDP Espanha *Memoria de Sostenibilidad* was recognised for the transparency of the publication, following the Ministry's aim to promote initiatives that disclose non-financial information about organisations with regard to economic, social and environmental matters.

EDP Espanha recognised in the XVII Best Asturias Web Awards

The prize given by the newspaper El Comercio de Gijón was awarded to EDP's commercial website, with the honours "Best business web" and "Best Asturias web".

EDP receives Centro de Relación con el Cliente (CRC) Oro award

The Spanish Association of Experts in Customer Relations (AEERC) honoured EDP as the best customer service centre in the business segment. The CRC Oro awards are given after audits carried out by the IZO consultancy, which specialises in "Customer Experience".

Renewables

EDP Renováveis voted the best renewable energy company in France by Wealth & Finance International

These awards honour companies that have used innovative methods and exceptional results to transform how the sector is perceived. The award is based on an analysis carried out by a research team from the publication Wealth & Finance International.

EDP Renováveis with the best Annual Report in the non-financial sector

The award was given for the 2nd year running in the Investor Relations and Governance Awards, an initiative by Deloitte and Diário Económico.

EDP Renováveis Poland elected as the best wind company of the year

The award given by the CEE Clean Energy Awards recognises operational excellence, strategic forward-thinking and the most innovative leadership among producers, suppliers and distributors of clean energies in Central and Eastern Europe.

EDP Renováveis Poland recognised at the European Business Awards

The awards celebrating business excellence and best practices in the European business community have nominated EDP Renováveis in the Environmental and Corporate Sustainability category.

EDP Renováveis Spain recognised as A Great Place to Work®

EDP Renováveis consolidated its position for the fifth consecutive year as one of the best companies to work in, being placed in the top 10 in the category of companies with 250 to 500 employees.

EDP Renováveis recognised by Institutional Investors

In its ranking of European public utilities, the leading financial information group in Europe and America has awarded EDP Renováveis in the following categories: Best CEO, second place overall; Best Investor Relations Professional, third place; and Best Company in the Investor Relations category, third place.

Brazil

Roland Berger places EDP Brasil among the best electricity companies in the world

In a study conducted by the German consulting firm, Roland Berger, EDP was placed among the top 20 electricity companies in the world in terms of performance. The companies that make up the Group had a return on invested capital and a growth in revenues of at least double the world average. The study involved an analysis of 230 energy companies worldwide.

Miguel Setas among the best CEO's in Brazil according to Forbes Magazine

The President of EDP Brasil has been elected as one of the most influential Brazilian entrepreneurs, being included in Forbes Magazine's list of "Best CEOs in Brazil". In all, 34 executives were recognised for excellence in their business sectors, based on the opinions of the most important consultants in the country.

EDP Brasil receives ALAS20 Award - Sustainability Leaders Agenda

This award recognises companies, investors and professionals who stand out for their commitment in the environmental, social and governance fields and who actively promote the sustainable development of Latin America and the development of its capital markets. EDP was recognised as Leader Company in Sustainability and Leader Company in Corporate Governance categories.

EDP Brasil awarded Transparency Trophy 2016

This award given by the National Association of Finance, Administration and Accounting Executives (ANEFAC) honoured EDP in the "Energy Sector Companies" category for the quality of the information contained in its financial statements, including issues such as clarity, transparency and adherence to international accounting standards.

EDP Brasil remains in the Corporate Sustainability Index (ISE)

For the 11th consecutive year, EDP is included in the ISE portfolio, which is maintained by BM&F Bovespa, being among companies that stand out for their commitment to sustainable development, quality, equity, transparency and accountability, nature of product, as well as business performance in economic, financial, social, environmental and climate change areas.

EDP Brasil honoured with Selo Pró-Ética 2016

EDP Brasil was regonized for the third consecutive year with Selo Pró-Ética (Pro-Ethics Seal). It is one of the first four Brazilian companies to obtain this distinction awarded by Ministério da Transparência, Fiscalização e Controladoria-Geral da União (Federal Ministry of Transparency, Supervision and Control)

EDP Brasil recognised with Abrasca Prize

EDP was featured in the 18th edition of the Abrasca "Best Annual Report" Award, which is sponsored by the Brazilian Association of Listed Companies. The company's 2015 Annual Report received an Honourable Mention in the Strategy and Investment category.

EDP Brasil recognised by the National Quality Foundation

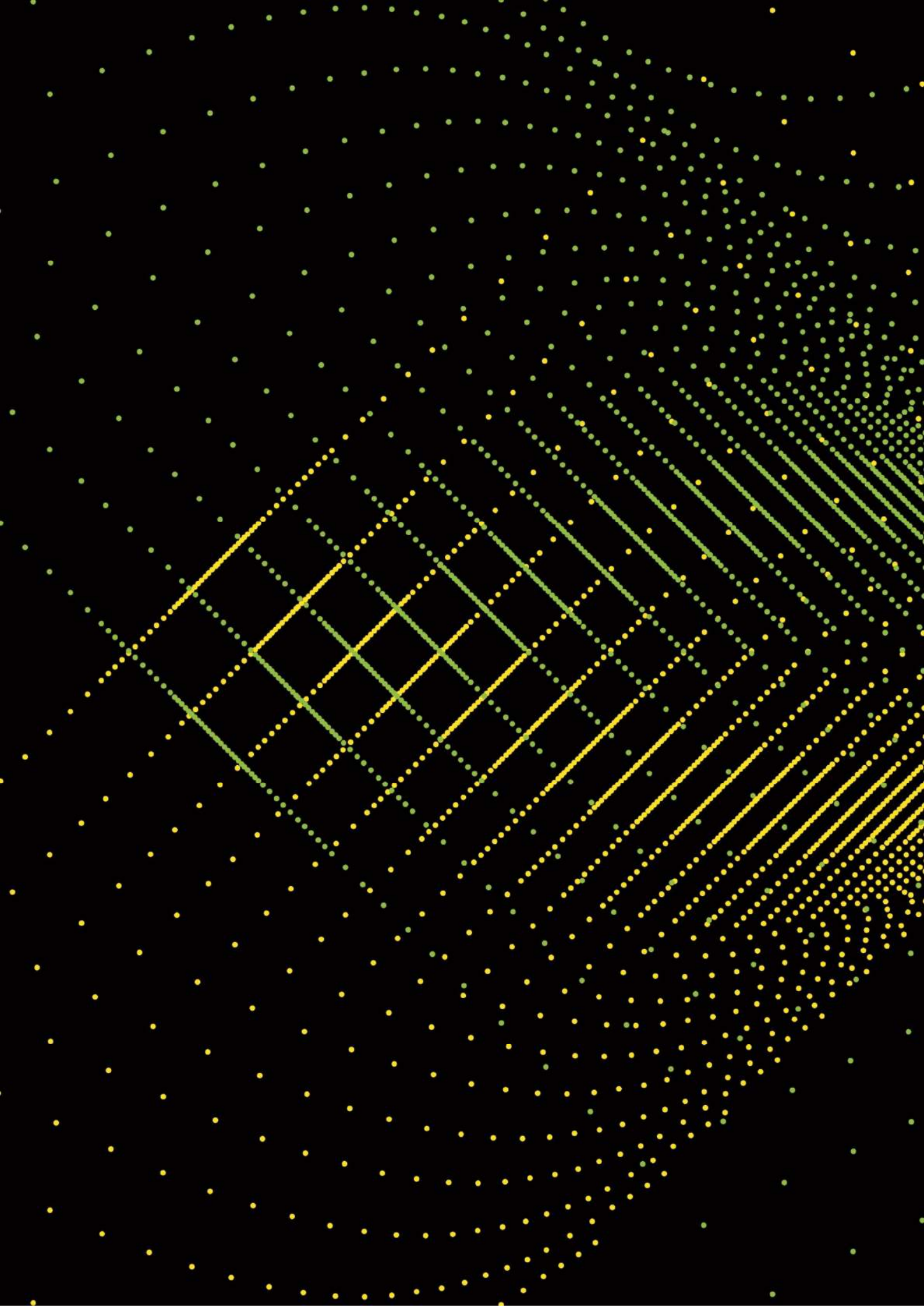
EDP Bandeirante received the outstanding trophy in the National Quality Award (PNQ) "Processes" category, given by the National Quality Foundation (FNQ). The award is held annually, and recognises companies that are a reference in management, according to the Principles and Criteria of Excellence.

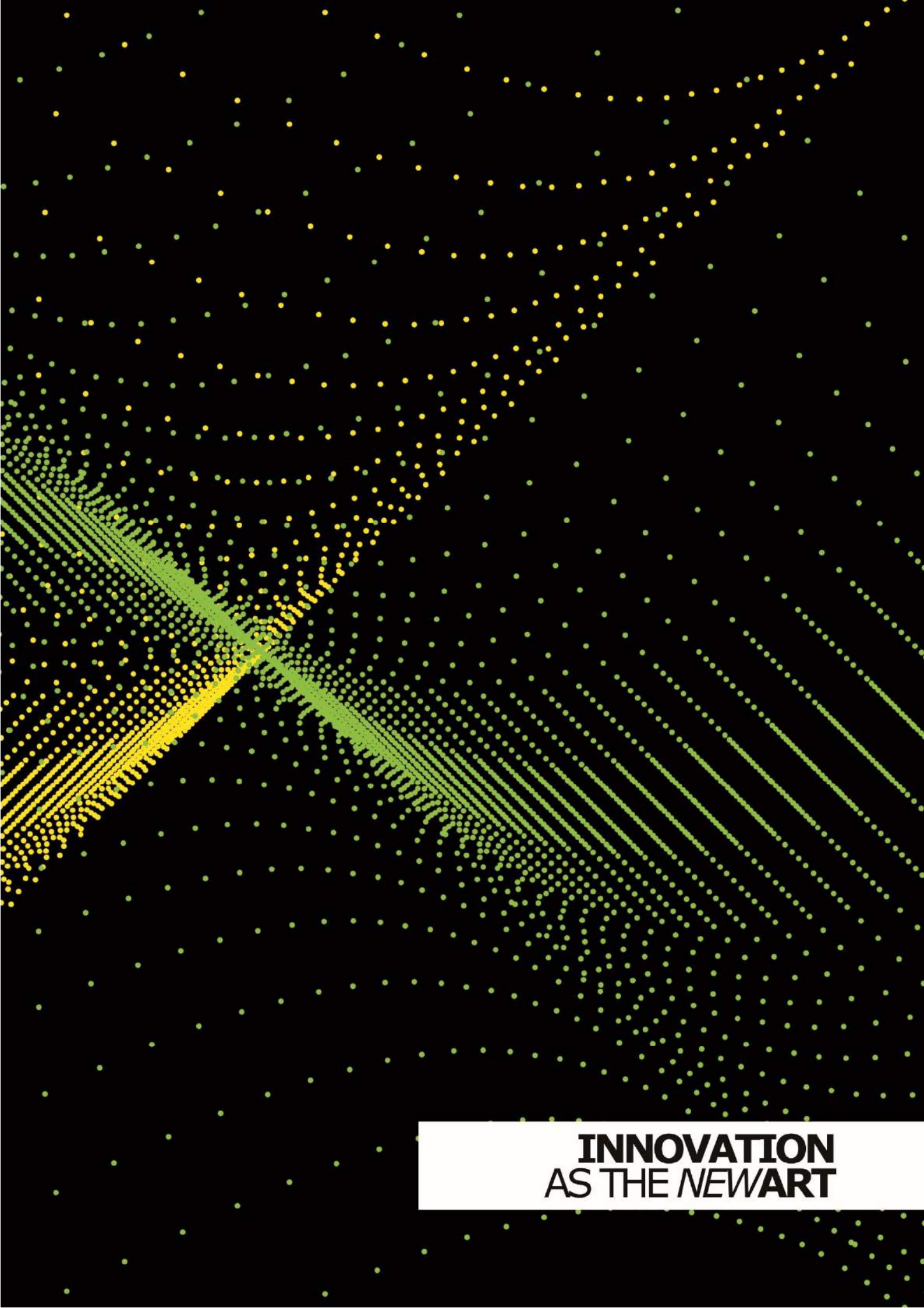


ENERGY AS THE *NEW* ART

02
Strategic Approach

Business Framework	
Macroeconomic Context	31
Global Energy Macro-Trends	36
EDP Market’s Energetic and Regulatory Framework	38
Strategic Agenda	48
Goals and Targets	52
Risk Management	53



The background is a solid black field populated with a dense pattern of small, bright green and yellow dots. These dots are arranged in a way that suggests a complex, interconnected network or data flow. Several prominent, slightly curved lines of dots sweep across the frame, creating a sense of dynamic movement and depth. The lines appear to originate from the left side and fan out towards the right, with some lines being more densely packed than others, creating a layered, three-dimensional effect.

INNOVATION
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02

Strategic Approach

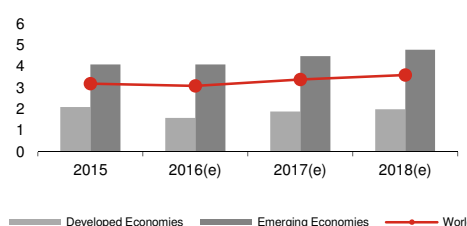
1. Business Framework**1.1. Macroeconomic Context**

In 2016, the slowdown trend of the global economy has deepened, with global GDP growing by 3.1%, according to the International Monetary Fund (IMF) estimate, compared to a 3.2% growth in 2015 and 3.4% in 2014. This trend reflects, however, divergent behavior among the main economic blocs. If among the advanced economies, there has been less dynamism, especially in the United States of America (US), where GDP growth has been the weakest since 2011, in the emerging economies the pace of growth has not changed in aggregate terms, supported by China, which benefited from stimulus policies to activity. By contrast, countries like Russia and Brazil remained in recession.

Monetary policy followed different directions in the main geographies, although it remained globally accommodated. In the US, despite the modest growth, the improvement in the labor market and the resurgence of inflationary pressures, fueled by the recovery of the oil price, prompted the Federal Reserve to continue the strategy of slowly normalizing interest rates. By contrast, the European Central Bank (ECB) has tightened its monetary policy countering internal deflationary risks. This difference in position between the monetary authorities on both sides of the Atlantic along with the expectation that President-elect Donald Trump's economic policy could catalyze the US economy, exerted upward pressure on the dollar, US interest rates and the prices of industrial raw materials. Notwithstanding the uncertain external environment, Portugal managed to continue its process of economic recovery and consolidation of public finances and external accounts.

In 2017, the reversal of the downward trend of the world economy is subject to a set of imponderable geopolitical factors that could jeopardize its materialization. This range of risks adds to the possibility of correction in the international financial markets, in a context where the generous valuations of the main asset classes are vulnerable to a possible deterioration of the prospects for the world economy.

**Economic Activity
(real GDP)**

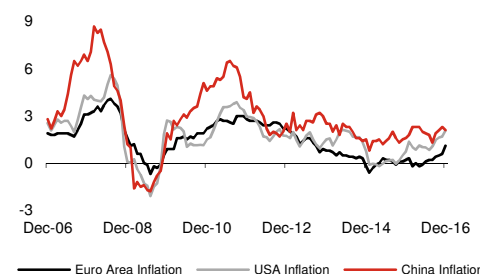


Source: IMF WEO Update jan 17

Global inflation conditional on oil price developments

In 2016, world inflation remained below 3.0%, according to the IMF estimate, influenced by the evolution of oil price, which remained, for much of the year, at low levels. In 2017, commodity price recovery supported by the prospects for the implementation of US economic stimulus policies, may lead to an acceleration of the aggregate price index. IMF estimates a rise in global inflation in 2017 from 2.9% to 3.3%.

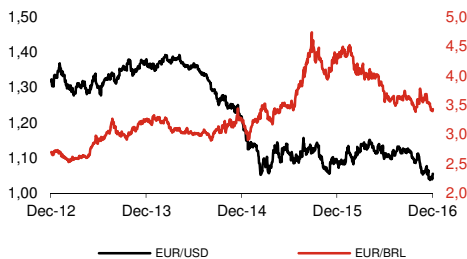
Inflation Evolution



Source: Bloomberg

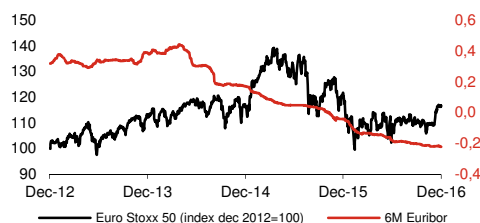
Optimistic financial markets, despite geopolitical instability

Forex Markets



Source: Bloomberg

Stock Indexes and 6M Euribor (Euro Area)



Source: Bloomberg

The performance of global financial markets was positive in 2016, notwithstanding the instability caused, first, by the outcome of the referendum on the UK's permanence in the European Union (EU) and, later, on the victory of Donald Trump in the American presidential elections. In capital markets, the stabilization of the commodity prices and emerging economies, coupled with the maintenance of favorable monetary conditions on a global scale, were decisive for the appreciation of the main reference indexes, especially the North American ones whose evolution surpassed their pan-European and Japanese congeners.

In the foreign exchange market, the general depreciation trend of the euro during the year is mainly explained by the extremely expansionist nature of the ECB's monetary policy. Also noteworthy is the recovery of commodity exporting economies' currencies, such as the Brazilian real or the Russian ruble, after several years of devaluations. In a scenario of reduced deflationary risks, stabilized emerging economies and loose monetary policy, most risk profile bonds outlined valuation movements. In the particular case of Euro area bond market, the extension of the ECB's debt purchase program to corporate debt securities made a very significant contribution to the reduction of corporate risk premiums. In the monetary market, negative interest rates on ECB's deposit facility, coupled with the effect of the liquidity injected under the quantitative easing program, pushed Euribor interest rates even lower.

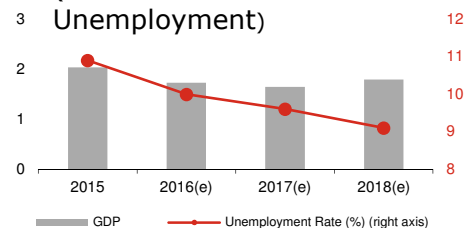
In 2017, the main risks on a potential progression of the global financial markets are related to the inability of the new US administration to boost the US economy in a context of generous valuations in most asset classes. The US' monetary policy normalization and the persistence of important sources of geopolitical tension may also affect the performance of financial markets.

Euro area continues to grow below potential level

During 2016, the euro area faced an important set of economic and political challenges. Internally, the uncertainty inherent to the UK's exit process following the referendum of June 23rd. Externally, world's weak economic growth environment. In this context, exports registered a significant slowdown and investment remained fragile. It was private consumption, fueled by the improvement of the labor market and reduced levels of interest rates and energy prices that determined the expansion of economic activity in the euro area, which stood at 1.7%, compared to 1.9% in 2015. In 2017, the European Commission (EC) foresees that the downward trend of the economy will continue, reflecting the persistence of important political risk factors, such as the holding of legislative elections in France, Germany and the Netherlands.

In addition, the loss of dynamism in consumption, due to the dissipation of the positive effect of the reduction of energy costs on disposable household income will have a role.

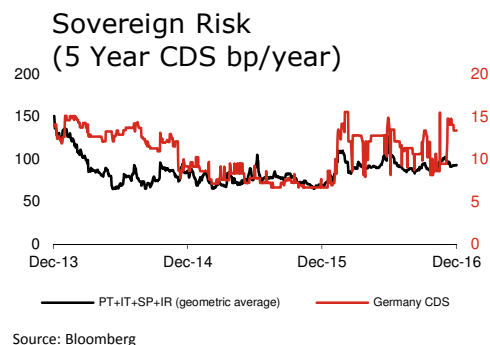
Euro Area Performance (Real GDP and Unemployment)



Source: IMF WEO Update jan 17

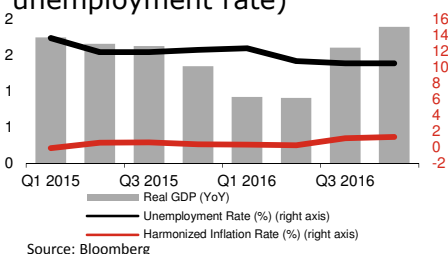
In 2016, the inflation rate was marginally positive (0.2%), but according to the EC, it is expected to return to levels close to 2.0% in 2017, reflecting the recent upward trend in oil prices and the depreciation of the euro.

The persistence of deflationary pressures, particularly in the first half of the year, led the ECB to tighten its monetary policy. Notably, by reducing the deposit rate to even lower levels (-0.40%), and by the expansion of its asset purchase program to take into account corporate bond purchases, which contributed to keeping risk premiums for public and private debt securities at relatively low levels.



Consolidation of the recovery of the Portuguese economy

Portugal (Real GDP, inflation and unemployment rate)



In 2016, the growth rate of the Portuguese economy declined from 1.6% to 1.4%, reflecting the investment slowdown, which interrupted its recovery trend delineated between 2014 and 2015. By contrast, private consumption is expected to have remained robust and net external demand may have had a less negative contribution than in 2015, benefiting from the strong dynamism of tourism. The latter factor has also been decisive for the improvement of the labor market, resulting in higher wages and more job creation than in 2015. In terms of public finances, the recovery of economic activity, coupled with the use of extraordinary consolidation measures, contributed to a reduction in the budget deficit from 4.4% to below 3.0% (2.3% according to the EC estimate), which should take Portugal out of the excessive deficit

procedure.

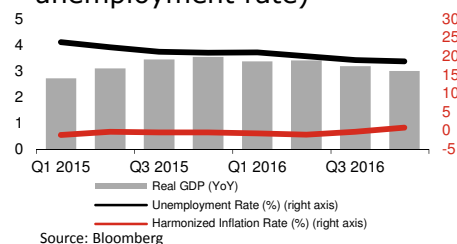
The EC expects economic activity in Portugal to accelerate to 1.6% in 2017, supported by the resumption of investment, as well as by the continuation of the expansion of private consumption. This projection, however, is subject to a number of risks. Internally, the process of consolidation of the banking sector may have adverse effects on the financial stability and perception of the country's level of risk and, therefore, aggravate the financing costs of the state and private issuers, with adverse consequences on the Domestic demand. At the external level, political risks inside and outside Europe could have a negative impact on external demand and on global financial markets evolution, with detrimental effects on Portugal's economic environment.

In 2016, the average annual inflation rate in Portugal was 0.6%, 0.4 pp above the euro area average and the highest in the past four years. The evolution of aggregate prices was affected, downwardly, by the fall in oil prices in international markets. In the opposite direction, by the worsening of indirect taxation and by the rise in the prices of tourism-related activities. In 2017, the reversal of the downward trend in oil price and the increased indirect taxation on some goods foreseen in the State Budget should contribute to the rise in the inflation rate, which the EC estimates to be 1.3%.

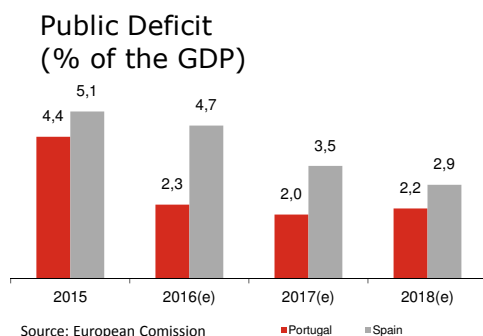
Spain maintains dynamism

In 2016, the Spanish economy grew 3.2%, supported by the good performance of both domestic and external demand. Domestically, the acceleration of private consumption, which continued to benefit from the labor market recovery and the positive impact on household income driven by low interest rates and oil prices, compensated for the loss of investment dynamism. On the external front, the strong export performance and the slowdown in imports resulted in a positive contribution from net exports, unlike in the previous two years. After a considerable period of high growth (above 3%), by 2017 the EC

Spain (Real GDP, inflation and unemployment rate)

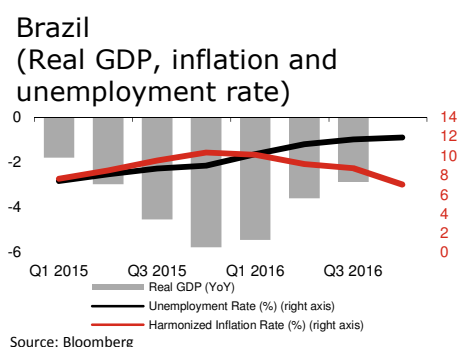


estimates that the Spanish economy will slow down, in an environment where the beneficial effects of the reduction of oil prices must dissipate. This last effect should also affect the evolution of the inflation rate, which the EC estimates will increase from -0.3% in 2016 to 1.9% in 2017. Despite the strength of economic activity, the budget deficit is still above 3%, which requires the implementation of additional measures to consolidate public finances. Given the government's minority position in parliament, this effort may jeopardize political stability in the country.



The Brazilian economy remains in recession

In 2016 the Brazilian economy remained in recession. Following the IMF's forecast of a 3.5% GDP contraction in 2016, after a 3.8% decline in 2015, this will be one of the strongest recessions in Brazil's history. The combination of an adverse international environment due to falling commodity prices and a domestic crisis, characterized by strong political instability and significant structural weaknesses, resulted in a decline in investor confidence. This situation led to aggregate demand deterioration, public and external accounts and worsening inflation. However, the moderation of the inflation rate in the last months of the year, following the appreciation of the real (after the strong depreciation in 2015), allowed Brazil's Central Bank to start in October a cycle of gradual reduction of the reference rate. In 2017, the IMF predicts that Brazil's political and financial improvement will allow the country to close the recessive cycle, although not to provide a rapid rebound in GDP, which is expected to grow at a still very moderate pace (0.2 %).



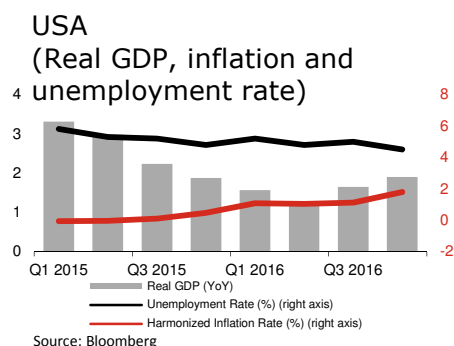
US economic expansion cycle is already the third longest since the post-war period, but the pace of growth has been narrowing

In 2016, the US economy registered the weakest pace of expansion since the economic and financial crisis of the last decade. GDP growth of 1.6%, well below the 2.6% observed in the previous year, was driven by private consumption, a category that benefited from the increase in employment and the acceleration of wages, as well as the maintenance of interest rates at historically low levels. On the other hand, increased political and economic uncertainty hampered investment, while the slowdown in global demand and the gradual appreciation of the dollar negatively affected net exports.

The seven year cycle of good economic performance, the improvement in labor market conditions and the reduction of deflationary risks, due to the increase in oil price, have motivated the US Federal Reserve to raise, for the second time within the current cycle, its interest rate by 25 basis points.

In 2017, the stated increase of expansionist fiscal policy, should fuel public and private investment and contribute to the maintenance of robust labor market, with a favorable impact on the evolution of disposable income and, consequently, private consumption. This scenario, coupled with the likely resurgence of inflation, should result in the Fed's intention to raise interest rates again.

The expectation of activity expansion in the course of 2017 may be reviewed in the event of US' administration having difficulties in implementing its economic policy or in case of significant correction of the financial markets.



The optimism about Trump's administration policy toward the revitalization of the economy coupled with improved global growth and the stabilization of US corporate profits favored investors' appetite for risk. This set of circumstances translated into a strong performance of the most risky asset classes, with emphasis on stock markets.

On the other hand public debt market showed high volatility during 2016, with long-term bond yields reaching close to both the lows and the highs in the post-financial crisis era. Short-term interest rates have evolved in line with the Fed's monetary policy normalization outlook.

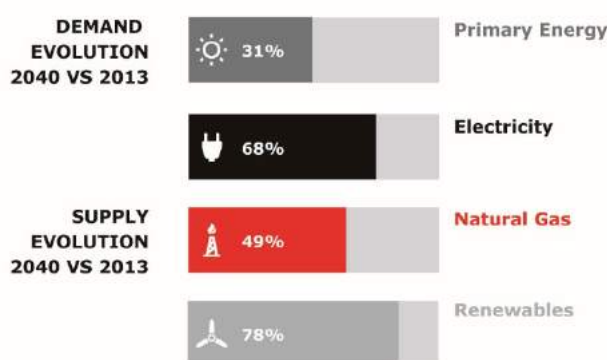
Notwithstanding the moderation of domestic inflationary pressures following the fall in unit labor costs and the appreciation of the dollar, the inflation rate has traced an upward trend throughout 2016, reflecting the strong recovery in energy prices and in the residential property rentals along with the acceleration of the cost of most services. By 2017, a reversal of the fall in commodity prices is expected which should lead to a gradual rise in inflation.

1.2. Global Energy Macro-Trends

The fight against climate change along with the technological innovation continues to drive the energy sector's evolution.

The energy sector transformation continued to accelerate in 2016. The main driver of the sector's evolution is still the fight against climate change. The Paris Agreement came into force in November as a result of the Climate Conference negotiations held at the end of 2015. The ratification of the agreement increases pressure on all countries to reduce their emissions. One of the results of this pressure was the development of greenhouse gas emissions pricing mechanisms in countries like China, South Africa, Chile and Canada. Another consequence was another rise in the supply of renewable energies and a slight decrease in global coal consumption.

Technological innovation also continues to facilitate the energy sector's evolution. In 2016, new historical minimum tariff levels were reached for the implementation of solar photovoltaic (PV) technology in very diverse countries such as India, the United Arab Emirates (UAE), Chile, Argentina, Mexico and South Africa. In September, the UAE actually reached the value of 24 USD/MWh in a solar PV auction. Another technological development is linked to the steady reduction of battery costs, which increasingly feeds the global trend to adopt electric vehicles.



Sources: AIE, World Energy Outlook 2015, New Policies Scenario

Energy Demand

Global energy demand continues to increase. The International Energy Agency (IEA) states that demand increased by 1% from 2013 to 2014 and estimates that it will rise 31% until 2040. This increase until 2040 is equivalent to an annual increase of 1%. The fact that the global economy is expected to grow by 3.4%/year shows that a significant reduction in energy intensity is likely to happen across the globe. At the same time, energy sector related CO₂ emissions are expected to increase by only 0.5%/year, highlighting the expected improvements of global carbon intensity in the future.

The increase in energy demand continues to raise environmental concerns. The Paris Agreement sets the ambition to limit the global temperature rise to 1.5° C in relation to the pre-industrial era. However, even the goal of limiting the rise to 2° C is at risk, even taking into account the ongoing improvements in the global economy's carbon intensity.

At a geographical level, the forecast increase in demand is mainly due to non-OECD countries (emerging economies). India and China are expected to account for nearly half of this demand increase. OECD countries should follow an opposite trend of reduction of demand with a 4% decrease until 2040.

In terms of final energy, electricity is the form of energy that will register the greatest growth (almost 70% until 2040) as a result of urban development and increasing penetration of electricity in new sectors, such as transport. Natural gas is the fossil fuel that will register the greatest growth, with an increase of almost 60% until 2040.

Energy Supply

On the supply side, growth is expected for all forms of energy in the medium and long term. Renewables will be the form of energy that will have the greatest growth in absolute value until 2040 (an increase of 78% in respect to 2014), followed by natural gas (an increase of 49%). The share of fossil fuels in the global energy mix is expected to decrease progressively with the three types of fossil fuel (oil, coal and natural gas) representing in 2040 about 1/4 of supply. Renewables and nuclear will complete the rest of the supply contributing with 19% and 7%, respectively.

The growth of the supply of renewable energies will be supported on traditional bioenergy, hydro, wind and solar, among others. In spite of the strong growth of bioenergy, resulting from the population increase in developing countries, its share of renewable energies is expected to decrease from 73% to 54% until 2040. The growth in hydro should also take place in developing countries where there is still significant hydro potential to be developed. In this context, other renewable technologies (wind, solar, etc.) are expected to increase their share of the renewables mix, eventually overtaking hydro, as a result of technological evolution that has strongly reduced the costs of these technologies.

The evolution of supply of different forms of energy is not homogenous at a global level. For example, until 2040, oil demand is expected to fall nearly 30% in OECD countries. Conversely, in China and India it is expected to rise 40% and 150%, respectively. Coal behaves in a different way, registering a decrease of 42% in OECD countries until 2040 and of 13% in China, while in India it should grow 148%. The only forms of energy that will grow in all these geographies are renewables and natural gas. The US, China and Europe are expected to be leaders in renewable energies growth until 2040. The power sector will be the main driver of renewables growth and the share of all of these sources in the power generation mix is expected to increase from the current 23% to 37% in 2040.

Electric Sector

In line with a tendency that has become increasingly clear, electricity is expected to be the form of final energy that will register the greatest growth over the next decades. Electricity demand should increase in all sectors and regions across the world, with the exception of Asia where natural gas is expected to have a slightly higher growth. Currently, electricity represents only 18% of final energy consumption but it should reach 23% in 2040. Nearly half of the growth in electricity consumption will take place in China and India. In terms of sectors, the global increase in electricity demand will be mainly due to heating and cooling for buildings and to industries. Other forms of energy that are traditionally used for heating and cooling and transport will progressively be replaced by more efficient and less polluting technologies, in particular heat pumps and electric mobility solutions. The substitution of traditional fuels by electricity – mainly based on more efficient, competitive and environmentally-friendly technological developments – contributes to the increase in electricity demand in exchange for an even larger decrease of demand for other fuels.

The decarbonization of the power sector continues to be a global trend. Low-carbon generation is expected to overtake coal generation before 2020. The share of coal in electricity generation is expected to decrease from the current 40% to 28% in 2040. During the same period, wind, solar and biomass generation should increase their total share from 6% to 20%. Technological developments and the ensuing decrease in renewable costs will drive the growth of these technologies (especially wind and solar PV), which will also benefit from a set of policies directed at mitigating climate change and reducing energy dependence (in particular in Europe). The large penetration of renewables in the power generation mix has implications at many levels. The intermittent nature of most of these technologies poses additional challenges to the operation of power systems and raises the need for backup capacity that guarantees security of supply.

Installed capacity is expected to increase from 6,400 GW in 2015 to 11,200 GW in 2040 which implies gross additions of 7,200 GW throughout the same period, of which around 2,400 GW will be needed to replace plants that will be decommissioned in the meantime. This need to replace the generation fleet is more pronounced in developed countries, in particular in Europe. Globally, the IEA estimates that in the period 2016-2040, investments of \$19 trillion will be

needed in the power sector, of which about 58% will refer to generation, with the rest going to transmission and distribution infrastructure.

At network level, the combination of information technology developments and energy is outlining a new, disruptive, smart grids world that enables active customer participation in electricity markets. Until 2040, 75% of global network investment will be applied in distribution grids. At retail level, topics like demand side management, real-time pricing and customer relationship management will enable a better management of energy systems.

1.3. EDP Market's Energetic and Regulatory Framework

European Framework

Electricity Demand and Supply

Electricity demand fell by 6% between the pre-recession consumption peak of 2008 (nearly 3,000 TWh) and 2014. The first slight recovery of demand occurred in 2015. However, demand is only expected to recover to 2008 levels after 2020. A 13% decrease of industrial demand between 2007 and 2014 and the increase of energy efficiency dampen the recovery to pre-2008 consumption levels.

On the supply side, renewable penetration in the generation mix is expected to continue to increase. The share of renewables in the mix should increase from the current 29% to at least 45% in 2030. In 2040, the European Union should have three times the current wind and solar generation, by then reaching nearly one third of total generation. The share of coal should continue on a decreasing trend, reaching around 7% of generation in 2040 (about one third of its current share). This decline of coal should be partially compensated with the increase of the share of natural gas, along with the aforementioned growth of renewable energies. The share of nuclear energy is also expected to decrease from the current 28% to 21% in 2040.

European Energetic Policy

At policy level, the European Commission's publication of the "Clean Energy for All Europeans" package headlines 2016. This package encompasses a large set of proposals from the European Commission that aim at accelerating Europe's energy transition. It translates the climate and energy policy objectives established by the European Council in October 2014 into concrete legislative proposals. The Council had set for 2030: (1) a European target for reducing Greenhouse Gas (GHG) emissions by 40% from 1990 levels; (2) a European binding target of at least 27% share for renewable energy; (3) an indicative target of at least 27% improvement in energy efficiency; (4) an indicative target of 10%/15% for interconnections to be achieved in 2020/2030.

The revision of the directive and regulation for the internal electricity markets are two crucial elements that compose the package. These legislative texts aim at adapting market functioning rules and defining the scope of action of the different sector stakeholders in order to facilitate the European electricity sector's decarbonization process. The European Commission's intention is also to place European consumers as the focal point of its proposals.

The package also proposes the revision of the European renewables directive. The document aims at guaranteeing a more efficient integration of renewable energy in electricity markets and defining rules that place renewable support mechanisms at a more European level.

Energy efficiency is another important element of the package published by the European Commission. Among other proposals, the energy efficiency directive proposes to increase the energy efficiency target to 30% in 2030, create ways to increase buildings' energy efficiency, new eco-design measures and improve the access to financing for energy efficiency measures.

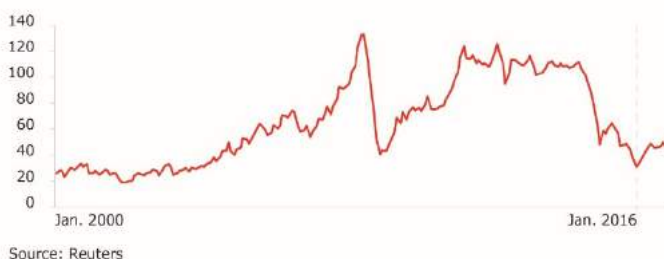
Finally, the European Commission also proposes a governance model to coordinate the implementation of measures that enable the achievement of the 2030 targets at European level.

In 2016, important steps were also taken in the process to reinforce the European CO₂ market known as ETS (Emission Trading System). At the end of the year, the European Parliament reinforced the proposals made by the European Commission in 2015 that look to breathe new life into the ETS. The main measures relate to decreasing the annual volume of auctioned allowances and increasing the outtake of excess allowances to the market's stability reserve. These measures will be discussed in 2017 between the European Council, the European Commission and the European Parliament. In case they are approved, they are expected to provoke an increase of ETS prices that would be desirable to decarbonize the European economy in the most cost-efficient way.

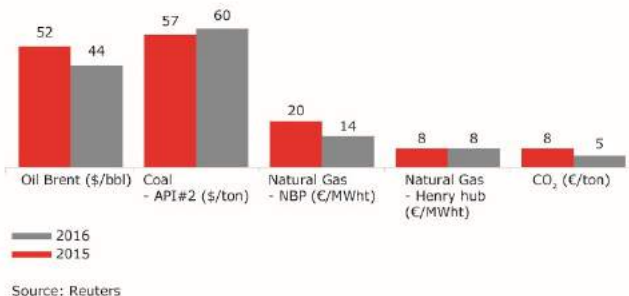
Fuel and CO₂

Oil prices recovered slightly in 2016. The year opened with a minimum oil price of 30 USD/bbl but the price recovered and closed the year above 50 USD/bbl. Oil prices remain lower than in the previous decade due to the slow growth of demand and the persisting excess of supply. The deceleration of China's and other emerging markets' economic growth continues to penalize the growth of demand. The excess of supply results from the United States' production of unconventional oil and the lack of a firm agreement between the OPEC countries (namely Saudi Arabia) to decrease production.

Brent Price Evolution (\$/bbl)



Fuel and CO₂ Annual Average Prices Evolution



Contrary to oil prices that result from a truly global market, natural gas prices continue to be defined in regional markets. Thus, although Europe registered a decrease of natural gas prices and prices in the US stabilized, European prices (NBP, European index) remain nearly double those of the US (Henry hub, American index). On the other hand, the price of natural gas in Asian markets was very similar to the European price, leading to few volume displacements from Europe to Asia.

On average terms, Europe's coal price increased slightly in 2016 in relation to 2015, registering a value of 60 USD/ton. At the end of the year there was actually a doubling of price in regard to January. This sudden increase is linked to supply constraints in China, where the government intends to limit the number of days on mining operating in an attempt to reduce the Chinese industries' coal dependence.

The European CO₂ price decreased significantly from 2015 to 2016. This decrease was verified even after the Paris agreement to reduce emissions that was signed at the end of 2015, revealing a mistrust of the market in regard to the implementation of the agreement.

1.3.1. Iberian Electricity and Gas Market

Electricity

A slight economic recovery took place in 2016 and electricity consumption rose in both Portugal and Spain in comparison with 2015.

- **+0.6%:** consumption increase in **Portugal**
- **+0.7%:** consumption increase in **Spain**

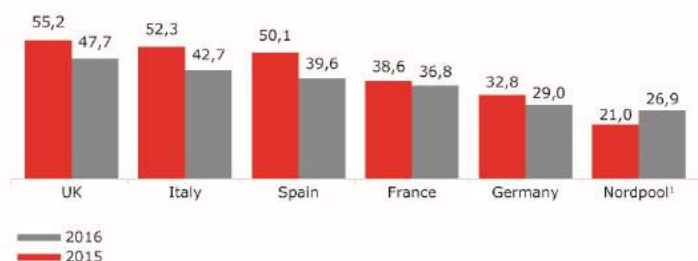
After temperature and working days correction, the consumption in Iberia did not increase as much in relation to 2015 (0.4% increase in Portugal and no variation in Spain).

Opposite to 2015, which was a dry year (the hydro capability factor in Portugal was 0.74 and 0.70 in Spain), 2016 was a wet year (the hydro capability factor in Portugal was 1.33 and 1.10 in Spain). The wind capability factor held almost constant in Portugal (1.01 in 2015 and 1.00 in 2016).

The increase of renewable generation (mostly hydro) was quite higher than the increase of consumption, which led to a decrease of residual thermal demand in Iberia from 95 TWh in 2015 to 80 TWh in 2016. The load factor of coal plants suffered the greatest impact (-14% of equivalent working hours in Portugal and -27% in Spain). However, coal plants remained more competitive than natural gas plants. This dynamic reflects the combination of both fuels' prices and low CO₂ price, much against the goal of decarbonizing the sector.

The reduction of residual thermal demand led to the decrease of electricity wholesale prices the Iberia to about 40 EUR/MWh, in line with the values registered in France and Italy. Markets with higher penetration of renewables, namely Scandinavia and Germany, continue to register Europe's lowest wholesale prices.

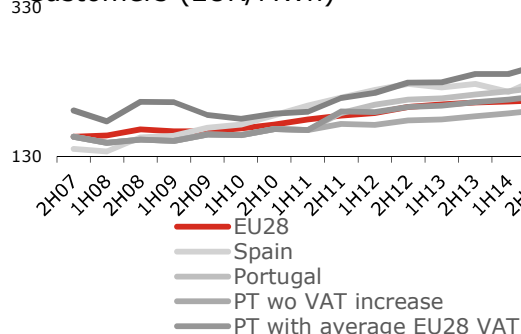
Wholesale Power Prices in European Markets
EUR/MWh



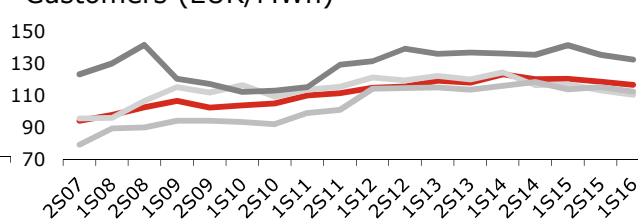
¹Includes Norway, Sweden, Finland, Denmark, Estonia, Latvia and Lithuania
Source: Reuters; IHS

At retail level, the sector's liberalization continues. In 2015, the liberalized market represented nearly 92% of the total volume of commercialized electricity in Portugal and 88% in Spain. The final price for households continue to be above the European average both in Portugal and Spain. In Portugal this holds true since the increase in VAT from 6% to 23% in October 2011. For industrial customers, prices in Portugal have remained below the EU average.

Electricity prices for Domestic Customers (EUR/MWh)



Electricity Prices for Industrial Customers (EUR/MWh)



Natural Gas

Natural gas consumption can be broken down into two main uses: conventional consumption (household and industrial consumption, including for cogeneration units) and power sector consumption. In 2016, Iberia consumption increased nearly 3%, boosted by Portugal's power sector consumption (+39% in relation to 2015) and by conventional consumption in Spain (+3% in relation to 2015). As a result, total natural gas demand in Iberia Peninsula varied by:

- **+7.0%:** demand increase in **Portugal**
- **+2.1%:** demand increase in **Spain**

Although demand increased, contracted volumes continue to exceed demand, raising the need to deviate high volumes of natural gas to international markets. However, the spreads on gas prices do not enable the deviation of Iberian gas to Europe and Asia, leading to gas-fired power generation to become the most profitable use of natural gas.

Regulation

Portugal

A new government took office in November 2015, and its program includes relevant goals in terms of energy, such as a renewed interest in promoting renewables, boosting energy efficiency, expanding electric mobility and developing an energy technology cluster. A set of regulatory developments linked to the government's political action should be highlighted:

Change in the legal regime for the social tariff and extraordinary social support to consumers (ASECE)

Law n. 7-A/2016, of March 30, which approved the State Budget for 2016, changed the legal regime for social support to energy consumption, looking to create a single model and an automatic entitlement to gas and electricity social tariffs. In parallel, the same Law revoked the existing extraordinary social support to consumers, with the corresponding discount being integrated in the social tariff and, therefore, leading to the financing of the measure by ordinary regime producers, in case of electricity, and by all consumers, in the case of natural gas. As a result of these changes, which came into effect on July 1, 2016, the number of economically vulnerable customers that benefited from a 33.8% discount in the electricity bill rose to about 800,000.

Reevaluation of the National Plan for Dams

As mentioned in the government's program, the government reevaluated the National Plan for Dams and in April it announced the decision to cancel the construction of the Alvito (EDP) and Girabolhos (Endesa) dams, to suspend the construction of the Fridão (EDP) dam for three years and to maintain the construction of the Tâmega (Iberdrola) dam.

Rehabilitation of Electric Mobility

In the program for its mandate, the government committed to providing a new impulse to electric mobility, foreseeing the expansion of the charging network in 2016 and 2017. Consequently, in 2016, the government concluded the first phase of the pilot network MOBI.E, installing 124 normal charging stations and 50 fast charging stations. It also launched the second phase of the pilot composed by 404 normal charging stations to be installed until 2018. The growth of the MOBI.E network will be financed by the PO SEUR incentive program under the Portugal 2020 funds, using European community funds, with the national component funded by the Environmental Fund.

Re-allocation of the Low Voltage (LV) electricity distribution concessions

The municipal concessions for the exploration of LV electricity networks, granted by mainland Portugal's 278 municipalities, end between 2016 and 2026. Due to this fact, the government submitted a Law Proposal to the Parliament relative to the organization of public tenders to be launched to reallocate the concessions. The model chosen by the Government has an undelying logic of aggregating municipalities and concentrating the tenders in a pre-established common date.

Rationalization of National Electricity System (NES) Costs

In October's tariff exercise for 2017, a set of diplomas which aim at mitigating costs of the NES were published:

- Retroactive reimbursement of public support to renewable energy benefiting from Feed-in Tariffs

On October 13, Ordinance n. 268-B/2016 was published, determining the reimbursement of 140 M€ to the NES relative to values received in an allegedly wrongful way by special regime generators who accumulated guaranteed remuneration under the form of Feed-in-Tariffs and public support for the promotion and development of renewable energy. The mechanism to reimburse the excess amounts will be defined in a separate Ordinance to be issued by the government.

- Revision of the interruptibility service model

Ordinance n. 268-A/2016, of October 13, establishes that, during 2017, the current interruptibility service model of the NES will be reviewed and replaced by a competitive mechanism.

- Revision of the Capacity Payment mechanism

Dispatch n. 12378-A/2016, of October 13 launches the revision process of the capacity payment remuneration model to create a market mechanism that exclusively remunerates the availability services provided by electricity producers, in line with the guidance provided by the European Commission in 2016 for capacity remuneration mechanisms.

Spain

In 2016, the regulatory measures taken by the Spanish Government between 2012 and 2014 continued to impact the sector. The measures were mainly intended to guarantee the economic stability of the power and natural gas sectors, with the main legislative piece being Law 24/2013 of the Power Sector. As a consequence, after a decade of tariff deficit creation, since 2014 there have only been surpluses in the power sector (550 M€ in 2014 and 469 M€ in 2015). The final deficit value for 2016 will be known in December 2017 as soon as all settlements are completed. However, a small surplus is once again expected in the power sector. The stability that was created resulted in the absence of the need to increase access tariffs in the power system.

As to the equilibrium of the natural gas sector, during 2016 the final deficit values for 2014 (1,025 M€, a high value due to imbalances created in previous years) and 2015 (27 M€) were made known. An economic equilibrium of the system is expected for the next years.

In 2016, the reform of electricity distribution remuneration, started by the new Power Sector law, was concluded. Ordinance IET 980/2016 established the remuneration of the different distribution companies in accordance with the new legal framework, thus closing the transitory period in place between 2013 and 2015. The reform of the remuneration of the electricity reference retail activity was also concluded with Royal Decree 469/2016. Since 2014, reference retailers are in charge of supplying electricity at the Voluntary Price for the Small Consumer to consumers that have up to 10 kW of contracted power and other consumers that do not have an electricity supply contract in the liberalized market. The new regulatory framework also established the remuneration of electricity transmission companies.

In regard to protection of vulnerable consumers, Royal Decree 7/2016 was published at the end of 2016, regulating the new financing mechanism of the cost of the social tariff and other protection measures for electricity vulnerable consumers. The new mechanism allocates social tariff costs to sector companies on the basis of the number of customers their retail subsidiaries and opens the possibility for highly vulnerable consumers to not have their electricity supply interrupted.

In regard to sustainable mobility, Royal Decree 639/2016 was published, through which a set of measures for the implementation of alternative fuel infrastructure is established. The decree transposes Directive 2014/94/EU of October 22, 2014 to Spain and aims at positively contributing to the efficient development of electric charging station and natural gas refueling networks.

In the area of renewable energy, the 2013 to 2016 period was concluded under the new regulatory regime set by Royal Decree 413/2014. The remuneration values that will be set for the period 2017-2019 are expected to take into account the new electricity market conditions. In January, the first auctions for remuneration of new capacity were held under the new regulatory framework, which have awarded 200 MW of biomass technology and 500 MW of wind technology. At the end of the year, the process for a new 3,000 MW auction was started.

The development of measures taken in 2014 and 2015 to increase competition and transparency in the natural gas sector also continued. After the reform of the Hydrocarbons Sector Law of 2014 and Royal Decree 984/2015, with which the system of contracting access to the natural gas system was reformed and an organized market was created (MIBGAS), in 2016 different detailed norms were published, such as standard contracts for access to gas system installations or gas system management guarantee norms.

Finally, in what relates to energy efficiency, in February, Royal Decree 56/2016 was published, transposing Directive 2012/27/EU. This directive refers to energy efficiency and, specifically, to energy audits, service provider accreditation and promotion of efficiency in energy supply. The Spanish decree fosters energy efficiency according to the scope established by the European directive.

1.3.2. EDP Renováveis' Markets

Wind

2016 was marked by the installation of 54.7 GW of wind capacity, according to Global Wind Energy Council (GWEC), bringing total global installed capacity to approximately 487 GW.

China was in the lead of power installations with 23.3 GW of new capacity but below the 2015's spectacular results of 30 GW and rose its installed capacity to 169 GW.

Wind energy savings, energetic policies and environment continue to fuel wind energy on a global scale.

The **US** came second in terms of wind market with an increase of 8.2 GW, bringing the cumulative capacity to 82.2 GW. On a state basis, Texas installed 2.6 GW in 2016, followed by Oklahoma (1.5 GW) and Iowa (0.7 GW). Texas remains the largest market in terms of cumulative capacity, overcoming the 20 GW milestone, followed by Iowa (6.9 GW) and California (5.7 GW).

In **Europe**, renewable energy made up approximately 90% of capacity additions and for the first time wind overtook coal to become the second largest source. In 2016, wind facilities represented more than half of Europe's new power capacity

and met more than 10% of total consumption. In the EU it was installed 12.5 GW of wind during 2016, of which 1.6 GW were offshore, therefore contributing to increase total wind capacity in Europe to 153.7 GW (12.6 GW offshore). Capacity additions were supported mainly by Germany (5.4 GW), France (1.6 GW), Turkey (1.4 GW) and the Netherlands (0.9 GW). With these results, Germany remains as the main market with 50.0 GW, followed by Spain (23.1 GW), UK (14.5 GW), France (12.1 GW) and Italy (9.3 GW).

In **Latin America**, Brazil installed 2.0 GW, surpassing the 10 GW mark while Chile added 0.5 GW reaching 1.4 GW of capacity and Mexico connected 0.5 GW closing the year with 3.5 GW.

Regarding **emerging markets**, India put into place 3.6 GW, consolidating its position as fourth largest player while South Africa added 0.4 GW and Pakistan 0.3 GW.

Solar

During 2016, solar PV capacity additions increased from 51.2 GW in 2015 to 76.1 GW in 2016, where China contributed with 34.2 GW (+125% YOY) and US came second with 14 GW, while Japan and India added 8.6 and 4.5 GW respectively. Europe added 6.9 GW which means a decrease of 20% versus 2015, having as main players the UK, Germany, Turkey and France.

Regulation

In **Spain**, on January 2016, the first auction of renewables' capacity was held, designed to provide a similar remuneration scheme to the one that applies to current installations. Tender participants were requested to bid discounts on the "initial investment" parameter that determines the "investment premium" that would eventually be awarded. The auction was very competitive and EDP Renováveis was awarded 93 MW of wind energy.

On October 2016, the Portaria 268-B/2016 on the clawback of non-refundable subsidies received from public development programs was published in **Portugal**.

In what regards **France**, a new Contract-for-difference (CfD) scheme was released in December 2016 for wind farms having requested a PPA in 2016. The strike price will be equal to the value of the current feed-in tariff (similar tenure, indexation and adjustment after year 10), plus a management fee to compensate balancing costs (2.8€/MWh).

As for **Italy**, the Energy Agency of Italy, released in December 2016 a list of projects that won offtake contracts in a 2016 tender. EDP Renováveis won PPAs for 6 wind farms totaling 127 MW with an awarded price of 66€/MWh and in case the realized market price is lower than the awarded price, the difference will be paid by GSE.

On June 2016 **Poland** approved the "Wind Turbine Investment Act", introducing, among other measures, new minimum distance restrictions for new wind farms and increased real estate burden. On November 2016, the government disclosed a draft ordinance detailing the amount and value of energy planned to be auctioned in 2017 defining that baseload renewables (dedicated biomass and biogas) will have a share of around 50% of the total 2017's auction budget and new onshore wind could also compete for an amount up to 150 MW.

In 2016, the government in **Romania** approved the draft ordinance setting a quota of 8.3% for 2017 and in October the Ministry of Energy published for consultation a draft amendment to the current RES Law, releasing afterwards a new draft in November, incorporating some improvements over the previous version. Among other amendments, an extension of the GC scheme until 2031, a removal of the indexation of the GC parameters and the extension of the GC recovery for wind energy from 2018 to 2025. Regarding PV projects, the draft amendments propose an extension of the GC postponement until end of 2024, fixing the recovery from 2025 to 2030.

In November 2016 in the **United Kingdom**, the Department for Business, Energy and Industrial Strategy released details on the next CfD round: second allocation round is expected to begin in April 2017 with projects to compete for GBP 290 million of annual support for the delivery years 2021/22 and 2022/23 (although offshore projects might be phased up to two years subsequent to 2022/23) and it will only include less established technologies, as offshore wind.

In the **United States**, on December 2015, the Congress approved the "Consolidated Appropriations Act, 2016" that included an extension of the PTC for wind, as well as the possibility of a 30% Investment Tax Credit instead of the PTC. Developers now have until the end of 2016 to start construction of new wind farms to qualify for 10 years of production tax credits at the full level. The Congress introduced a phase out for projects that start construction after 2016 and before 2020. These projects will still qualify for production tax credits, but at reduced levels: 80% for projects starting construction in 2017, 60% in 2018, and 40% in 2019. Developers of projects that start construction before 2020 may elect to claim 30% investment tax credits instead of production tax credits, subject to a similar phase out, reducing the value of the 30% investment tax credit to 24% in 2017, 18% in 2018, and 12% in 2019. Neither production tax credits nor investment tax credits are allowed for wind projects that start construction in 2020 or later. Additionally, on May 2016, the US Internal Revenue Service issued guidance that wind farms have 4 years from their start of construction to be placed in service and qualify for the PTC. As a result, projects that start construction prior to year-end 2019 and are placed in service prior to year-end 2023 will be eligible for the PTC. The IRS ruling also includes a provision that allows developers to secure the PTC if 5% of a project's capital components by dollar value are safe harbored in a given year and construction is complete within 4 years. Thus, if a developer safe harbors 5% of project Capex in 2016 for a given project, the project will qualify for 100% PTC if construction is completed by year-end 2020. In addition, the "Consolidated Appropriations Act, 2016" extended the Investment Tax Credit (ITC) for solar projects. Solar projects under construction by the end of 2019 will now qualify for the 30% ITC. The credit is reduced to 26% for projects starting construction in 2020 and to 22% for projects starting construction in 2021. Finally the credit drops to a permanent 10% level for projects that begin construction in 2022 or later or that begin construction before 2022, but are placed in service in 2024 or later. Projects must be placed in service by the end of 2023 to qualify for a credit above 10%.

1.3.3. Electricity Market in Brazil

In Brazil, the year of 2016 presented an extremely adverse economic scenario marked by: continuity of the economic recession; political crisis that culminating in the impeachment of President Dilma Rousseff; crisis in government accounts with fall in revenue and increase in the forecast of primary deficit; high interest rates; growing unemployment; and widespread decline in investor confidence.

The worsening of the Brazilian economic crisis led to the fall in industrial production and, consequently, to the reduction of energy consumption. In addition, the increase in tariffs, justified by the increase in thermoelectric production costs between 2014 and 2015, led to the migration of customers to the free market in 2015 and 2016, leaving the distributors in a scenario of energy contracted higher than necessary to meet the demand of its market and above the limit of 105% foreseen by ANEEL (National Agency of Electric Energy), a situation that is known as "overcontracting of energy" or simply "overcontracting". In addition, the average PLD (pool price) decrease compared to the value recorded in 2015 had a negative impact on the distributors. In view of this scenario, ANEEL adopted some mitigating measures, in particular the following regulatory resolutions (REN): (i) REN 711/2016, which allowed distributors, in agreement with production agents, to reduce, postpone or cancel contracts Of energy commercialization in the Regulated Contracting Environment (ACR) (CCEARs); (ii) REN 726/2016, which allowed the return of contracts when migrating customers who purchase energy from small hydroelectric plants (PCHs), wind power plants etc., in addition to large customers, to new CCEARs; And (iii) REN 727/2016, which improved the use of the New Energy Saving and Deficit Compensation Mechanism (MCS D), with the possibility of contractual reduction by the agents of production.

Although they have shown a positive impact, the mitigating measures adopted have not been sufficient to eliminate over contracting.

As for the hydrological scenario, 2016 had a favorable start, with the recovery of part of the reservoirs, especially the sub-market of the Southeast, which closed the year with the average ENA (Natural Energy Affluent) in 95% of the MLT (Long Term Average). In the Northeast, the drought that has been plaguing the region presented its second worst year (in a historical 86 years), closing at 44% of the MLT.

Despite the favorable start, the reduction in consumption, affected by the economic downturn associated with the increase in outflows at the beginning of the year, contributed to the reduction of the PLD (Settlement Price of Differences), which ended 2016 at R \$ 94 / MWh, against R \$ 288 / MWh in 2015 in SE / CO, and improvement of GSF (Generation Scaling Factor), which ended the year at 86.8%. In the NE submarket, the critical hydrological situation kept the thermoelectric plants running, closing the year with the PLD higher than the other submarkets (R \$ 174/MWh).

Regulation

From the regulatory point of view, in 2016, the energy sector has undergone several changes, with highlight for the following:

Tariff Flags

Established in 2015, Tariff Flags aim to signal the real costs of electricity production. The green flag indicates that the cost of producing energy is lower, and no change in tariffs is applied. The yellow and red flags represent the increase in cost of energy production, at which time an additional value is applied to the tariff. In 2016, the values of the yellow and red flags changed: the red flag had two levels, the additional ones being R \$ 3.00 and R \$ 4.50, applied to every 100 kWh consumed, and the yellow flag passed from R \$ 2.50 to R \$ 1.50, applied to every 100 kWh.

Management of the Sectorial Fund - Law No. 13.360

Law No. 13.360, published in 2016, restructured the management of the Energy Development Account (CDE) sector fund. The fund, formerly managed by Eletrobrás, was transferred to the management of the Electric Energy Trading Chamber (CCEE), with a deadline established until May 1, 2017.

This Law also introduced significant changes in the regulatory scenario, such as the creation of New Energy Auctions with start of the supply in up to 7 years (A-7); allowing consumers with voltage up to 69 kW, existing prior to 1995, to become free; the possibility for distributors to sell their surplus energy in the free market; the increase of the Financial Contribution for the Use of Water Resources - CFURH (water royalties); the allocation of costs of Itaipu, referring to secondary energy, for MRE (Reallocation Mechanism of Energy); and the creation of uninterruptible loads.

Ordinary Physical Guarantee Review

The Physical Guarantee is assigned to each hydroelectric plant and corresponds to the maximum limit defined for the commercialization of energy in contracts. Decree No. 2.655 / 1998 established that this amount will be reviewed every five years (ordinary review) or in the occurrence of relevant facts (extraordinary review). The last revision, made in 2004 by the MME (Ministry of Mines and Energy) Ordinance No. 303, determined the physical energy guarantees of the hydroelectric plants and the validity until December 2014. Since then, the studies have had continuity, with wide participation of bodies and entities related to the MME to analyze and discuss the data, configuration, methodology and models required for the regular review. At the end of 2016, Ordinance No. 714 extended once again, until 31 December 2017, the current values of physical energy guarantees from centrally-dispatched hydroelectric plants.

White Tariff

Created in 2016, the White Tariff aims to signal to consumers, who opt for this tariff modality, the variation of the energy value according to the day and time of consumption.

The tariff is offered for consumer units in low voltage, which will be able to pay different values depending on the time and day of the week. On weekdays, the White Tariff has three rates: peak (being standard from 17h30 to 20h30); Intermediary (one hour immediately prior and another immediately after the peak tariff); And off-peak (composed of 21 hours a day complementary to peak hours, in addition to Saturdays, Sundays and national holidays). At peak and at intermediary, the energy is more expensive than at the off-peak.

Consumers can adhere from January 1, 2018, and will have the alternative to request, at any time, the return to the conventional tariff modality.

2. Strategic Agenda

Strategic Agenda 2016-2020

The strategic architecture adopted by EDP in 2006 is based on three pillars – controlled risk, superior efficiency and focused growth – and has proven adequate, in essence, given the changing environment, especially with regard to the European Utilities sector. In the last “Investor Day” realized in May 2016, EDP presented its new Business Plan until 2020 (BP 2016-20), reinforcing the latter strategic pillars with its commitment of balancing growth and financial deleveraging maintaining an attractive shareholder return as structural pillars. EDP presented then the following strategic priorities for 2016-2020:

- Growth-oriented to value creation, giving priority to investment in long-term contracted renewable assets in core markets;
- Continue financial deleveraging effort, ensuring the increase of medium term cash-flow generation;
- Preserve low risk business profile through optimization of invested capital allocation;
- Reinforce efficiency;
- Maintenance of a stable and attractive dividend policy.

EDP’s **growth-oriented commitment** is embodied in an expected increase of EBITDA of about 3% per year by 2020¹ driven by the creation of growth opportunities focused on renewables, predominantly comprising wind but also hydro and solar.

Therefore, the BP 2016-20 foresees an average net investment of 1.4 billion euros per year in the period 2016-20, of which 84% relates to regulated and long-term contracted activities, with about 55% visibility, at that date, of the renewables growth target up to 2020.

The **financial deleveraging** effort aims to reinforce the visibility in free cash flow generation in the medium term, establishing the target of a Net Debt/EBITDA ratio of ~3.0x in 2020, supported by a rigorous control over the investment together with EDP Renováveis’ asset rotation strategy and the execution of the strategic partnership with CTG.

EDP’s preservation of its **low risk business profile** remains a priority, namely in what concerns the recognition as one of the most integrated and regulated European utilities, set on the commitment of maintenance of the weight of its regulated activities around 75% of total EBITDA in 2020. To this end, EDP will aim to ensure, wherever possible, long-term contracts for the sale of energy as well as to diversify its business portfolio.

The maintenance of a leading position and global recognition of EDP’s sustainability practices also contributes to this profile, an objective also assumed in EDP’s strategic agenda, which integrates the several targets around the three pillars of **sustainable development** – environmental dimension, economic dimension and social dimension.

The commitment towards **efficiency** is even more relevant in the current challenging context of the sector. In this regard, EDP intends to keep its leading position achieved through the development of a culture of continuous improvement, based on programmes spread across the Group, as well as on the execution of a new efficiency programme, OPEX IV, targeting annual cost savings of 200 million euros per year by 2020 and an accumulated savings amount of 700 million euros in the 2016-2020 period.

¹ Based on recurrent and weather adjusted EBITDA in 2015

Regarding the **shareholders return**, EDP is committed to increase the dividend floor by 3%, to €0.19 per share, from 2016 fiscal year. This commitment is based on the expectation of a Net Profit annual increase of about 4% per year by 2020², intending to achieve a payout ratio that is in a range between 65% and 75% of recurrent Net Profit.

Goals				
Balancing growth & financial deleverage Focus on profitability & shareholder return				
Strategic Agenda				
Focused Growth	Continue Financial Deleveraging	Keep Low Risk Profile	Reinforce Efficiency	Deliver Attractive Returns
Targets				
Long-term contracted renewable assets in core markets - Net Investments: avg. €1.4bn/year 2016-20 - LT Contracted Renewables⁽¹⁾: +3,9GW 2016-20	Reinforce visibility on medium term Free Cash Flow - FFO/Net Debt: ~24% by 2020 - Avg. Cost of Debt: 4.2% by 2020	Strong weight of regulated and LT contracted activities - Renewables: ~76% of installed capacity by 2020 - Avg. Residual Asset Life: ~21 years by 2020	Continue efforts on efficiency improvement - OPEX IV Target Annual Cost Saving: ~€200m by 2020 - Accumulated Opex Savings: €700m in 2016-20	Sustainable and predictable dividend policy - Target Dividend Payout Range: 65-75% - DPS Floor at €0.19/share from 2016
EBITDA CAGR 2015 ⁽²⁾ -20	Net Debt /EBITDA 2020	% EBITDA Regulated/ LT Contracted 2020	Opex/Gross Profit 2020	EPS CAGR 2015 ⁽²⁾ -2020
+3%	~3.0x	~75%	26%	+4%
				DPS Floor 2016
				+3%

⁽¹⁾Including Equity Method Consolidation

⁽²⁾Based on Recurrent and weather adjusted EBITDA and Net Profit in 2015

Achievement of Strategic Priorities

In terms of **growth-oriented to value creation**, the net investments over the last three years (2014-16) reached an annual average amount of 1.2 billion euros, in line with the committed goal for the three-year period and for 2016. In terms of gross Capex³, the annual average amount in the same period was 2.1 billion euros, of which 65% in expansion assets, resulting in an increase of 10% in installed capacity⁴. Renewables took the highest share of this increase, leading to the rise of the weight of renewable installed capacity over total installed capacity from 69% in 2013 to 73% in 2016.

At EDP Renováveis level, during 2016 were installed 820MW of wind capacity⁵, occurring the largest amount of this growth in North America (629MW, of which 200MW related to "Eólica de Coahuila", the first project of EDP Renováveis in Mexico). Another 2016 highlight is the conclusion of "Baixa do Feijão" wind farm in Brazil (120MW).

Also during 2016, in pursuing the objective of creating growth opportunities, EDP Renováveis entered into long-term contracts for the sale of energy corresponding to 502MW in future wind projects (of which 275MW in the US, 100MW in Canada and 127MW in Italy), thus ensuring the development of competitive projects with long-term visibility. By the end of 2016, EDP Renováveis have already secured long-term contracts for 1.1GW of projects to be installed in the US until 2018 and for more than 0.5GW of projects to be added in Europe.

² Based on recurrent and weather adjusted Net Profit in 2015

³ Including Financial Investments

⁴ Including equity method consolidated capacity

⁵ In net terms EDP Renováveis capacity increased 770MW due to a 50MW deconsolidation at Poland's operating level

Regarding the hydro plan in Portugal, in 2016 Salamonde II (207MW) and Baixo Sabor upstream (151MW) hydro power plants have entered into service. The construction works in Venda Nova III repowering and in Foz Tua dam (together representing 1,019MW) are still ongoing, with completion expected during 2017.

In Brazil, 2016 was marked by the anticipation of the entry into service of Cachoeira Caldeirão hydro power plant (219MW, 50% EDP) eight months ahead of schedule, and the ongoing of the construction works of São Manoel (700MW, 33% EDP), with operation scheduled for 2018. In addition, EDP further points out its participation in a Public Power Transmission Auction held in October, being awarded the concession to operate a transmission line with 113 km of extension in the state of Espírito Santo.

EBITDA increased by 2% per year in the 2014-16 period, overcoming the 2016 target established in BP 2016-20, benefitting from high hydraulicity levels in the year in Iberia.

With respect to **financial deleveraging**, decisive steps were taken, namely through the balancing of its investment with asset rotation operations at EDP Renováveis level. In 2016, these operations represented approximately 1.0 billion euros, of which 0.6 billion euros regarding the sale of a minority stake in a portfolio of wind assets with 664MW in Spain, Portugal, Belgium and France; 0.3 billion euros related to the sale of a minority stake in 340MW of wind assets in the US; and 0.1 billion euros related to the sale of a minority stake in 100MW of wind assets in Italy. Since 2014, the total amount of EDP Renováveis asset rotation proceeds reached 1.6 billion euros.

Regarding the implementation of the strategic partnership with CTG, from the 2 billion euros initially agreed, 1.4 billion euros were already concluded, of which 0.4 billion euros closed in 2016 with the sale of 49% equity shareholding and shareholder loans in a portfolio of wind assets in Italy and Poland.

In addition, EDP concluded in 2016 the sale, for 91 million euros, of Pantanal mini-hydros in Brazil. This operation was foreseen in BP 2016-20.

In 2016, EDP also concluded monetizations of tariff deficit in Portugal of 2.2 billion euros, an amount above the 0.8 billion euros per year planned in BP 2016-20, reinforcing the efforts evidenced in 2014 and 2015 with total accumulated sales over 2.1 billion euros.

The deleveraging effort has resulted in a gradual reduction of the financial cost of debt⁶. In 2016, the average cost of debt reduced 0.3 p.p. to 4.4%. This reduction in the financial cost of debt has been reinforced with an active debt management through the early payment of loans bearing high interest rates. In 2016, these operations represented about 1.0 billion euros, highlighting in November the buyback of Note Entitlements, in the amount of 250 million euros of the "EUR 300,000,000 Floating Rate Notes due 2018" issued in 2008, and in December of 500 million dollars of notes due in 2018 and 2019.

EDP has kept a clearly distinctive **low risk business profile**, expressed by the weight of its regulated business EBITDA of 87% in 2016, above target, which has allowed it to mitigate the negative impacts resulting from a very challenging market context.

This performance was also secured through the management of the legal and regulatory agenda, which remains as one of the main priorities for EDP, as the Group continues to take a proactive stance in providing solutions that lead to the consolidation of sustainable energy systems where it operates.

In a period of great uncertainty, **focus in efficiency in terms of Opex** has been constant. After the 2 years anticipation of the target for OPEX III efficiency programme in 2015, in 2016 EDP launched a new efficiency programme, OPEX IV, targeting annual cost savings of 200 million euros per year by 2020. In 2016, the programme reached savings of 105 million euros, above target, with highlight to the improvement of the Opex/Gross Profit ratio in 1 p.p., to 27%, and the stagnation of operating costs in Iberia.

⁶ (Interest expense on financial debt +/- Income and Expenses with Interest from derivative financial instruments) / Average Financial Debt in the period (Total debt and borrowings - Accrued Interest - Fair value of the issued debt hedged risk), considering 50% of the interest expense and of the financial debt related to the hybrid.

In 2016, as far as **shareholders return** is concerned, EDP kept its dividend distribution policy with a dividend distributed of €0.185 per share. EDP share price closed 2016 year with a decrease of 13%. Considering the dividend paid in the year, EDP shares yielded a -7% shareholder return, 5 p.p. below the Euro Stoxx Utilities Index and 2 p.p. above PSI20.

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

3. Goals and Targets

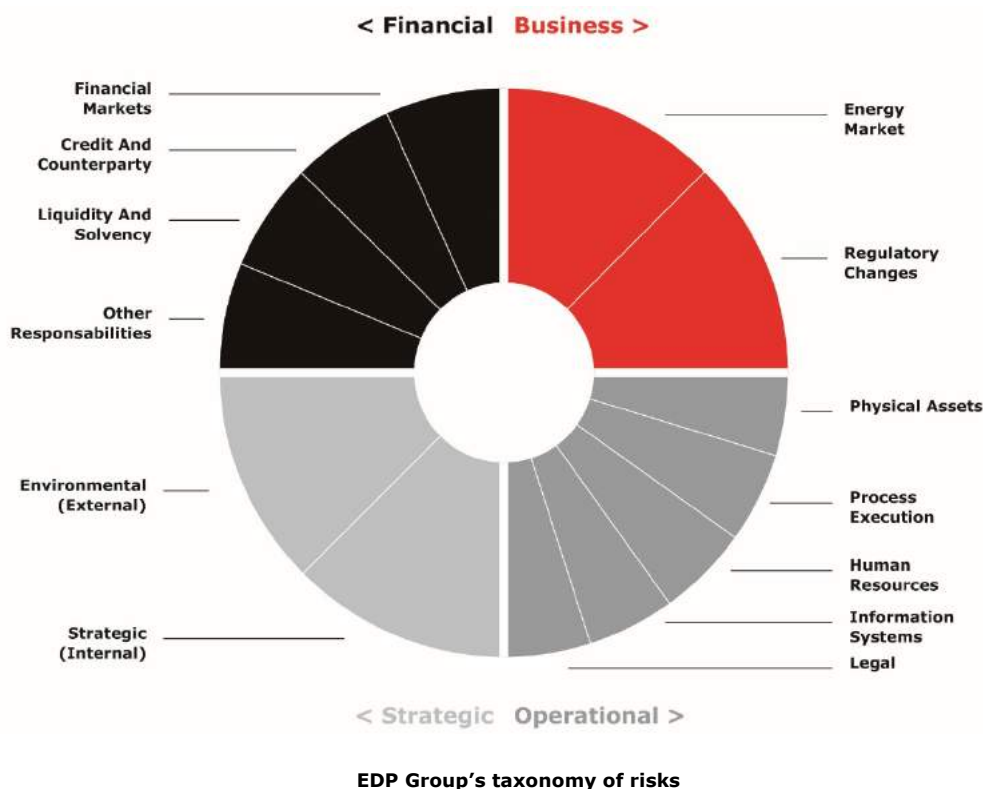
OBJECTIVES	GOALS	DATE	OBSERVATIONS
1. ECONOMIC AND SOCIAL VALUE			
To focus on growth maintaining the financial deleveraging	EBITDA Average Annual Growth Rate: -3% per year *	2016-2020	
	Average Annual Net Investments of -€1.4bn per year	2016-2020	Net Investments of €1,2bn in 2016
	Adjusted Net Debt/EBITDA: -3.0x	2020	
To preserve a low risk business profile	Regulated & LT Contracted EBITDA: -75% total EBITDA	2020	87% EBITDA from regulated activities in 2016
To reinforce efficiency	OPEX IV cost savings of €200M/year by 2020	2020	
	OPEX/Gross Profit: 26%	2020	
To keep an attractive and stable dividend policy	EPS Average Annual Growth Rate: -4% per year *	2016-2020	
	Payout ratio between 65% and 75% of recurrent net profit, with a minimum of €0.19 per share	2016-2020	Dividend of €0.19 per share to be paid in 2017
To promote generation from renewable energy sources	Renewable installed capacity > 75% of total installed capacity **	2020	73% of Renewable installed capacity in 2016
To improve the integration of sustainability practices in the internal management systems	Keep the SAM Gold Class	2017	EDP is included in Bronze category
To promote competitiveness and productivity through innovation	€200M of investment in R&D between 2015 and 2020	2020	Page 91
	90% smart meters installed in the Iberian Peninsula	2030	Page 96
2. TO MANAGE THE COMBAT TO CLIMATE CHANGE AND ENVIRONMENTAL IMPACT			
To contribute with solutions to combat Climate Change	Until 2030, reduce CO ₂ emissions by 75% in comparison with 2005 values	2030	Page 95
To strengthen an appropriate environmental management of EDP's activities	100% of installed capacity certified according with ISO 14001	2020	Page 17
To contribute actively to the preservation of the environment and biodiversity	Globally extend environmental externalities evaluation	2020	Goal reviewed to 2020
To promote energy efficiency	More than 1 TWh induced energy savings in final customer more efficient by products and service	2020	Page 96
3. TO DEVELOP OUR PEOPLE			
To work towards "Zero accidents"	Reduce the frequency of on-duty accidents with EDP employees and service providers by 5% compared with the previous year	2020	Page 113
Diversity Policy	Review the Diversity Policy	2017	Page 114
Performance assessment	Expand Sustainability KPIs aligned with the defined targets for 2020	2020	Page 117
Organisational climate	Maintain employees's engagement above 75%	2020	Page 116
4. TO REINFORCE TRUST			
To strengthen the ethics in all EDP's employees' culture	Maintain the incorporation in the World Most Ethical Companies list by the Ethisphere Institute	2017	Page 24
	Exceed 80 points in the corporate index Ethicis	2020	Page 88
Extend Sustainability to the supply chain	Accomplish the goals (audits, assessment, certification in Sustainability)	2020	Page 125
To keep or improve the quality levels of technical and commercial services provided to our clients	Ensure an overall customer satisfaction above 80% in different segments	2020	Page 118
To deepen EDP's commitment with social development	Guarantee an allocated budget to "Fundação EDP" up to 0.1% of the Group's turnover	2020	Page 129
	Increase in 10% every year the number of hours in skills volunteering	2020	Page 130

* Based on Recurrent and weather adjusted EBITDA and Net Profit in 2015

** Includes equity consolidated capacity

4. Risk Management

EDP Group periodically performs exercises for the identification and quantitative⁷ assessment of the materiality of the key risks at the Group level, in close cooperation with all relevant Business Units. These exercises lead to the development and update of the risk taxonomy, currently structured around 4 major families of risk (strategic, business, financial and operational), aggregating all risk mapping exercises at Business Unit level, using an integrated perspective and common language.



- **STRATEGIC RISKS** typically incorporate risks with medium-long term prospects, usually with reduced likelihood, although if they occur they may have a material impact.

In terms of **environmental risks (external)**, EDP Group recognizes and monitors closely exogenous events and developments with a potential to materially impact the Group. For example, regarding the risk of technological disruptions, EDP Group has sought to position itself at the forefront of technological development in the sector, seeing this issue not as a threat but as a central vehicle for promoting growth in the future both through investment and research into new technologies (in particular, but not limited to, activities performed by EDP Inovação).

In terms of **strategy risks (internal)**, EDP Group identifies and actively follows the main issues associated with major corporate decisions (e.g. investment decisions, relations with partners, internal governance and corporate planning in its various forms). For example, a rigorous process is established for investment decisions, consistent with the Group strategy and with pre-established criteria (in particular regarding the definition of minimum return levels and up to date, geographic, business-specific discounting rates, as well as the strategy's resilience under multiple adverse scenarios of delays, cost overruns, fluctuations in key business variables,

⁷ The quantification includes the analysis of expected and maximum loss (at a confidence level of 95%), regarding the expected probabilities of materialization and impacts over multiple horizons (short, medium and medium-long term). The quantitative assessment of risks is aggregated by risk category, taking into consideration correlations and diversification effects

etc.). This process is led by the Business Analysis Department and discussed in formal forums (Investment Committees) for the analysis, decision making and monitoring of projects.

- **BUSINESS RISKS** aggregate all risk factors intrinsically linked to the remuneration of the EDP Group's core activities, in production, distribution and commercialization of energy, both in terms of energy markets and regulatory risks.

In terms of **energy market risks**, there are significant uncertainties associated with fluctuations in pool and other commodities' prices, volatility of renewable energy production volumes (particularly at hydro and wind level), volatility in energy consumption and narrowing of sales margins. As most plants are covered by medium and long term energy sale contracts, mainly in EDP Renewables and EDP Brasil as well as plants still covered by CMECs⁸ (mechanisms that will have its final revision, depending on the specific power plant, until 2017), the risk is largely mitigated. Additionally, the Group also adopted the mechanism of repactuation of hydrologic risk (with retroactive effects at January 2015), which limits a great part of the risk associated with the volatility of Brazil's hydro generation. The risks associated with power plants that are subject to market changes (pool and commodities prices) are monitored and managed by the EDP's Business Unit for Energy Management (UNGE), who is responsible for negotiating contracts for coal, gas and CO2 allowances and for hedging the fuel price risk (in cooperation with the Corporate Financial Management Department). Fluctuations in energy consumption (in addition to impacts of the pool price, cited above) are reflected as an impact on thermal power plants demand and a small impact on the permitted revenues of the distribution business (to the extent that this variable is one component, amongst others, of the variable remuneration indices). The Group manages its exposure to the various energy market risks through an active strategy of diversification across multiple technologies, geographies and business lines

In terms of **regulatory change risks**, EDP Group is subject to legislative and regulatory changes (e.g., sectorial packages, regulatory models, environmental rules, taxes and fees). The EDP Group manages this risk through continuous monitoring and preparation of several dossiers, which are discussed in a constructive and cooperative atmosphere, allowing the anticipation and minimization of unfavourable and/or inadequate outcomes that can materialize in the various market environments where the Group operates.

- **FINANCIAL RISKS** aggregate the market risk factors that complement the (non-operational) energy business risks in the various geographies and markets where the EDP Group operates in terms of i) financial market variables, ii) credit and counterparty (financial, energy and customers), iii) liquidity/solvency (treasury management, difficulties in accessing funds, cost of capital and ratings) and iv) other responsibilities (including the Defined Benefit Pension Fund). The current macroeconomic environment has somewhat stressed the level of risk for the several categories of financial risks, - however, initiatives have been developed at European and national level to support and promote economic growth as well as strengthen the resilience of financial system, combined with the fact that EDP Group is decreasing its level of leverage. These actions are believed to reduce the materiality of the financial risks in the medium-term.

In terms of **financial market variables**, the EDP Group is exposed to fluctuations in interest rates (impacting on debt subject to floating rates and on costs derived from refinancing at a fixed rate), exchange rates (namely fluctuations of the buy and sell prices of electricity and other sources of energy, on foreign currency investments, as well as physical assets value, financing and revenues denominated in foreign currencies), inflation and valuation of financial assets held by the Group. All these risks are managed and mitigated by the Corporate Financial Management Department, together with the Business Unit for Energy Management (UNGE), EDP Renewables and EDP Brasil, who ensure compliance with the Group's risk policies and periodically report on the evolution of the main variables and sources of risk.

In terms of **credit and counterparty**, the EDP Group recognizes risks associated with its financial and energy counterparties, as well as with credit defaults of clients in the various operating geographies. The financial counterparties risk management is ensured by the Financial Management Departments through i) a careful selection of counterparties, ii) an adequate diversification, iii) an exposure only to financial instruments of

⁸ Costs of Maintenance of Contractual Balance, a remuneration system not impacted by energy market price or hydro volume fluctuations

reduced complexity, high liquidity with no speculative nature, and iv) a regular monitoring of the respective positions. The Business Unit for Energy Management (UNGE)⁹ manages the energy counterparties' risk by applying exposure limits previously established and approved in accordance with the individual rating of each counterparty. Finally, the commercial risk is managed by the commercial areas of the Group (in Portugal, Spain and Brazil), who carry out adequate provisioning against default expectations.

In terms of **liquidity and solvency risks**, the risk of possible cash shortfalls is mitigated through i) centralization (cash-pooling) of the Group's liquidity (except in Brazil), ii) maintenance of adequate liquidity levels (cash and credit lines with firm commitments) based on a detailed forecast of cash needs (enough for about two years of cover, equal or superior to main peers level), iii) an appropriate strategy for diversifying funding sources, and iv) the diversification of debt profiles in terms of type and maturity. As the rating risk leads to potential adverse impacts on funding access and costs, the Group seeks to ensure appropriate levels of leverage with a low risk profile and to maintain stable contractual standards, which ensure no dependence of its liquidity position to mechanisms such as financial covenants or rating triggers.

In terms of **other responsibilities**, the EDP Group recognizes and closely monitors risks associated with the capitalization of the Group's Defined Benefit Pension Fund in Portugal (associated with the market value of the respective assets), with additional costs associated with current and early retirement, as well as with medical expenses. Employee benefits liabilities are calculated annually by an Independent Actuary, using assumptions set out in IFRS-IAS (taking into account aspects such as, among others, interest rates, demographic factors, economic variables and applicable requirements). The Pension Plan and Fund Committee regularly monitors the Defined Benefit Pension Fund in terms of the value of the assets that comprise the Fund as well as changes to the liabilities.

- **OPERATIONAL RISKS** aggregate risk factors that are additional to the energy business and financial risks in the various geographies and markets where the EDP Group operates. They contain risks associated with the planning, construction and operation of physical assets, execution of processes, personnel, information systems and legal. Many of these risks, particularly those with lower uncertainty and/ or more frequent, are already accounted for in Business Units budgets, through specific rubrics, budget margins or adequate provisioning.

In terms of incidents on **physical assets**, these risks can occur during the phase of development, construction or operation of assets and can be derived from external (for instance, seismic or atmospheric phenomena) or internal causes (for instance, damage caused by defects of origin and/or installation). It can result in, amongst others, threats to the physical integrity of the Group's employees or third parties, costs on the repair or replacement of equipment, the unavailability of assets and subsequent loss of profit or in compensations to third parties. These risks are, firstly, managed and mitigated by the various operational areas of the Group's Business Units, who propose and implement best practices in terms of operational policies, regular inspections and preventive maintenance, as well as in plans for catastrophic events' crisis management and business continuity. Secondly, a significant part of the remaining risks is mitigated through a comprehensive range of insurance policies (in particular property damage and civil and environmental responsibility), managed by the Insurable Risks' Unit at EDP Valor.

In terms of **information systems**, (both in terms of availability, data integrity and security) we highlight the establishment, in close coordination with the various Group Business Units (end users), of maximum unavailability periods that are acceptable for each of the main families of applications (which serve as the basis for the sizing and implementation of redundant systems for disaster recovery, particularly for critical systems such as execution of financial transactions, grid operation and energy trading).

In terms of **legal issues**, there are recognisable risks associated with losses resulting from the failure to comply with current legislation (tax, labour, administrative, civil or other), with impacts at the economic level (penalties, compensations and agreements) as well as damage to reputation. The EDP Group analyses, monitors and reports material developments to all relevant bodies, whether at the level of the Executive Board of Directors or at the General and Supervisory Board (through global and geography-specific exposure levels) and, based

⁹ Complemented by the Energy Planning Department in EDP Brasil e and by the Markets and Risks Department in EDP Renováveis

on the information provided by legal advisors and on the analysis of pending law suits, recognises provisions to cover the losses estimated as probable, related with litigations in progress.

Regarding reputational risk, the Group is in line with the best positioned international peers (and above the sector average position) according to the Reputational Risk Index (RRI) from RepRisk¹⁰. In terms of its definition, EDP Group considers the reputational risk not as a risk in itself, but as one of the dimensions of impact of each of the taxonomy risk factors (being it strategic, business, financial or operational). Given the diverse nature and multiplicity of causes that can generate reputational impacts, each of EDP Group's employees has the responsibility to manage and mitigate this same risk.

Finally, the Group monitors carefully and continuously all internal and external developments and consequent emerging risks that may have impact, both as threat and opportunity, namely regarding geopolitical and macroeconomic risks, the evolution of generation technology costs as well as emerging business models (such as the shared economy).

2.4.2. Risk Appetite

The EDP Group is exposed to a number of risks due to its dimension and diversity of businesses and geographies in which it operates, hence it recognizes risks is an integral and unavoidable component of its activity, both as threats as opportunities.

Acknowledging this fact, the Group establishes explicitly and implicitly its risk appetite for all internal and external stakeholders, both at corporate and Business Units level, as well as for the various categories of risks, through a set of mechanisms:

- The periodical development and approval of the Group's Business Plan by the Executive Board of Directors, which is communicated to all stakeholders, and where key strategic orientations are set for the upcoming 3 to 5 years;
- The rigorous evaluation of risk related to investment and divestment opportunities proposed by the Business Units and approved by the Executive Board of Directors, including the estimation of returns adjusted to risks vs. established hurdles. This evaluation is supported by the opinion of the Investments Committee, which includes specialists from relevant areas of expertise;
- The development of a wide set of risk management policies, both at corporate and Business Unit level, which establish guidelines, methodologies of evaluation and exposure limits for key risks¹¹;
- The periodical development of risk mapping exercises, based on objective, quantitative and comparable criteria, allowing an analysis of the exposure to key risks, as well as the adoption of preventive treatment actions for excessive exposure to risks (regarding the established tolerance of risk);
- The establishment of a wide set of mechanisms for periodical reporting of key risks, at Group and Business Unit level, thus allowing a regular monitoring of the evolution of actual and emerging risks and comparison of the exposure to different risk profiles within the established limits;
- The adoption of a risk governance model based on 3 independent lines of defence (business, risk/ compliance and internal audit), which guarantees the implementation of the established strategies and alignment with risk appetite, namely:
 - A formally established risk-officers network in all Business Units with material risks;

¹⁰ Organization specialized in reputational risks mapping, regarding environment social and governance spheres. It systematically evaluates the main incidents, criticisms and controversial topics on media. The RRI is published, weighted by the number of identified incidents (as well as their recurrence), severity, credibility and source

¹¹ Including, among others, the Enterprise Risk Management Policy, Limits Structure from the Energy Management Business Unit, the Financial Management Policy, the Counterparty Policy, the Insurable Risks Management Policy, the Health and Safety Policy, the Information Systems Policy and the Principals, Structures and Procedures of Crisis Management and Business Continuity

- A regular Risk Committee¹², with the participation of the members of the Executive Board of Directors responsible for relevant risks, where key sources of risk are analyzed and mitigation actions are proposed through dedicated dashboards.

In terms of positioning, the Group establishes the maintenance of a controlled risk profile as a fundamental pillar for its strategy, expressed transversally along 3 natures of risk:

- Risks for which the Group has zero tolerance (e.g., health/ safety and ethics);
- Risks for which the Group is constrained externally and are managed proactively within the established tolerances (e.g., counterparties);
- Risks inherent to markets in which the Group operates, and are managed proactively around the established risk appetite to optimize the trade-off risk-return (e.g., energy markets).

The risk appetite of the Group and key risk indicators (KRIs)/ objectives are reviewed and approved regularly by the Executive Board of Directors.

¹² Corporate and at Business Units level, when justified

Strategic	Risk appetite (aspirational)	KRI (target)
Risk-return profile	Activity focused mainly in regulated or long-term contracted operations , guaranteeing a higher level of stability and predictability of cash-flows. Growth focused on grids and renewable generation with demonstrated medium-long term viability , complemented by selective bets on innovative high potential generation technologies. Evaluation by Investment Committee of returns adjusted to risk vs. established hurdles	- 75% of EBITDA in regulated or long term contracted activities by 2020 - +50% of net investment in renewables (acum. 2016-20)
Innovation	Early adopter of technological solutions and high value added services for the Group (e.g., off-shore wind and solar), for clients (e.g., EDP intelligent house: decentralized solar, electric mobility, batteries and EDP Redy) and remaining stakeholders , supported by dedicated area (EDP Inovação)	- R&D investment of 200 M€ until 2020
Geographical footprint	Geographical presence focused in geographies with reduced country risk , complemented by strategic bets in geographies with accumulated market know-how/ expertise and/ or high structural potential	- %international EBITDA in 2020 generated in investment grade geographies
Sustainability	Reference in sustainability through the adoption of actions and use of broad, specific and transversal KPIs, performance recognized by independent international entities, supported by a dedicated area	- Reduction of 75% of CO2 emissions by 2030 (vs. 2005) - 75% wind, hydrop and solar inst. cap. by 2020
Reputation	Systematic and proactive action to minimize likely negative impacts on the Group's accumulated capital reputation. Reputational performance followed-up using independent references, scoring aligned or superior to main peers . Relations with stakeholders supported by dedicated area, in articulation with Executive Board of Directors	- Absolute performance vs. peers in reputational indexes (e.g., RepRisk)
Dividends policy	Predictability and sustainability of dividends policy as a fundamental element of the shareholders' value proposition , remuneration in line with best peers	- Target payout ratio 65-75% - DPS floor 0.19€
Business		
Energy markets	Structural position broadly balanced between generation in market and client sales. Presence in energy markets focused on the hedging of the wholesale margin (with reduced exposure to trading positions), diversified sourcing based on financial instruments of reduced complexity (forwards and plain vanilla swaps). Structural and trading risks managed by dedicated BU, framed by a policy stating global as well as individual risk factors' limits, and periodical and systematic monitoring using a dedicated model	- Wholesale margin coverage risk (P@R) - Trading margin risk (V@R) - Risk of individual factors - Minimum sourcing stock
Regulatory approach	Proactive management of regulatory agenda, promoting the permanent constructive dialogue with public and regulatory entities to contribute to the development of regulatory and legal frameworks that are fair and stable for all stakeholders	
Client satisfaction	Agenda focused on ensuring distinctive levels of global client satisfaction in all markets and segments, as well as minimizing number of complaints	- Client satisfaction scoring - # complaints per 1000 contracts
Financial		
Debt	Target of alignment of level of debt with main peers , adjusting to the weight of regulated or long-term contracted activities. Proactive management of debt at fixed/ floating rates , taking into account market conditions and the revenues profile of the Group. Target to reduce refinancing risk through an increase of the average debt maturity , constrained by market conditions and considering the risk/ return trade-off	- Net debt / EBITDA 3.0x by 2020 - Average debt maturity of 5+ years
Liquidity	Maintenance of enough liquidity reserves to cover short-medium term treasury needs without refinancing	- 18 to 24 months of liquidity without refinancing
Rating	Target to maintain rating investment grade for key rating agencies	- Notação atribuída por agências de rating de reconhecimento internacional
Exchange rate	Exposure diversified by the presence in multiple geographies, with net position (assets – liabilities) broadly balanced through the use of hedging instruments and/ or financing sources in local currencies. Management supported by dedicated areas and framed by financial management policy	- Equity@risk - Net investment exposure (by currency)
Counterparties (energy and financial)	Proactive management of the exposure to energy and financial counterparty risk , through the adoption of methodologies to evaluate, monitor and report exposures, framed by policies and global and individual rating limits	- Levels of exposure and energy and financial counterparties loss, by rating and counterparty
Credit to clients	Proactive management of client credit risk, quantitative monitoring of exposure and adoption of a wide set of mechanisms , including scoring and risk-adjusted pricing for B2B clients, promotion of direct debit, collateralization and regulatory compensation	- Expired debt/ commercial revenues
Pension fund	Pension plan for new employees under a defined contribution scheme , heritage of employees and pensioners under a defined benefit scheme. 100% coverage of liabilities under the defined contribution scheme through assets. Diversification of investments on multiple assets and management entities, follow-up by dedicated Committee	- Level of coverage of the Pension fund

Operational		
Physical assets	Generation: development prefers well-established technical solutions and suppliers . Operation strives to strike a balance between minimizing maintenance costs and programmed unavailability and the risk of costs or loss of profit associated to unprogrammed unavailability Distribution: development strives maximization of grid resilience (and guarantee n-1 redundancy). Operation geared towards overcoming targets of service quality	- Average unavailability - QoS indicators (TIEPI, SAIDI)
Insurable risks	Extensive coverage of insurable risks at Group and BU level , with coverage, exclusions, premiums, stop-losses and caps suited to each specific context. Relationship with brokers and insurance companies centralized in specialized area	- Gross and net insurance losses associated with risks - Loss ratio
Suppliers	Systematic evaluation of suppliers' risks , including the evaluation based on a broad set of sustainability criteria (including financial), relationship owned by a dedicated BU	- Scoring of key suppliers
Health and safety	Zero tolerance for health and safety incidents with employees, external contractors or other third parties. Development of preventive policies and measures and conduct of awareness actions, supported by dedicated area	- Frequency and severity rate of incidents with employees, external contractors and third parties
Ethics	Zero tolerance for any unethical and fraud behavior . Dedicated channel for independent treatment of any arising incidents	- Ethicis Index scoring
Information systems	Continuous monitoring of arising and existing threats for information systems. Proactive development of initiatives and internal tests to ensure the integrity and availability of the various systems of the Group and data	- Disaster recovery tests result - # threats detected by SOC (Security Operations Center)
Legal/ Compliance	Strict compliance with laws, norms and internal and external regulation , ensured by dedicated compliance area and periodical follow-up of ongoing contingencies by dedicated area	- Volume of legal contingencies by geography - Volume of legal provisions
Crisis and business continuity	Preventive action framed by corporate and BU level policies , including the performance of business impact analysis to prioritize and develop action plans before, during and after-crisis, coordinated by dedicated area	- %BUs with business impact analysis and business continuity plans

¹¹ Regarding economic value, eco-efficiency, environmental protection, innovation, integrity and good governance, access to energy and social development

¹² Dividends per share

¹³ Profit at Risk

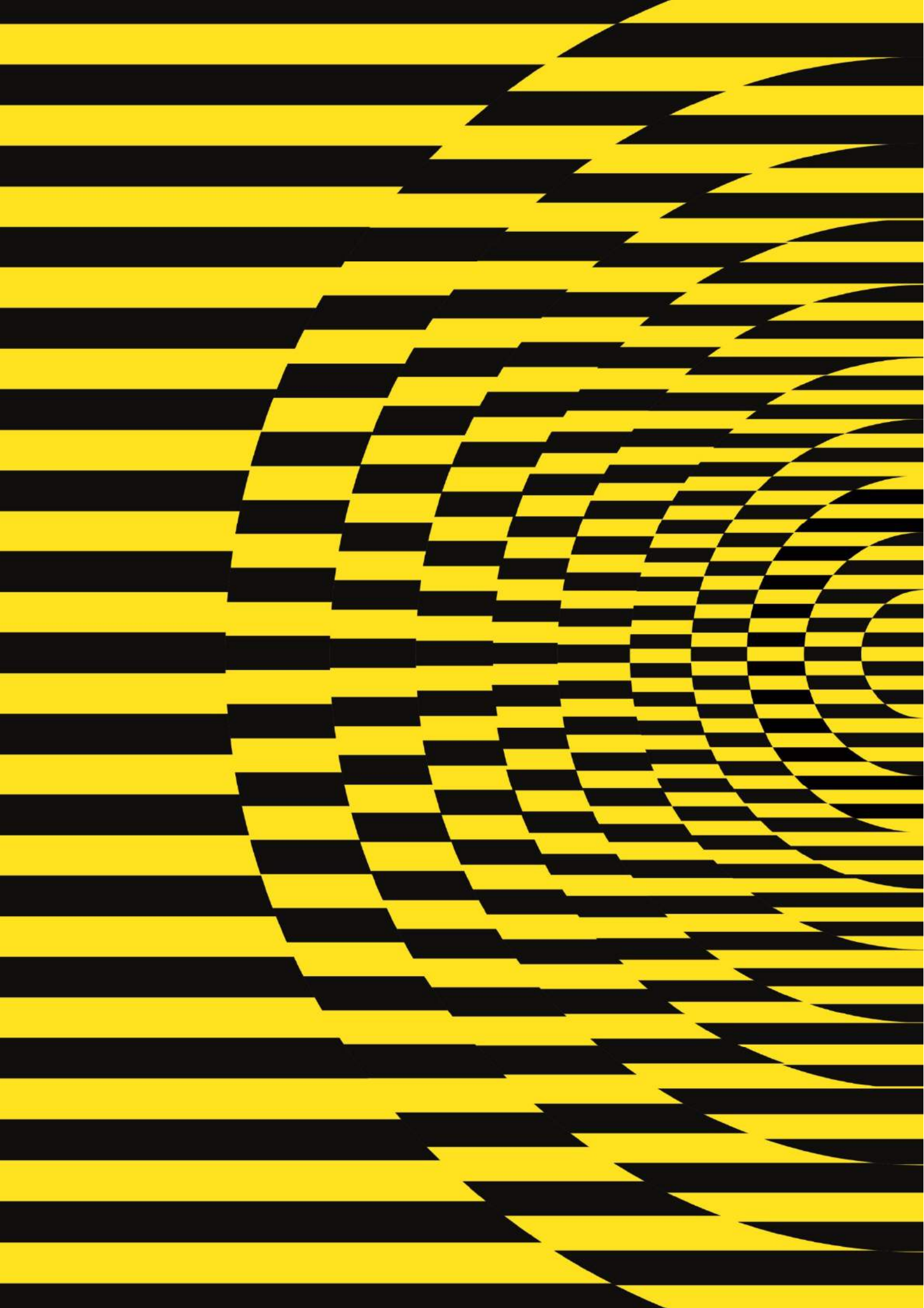
¹⁴ Value at Risk

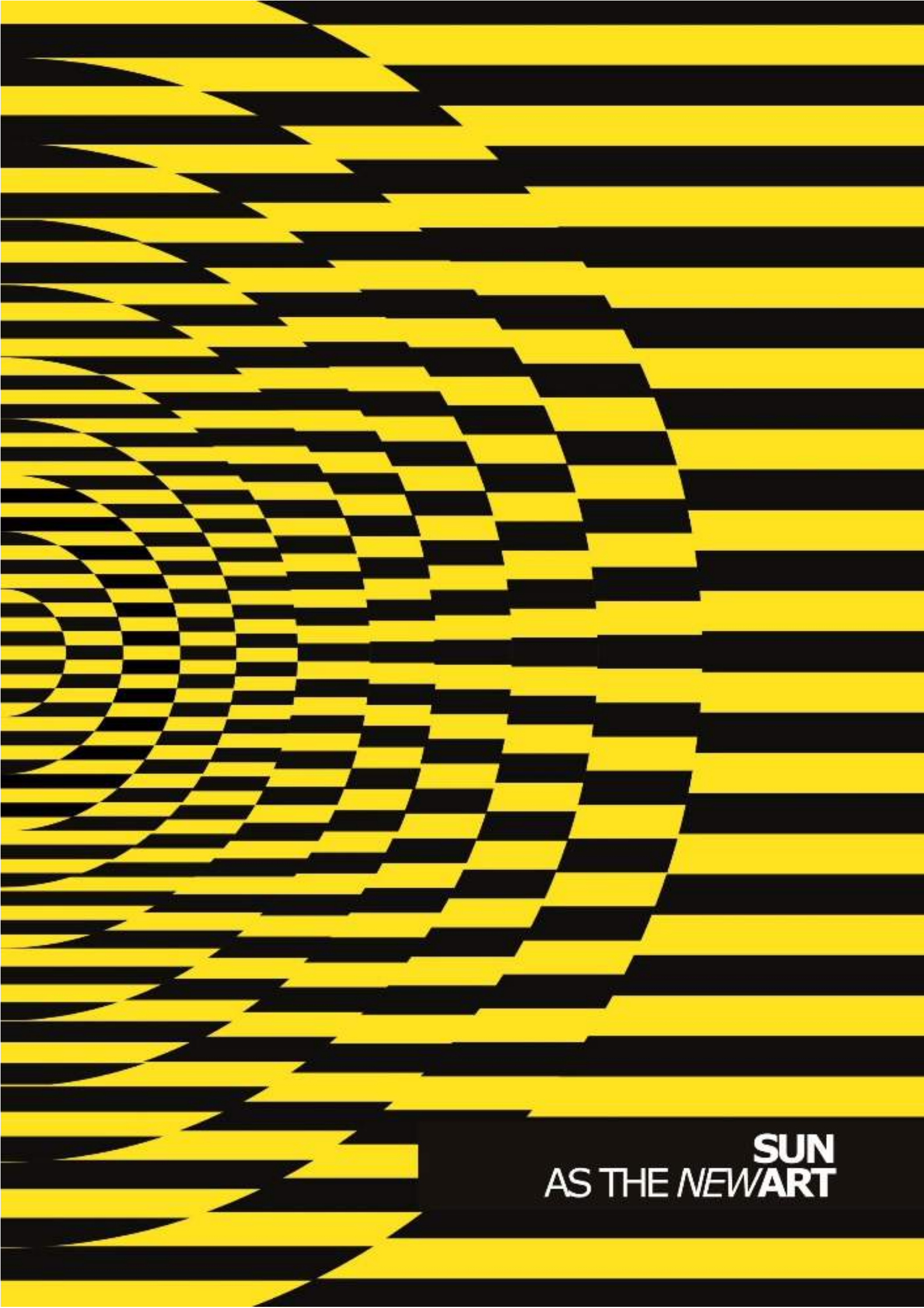
¹⁵ In EDP Brasil, the local Risk Management Office is responsible for the management of financial risks related to changes of interest and exchange rates, consistent to the principles defined by EDP Group

ENERGY AS THE *NEW* ART

03 Performance

		Stakeholders	106
		Employees	107
		Customers	118
		Suppliers	125
		Community	128
		Complementary Indicators	
		Environmental Indicators	135
		Social Indicators	138
		Economic Indicators	142
Material Themes of the Year	63		
Financial Sustainability	65		
Activities			
Electricity Generation	74		
Electricity and Gas Distribution	78		
Electricity and Gas Supply	82		
Ethics			
Ethical Complaint Management	85		
Strengthening the ethical culture	87		
Evaluation of ethical performance	88		
Combating corruption	89		
Championing Human Rights	90		
Innovation			
Approach to Innovation	91		
Innovation Initiatives	91		
Environment			
Climate Change	95		
Management of Environmental Impacts	99		





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03. Performance

1. Material Issues in the Year

The materiality analysis assesses and prioritises the relevance of an issue shared by EDP and its stakeholders, supporting the organisation's decision-making and strategy development process.

Material Issues are thus obtained from this process, i.e. those that affect the creation of value for the company in the short, medium and long term, and simultaneously have a positive or negative impact on the different segments of the company's stakeholders.

These issues are reviewed and adjusted annually in the Group's different companies, according to a common methodology (page 430), which can be consulted in greater detail at [www.edp.pt/sustainability/publications/2016/Sustainability Management Approach](http://www.edp.pt/sustainability/publications/2016/Sustainability%20Management%20Approach).

In 2016, as a result of the analysis conducted, 22 material issues were identified for the Group, which have evolved in relation to the previous year according to the matrix below:



All the issues identified in the matrix are the subject of detailed internal management plans under the chapter Performance, except for Corporate Governance, which is dealt with in Chapter 04 (page 146). On page 52 the Objectives and Goals are organised by material issues.

A more broken down approach identifies the main relevant issues in the year by geography:

PORTUGAL	SPAIN	BRAZIL	EDP RENOVÁVEIS
Climate Change Responsible Communication and Transparency Energy Efficiency Customer Management New business opportunities Promoting Renewable Energies	Electricity and Gas Supply Climate Change Energy Efficiency Customer Management New Business Opportunities R&D+i Financial Sustainability	Climate Change Energy Efficiency Corporate Ethics Water Management New Business Opportunities Occupational Health and Safety	Climate Change Supply Chain Working Conditions Risk Management Promoting Renewable Energies Health and Safety Financial Sustainability

The identification of the materiality of the different sustainability issues in the Supply Chain was made through a study available online: www.edp.pt > suppliers> EDP's Impact in the Supply Chain.

2. Financial Sustainability

2016 was once again defying for the utilities sector. Concerns with commodities prices and its impact in power prices for the European markets early in the year and expectations regarding a potential increase in the overall level of interest rates led capital markets to register a mountable level of volatility. In this challenging environment, the defined strategic agenda of EDP, reviewed in the Capital Markets Day of May 5th, 2016, proved itself adequate by investing in renewable technologies, long-term contracts and a low risk profile.

In this difficult context, EDP was able to achieve consistent results, with net profit attributable to shareholders of EUR 961 million, supported on its low risk profile which allowed a consistent EBITDA and a strong focus on efficiency and cost control.

EDP continues to show a resilient business model with a strong performance based on the delivery of our commitments, high quality asset mix, stable returns, adequate risk management and diversification of markets.

Goals				
Balancing growth & financial deleverage, maintaining controlled risk & attractive returns.				
Strategic Agenda				
Focused Growth	Financial Deleveraging	Keep Low Risk Profile	Reinforce Efficiency	Deliver Attractive Returns
Results				
EBITDA 2016	Net Debt/ EBITDA 2016	% EBITDA Regulated/ LT Contracted 2016	Opex savings 2016	Dividends per share
-4%	4.2x	>87%*	105M€*	0.19€
			Opex/Gross Margin 2016	Net profit 2016
			27%	+5%

*Non-audited figures.

Business Financial Analysis

EDP Group

In 2016, the net profit attributable to EDP shareholders reached EUR 961 million, compared with EUR 913 million in 2015. Net profit increased 5%, impacted by better operational performance in Iberia, whilst 2015 had been impacted by events at EDP Brasil and EDP Renováveis level, which led to a part of results staying with non-controlling interests.

Income Statement – EDP Group

EUR Million	2016	2015	Δ %	Δ Abs.
Gross Profit	5,738	5,455	5%	283
Operating costs	1,608	1,574	2%	35
Other Costs/(Income)	370	-43	-	413
EBITDA	3,759	3,924	-4%	-165
EBIT	2,264	2,443	-7%	-179
Net Profit for the period	1,200	1,247	-4%	-47
Net Profit attributable to EDP shareholders	961	913	5%	48
Non-controlling interests	239	334	-28%	-95

Consolidated EBITDA amounted to EUR 3,759m in 2016 (-4% year-on-year), impacted by the following effects: (i) +EUR 61 million in 2016, following the sale of the Pantanal mini-hydros in Brazil; and (ii) +EUR 441 million in 2015, +EUR 295 million following the bargain purchase of Eneva's 50% stake in Pecém in Brazil, +EUR 89 million derived from the sale of gas assets in Spain, the fair value registered on the revaluation of the assets formerly held by ENEOP (+EUR 125 million) and the period's write-offs of capitalised costs on assets ongoing and under construction (-EUR 68 million), at EDP Renováveis level. Excluding these items, EBITDA would have risen by 6%, to EUR 3,698m in 2016, reflecting the portfolio expansion (installed capacity and client base in Iberia), efficiency improvements and better weather conditions in Iberia and Brazil, particularly in the first half of 2016.

In Iberia, EBITDA was propelled by new capacity on stream, strong hydro resources, price volatility (particularly when compared to 2015's poor hydro and price context) and improving regulatory terms in electricity distribution in Spain. EDP Renováveis' 3% rise in EBITDA was mainly prompted by higher average capacity on stream (+11% year-on-year), partially offset by a fall in the average selling price. EDP Brasil's contribution to EBITDA was 31% lower year-on-year in euro terms, dragged by the adverse ForEx impact (-4%), lower demand and costs related to overcontracting in distribution, but mostly by the abovementioned effects.

EBITDA

EUR Million	2016	2015	Δ %	Δ Abs.
Long Term Contracted Generation in Iberia	529	583	-9%	-54
Liberalised Activities in Iberia	536	364	47%	172
Regulated Networks in Iberia	990	1,031	-4%	-41
EDP Renováveis	1,171	1,142	3%	29
EDP Brasil	593	857	-31%	-264
Other	-60	-53	-13%	-7
EDP Group	3,759	3,924	-4%	-165

Operating costs were 2% higher year-on-year, at EUR 1,608 million in 2016, falling short of the increase in average capacity. By business areas, it is worth to highlight: i) in Iberia costs were flat year-on-year despite portfolio expansion (assets and clients), supported by tight cost control and a 1% reduction in avg. headcount; ii) at EDP Renováveis level, operational costs increased although at a lower pace than the capacity installed, thus improving the core Opex/average MW; iii) at EDP Brasil level, cost performance reflected BRL depreciation vs. Euro and full consolidation of Pecém since May-15; excluding for these, OPEX grew 4% in Brazil, short of inflation.

Other cost/(income) rose from a EUR 43 million revenue in 2015 to EUR 370 million cost in 2016, mainly driven by the abovementioned year-on-year effects.

EBIT fell by 7%, to EUR 2,264 million in 2016, reflecting EBITDA evolution and higher depreciation costs, in the wake of wider expansion.

Net financial results and results with joint-ventures and associates amounted to -EUR 914 million in 2016, EUR 57 million lower year-on-year, essentially impacted by (i) early payment and optimisation of some projects finance, as well as the repurchase of some bonds with higher interest rates than current market rates (-EUR 76 million), which will translate into lower costs in the future; ii) lower financial revenues related to interest on tariff deviation and deficit, as well as partial sales of the tariff adjustment in Portugal; and iii) capitalised expenses fell by EUR 26 million year-on-year backed by the completion of some new hydro power generation assets' in Portugal. It is noteworthy that: i) interest costs fell, supported by a 30 basis points year-on-year decline in the average financial cost of debt¹ (from 4.7% in 2015 to 4.4% in 2016) and by a lower average net debt.

The abovementioned effects at financial results level are offset by tax savings in 2016, reaching EUR 89 million in 2016 (-EUR 189 million year-on-year), impacted by the tax revaluation of some assets.

Non-controlling interests fell by EUR 95 million year-on-year, to EUR 239 million in 2016, driven by lower results at EDP Brasil and by the impact of liberalised activities in Iberia. In 2015, results were positively impacted by gains with Pecém at EDP Brasil's level, partly imputable to non-controlling interests, by the capital gain booked with the disposal of the gas assets at 5% minority stake of Naturgas, and by the net profits' increase at EDP Brasil and EDP Renováveis.

Operating Investment²

EUR Million	2016	2015	Δ %	Δ Abs.
Long Term Contracted Generation in Iberia	44	28	57%	16
Liberalised Activities in Iberia	334	388	-14%	-54
Regulated Networks in Iberia	462	376	23%	86
EDP Renováveis	1,026	901	14%	125
EDP Brasil	169	114	48%	55
Other	45	-20	-	65
Sub- Total	2,080	1,788	16%	292
Gas assets acquisition in Spain (Repsol)	-116	0	-	-116
EDP Group	1,964	1,788	10%	175

Consolidated capex amounted to EUR 1,964 million in the 2016, the bulk of which (~65%) corresponding to expansion projects', namely in the construction of new hydro & wind capacity (EUR 1.2 billion) and DeNox's installation in two coal plants in Spain (with respective useful life extension), excluding the impact of the acquisition of from Repsol of some gas distribution assets in Spain (EUR 116 million). Maintenance capex amounted to EUR 697 million in the 2016, mostly absorbed by regulated networks in Iberia and Brazil. Note that maintenance capex includes several pluri-annual works at hydro, CCGT and coal plants in Iberia. Expansion capex dedicated to new hydro capacity in Portugal amounted to EUR 193m, largely impacted by the commissioning of new capacity. During 2016, 2 hydro plants started operations: Salomonde 2 (223MW) and Baixo Sabor (fully commissioned following +151MW year-on-year). As of Dec-16, EDP had 2 hydro projects with pumping under construction: i) Venda Nova 3 (756MW expected to be commissioned in the first quarter of 2017); and ii) Foz-Tua new hydro reservoir (263MW expected to be commissioned in the next summer). Capex in new wind capacity (EDP Renováveis) amounted to EUR 1,026 million in 2016 (of which ~80% in North America). Wind capacity additions totalled 820MW (in net terms capacity increased 770MW due to a 50MW deconsolidation at Poland's operating level), of which 629MW in North America, 120MW in Brazil and 71MW in Europe. Wind capacity under construction by Dec-16 totals 248MW: 51% in Brazil, 40% in US, 9% in Europe.

¹ (Interest expense on financial debt +/- Income and Expenses with Interest from derivative financial instruments) / Average Financial Debt in the period (Total debt and borrowings - Accrued Interest - Fair value of the issued debt hedged risk), considering 50% of the interest expense and of the financial debt related to the hybrid

² Includes additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore, in each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment and in Intangible Assets, excluding CO2 licenses and Green certificates, net of increases in Government grants, Customers contributions for investment and Sales of properties in the period.

Net Debt ³

EDP Group's consolidated net debt as at December 2016 amounted to EUR 15.9 billion, decreasing EUR 1.5 billion with the contribution of EDP's operational activity and with the impact of the regulatory receivables' reduction by EUR 1.6 billion, following the sale of tariff deficit.

In terms of maturity, EDP Group's consolidated nominal gross debt breaks down into 13% in short-term and 87% in medium and long-term, with an average maturity of 5 years.

EDP maintained its policy of centralizing funding at EDP, S.A. and EDP Finance BV, representing 86% of the Group's consolidated gross debt as at December 2016. The remainder consists essentially of debt contracted by the Brazilian subsidiaries (9%) and project finance debt contracted by subsidiaries of the EDP Renováveis Group (4%).

In March, EDP Finance B.V. issued a EUR 600 million bond with 7 year maturity and a coupon of 2.375%. In August issued a EUR 1,000 million bond with maturity in February 2024 and a coupon of 1.125%. These issues allowed EDP Group to reach different markets and investors, extending the average life of its debt portfolio at competitive costs and reinforcing its liquidity position ahead of refinancing needs for the following years.

In November 2016, EDP agreed to purchase Note Entitlements in the amount of 250 million euros and 2,500 Make-whole Entitlements issued in 2008 in the "EUR 300,000,000 Floating Rate Notes due 2018", having such titles been cancelled. In December 2016, EDP SA concluded a "Tender Offer" over the issues "6.000% Notes due February 2, 2018" and "4.900% Notes due October 1, 2019", limited to a total value of 500 million US dollars. As a result of the offer, EDP S.A. acquired 469,462 thousand US dollars of the 6.000% Notes due February 2, 2018 and 30,538 thousand US dollars of the 4.900% Notes due October 1, 2019.

During 2016, EDP monetized a total of approximately EUR 2,237 million of Portuguese tariff deficit related with 2014, 2015 and 2016 overcosts of the special regime generation.

Maintaining a prudent financial management policy, by the end of 2016 EDP had access to EUR 3,721 million of available credit lines, including EUR 40 million of commercial paper with underwriting commitment, fully available. Additionally, EDP has a EUR 1,000 million Euro Commercial Paper programme (ECP Programme) without a firm underwriting commitment which is used for the Group short term treasury management. As at 31 December 2016, the total amount issued under the ECP Programme amounted to EUR 496 million.

During 2016, the average cost of financial debt ⁴of the EDP Group was 4.4% per year and approximately 48% of its debt and borrowings had a fixed rate.

In terms of currencies, Euro continues to be the main funding currency (69%). The USD financing contracted to fund the operating investments of the Group's subsidiaries in the United States of America justifies the exposure to USD (20%). EDP Group funding in Real represents 9% of the total gross debt as at 31 December 2016.

In February 2016, Moody's affirmed EDP's credit rating at "Baa3" with Stable outlook. This rating affirmation follows a review of EDP's and other European utility companies' exposure to the power price environment, reflecting EDP's low exposure to lower power prices, as well as its financial flexibility.

In October 2016, "Fitch" affirmed EDP's long-term rating at "BBB-" and its outlook as stable.

In November 2016, "S&P" affirmed the "BB+" long-term and "B" short-term corporate ratings on EDP. The outlook remained positive.

³ Includes Financial Debt, Cash and Equivalents, Short-term financial assets at fair-value, net investment and fair value hedge and collateral deposits associated to financial debt.

⁴ (Interest expense on financial debt +/- Income and Expenses with Interest from derivative financial instruments) / Average Financial Debt in the period (Total debt and borrowings - Accrued Interest - Fair value of the issued debt hedged risk), considering 50% of the interest expense and of the financial debt related to the hybrid

Long-term contracted generation in Iberia

EBITDA from long-term contracted generation fell by 9% (-EUR 54 million year-on-year), to EUR 529 million in 2016, mainly reflecting the transfer of 8 hydro plants to our merchant portfolio following the termination of respective PPAs (2015 gross profit: EUR 75 million). These plants have a total installed capacity of 627MW and an annual production 1.7TWh (on an average hydro year).

Gross profit from PPA/CMEC was 13% lower year-on-year, at EUR 579 million in 2016, driven by the aforementioned end of PPA contracts in Dec-15 and the natural depreciation of the asset base in a context of very low inflation. Results with fuel procurement, stemming from market price volatility between the moment of procurement and the moment of consumption, had a positive impact on gross profit. Note that, as a result of EDP's strategy to hedge these changes through derivative financial instruments, this impact is ultimately compensated at the level of financial results.

Gross profit from special regime was EUR 10 million higher year-on-year, at EUR 61 million in 2016, fully driven by a 57% increase in mini-hydro production backed by strong hydro conditions in 1H16.

Liberalised activities in Iberia

EBITDA from liberalised activities increased 47%, to EUR 536 million in 2016, propelled by: i) a cheaper generation mix derived from the hydro capacity additions and stronger hydro resources in the period (43% weight in generation mix in 2016 vs. 25% in 2015); ii) higher results with energy management in the wake of low-price context and high price volatility during 1H16; and iii) higher contribution from supply business resulting from the combined impact of this year's smoother portfolio growth (vs. previous years) and higher average margin per client, prompted by higher product (dual offer) and services penetration and higher digitalisation rate.

Note that, as a result of the end of PPAs at 8 hydro plants in Dec-15, 627MW of hydro capacity was transferred from the LT Contracted portfolio to liberalised generation portfolio.

Output from our generation plants was 13% higher in 2016, propelled by higher contribution from hydro plants (+98% year-on-year) and CCGTs (+43% year-on-year). In turn, coal output fell by 42% in the period, reflecting its displacement by hydro and programmed outages for DeNOx upgrades. The surge in hydro output was prompted by the contribution from 'Ex-PPA plants' and new capacity on stream; and by stronger hydro resources year-on-year (particularly in 1H16, as 4Q16 was marked by a hydro factor 50% short of the long term average). Avg. production cost was 30% lower year-on-year, at EUR 22/MWh in 2016, reflecting the contribution from hydro's cheaper technology, hydro: 43% of total output in 2016 vs. 25% in 2015. Additionally, lower average generation cost reflects cheaper coal and gas-based production in the wake of the cost decrease of consumed coal/gas and CO2 licenses.

Gross profit at our supply activities in Spain remained stable, at EUR 136 million in 2016, reflecting the mixed impact from a higher volume of electricity sold, a more selective criteria in the gas supply business and some opportunistic deals in the wholesale market.

Gross profit at our supply activities in Portugal rose by 32% (+EUR 45 million year-on-year), to EUR 186 million in 2016, driven by customer portfolio expansion and higher revenues per customer.

Regulated Networks in Iberia

Regulated networks in Iberia include our activities of distribution of electricity and gas, in Portugal and Spain.

EBITDA from regulated networks fell by 4% year-on-year (-EUR 41 million), to EUR 990 million in 2016, mainly impacted by the EUR 89 million gain booked on the gas distribution assets sale in Spain to Redexis in the first half of 2015. Excluding this effect, EBITDA advanced by 5% year-on-year (+EUR 48 million), mainly impacted by the new regulatory terms applicable to electricity distribution in Spain as from 1-Jan-16 and tight cost control.

Gross profit rose by 3% year-on-year (+EUR 52 million) in 2016, reflecting mostly the impact in Spain from higher regulated revenues in electricity distribution in Spain. In turn, in Portugal, lower return on regulated asset base in gas distribution in the wake of the regulatory review applicable as from Jul-16 and lower revenues in electricity last resort supply (following the contraction of activity); compensated by higher revenues in electricity distribution, which benefited from a higher return on the regulated asset base (from 6.34% in 2015 to 6.48% in 2016, prompted by higher Portugal bond yields) and higher activity.

EDP Renováveis

EDP Renováveis owns, operates and develops EDP Group's wind and solar capacity. As of Dec-16, EDP Renováveis operated 10,408 MW, +770MW in 2016: of which 356MW equity-method accounted. EDP Renováveis' EBITDA derives mainly from PPA-contracted and regulated tariff schemes and is geographically widespread: 56% in Europe, 42% in North America, and 2% in Brazil.

EDP Renováveis' EBITDA went up by 3% year-on-year (+EUR 29 million) to EUR 1,171 million in 2016. Excluding the previously mentioned items in 2015, EBITDA's contribution to EDP Group increased 8% reflecting: i) higher average capacity on stream (+11%) and ii) higher load factor (+1p.p.), partially compensated by a lower average selling price and higher operating costs (+6%) (S&S and personnel costs).

Electricity output advanced +14% year-on-year to 24.5TWh in 2016, supported by an increase of avg. capacity in operation, and higher avg. wind resources, especially in Iberia and in the US. Average selling price decreased 5% year-on-year to EUR 60.5/MWh, driven by new PPAs in the US.

EDP Brasil

EDP Brasil contribution to EDP Group's EBITDA decreased 31% (-EUR 264 million) to €593 million in 2016, penalized by the impact of the BRL depreciation versus EUR, as well as the impact of Pecém's acquisition already mentioned. In local currency, EDP Brasil EBITDA decreased 24% year-on-year (-BRL 732 million) to BRL2,334 million in 2016, impacted, in 2016, by the capital gain of BRL 278 million booked in the first quarter of 2016 with the sale of Pantanal mini-hydro; and, in 2015, by the capital gain of BRL 885 million with the purchase of Pecém in the second quarter of 2015, both at 'other income' level. Adjusted by the abovementioned effects, EBITDA would have decreased 6% year-on-year to BRL 2,056m. Generation and Supply EBITDA went up by BRL 110 million to BRL 1,400m, reflecting the full consolidation of Pecém since May-15 (+BRL 47 million) and better performance at our hydro plants (+BRL95 million year-on-year) due to a less significant impact of the hydro deficit in 2016 vs. a stronger impact in 2015 (GSF at 87% in 2016 vs. 85% in 2015 and lower PLD in 2016). EBITDA in distribution fell by BRL 170 million to BRL 767 million in 2016, impacted by losses with overcontracted volumes at Bandeirante and lower demand.

At the level of EDP, S.A. financial statements, the result of operations of 2016 derives essentially of the income from equity holdings.

Value Creation to Shareholders

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

In this context, EDP stock priced closed the year with a 13% decrease. Based on the payment of dividends to shareholders held on April 18th, 2016 (EUR 0.185 per share), which implied a dividend yield of 6.4% (considering end of 2016's closing price), EDP generated a total shareholder return for 2016 of -7%.

EDP has followed a sustained policy of dividend distribution that seeks to reconcile strict compliance with the relevant provisions of the law and Articles of Association and division among all its shareholders of a significant portion of the

value created by the Group, in keeping with the specific conditions of the company and market. This policy is designed to enable shareholders to obtain an adequate return on their investment without compromising the company's value.

Pursuant to these rules, the table below shows the dividends distributed by EDP in the last 10 years:

Year	Approval date	Payment date	Gross dividend
2006	12/04/2007	04/05/2007	0.110
2007	10/04/2008	08/05/2008	0.125
2008	15/04/2009	14/05/2009	0.140
2009	16/04/2010	13/05/2010	0.155
2010	14/04/2011	13/05/2011	0.170
2011	17/04/2012	16/05/2012	0.185
2012	06/05/2013	23/05/2013	0.185
2013	12/05/2014	29/05/2014	0.185
2014	21/04/2015	14/05/2015	0.185
2015	19/04/2016	18/05/2016	0.185

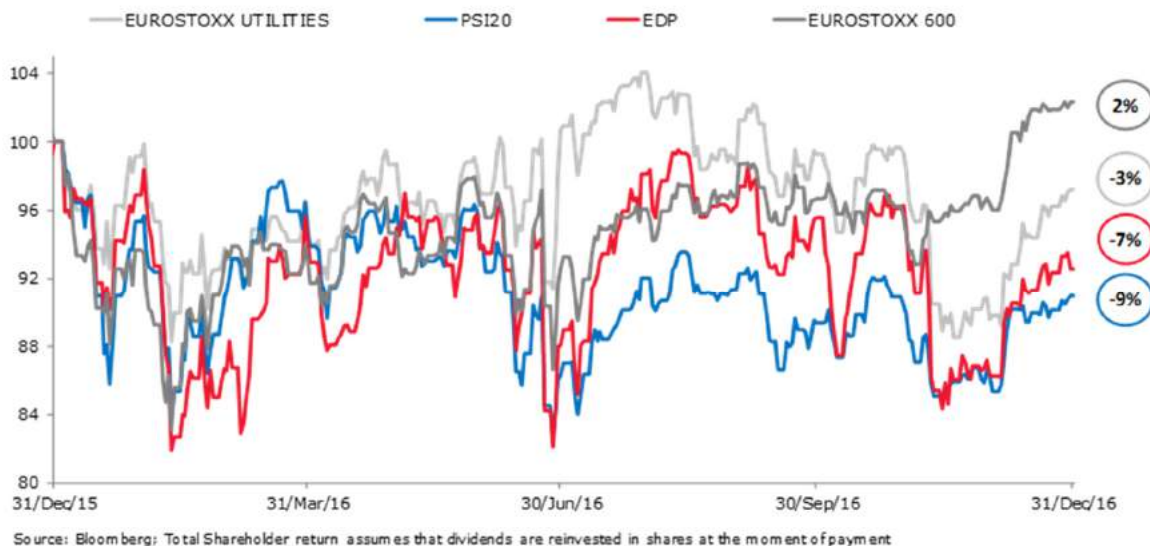
For the 2016 financial year, the Executive Board of Directors of EDP submitted to the approval of the General Meeting of Shareholders of 19 April 2016 a proposal for the appropriation of the net profit of 676.5 million euros to be distributed to shareholders in the form of dividends. The proposal was approved by a majority of votes (99.9995%) at the General Meeting and a gross dividend of EUR 0.185 per share was paid on 18 April 2016.

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

Accordingly, on the Capital Markets Day held on 5 May 2016 with Portuguese and foreign investors and analysts, the goal of proposing to the General Meeting of Shareholders an annual dividend within a defined payout was revised upwards to 65%-75% of the recurring net profit. Additionally, EDP advanced the intention of proposing the General Meeting of Shareholders an increase in the dividend of 2016 to be paid in 2017. The new dividend to be proposed should therefore be EUR 0.19 per share, a threshold that is to become the new floor going forward and which should grow in tandem with recurring net profit per share.

Factors Influencing Change in EDP's Share Price

In this section some of the economic and financial factors influencing positively and negatively the stock price of EDP are presented. On the chart below, we may observe the evolution of the total shareholder return of EDP during 2016, as well as the performance of three major indexes: PSI20, EUROSTOXX Utilities and EUROSTOXX 600.



2016 started off on a quite negative tone with oil prices and interest rates tumbling, while concerns with the health of the Chinese economy took the Chinese market to derail. In this context, equities markets worldwide took a dive in the first weeks of 2016. Yet, as oil prices started recovering and fears of a significant slowdown in China begun to subside, markets staged an overall comeback.

Later in the summer, Brexit took markets by surprise and some volatility ensued, with some sectors and shares being more hurt than others. Another surprise hit when the Presidential race in the USA came to an end. The victory of Donald Trump first led to volatility but the following days made investors put things into perspective, namely in terms of considering potential expansionary fiscal policy in the US market, thus leading to an increase in inflation expectations and consequently to an overall increase in yields.

Meanwhile, the most important central banks in the world kept somewhat accommodative policies. The Federal Reserve in the USA increased interest rates by a quarter point to 0.75% only in December, when it had foreseen a year before four rate increases during 2016. The European Central Bank maintained its bond buying program. The Bank of Japan kept negative interest rates and introduced a 0% target for the benchmark 10-year government bond yield. Finally, the Bank of England slashed interest rates in August, following some economic concerns brought up after the Brexit vote.

In this context, Eurostoxx 600 still managed to have a positive total shareholder return of 2%, though shy of the 12% reached by S&P 500 in 2016, buoyed by better perspectives for the North-American economy.

In terms of the utilities sector in Europe, the total shareholder return for the Eurostoxx Utilities index was down 3%, mostly impacted by the de-rating of the most defensive sectors following the increase in yields expectation grounded on the foreseeable expansionist impact of Donald Trump's program for the US economy. Earlier in the year, the index gained some upward traction when oil price recovered from the bottom it reached at the beginning of the year.

The Portuguese market, in turn, was severely hit by concerns with the weakness of the economy, as well as with the sustainability of the overall banking system, having yielded a -9% total shareholder return in 2016.

The weakness of the Portuguese market and the fears regarding its peripheral position in Europe explain part of the underperformance of EDP in relation to the Eurostoxx Utilities index. EDP's total shareholder return of -4% was thus mostly grounded on the concerns with regulatory risk in Portugal, given some political instability, as well with some discussion on the future of the renewable energy landscape in the USA, following Donald Trump's election.

In terms of shareholder structure changes, it is worth noting that Capital Group decreased its shareholdings slightly, and Norges Bank acquired a 2% share capital.

3. Activities

3.1. Electricity Generation

The Generation Activity

Power Generation is the first activity of the Electricity value chain. Electricity is generated through different technologies and primary energy sources that can be renewable or non-renewable. Energy produced from traditional sources comes mainly from coal, natural gas, nuclear and cogeneration. Water, wind and sun are the more common renewable generation sources. As a result of climate changes and global protocols signed to fight them, energy produced from renewable sources has increased in the last decades.



Electricity generation can also be classified as ordinary or special regime. Ordinary regime generation comes from thermal sources or big hydro plants whilst special regime generation is based essentially in mini-hydro, cogeneration and other renewable sources.

Once it is produced, electricity is sold in the market or through power purchase agreements. For some technologies and in certain countries this activity's remuneration is established by the regulator through the definition of tariffs or other remuneration mechanisms (for example green certificates, tax incentives and premiums).

EDP is the largest electricity producer in Portugal, the fourth in Spain and the fifth largest private group in Brazil. In the wind energy market, EDP Renováveis is one of the leading global players.

EDP is present in the generation activity in 12 countries. At the end of 2016, EDP had 25GW of installed capacity, of which 50% in Iberia (excluding EDP Renováveis' installed capacity), 40% in EDP Renováveis and 10% in Brazil. The generation of electricity was made mainly through renewable energy sources (65%).

Strategic priorities

- **28.5GW of installed capacity until 2020, of which 75% of renewable energy**
- **In Portugal, conclusion of hydro investment plan**
- **Low Risk Profile**
- **High Operational Performance**

The strategy defined by EDP for the generation activity goes through the execution of the hydro investment plan currently in progress in Portugal and to seek for growth opportunities either in EDP Renováveis or in other international expansion opportunities. As so, additions in installed capacity over the next years will be primarily focused on renewable sources. By 2020, EDP Renováveis estimates that 65% of their growth will be carried out in the North American market where, due to existing tax incentives and long-term contracts, the associated risk is reduced. In addition, EDP Renováveis plans to invest in European market (15%), Brazil (10%) with long-term contracts associated, and solar projects (10%).

Following Portugal's hydro investment plan, in 2016, the repowering project of Salamonde II (223MW in Jan-16) and Baixo Sabor's upstream dam (151MW in Apr-16) came online. The remaining 2 plants under construction are Venda Nova III and Foz-Tua. They are expected to start up operations in 1Q17 and 2Q17 respectively.

Highlights

- **Baixo Sabor (151MW) and Salamonde II (223MW) started up operations in Portugal**
- **More than 770MW of installed capacity in EDPR, including 200MW in Mexico**
- **Start of operations of Cachoeira-Caldeirão (219MW) in Brazil**

EDP Renováveis added in 2016 770MW to its installed capacity, of which 429MW in the US and 200MW in Mexico. The remaining 142MW were installed in Brazil (120MW) and in Europe (22MW). At the end of 2016, EDP Renováveis had 248MW under construction all related to projects to be delivered in 2017, including 127MW in Brazil (JAU & Aventura) and 100MW in US (Meadow Lake V). It should be noted that all projects have long-term contracts already secured.

In Brazil, in September 2016, EDP concluded the investment in Cachoeira-Caldeirão (219MW, 50% EDP), partnership with CTG. The construction works in São Manoel (700MW, 33% EDP), partnership with Furnas and CTG, continued through 2016 being expected to

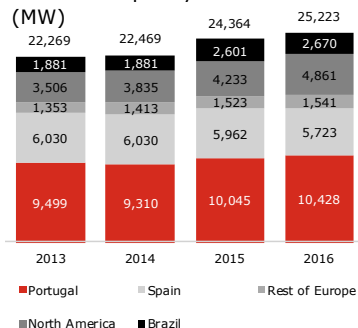
start up operations in May-18. In Jan-16, EDP concretized the sale of Pantanal through two mini-hydros – Mimosa (29MW) and Paraíso I (22MW).

In Portugal, EDP decommissioned four thermal production facilities: Carregado, Setúbal, Tunes and Energin, respecting the plan submitted to the Portuguese Environmental Agency. During 2016, stands out the works of dismantling Carregado, Setúbal and Tunes power plants, performing cleaning in fuel infrastructures (tanks and pipes) and removal of transformers and other materials. Additionally, started of decommissioning of Energin.

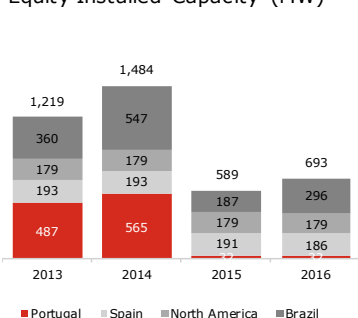
In 2016 EDP continued the environmental investments (denitrification) that are being carried out since 2014 in the thermal power plants of Aboño 2 and Soto 3.

Main Electricity Generation Indicators

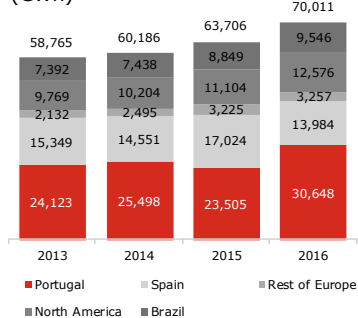
**Installed Capacity
(MW)**



Equity Installed Capacity (MW)²



**Net Electricity Generation
(GWh)**

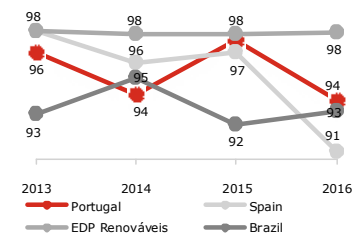


ELECTRICITY GENERATION (1/2)		UN	2016	2015	2014	2013
INSTALLED CAPACITY		MW	25,223	24,364	22,469	22,269
Contracted Generation in Iberian Market		MW	4,027	4,683	4,745	5,593
PPA/CMEC		MW	3,843	4,470	4,470	5,274
Hydro		MW	2,663	3,290	3,290	4,094
Coal		MW	1,180	1,180	1,180	1,180
Special Regime		MW	184	213	274	318
Portugal - Hydro		MW	160	164	157	157
Portugal - Thermal		MW	24	24	24	68
Spain - Thermal		MW	-	25	93	93
Liberalised Electricity Generation in Iberian Market		MW	8,678	7,882	7,777	7,123
Portugal		MW	5,150	4,140	4,035	3,380
Hydro		MW	3,111	2,101	1,996	1,176
CCGT		MW	2,039	2,039	2,039	2,039
Fuel		MW	-	-	-	165
Spain		MW	3,528	3,743	3,743	3,743
Hydro		MW	426	426	426	426
CCGT		MW	1,698	1,698	1,698	1,698
Coal		MW	1,224	1,463	1,463	1,463
Nuclear		MW	156	156	156	156
Cogeneration and Waste		MW	25	n.a	n.a	n.a
EDP Renováveis		MW	10,052	9,281	8,149	7,756
Portugal		MW	1,251	1,247	624	619
Spain		MW	2,194	2,194	2,194	2,194
Rest of Europe		MW	1,541	1,523	1,413	1,353
North America		MW	4,861	4,233	3,835	3,506
Brazil		MW	204	84	84	84
EDP Brasil		MW	2,466	2,517	1,797	1,797
Hydro		MW	1,745	1,797	1,797	1,797
Coal		MW	720	720	-	-
Capacity under Construction		MW	1,267	1,505	3,096	2,866
Portugal ¹		MW	1,019	1,161	2,654	2,642
EDP Renováveis		MW	248	344	443	224
Brazil ¹		MW	-	-	-	-
Equity Installed Capacity ²		MW	693	589	1,484	1,219
Portugal ¹		MW	32	32	32	32
Spain ¹		MW	10	15	19	19
EDP Renováveis		MW	356	356	886	808
Brazil ¹		MW	296	187	547	360
Equity Capacity under Construction ²		MW	231	341	343	592
Brazil		MW	231	341	343	592
NET ELECTRICITY GENERATION		GWh	70,011	63,706	60,186	58,765
Contracted Generation in Iberian Market		GWh	15,966	15,294	18,158	19,093
PPA/CMEC		GWh	15,261	14,631	17,160	17,454
Hydro		GWh	7,179	4,975	9,031	9,512
Coal		GWh	8,082	9,657	8,129	7,942
Special Regime		GWh	705	663	997	1,639
Portugal - Hydro		GWh	549	349	631	583
Portugal - Thermal		GWh	156	183	214	486
Spain - Thermal		GWh	-	131	153	570
Liberalised Electricity Generation in Iberian Market		GWh	20,693	18,397	15,063	13,323
Portugal		GWh	11,635	6,350	5,841	4,006
Hydro		GWh	8,033	3,766	5,335	3,227
CCGT		GWh	3,602	2,584	507	780
Fuel		GWh	-	-	-	0
Spain		GWh	9,058	12,047	9,222	9,316
Hydro		GWh	930	793	947	1,098
CCGT		GWh	1,640	1,082	656	654
Coal		GWh	5,150	8,946	6,414	6,407
Nuclear		GWh	1,239	1,227	1,204	1,157
Cogeneration and Waste		GWh	100	-	-	-
EDP Renováveis		GWh	24,473	21,388	19,763	19,187
Portugal		GWh	3,047	1,991	1,652	1,593
Spain		GWh	4,926	4,847	5,176	5,463
Rest of Europe		GWh	3,257	3,225	2,495	2,132
North America		GWh	12,576	11,104	10,204	9,769
Brazil		GWh	666	222	236	230
EDP Brasil ³		GWh	8,880	8,627	7,202	7,162
Hydro		GWh	4,448	5,599	7,202	7,162
Coal		GWh	4,432	3,028	-	-

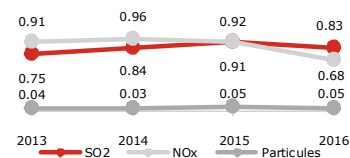
ELECTRICITY GENERATION (2/2)	UN	2016	2015	2014	2013
TECHNICAL AVAILABILITY					
Portugal ¹	%	94	97	94	96
Hydro	%	94	98	95	97
CCGT	%	93	96	89	98
Coal	%	92	98	97	92
Mini-hydro	%	96	91	91	94
Cogeneration	%	78	91	100	90
Spain ¹	%	91	97	96	98
Hydro	%	100	100	100	100
CCGT	%	97	100	98	98
Coal	%	79	92	94	98
Nuclear	%	92	92	90	87
Cogeneration	%	99	98	99	95
Waste	%	94	95	88	91
EDP Renováveis	%	98	98	98	98
Portugal	%	98	98	98	98
Spain	%	97	97	97	98
Rest of Europe	%	98	97	98	97
North America	%	98	98	98	98
Brazil	%	99	99	98	98
Brazil ¹	%	93	92	95	93
Hydro	%	95	94	95	93
Coal	%	88	88	-	-
ENVIRONMENTAL INDICATORS					
Certified Installed Capacity	%	93	90	96	77
Primary Energy Consumption					
Total Emissions	kt	18,900	21,518	16,522	16,599
CO2	kt	16	24	16	17
NOx	kt	20	24	14	14
SO2	kt	1.17	1.41	0.59	0.04
Particles	kt	32,724	28,732	33,818	31,502
Avoided CO2	t	437,210	627,744	346,551	349,520
Total waste	t	3,613	4,538	5,917	8,320
Dangerous waste	%	58	45	56	58
Waste valorization	t	622,702	472,121	431,811	374,339
Sub-products	t	139,644	228,050	233,737	157,721
Cooling water	t	483,058	244,071	198,075	216,619
Raw water	m ³ x10 ³	1,503,732	1,743,808	1,628,154	1,601,073
EMPLOYEES AND SECURITY					
Employees	m ² x10 ³	5,995	6,157	5,120	5,467
OCCUPATIONAL HEALTH AND SAFETY					
Employees	#	3,194	3,238	2,965	3,102
On-duty accidents ²	#	10	9	3	9
On-duty accidents of contracted workers ²	#	111	93	115	147
Fatal on-duty accidents	#	0	0	0	1
Fatal accidents of contracted workers	#	0	1	3	4

¹ Excludes EDP Renováveis | ² Includes accidents with one or more days of absence and fatal accidents.

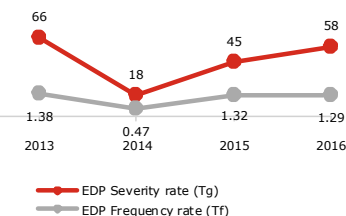
Technical Availability (%)



Specific Emissions from Thermal (g/kWh)



Accidentes at Work



3.2. Electricity and Gas Distribution

The Distribution Activity

The energy generated is delivered to transmission grid, and then is transported to the distribution network. This grid provides energy to the supply points. This stage of the value chain is called distribution activity.

Electricity distribution networks are composed by high, medium and low voltage lines and cables. Also part of this networks are substations, transformation stations, public lighting, as well as the necessary connections to consuming facilities and power plants.

Gas distribution activity operates from local distribution networks or through high pressure pipelines which provide the energy required to the supply points. Gas regulating and meter stations are also part of these grids.

Distribution activity is under specific rules established by national regulatory authorities.

Quality of service and efficiency are key drivers of this activity and distribution network operators, under the specific rules they are subject, have to ensure higher quality standards and service continuity defined by the regulator entity. This indicators are monitored through metrics such as Installed Capacity Equivalent Interruption Time and can be achieved through an appropriate level of investment and maintenance in the grid. The management of grid losses is also essential for the efficiency of this activity.



EDP is present in the electricity distribution activity in three geographies: Portugal, Spain and Brazil, distributing in 2016 78TWh, through a network with more than 337 thousands km.

In Portugal, EDP's presence in the electricity distribution market spreads across the mainland. In Spain, EDP operates in some autonomous communities, especially in Asturias region. In Brazil, EDP is present in the State of Espírito Santo and in the State of São Paulo, through EDP Escelsa and EDP Bandeirante, respectively.

In the gas distribution activity EDP's operates in Iberia, where EDP distributed 34TWh in 2016, through 13 thousands km of grid.

In Portugal, EDP is present in some northern coast region, through EDP Gás Distribuição, and its concession area covers approximately 25% of the country's population.

In Spain, EDP operates in the gas distribution business through Naturgas Energia, whose operations are located in 3 autonomous regions: Asturias, Cantábria and Pais Basco.

In the beginning of 2016, EDP has reached an agreement with Repsol Butano, S.A. for the purchase of LPG assets in the regions of Asturias, Cantábria and Pais Basco. This transaction comprises the acquisition of the distribution network and 82 thousand supply points.

Strategic Priorities

- **Implementation of smart grids**
- **Higher quality of service and efficiency**

The electricity distribution business strategy of the EDP Group is also focused on the implementation of smart grids and related services, in order to meet the challenges of the future and become a benchmark in electricity distribution. Therefore, maintains focus in efficiency and quality of service, keeping appropriate investment levels and registering historically high levels of quality of service.

Over the past few years, expansion and improvement of grid in all three geographies – Portugal, Spain and Brazil -, as well as the expansion of telemeters in all transformation stations, have been a key factor in the way of EDP. At the end of 2016, the company had more than 1.49 million smart meters installed in the three geographies, particularly Portugal where we have a coverage by telemetry of 63% of distributed energy.

Highlights

- **Quality of service in Portugal reached historical amounts and efficiency improved compared to last year**
- **EDP continues to be a leader in quality of service of the Spanish electricity sector**
- **In Brazil, in 2016 EDP won an auction for concession of transmission grid in the State of Espírito Santo**

In 2016, for the second consecutive year, levels of electricity distribution registered an increase in Iberia. Despite penalized by milder weather conditions than usual, electricity distributed increased 1%, resulting in a total of 54TWh.

The Installed Capacity Equivalent Interruption Time (ICEIT) scored, in Portugal, the best mark ever, with 52 minutes. In Spain EDP continues to be a leader in quality of service of the Spanish electricity sector, with an ICEIT of 24 minutes. System Average Interruption Frequency Index (SAIFI) in Portugal also improved its performance compared to 2015, and registered 1.52 interruptions for domestic customers and small businesses and 1.75 interruptions for business customers.

Regarding electricity grid losses in Portugal, highlight for a new reduction compared to 2015, reaching 9.5%, but remaining above the regulatory target 9.25%.

In Brazil, the distribution business was negatively impacted by the macroeconomic context. The economic downturn and the milder weather conditions than usual led to a decrease in the electricity distributed to 24TWh (-5% compared to 2015).

ICEIT in Portugal reached best mark ever, achieving 52 min.

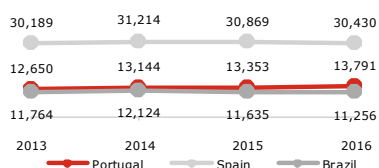
In Brazil, quality of technical service is based in two indicators: Average Interruption Duration per Consumer Unit (DEC) and Frequency Interruption Duration per Consumer Unit (FEC). In 2016, EDP Bandeirante achieved a DEC of 9.0 hours and a FEC of 5.7 times, which implies a reduction of 7% and 12%, respectively when compared to 2015. EDP Escelsa presented in 2016 a DEC of 9.3 hours, which correspond to an increase of 2% and a FEC of 5.6 times, corresponding to an 11% increase compared to 2015.

Following its participation in an ANEEL auction, EDP Brazil added to its network portfolio the concession to operate a 113km of transmission grid in the State of Espírito Santo.

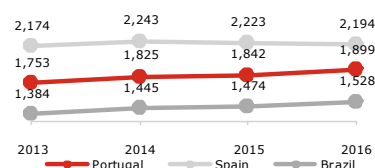
In gas distribution, in 2016 has continued to increase the supply points (4% in Portugal and 11% in Spain). Nevertheless, the volumes of gas distributed decreased 1% to 34TWh.

Main Electricity Distribution Indicators

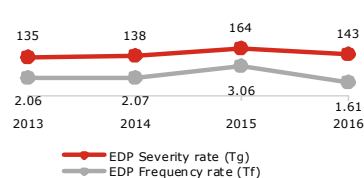
Electricity Distributed per Employee (MWh/#)



Supply Points per Employee



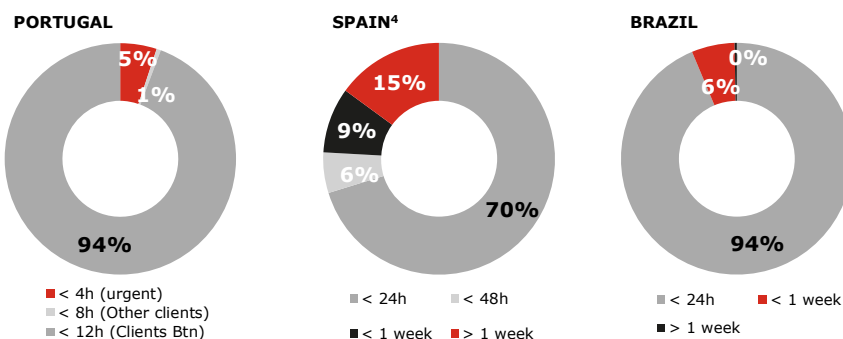
Accidents at Work



ELECTRICITY DISTRIBUTION		UN	2016	2015	2014	2013
ELECTRICITY DISTRIBUTED		GWh	78,214	79,159	79,428	78,886
Portugal	GWh		44,599	44,277	43,808	43,858
Spain	GWh		9,190	9,168	9,177	9,147
Brazil	GWh		24,425	25,713	26,443	25,880
ELECTRICITY SUPPLY POINTS		'000	10,121	10,024	9,894	9,780
Portugal	'000		6,142	6,107	6,083	6,076
Spain	'000		663	660	659	659
Brazil	'000		3,316	3,257	3,152	3,045
TELEMETERING		'000	1,419	816	542	346
Portugal	'000		809	346	186	95
Spain	'000		508	402	306	227
Brazil	'000		103	68	50	24
GRID EXTENSION		Km	337,492	335,804	333,313	334,169
Portugal	Km		225,397	224,849	223,523	222,476
Overhead lines	Km		176,890	176,622	175,615	n.a.
Underground lines	Km		48,507	48,227	47,909	n.a.
Spain ¹	Km		20,520	20,396	20,268	23,293
Overhead lines	Km		15,677	15,640	15,545	18,469
Underground lines	Km		4,842	4,756	4,723	4,824
Brazil	Km		91,576	90,558	89,522	88,400
Overhead lines	Km		91,337	n.a.	n.a.	n.a.
Underground lines	Km		239	n.a.	n.a.	n.a.
GRID LOSSES		%				
Portugal	%		9.5	9.8	10.3	11.2
Spain	%		4.0	4.1	4.1	4.2
Brazil	%		11.0	11.0	11.3	11.6
SERVICE QUALITY						
Portugal						
Installed Capacity Equivalent Interruption Time ²	Min		52	54	60	84
System Average Interruption Frequency Index						
Medium Voltage	#		1.7	1.8	1.9	2.0
Low Voltage	#		1.5	1.5	1.6	2.0
Spain						
Installed Capacity Equivalent Interruption Time ²	Min		24	34	29	38
Brazil						
Average Interruption Duration per Consumer						
Bandeirante	Hours		9.0	7.3	7.6	8.1
Escelsa	Hours		9.3	9.1	10.4	9.8
Frequency of Interruptions per Consumer						
Bandeirante	#		5.7	5.1	5.3	5.5
Escelsa	#		5.6	5.1	6.5	5.8
ENVIRONMENTAL INDICATORS						
Certified Installed Capacity	t		41	35	32	30
Total waste	t		18,468	13,964	15,013	20,296
Dangerous waste	t		2,859	2,530	2,912	3,571
Waste valorization	%		91	89	89	93
OCCUPATIONAL HEALTH AND SAFETY						
Employees	#		5,706	5,823	5,808	5,970
On-duty accidents ³	#		17	31	21	21
On-duty accidents of contracted workers ³	#		40	33	57	60
Fatal on-duty accidents	#		0	1	0	2
Fatal accidents of contracted workers	#		3	3	4	4

¹ 2014 figure was revised during the inventory of assets under the new distribution model definition | ² ICEIT in MV grid, excluding extraordinary effects | ³ Includes accidents with one or more days of absence and fatal accidents. | ⁴ The indicator has been revised in order to include the active and non active telemeters installed in the distribution network. Includes conventional and smart telemetering. Excludes telemetering in transformation stations.

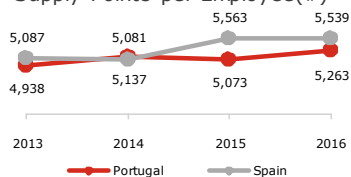
Electricity Supply Reconnection After Payment of Debt by Customer (#)



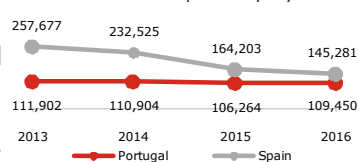
GAS DISTRIBUTION		UN	2016	2015	2014	2013
GAS DISTRIBUTED		GWh	33,555	34,001	53,846	58,473
Portugal	GWh		7,114	6,907	6,876	6,938
Spain	GWh		26,441	27,093	46,970	51,535
GAS SUPPLIED		'000	1,350	1,248	1,345	1,324
Portugal	'000		342	330	319	306
Spain	'000		1,008	918	1,026	1,017
GRID EXTENSION		Km	13,187	12,570	14,797	14,480
Portugal	Km		5,085	4,856	4,653	4,484
Spain	Km		8,101	7,715	10,143	9,996
ENVIRONMENTAL INDICATORS						
Installed power certified	%		100	100	100	100
Total waste	t		31	19	24	34
Dangerous waste	t		3	1	1	2
Waste valorization	%		99	100	99	98
OCCUPATIONAL HEALTH AND SAFETY						
Employees	#		244	227	260	258
On-duty accidents ¹	#		2	2	1	5
On-duty accidents of contracted workers ¹	#		4	4	2	4
Fatal on-duty accidents	#		0	0	0	0
Fatal accidents of contracted workers	#		0	0	0	0

¹ Includes accidents with one or more days of absence and fatal accidents.

Supply Points per Employee(#)



Gas Distributed per Employee



3.3. Electricity and Gas Supply

The Supply Activity

Once the energy gets to the supply point, it is sold by the supplier. In all the electricity and gas value chain, the supply is the activity closer to the customer, being responsible for the relationship with the final consumers.

In most European countries, the electricity and gas markets' liberalisation processes were carried out in stages, starting by higher consumption and voltage level customers. In regulated markets, energy supply is attributed to the distributors. With the market liberalisation, these activities are separated, allowing new agents to enter.

In Iberia, electricity and gas supply is liberalised and consumers have the right to freely choose their supplier. Although the energy market is fully liberalised in both countries, there are last resort suppliers. Currently, in Portugal, these suppliers provide customers whom have not moved to the liberalised suppliers and in the future the aim will be to ensure energy supply to consumers, mainly vulnerable ones.

In Brazil, the electricity supply is divided in regulated and liberalised markets. The customers with consumption from 3,000 kW onwards are considered liberalised and the remaining customers are covered by the regulated market.

EDP is present in the electricity supply activity in Portugal, Spain and Brazil, having more than 9.8 million customers in those geographies.

In the gas sector, this presence is only in Iberia, where EDP has 1.5 million customers.



Strategic Priorities

- **Focus on customer retention**
- **Maintenance of high levels of clients' satisfaction**
- **High penetration rate of Dual offer in Iberia**
- **Increase in penetration of other services in Iberia**
- **Wide range of energy services in all geographies**

The customer relationship management is crucial for EDP, which has given strong relevance to the focus on clients and to improve the quality of services provided. EDP has been building up a position of brand awareness in the energy market, aiming to be an engaging company with which customers relate to.

The energy service segment, focused on energy efficiency and microgeneration (photovoltaic panels), has also been contributing to built strong customer relations. In Iberia, EDP continues to construct its position based on a wide range of products and integrated electricity and gas services for both B2B and B2C customers.

Highlights

- **EDP Comercial reached 4 million electricity customers and 590 thousand gas customers in the liberalized market**
- **Uniformization of EDP brand of all suppliers in all geographies**

Currently, the supply of energy services in Brazil is largely targeted to B2B customers, where there is a considerable upside to be reached.

The number of EDP's liberalised electricity customers in Iberia reached 4.9 million in 2016, growing 8% year on year.

In Portugal, a new milestone was surpassed, reaching 4 million customers (+ 8% vs 2015). This resulted from the strong level of customer acquisition following the switching of customers from the regulated market. The electricity sold by EDP in the liberalised market increased by 7%, which was not enough to offset the decrease in sales in the regulated market.

In Spain, the volume of electricity sold rose by 8% in 2016, supported by the growth of the B2B segment.

In Brazil, the decrease in the number of contracts with liberalized customers was more than offset by the increase in customers in the regulated market. Despite the increase in the number of customers, the amount of electricity sales did not follow this trend penalized by the migration of customers from the regulated market to the free market, the milder weather conditions, the maintenance of the levels of retraction of the economy and the tariff increases of electric energy.

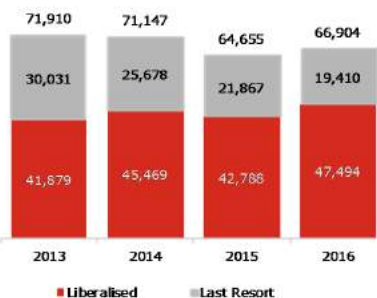
In the gas segment, the number of EDP's gas customers in Iberia reached 1.5 million. In Portugal, EDP has seen its liberalised costumers' portfolio grow by 18% because of the successful of dual offering (electricity + gas). This growth reinforces EDP's leadership in the B2C liberalized gas sector in Portugal. In Spain, the amount of gas sold decreased by 28%, reflecting lower opportunities in the wholesale market.

Further information is available in chapter 7.2. Customers

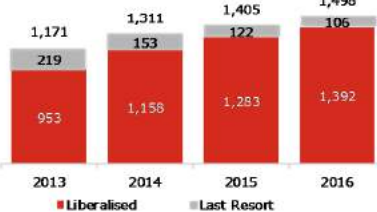
Electricity Customers ('000)



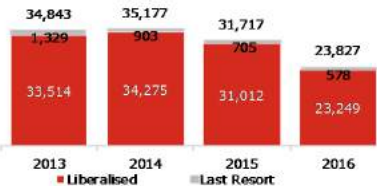
Electricity Supplied (GWh)



Gas Customers ('000)



Gas Supplied (GWh)



ELECTRICITY SUPPLY		UN	2016	2015	2014	2013
NUMBER OF CUSTOMERS		'000	9,806	9,712	9,693	9,663
Portugal		'000	5,423	5,444	5,576	5,78
Last Resort		'000	1,399	1,731	2,520	3,807
Liberalised Market		'000	4,024	3,713	3,056	19,11
Market Share EDP - Liberalised Market		%	n.a.	85	86	84
Spain		'000	1,068	1,012	966	901
Last Resort		'000	227	238	247	256
Liberalised Market		'000	840	774	719	645
Market Share EDP - Liberalised Market		%	n.a.	n.a.	n.a.	n.a.
Brazil		'000	3,316	3,257	3,151	3,045
Last Resort ¹		'000	3,315	3,256	3,151	3,045
Liberalised Market		'000	0.3	0.2	0.2	0.1
Social Tariff		'000	871	326	341	333
Portugal		'000	663	93	42	59
Spain		'000	59	60	63	61
Brazil		'000	149	173	235	213
Special Needs		'000	100	103	0.96	0.81
Portugal		'000	0.52	0.55	0.54	0.48
Brazil		'000	0.48	0.49	0.42	0.33
Green Tariff		'000	829	771	683	586
Portugal		'000	3	4	4	5
Spain		'000	825	767	679	581
ENERGY SUPPLIED		GWh	66,904	64,655	71,147	71,910
Portugal		GWh	22,493	22,839	24,861	27,105
Last Resort		GWh	4,202	5,675	9,247	14,016
Liberalised Market		GWh	18,291	17,164	15,613	13,089
Market Share EDP - Liberalised Market		%	n.a.	43	45	44
Spain		GWh	16,699	15,521	17,317	17,007
Last Resort		GWh	477	497	513	608
Liberalised Market		GWh	16,222	15,024	16,804	16,400
Market Share EDP - Liberalised Market		%	9	8	9	10
Brazil		GWh	27,712	26,295	28,970	27,798
Last Resort ¹		GWh	14,731	15,695	15,917	15,407
Liberalised Market		GWh	12,980	10,600	13,052	12,391
Social Tariff		GWh	528	490	605	572
Portugal		GWh	52	42	76	111
Spain		GWh	120	119	115	115
Brazil		GWh	355	330	414	347
Special Needs		GWh	2	1	0	1
Green Tariff		GWh	4,795	4,470	4,974	4,931
Portugal		GWh	9	8	7	8
Spain		GWh	4,786	4,463	4,967	4,923

GAS SUPPLY		UN	2016	2015	2014	2013
NUMBER OF CUSTOMERS		'000	14,98	14,05	13,11	1,171
Portugal		'000	647	568	479	375
Last Resort		'000	51	63	85	116
Liberalised Market		'000	596	505	394	229
Spain		'000	851	837	832	796
Last Resort		'000	54	59	68	73
Liberalised Market		'000	796	778	764	723
ENERGY SUPPLIED		GWh	23,827	31,717	35,177	34,843
Portugal		GWh	4,698	5,127	4,345	6,290
Last Resort		GWh	342	420	626	975
Liberalised Market		GWh	4,356	4,708	3,719	5,315
Market Share EDP - Liberalised Market		%	n.a.	n.d.	8	11
Spain		GWh	19,129	26,590	30,833	28,553
Last Resort		GWh	236	286	277	354
Liberalised Market		GWh	18,893	26,304	30,556	28,199
Market Share EDP - Liberalised Market		%	3	3	4	5

¹ Regulated Customers supplied by Distribution

4. Ethics

The world today is characterised by enormous volatility, complexity and uncertainty, arising from an unprecedented rate of change. For companies, this means particularly challenging market contexts where the resilience of the organisation and the consistency of the values on which it bases its culture are continually put to the test. In these contexts, the company's reputation, an intangible asset supported by the trust that its stakeholders place in it, assumes a value like never before.

At EDP, ensuring high levels of ethical awareness and demand, minimising the risk of malpractice and maintaining a consistent, trustworthy culture are the established ethical management objectives. Responsibility, compliance, integrity, respect and transparency are the principles that shape the ethical nature of our corporate culture, which we strive to strengthen and continually improve.

Since we understand that our responsibility is not confined to the organisational limits of the Group, we include our suppliers and service providers in the ethical performance management objectives, particularly with regard to compliance, the fight against corruption and the promotion of Human Rights, and within the broader framework of sustainable management of the EDP Group supply chain.

Furthermore, the Group's maturity in this area of management makes it possible to foster cooperation partnerships and networks and the co-creation of knowledge in the field of business ethics, fostering innovation and sharing with society. These were the main guidelines for the initiatives developed in the EDP Group in this field in 2016.

4.1. Ethical Complaint Management

Complaints registered and analysed

406 complaints were registered during 2016 in the various channels available for this purpose within the EDP Group. Of these, 52 gave rise to complaint procedures before the Ethics Committee, and the others were quickly and efficiently processed with the Business Units involved.

In addition to the analysis of their origin, the complaints received are classified according to the different topics in the Code of Ethics, according to the table:

Classification of complaints according to the Code of Ethics

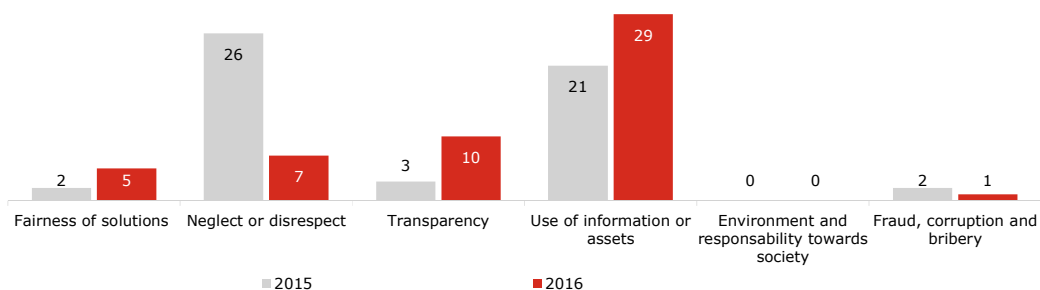
Fairness of solutions	2.2. Conflicts of interest 3. Commitment to stakeholders
Negligence and disrespect	2.1. Legislation 2.3. Human and labour rights 3. Commitment to stakeholders
Transparency	2.4. Transparency 3. Commitment to stakeholders
Use of information and assets	2.2 Use of Information 3. Commitment to stakeholders
Environment and responsibility towards society	2.5. Corporate Social Responsibility 3.5. Community
Fraud, corruption and bribery	2.2. Financial issues 2.2. Corruption and bribery

Annual Report of the Ethics Ombudsman

The different initiatives, results and commitments within the remit of EDP's ethical performance management are detailed in the Annual Report of the Ethics Ombudsman, available at www.edp.pt > about edp > corporate governance > ethics > ethics ombudsman.

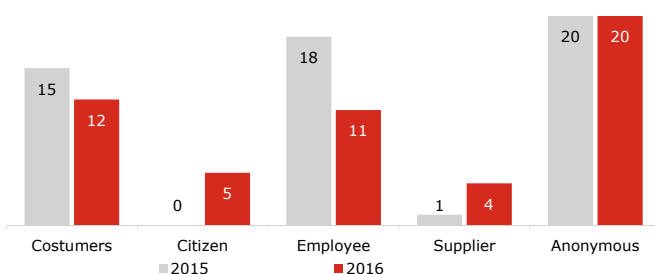
Compared with the previous year, a reduction of 4% is apparent in the total number of new complaints submitted to the Ethics Committee. In an analysis by subject, a significant reduction stands out under the heading "Negligence or Disrespect" on the one hand, and on the other, a certain increase under the headings "Transparency" and "Use of Information or Assets". This increase may be justified by a greater degree of demand from stakeholders, but also by the training and awareness-raising actions carried out in the course of 2016.

Claims before the Ethics Committee, by subject (#)

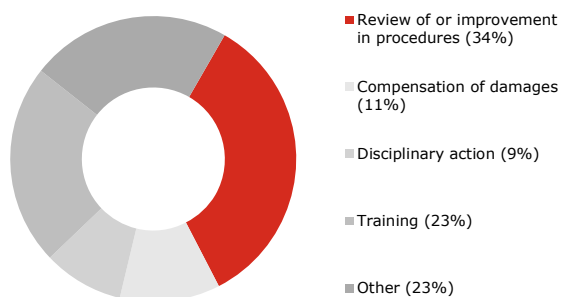


As for the analysis by origin, it is found that the complaint channels were used by all stakeholder groups, but particularly by the Client and Employee groups, which together represent about 44% of the total complaints assessed. There is a significant number of anonymous complaints, most of which originated from EDP Brasil, where this practice is generally more common.

Claims before the Ethics Committee, by source (#)



Actions determined by the Ethics Committee (%)



The Ethics Committee assessed a total of 68 complaints in 2016, 16 of which were carried over from 2015. Of the complaints examined, 50 were closed and 18 are under investigation and carried over to 2017. Of the claims closed, 36% were considered to be justified and 64% were unfounded. Following the opinions of the Ethics Committee, more than forty follow-up actions were determined.

Like in 2015, these actions mostly focused on the review and improvement of procedures, thus promoting better management and control systems in order to prevent the recurrence of unethical practices. Actions classified as "others" included, for example, the monitoring of performance processes, the assessment of the effectiveness of initiatives, and the reporting of events to criminal investigation authorities.

Complainant Satisfaction

With regard to control of the management process of ethical complaints, complainant satisfaction is evaluated annually for complaints submitted to the Ethics Committee that originated in Portugal or Spain. This evaluation focuses on such aspects as courtesy of treatment and response time to contacts. 18 questionnaires were sent out in 2016, which had a response rate of 44%. The results of the evaluation remain positive, with 75% of complainants declaring themselves satisfied or very satisfied in both areas analysed.

Complainant's satisfaction (#)



4.2. Strengthening the ethical culture

Code of Conduct for Senior Management and Senior Financial Officers

The Code of Conduct for Senior Management and Senior Financial Officers has been approved, whose aim is to promote synchrony and to explain, internally and externally, the current conduct matrix, shared by those who, in the different geographies and businesses of the Group, hold authority and assume top management responsibilities. While it does not replace the EDP Code of Ethics, this document reinforces and complements it, recognising that the example of the leader's performance is the best and most powerful code of conduct the organisation can have and the best safeguard of the Company's reputation.

Commitment to Timely Payment

In 2016, as part of the supply chain sustainability development plan, EDP adhered to the "Timely Payment Commitment" initiative promoted by ACEGE - Christian Association of Entrepreneurs and Managers (page 126).

Ethics Training and Awareness

Throughout the year, under the "Smallest Film Cycle in the World" initiative, a series of short films was shown via the internal communication channels on subjects related to corporate ethics (Human Rights in the supply chain, gender diversity, individual responsibility, moral fortitude, etc.). Each session was complemented by brief questionnaires on the topics covered and their relationship with the reality within EDP. The results of these questionnaires served as a theme for debates promoted on corporate radio and television.

Continuing the extensive awareness and training programme that has been undertaken in previous years, the "Tone at the Middle" initiative was designed and implemented in the business units in Portugal. This involved the entire middle management segment, and its aim was to strengthen the alignment of this segment of employees around ethics issues. In this reflection and debate exercise on ethics, and in addition to addressing the circumstances that lead to unethical practices in EDP, the importance of integrating day-to-day ethics in work teams and in decision-making was highlighted. For 2017, it is planned to extend this initiative to the other geographies where the Group operates.

The "ethicsedp | suppliers" training course has been developed to consolidate the knowledge of the principles of action and of the commitments to stakeholders undertaken by EDP in its Code of Ethics within the Group's supply chain. As a first step, this training is aimed at the employees of companies that provide external services (ESP) that represent or act on behalf of EDP, or that work in our facilities. The initiative began in 2016 and will be extended to 2018, and the aim is to cover more than 6,000 ESP employees in Portugal and Spain.

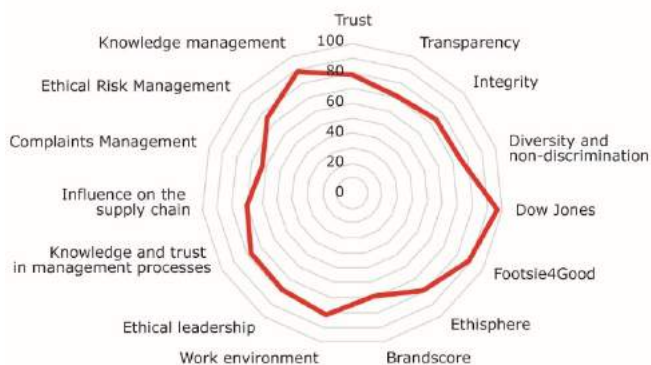
In 2016, EDP Brasil and EDP Renováveis also carried out the online training programme "ethicsedp", covering a total of 2,535 employees in the two Business Units. This programme began in 2014 and was designed for all Group's employees. It has now been completed.

Also at EDP Brasil, several training sessions have been held by the Compliance area, disseminating information on legislation and corporate policies on competition and the fight against corruption, highlighting issues such as: "the most common forms and agents of corruption"; "money laundering"; "insider information"; and "gifts and presents". These sessions covered more than 1,900 employees.

In Portugal, the face-to-face module on ethics that complements the online "ethicsedp" training has been retained for the induction period. This training covered 85% of the employees admitted during the year in this geography. Expansion to all other business units is planned for 2017.

4.3. Evaluation of ethical performance

ETHICIS - Corporate Ethical Performance Index



The EDP Group uses the Ethicis index as a performance monitoring tool. This index, which has been in use since 2013, provides an integrated, balanced view of the Group's ethical performance, which enables the consistency of management practices with ethical commitments to be evaluated, and is also an effective support for external reporting.

In order to increase its robustness, clarity and coherence, Ethicis was given a thorough review in 2016; as a result, a greater diversification of the sources used for certain indicators was achieved, and the quality of indicators relating to suppliers improved. Two major areas of analysis - "Consistency" and "Culture" - were given greater weight, and recognised as structuring factors in ethical performance management, in line with the Ethics Management objectives at EDP.

In 2016 the Ethicis index showed a consolidated result of 78.7, which represents an increase of 2.9 points over 2015, which has been recalculated according to a more demanding methodology now adopted.

External evaluations

EDP has been recognised for the fifth consecutive year by the Ethisphere Institute - USA in the list of "2016 World's Most Ethical Companies". In assessing the maturity of its ethical performance management system, EDP saw the overall value of its Corporate Ethics Quotient improved by 0.2 points and extended its lead over the average points obtained by companies on the 2016 list to 9 points. Note that this result was achieved in the context of a higher level of demand and detail of the information requested in each of the five areas under analysis.

EDP Brasil was awarded the 2016 Pro-Ethics Seal, given by Brazil's Federal Ministry of Transparency, Supervision and Control.

Other external evaluations of ethical performance, such as EDP's positioning on different ESG indices, are explained in the Annual Report of the Ethics Ombudsman.

4.4. Combating corruption

Pro-Ethics Seal

The Pro-Ethics Seal is an initiative that promotes the public recognition of companies committed to preventing and combating corruption and striving to promote greater integrity and a more ethical and transparent corporate environment. This recognition was obtained by EDP Brasil for the third consecutive time, and the company was one of the first four Brazilian companies to obtain it (page 27). The target for EDP in the coming years is to achieve the maximum score.

Online Training on Corruption

In 2016, market research was completed with the aim of providing online training on corruption and bribery. The chosen solution uses a "gamification" approach and is being adapted to the needs of EDP. It will be launched in the first quarter of 2017, and cover all senior managers and the heads of all the Group's Business Units.

Gestão Transparente.org

As a founding member of the collaborative initiative "Gestão Transparente.Org - A practical guide to the management of the risk of corruption in organisations", EDP continues to promote this community-based platform by carrying out activities to prevent corruption, promote transparency, and widen its dissemination and base of adherents and users. In essence, a web-based, free-access tool is made available with an organisation characterisation simulator and a corruption risk indicator. A set of measures and information aimed at enhancing prevention is also available, including the sharing of good practices amongst the founding companies and the public commitments of the member organisations. The Gestão Transparente.Org Project also focused on the protection of personal data in 2016 and in 2017, in the context of promoting and sharing values of integrity, accountability and transparency, it has also expanded the availability of its contents in Spanish, English, and European and South American Portuguese.

Compliance

In May 2016, EDP formally adopted a Corporate Compliance Management System to monitor the main risks inherent in legal and regulatory compliance and to strengthen and systematise its compliance management practices. The Internal Audit and Compliance Department is responsible for promoting and coordinating the EDP Group's (Global and Specific) Compliance Programmes, through the provision of tools, methodological support and monitoring of the activities carried out. Throughout the year, certain initiatives were carried out aimed at implementing various Specific Compliance Programmes.

In particular, in the EDP Group companies in Spain and in EDP Renováveis, in view of the recent changes in the Spanish Criminal Code regarding Legal Corporate Liability - a legal framework in which the responsibility for a range of potential offences (corruption, fraud, money laundering, influence peddling, crimes against the environment, crimes against public health, amongst others) may also be attributable in certain circumstances to companies - a review of the models of crime prevention already implemented has been carried out in order to defining a control benchmark that can reinforce a set of policies, guidelines and internal procedures, systematising a Compliance Programme required by the current legislation. This work also aims to promote the identification of best practices that can be adopted in the short term, across the EDP Group.

At EDP Brasil, during 2016, several Compliance training sessions were held in order to transmit values, principles and rules to the main organisational structures, reinforcing internal topics such as the Code of Ethics, EDP Culture, risk tolerance, norms and internal procedures, and also addressing issues related to the legislation in force, such as the fight against corruption, the defence of competition and Human Rights, and others.

System of Internal Control and Financial Reporting

With a view to enhancing the effectiveness of the control and reporting systems and reducing the risk of legal non-compliance, in particular the occurrence of corruption and bribery practices in the context of the evolution, quality and maintenance of the system, topics related to the analysis of financial risks and fraud in financial reporting were reinforced, bearing in mind the continuous improvement and robustness of the system (page 214).

4.5. Championing Human Rights

The Human and Labour Rights Monitoring Programme (HLRP), extended in 2016 to all EDP Group Business Units, covers, among other things, companies, facilities, new projects, mergers and acquisitions, as well as operations with a potential impact on Human Rights or materially significant turnover in Portugal, Spain, Brazil and the United States.

This Programme enables us to assess compliance with EDP principles and objectives with regard to the respect for Human and Labour Rights, our practices and the impact of decisions and operations. EDP's public principles and commitments regarding respect for human rights are reaffirmed and made publicly available on EDP's website (www.edp.pt> sustainability> approach to sustainability> ruggie principles) and other media such as the Code of Ethics and the EDP Group's Principles of Sustainable Development. HLRP monitoring also contributes to the systematic practice of ethical risk assessment and compliance with applicable legal, regulatory and ethical standards.

EDP has adopted the principles and values enshrined in the Universal Declaration of Human Rights and international conventions, treaties and initiatives such as the International Labour Organisation Conventions, the United Nations Global Compact and the Guiding Principles for Business of the Human Rights Council - Ruggie Framework.

EDP is committed to respecting and promoting Human Rights and decent work practices, particularly in the supply chain. The Group's Principles of Sustainable Development assert its commitments to integrate social aspects into its planning and decision-making, to respect and promote respect for human rights within its sphere of influence, to reject abusive and discriminatory practices and to ensure equal opportunities.

In 2016, the self-diagnosis carried out identified no significant risks of adverse impacts on Human Rights, but a set of actions and improvement plans are nevertheless recommended, as well as their expansion throughout our supply chain, particularly in the entities who act on behalf of EDP. It should be noted that compliance with the prohibition of recourse to illegal workers and child labour is an explicit requirement for the qualification of suppliers, is contractually established and is subject to verification and operational inspections, and is also addressed under the Compliance function by the Supply Chain Sustainability Programme, the HLRP and self-diagnosis.

Relevant HLRP procedures and documents - Commitments, UN Guiding Principles for Business, Monitoring Guide, Reports - are published at www.edp.pt> sustainability> approach to sustainability> ruggie principles.

The channel for complaints, reporting and queries to the EDP Group Ethics Ombudsman is the preferred means of contact on matters of Human and Labour Rights, including the supply chain.

5. Innovation

5.1. Approach to Innovation

EDP seeks to integrate innovation in new technologies, processes and products and in its business models, to increase competitiveness and create value for the business and for stakeholders. Through open innovation processes, global performance is promoted and synergies are encouraged, while alliances, partnerships and collaborative approaches are established for the sharing of resources, skills and risks.

The governance model for Innovation is based on 5 strategic areas:

- Clean energy;
- Smart grids;
- Customer-focused solutions;
- Energy storage;
- Data leap.

For each of these areas, an Innovation Working Group has been set up, directly sponsored by a member of the EDP Group's Executive Board.

In the particular case of Brazil, R&D initiatives are promoted based on the guidelines of the regulatory authority, focusing on improvements in power generation and distribution processes. The multi-year R&D strategic investment plan covers a five-year period and was designed to achieve objectives such as operational efficiency, risk reduction and revenue improvement. In 2016, the EDP Group's estimated total investment in R&D+i was 14.8 million euros.

The most significant initiatives developed by the business units in the five strategic areas are described below.

5.2. Innovation Initiatives

Clean energy

This area focuses on identifying and promoting the development of new energy generation methods through renewable sources or through reductions in greenhouse gas emissions and new technologies to improve the operations and efficiency of existing energy production assets.

The following projects are of note:

PROJECT	DESCRIPTION	COUNTRY
Waveboost	With the Waveboost "absorber point" technology, developed by CorPower, the aim is to improve the reliability and performance of wave energy converters, by developing and validating a revolutionary braking module with Cyclic Energy Recovery System (CERS) and advanced control, which can be coupled to different types of appliance.	Portugal
Floating photovoltaic	Pilot project for the installation of a floating photovoltaic platform on the reservoir of the Alto Rabação hydroelectric dam, to validate solar-hydro synergies. The system comprises 840 photovoltaic modules, with a total capacity of 230 kW, based on a 2,500 m ² floating platform, supported by 8 anchor points.	Portugal
DEMOGRAV13	Demonstration of an innovative hybrid (cement-steel) and self-floating gravity foundation, for offshore wind farms located at water depths of 35 to 60m.	Portugal
Use of coal ash	Technical, economic and environmental feasibility of the use of the mineral coal ash produced in thermoelectric power plants, for use in civil construction, paving and geotechnical and environmental applications.	Brazil

Smart grids

This priority focuses on the development of smart grid infrastructures and customer-focused applications and operations, to ensure that their central role in the energy system meets business needs. These new smart grids will have to address, in particular, energy efficiency improvement targets, with the growing integration of intermittent renewable sources, as well as the increasing penetration of electric vehicles and storage.

The following projects are of note:

PROJECT	DESCRIPTION	COUNTRY
e-balance	Project based on the problems presented by the general increase in energy consumption and its impact on the climate. The aim is to develop a decentralized energy management system that provides increased support for local decision making, enabling the active integration of consumers into smart grids.	Portugal
Smart meter (gas)	Pilot project for the development and implementation of 50 smart meters, for remote reading and operation of the equipment, in a real environment representing customers with a typical profile.	Portugal
Weather Maps	The project aims to create a layer of weather forecasting information on the Google Maps platform and to integrate it with EDP Distribuição's tools so that wind, solar radiation and temperature forecasts provided by Instituto Português do Mar e da Atmosfera (IMPA) can be viewed.	Portugal
Smart Lab	Design and development of an infrastructure for testing smart grid solutions, particularly in the areas of interoperability, functional validation and quality control of products and processes associated with smart grids.	Portugal
InteGrid	Demonstration of smart grid technologies for the integration of renewable energies and interactive participation of consumers in the energy market and in the implementation of innovative business models, using new data management approaches and stakeholder engagement.	Portugal
Hygrid	Development of a combined system for the separation of hydrogen based on membranes, electrochemical separation and TSA (temperature swing adsorption).	Spain
Reduction of peak demand	Pioneering project for the development of a smart electronic monitoring device (hardware and software) to reduce demand at peak times, by disconnecting white goods.	Brazil
Smart Grid	Development of a methodology and technology for the management of energy in a wiring system with segmented circuits in response to availability prioritization criteria. The system is supplied by the grid and has a microgeneration system and a hybrid energy accumulation system (batteries and water heater).	Brazil

Customer-focused solutions

In retail, EDP has been focusing on diversification, by channelling its innovation work towards a wider range of supply with innovative products and services and new business models and improved customer satisfaction and involvement. The solutions developed seek to transform EDP into an agile, customer-oriented company through intelligent pricing and aggregation systems, energy efficiency and increased electrification.

The following projects are of note:

PROJECT	DESCRIPTION	COUNTRY
EDPBOX for the Blind	Development of a prototype for the visually disabled which collects tariff records from the EDPBOX (smart meter) and vocalizes its contents at the push of a button.	Portugal
EDP Distribuição Digital	The project aims to increase the company's digital relationship with citizens and consumers by providing a set of new functionalities in its digital channels (website, APP and SMS).	Portugal
SHAR-LLM – Sharing Cities	The project aims to demonstrate that properly designed solutions for smart cities can be integrated into complex urban environments through a digital approach and the development of innovative business, investment and governance models.	Portugal
BestRES	Development of good practices and innovative business models for aggregators of generation from renewable sources, including the identification of obstacles and optimization of the aggregator role.	Spain
Performance architecture for Energy Efficiency in Buildings.	Development and experimental validation of an architecture methodology for the design phase of buildings to achieve high levels of energy efficiency in buildings exposed to the particular environmental climate constraints of Bioclimatic Zone 8 in Brazil.	Brazil

Energy storage

This area seeks to understand the rapid changes in energy storage technologies and their application to energy systems. The challenges of intermittent power, microgeneration, electric mobility and increased customer training require technological solutions that increase the flexibility of electrical systems in which supply and demand must be constantly balanced. Storage is therefore a key tool in addressing these areas throughout the energy value chain.

The following projects are of note:

PROJECT	DESCRIPTION	COUNTRY
Technical storage pilots	Solution testing with commercial batteries in residential settings to identify performance deviations against those reported by manufacturers and implement control strategies for batteries linked to photovoltaic panels.	Portugal
V2G – Vehicle to Grid	Development of a demonstrator to test the V2G solution, acquire technological knowledge and assess the challenges and opportunities offered by VsG technologies.	Portugal
SMARES	Project for the design, manufacture, testing, validation and certification of smart, modular energy storage technology with an advanced management system based on a multi-level converter with output power of up to 6 MVA at 20 kV for use in systems powered by renewable sources, such as offshore wind farms.	Portugal
Redox	Development of a 30 kW battery with Spanish technology, for commercial and industrial use, and testing in real an environment on the Asturias low voltage power grid.	Spain
STOCARE	Demonstration pilot project to define and specify a storage system with a battery connected to the grid, incorporated in a wind farm. The project aims to identify critical aspects related to real-time system maintenance operations and to evaluate the technical capacities for increasing the flexibility of the plant's operations.	Romania

Data leap

This is a cross-cutting area which seeks to leverage the latest developments in Information and Communication Technologies (IT) to accelerate innovation in all business areas. Its main focus is the use of new ICTs, such as Big Data, Cloud Computing, Advanced Analytics and the Internet of Things and the identification of opportunities for operational optimization and business development through digital innovation and data use.

The following projects are of note:

PROJECT	DESCRIPTION	COUNTRY
Real-time dashboards and optimization of OSI-PI Reports	A pilot project to evaluate big data architectures for processing and displaying data currently held in Osi-Pi databases. The goal is to improve the performance and flexibility of real-time operational dashboards and reports with wind farm data.	Portugal
Machine Learning for Cybersecurity	Development of the cyber attack prediction model, through the application of machine learning algorithms to detect high severity security event patterns and trigger alarms, so that timely mitigation actions can be taken.	Portugal
EDP IoT Hackathon	Promotion of a hackathon, in partnership with Microsoft, challenging participants to collect data from EDP smart meters and then transmit it the cloud. The final solution involves the visualization and processing of received data in an effective, innovative and appealing way.	Portugal

Other innovation initiatives

In addition to the above initiatives in its five strategic Innovation areas, EDP has a venture capital fund for investment in cleantech (EDP Ventures) and promotes internal and external initiatives to stimulate innovation and entrepreneurship, particularly through EDP Starter.

EDP Ventures: By the end of 2016, it had already invested 22 million euros in innovative cleantech companies and funds. The following investments are of note:

- Arquiled - LED lighting solutions;
- Feedzai - real time big data solutions;
- Zypho - drain water heat recovery solution for showers and baths;
- Principle Power - floating platform for offshore wind energy;
- Egg - single multi-socket;
- Eggly - device for power consumption monitoring;
- Vertequip - system for lifting and transferring people in conventional production plants and wind towers;
- Pro-drone - integrated solution for UAV (Unmanned Aerial Vehicle) inspection;
- International cleantech funds (USA and UK);
- Support for the implementation of pilots among Portuguese start-ups and EDP Group Business Units (EDP Comercial, EDP Renováveis).

EDP Starter: support programme for energy projects, from initial idea to venture capital investment, thereby contributing to the development of innovative technologies and new business models for the energy industry (www.edpstarter.com). By the end of 2016, EDP had supported 30 start-ups and made 12 venture capital investments worth a total of 22 million euros.

EDP Open Innovation: in partnership with the Expresso newspaper, this programme is the result of the fusion of the Energia de Portugal and EDP Inovação prizes, formerly awarded in Portugal and Brazil. The programme promotes the development of new business projects, with an emphasis on technological innovation or business models in the area of

clean energy technologies. It can offer a gateway to the EDP Starter project. In 2016, applications were received for 125 projects from Portugal, Brasil and Spain, with the 50,000 euros prize awarded to the Brazilian start-up Delfos Predictive Maintenance for the development of a wind power equipment failure prediction system (<https://edpopeninnovation.edp.pt>).

ClickIdea Platform: ClickIdea is a collaborative platform, open to all employees in all geographical areas, which challenges them to contribute innovative ideas that could have a positive impact on the Group's operations and business. Employees can contribute to the evaluation and improvement of ideas submitted by their colleagues and those with most votes will later be assessed by an evaluation committee.

Innovability Mentors (iMentors): training programme for employees in Brazil, based on innovation methodologies and tools, building their capacity for the creation of business opportunities aligned with sustainable development principles and the development of value proposals related to the challenges faced by EDP Brasil. Launched in 2013, the programme already has 88 employees acting as iMentors.

6. Environment

6.1. Climate Change

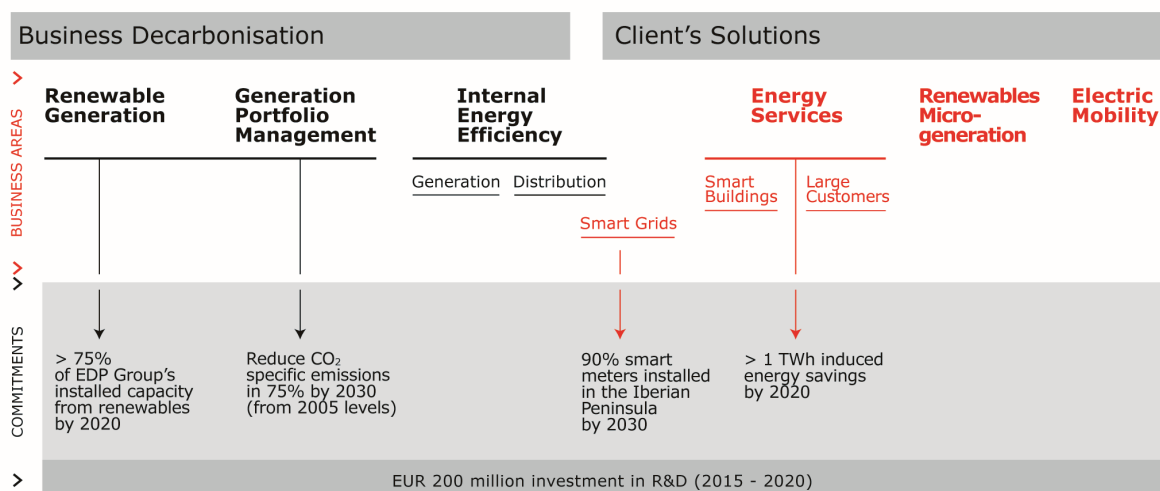
Climate Change, together with mitigation measures, such as the promotions of renewable energies and energy efficiency, are material themes for EDP, recognised as highly relevant for all stakeholder segments consulted.

EDP's climate change strategy places the company within the response to the deep change in the electric sector, aimed at its decarbonisation in the long run.

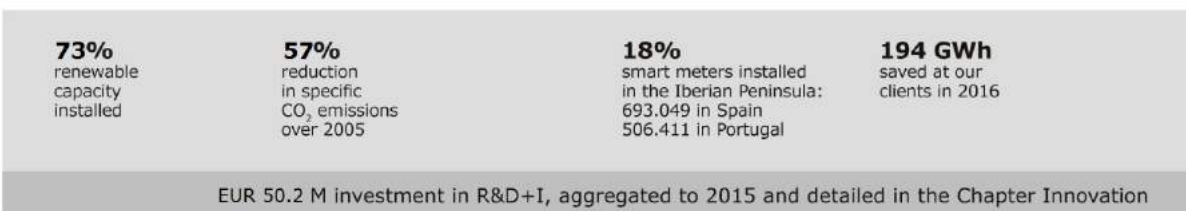
EDP aims at providing competitive low carbon energy, capable of ensuring sustainable economic growth.

EDP Commitments Undertaken in 2015

Climate change strategy fields of action



At the end of 2016, against the objectives defined, EDP achieved:



EDP has also undertaken a number of commitments promoted by the organisation CDP – Driving Sustainable Economies and the coalition We Mean Business, as follows:

- To adopt an internal price of carbon: In its decision making, EDP adopts internal carbon prices. These prices are used to assess the impact of current and future carbon regulations - e.g. in emission trading systems and carbon taxes - on energy prices and volumes, the value of existing assets and the evaluation of capital investments in new power generation assets (from fossil fuels or renewable energies), bearing in mind market specifics (geography and regulation). The price range (currently between EUR 5 and EUR 60/tCO₂) is based on various reference sources, depending on the scenario adopted, the year and the geography;
- To define an emission reduction target consistent with the level of decarbonisation required for restricting the increase in global temperature to 2°C (Science Based Target). In early 2017, EDP saw its emission reduction goal approved by the Science Based Target initiative (SBTi);
- To disclose information on climate change as a fiduciary duty, including in its accounting documents content that meets the Climate Change Reporting Framework (CCRF) requirements:
 - EDP annually reports to the CDP Climate Change and Water programmes, providing detailed information on climate change and water risks and opportunities in the business and their management. EDP's response is publicly available (www.edp.pt). In 2016, it obtained the highest rating (A - Leadership) in the CDP-Climate index, and the B rating (Management) in the CDP-Water index;
 - The information provided on climate change complies with the CCRF requirements, and is included both in this report and in the documents mentioned therein:
 - Strategic Agenda (page 48); Risks, Opportunities and Governance (CDP);
 - Management (page 48); Objectives and Goals (page 52);
 - Global Energy Macro-Trends (page 36);
 - GHG Emissions (page 97), fully aligned with the financial consolidation method.
 - In this context, EDP complies with the CDP, GHG Protocol, EU ETS (European Union Emission Trading Scheme and GRI-G4 benchmarks.

The SBTi* recognised the alignment of EDP's targets with the development and decarbonisation scenarios for the electric sector, based on the projections by the UN Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), compatible with an increase in global temperature of less than 2°C, the base scenario of the Paris Agreement. In this context, EDP undertook to **reduce scope 1 and 2 specific emissions by 55% by 2030, as compared to 2015, as well as scope 3 absolute indirect emissions by 25% over the same period.**

* Collaboration between the organisations CDP, World Resources Institute (WRI), World Wide Fund for Nature (WWF) and United Nations Global Compact (UNGC)

Business Decarbonisation

Promotion of Renewable Energies and Generation Portfolio Management

The renewable energy capacity installed increased by 7.4% over the previous year, as a result of capacity additions in wind (+770 MW) and hydro (+487 MW net), reaching 18.3 GW, i.e. 72.6% of the EDP Group's total capacity, and converging towards the target set for 2020. Generation from these sources increased significantly over 2015 (+24%; +8.74 TWh), supported by higher water availability in Portugal, IPH= 1.33 as against 0.74 in 2015, and increased wind generation. These facts, coupled with decreased thermal power generation in the Iberian Peninsula, led to a significant increase in the contribution of renewable energies to the EDP Group's total production, from 58% to 66%.

The use of renewable energies to replace fossil fuels for electricity generation resulted in a total avoided emissions of 32.7 MtCO₂ (14% up on 2015). This indicator reflects the amount of CO₂ that would have been emitted if the energy from renewable sources had been generated at conventional thermal power plants.

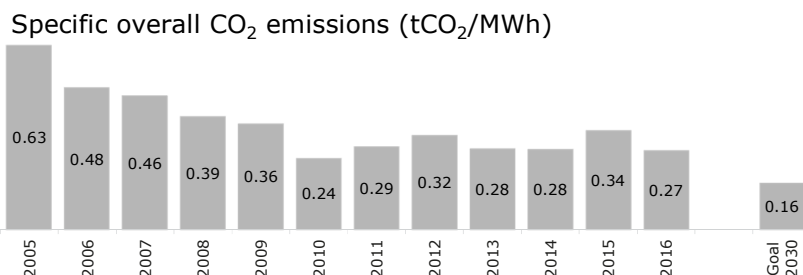
With regard to greenhouse gas emissions, as compared with the previous year, the following was recorded in 2016:

- A reduction of 12% in direct emissions (scope 1), as a result of a decreased generation from fossil fuels, which accounts for 99.8% of this indicator;
- A strong reduction (-43%) in indirect emissions associated with electric power consumption (scope 2), due to the lower volume of distributed electricity generated by third parties, which influenced emissions associated with losses in distribution networks, and to the almost general reduction in emission factors in the different geographies in which EDP operates. EDP follows the GHG Protocol recommendation as regards the determination of scope 2 emissions, according to two methodologies: based on global emission factors (location-based) and on suppliers' emission factors (market-based). However, the calculation of scope 2 emissions using both methodologies does not result in significant differences because their impact is only felt in the electricity consumption of office buildings and self-supply of wind farms with guarantee of origin for renewable energy, the contribution of these two categories to this indicator being just 4.5%;
- A 15% reduction in indirect emissions induced upstream and downstream of the value chain (scope 3), due to lower activity related to fuels and energy (category C03) and the decrease by 25% in the volume of gas supplied (category C11), especially in the wholesale market.

CO ₂ equivalent EMISSIONS (kt)	2016	2015 ³
SCOPE 1	18,931.4	21,550.3
Stationary combustion	18,900.4	21,518.1
SF ₆ Emissions	7.8	7.8
Company fleet	17.7	18.0
Natural gas consumption	0.5	0.5
Natural gas losses	5.0	6.0
SCOPE 2 (Location-based ¹ and Market-based ²)	564.9	981.8
Electricity consumption in office buildings	1.6	2.0
Electricity losses	539.6	956.5
Renewable plants self-consumption	23.7	23.2
SCOPE 3	12,469.1	14,622.8
Purchased goods and services (C01)	54.5	53.0
Capital Goods (C02)	286.9	250.8
Fuel and energy related activities (C03)	7,091.2	7,636.3
Upstream transportation and distribution (C04)	303.7	384.7
Business Travels (C06)	10.5	9.5
Use of sold products (C11)	4,722.2	6,288.4

¹ Based on global emissions factors of each geography. | ² Based on suppliers emissions factors. | ³ Scopes were all revised: Scope 1 to exclude Arcelor-Mittal emissions and Scopes 2 and 3 to avoid double counting.

The conditions favourable to decarbonisation observed in 2016, strongly influenced by increased hydro resources in Portugal, led to a value of specific emissions of 0.271 tCO₂/MWh, which corresponds to a 20% decrease from 2015 and a reduction of 57% from 2005, approaching the public commitment undertaken.



Internal Energy Efficiency

The business decarbonisation also depends on improved internal energy efficiency (efficiency of thermal power plants; losses in the distribution networks; smarter grids) and on the preservation of natural resources, notably fossil fuels. As regards the total consumption of primary energy, which amounted to 220,588 TJ, there was a decrease of about 31,763 TJ (13% down on 2015) as a result of the lower use of coal in the Iberian Peninsula, including the shut-down of group 2 of the Soto de Ribera power plant and the lower availability at Aboño 2 (improvement of the denitrification system) despite the increase of about 10 thousand TJ in the consumption of natural gas (page 135 and 136).

The most favourable operation regime in thermal power plants, particularly the combined-cycle gas plants (CCGT) led to an increase in the the overall weighted efficiency of these plants, excluding cogeneration, from 37.1% in 2015 to 38.7% (page 135 and 136).

The energy consumed in operations to provide the final product (electricity and gas), e.g. in power plant self-consumption, networks (losses) and office buildings, was 54.2 TJ, 3% down on the previous year. This variation was supported by the widespread reduction in distribution grid losses (255 GWh or 0.9 TJ down on 2015) and gas leaks (169 GWh or 0.6 TJ down on 2015).

As regards the development of infrastructure and smart grid applications, focused on the customer and the operations, EDP continued to install smart meters, particularly in the Iberian Peninsula, which cover already more than 1.3 million clients. In late 2016, EDP had 18% delivery points equipped with smart meters (pages 80 and 120), practically doubling the number of smart meters installed until 2015.

Solutions for the Client

Energy Efficiency Services

EDP continued to promote energy efficiency services focused on its clients, providing replacement solutions for conventional primary energy sources with others that are more efficient (fuel switching), equipment replacement (lighting, compressed air systems, high performance motors, electronic variable speed drives, heat pumps, etc.) and the optimisation and more efficient load management (page 123). In 2016, the additional energy efficiency services led to accumulated savings, since 2015, of 194 GWh, avoiding the emissions of 32.8 ktCO₂.

Micro-generation services

Anticipating the future where generation will be increasingly decentralised, EDP offers its clients microgeneration solutions from renewable sources, tailored to the customer's profile and the characteristics of the sites and the electrical

installations, essentially based on photovoltaic systems for self-consumption. The systems installed in Portugal, Spain and Brazil, totalled 9.3 MW, avoiding the emissions of 3.9 ktCO₂, calculated on the basis of each country's global emission factor.

Sustainable Mobility

The transport sector and the massive use of traditional liquid fuels (gasoline, diesel oil, etc.) are important sources of emissions, with a negative impact on the environment, not to mention the economic component related to external energy dependency. Sustainable mobility depends on behavioural change in terms of how people displace themselves, as well as the use of alternative, more efficient and less pollutant energy sources, such as electricity and natural gas, and their supply infrastructure, which translates into new business opportunities for EDP.

To this end, EDP has developed:

- internal solutions with the progressive introduction of electrical vehicles and vehicles powered by natural gas into its vehicle fleet, energy certification for the Portuguese fleet, car-sharing schemes, training in eco-driving, its own filling stations and an important contribution to the installation of public supply infrastructure;
- external solutions, offering its clients b2b and b2c sustainable mobility products: charging stations, mobility plans, discounts in the electricity and gas bill, consumption management, support and advice.

6.2. Management of Environmental Impacts

Management Policies and Systems

EDP's continuous improvement of its environmental performance is part of its Environmental Policy, including the prevention of pollution and the mitigation of its impact, in compliance with the requirements of the environmental legislation applicable to the company's various activities, as well as with other voluntary commitments (www.edp.pt/sustainability/environment/environmental-policy).

Environmental certifications are a way of demonstrating externally the minimisation of environmental risks and the search for environmental performance excellence. Since 2008, EDP has maintained a Corporate Management System (SIGAC) certified to ISO 14001, which covers "the corporate management of environmental policies, environmental strategic plans, environmental reporting and environmental performance of the organisations within the EDP Group". In 2016, ISO 14001 certification was obtained for 93% of the net installed generation capacity and 41% of the installed capacity in distribution substations. In Brazil, Pecém Power Plant obtained its certification according to ISO 14001, which turns to 87% the amount of certified installed capacity. Furthermore, the EDP Group is registered in the Eco-Management and Audit Scheme (EMAS) for 93% of the net installed capacity in Portugal and 51% in Spain.

With a continuous investment in practices and technologies that minimise the environmental impact of its activities, in 2016 environmental investments amounted to about 72 million Euros and environmental cost to about 62 million Euros. More than 64% of the investment was allocated for the protection of the air and the environment, with investment in minimising air emissions being particularly important. Note 51 of the financial statements provides a detailed description (page 406).

During 2016, the EDP Group incurred costs for fines and other penalties for uncomplying environment regulations and indemnities to third parties for losses and damages caused by past pollution in the amount of 29 thousand euros.

Water Resources

Water is a key resource for EDP's activity, particularly for hydro and thermal power plants that depend on its quantity and quality. The importance of this resource for the EDP Group is reflected in the materiality matrix, which also identifies the high importance of the Water Management for society (page 63).

Within its Water Management Policy, EDP monitors the potential shortage, controls the water quality and sediment, and the impact of water management on biodiversity, for which it ensures a number of minimisation activities, such as the release of ecological flows, the transfer and transport of fish and the support of scientific research on these topics (www.edp.pt> sustainability> environment> water> water management policy).

In 2016, the monitoring of water quality in reservoirs was extended to the new hydropower plants in Portugal: monitoring of the operation conditions at Baixo Sabor and filling conditions in Foz Tua.

Also in Portugal, EDP has continued the installation of ecological flow release devices, expected in 26 hydropower plants. On the advice of the Portuguese Environmental Association, the installation is done according to an experimental methodology which considers the specificities of each dam and the rivers where they implanted.

AMBER Project

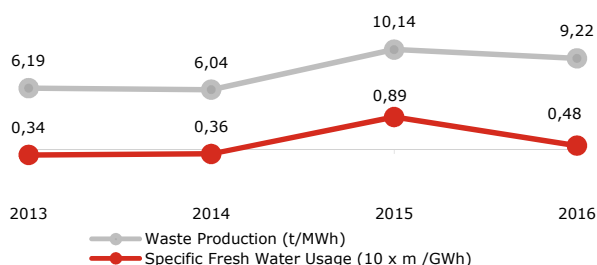
Through its assets in operation in Tanes-Rioseco, EDP is establishing a partnership with the University of Oviedo for the AMBER Project (Adaptative Management of Barriers in European Rivers), funded by the European Union and under the Water Framework Directive.

The aim of the project is to more efficiently manage the impact of river fragmentation, by mapping dams and other existing barriers and designing an adaptative management strategy for them (<http://amber.international>).

The high hydrologic index in Portugal (36% of hydropower generation up on 2015; page 136 and 137) and the shut-down of group 2 of the Soto de Ribera Thermal Power Plant in Spain contributed to lower volumes of water collected for the refrigeration circuits (14% down on 2015), offsetting the entire first year of generation at the Pecém Thermal Power Plant in Brazil.

The water used in the refrigeration circuits amounts to 99.6% (page 136) of the total volume of water used for thermoelectric generation. The refrigeration water is subsequently returned to the environment with increased temperature, complying with the limits set in the respective environmental licences.

Water Usage and Waste Production



All effluents are treated and discharged. In 2016 there was a decrease in the volume of discharged effluents, both into the marine environment (-13%) due to the reduction in thermoelectric generation in the Iberian Peninsula, and into inland and estuarine waters (-61%), due to the shut-down of group 2 of the Soto de Ribera Thermal Power Plant which, with semi-open circuit, collected and discharged large quantities of river water. The specificities of these plants can be consulted at www.edp.pt > sustainability > Publications > Sustainability Management Approach.

The Pecém Power Plant in Brazil, in the State of Ceará, is located in an area of water stress. Aware of this situation, EDP has sought to implement circuit optimisation initiatives to reduce the collection of this resource. A project undertaken in 2016 resulted in a decrease of about 12% in water consumption, enhancing the cooling of boilers through chemical stabilisation applied in cooling towers.

Responsible consumption and efficient management measures are ongoing practices guaranteed under the Environmental Management Systems in place at the various Group companies.

With regard to office buildings, in addition to the fitting of automatic taps with motion sensors and dual toilet flush systems, online telemetering was implemented in 2016 for buildings in Portugal, which helps avoid losses and optimise consumption.

In Brazil, systems to collect rainwater entered into operation on the roofs of the Peixe Angical Hydropower Plant buildings, and in the EDP Bandeirante office building in Mogi das Cruzes increasing the volume of water collected from the existing system.

Under the generation activity in Portugal, a number of initiatives were undertaken in 2016 to promote the efficient management of resources, among them the decrease of water consumption, leading to a decrease in costs estimated at more than 52,000 Euros per annum.

The CDP Water report has been published annually since 2008, describing in greater detail the ongoing initiatives. This report is available at www.edp.pt/sustainability/environment/water/water-disclosure-project.

Biodiversity

EDP has a clear Policy on Biodiversity that seeks to achieve a global positive balance as a result of the impact of its activity. Our action focuses on four main areas:

- Ecosystemic and adaptive management approach to impact minimisation;
- Long term vision;
- Promotion of knowledge production;
- Reporting transparency.

The long-term and adaptive management assumptions, based on the active engagement of stakeholders and the aim of achieving a No Net Loss (NNL) and/or Net Positive Impact (NPI) in biodiversity, are enshrined in the management of the new hydropower plants. Here, the minimisation of impact is managed on the assumption of the life cycle of the projects (between 75 and 80 years) and the close engagement of local stakeholders (including universities, environmental NGOs, landowners, etc.).

This management approach of the impact on biodiversity is particularly relevant for hydropower plants located in areas of conservation interest, given their level of endemism and the existence of endangered species. An example of some of these areas affected by EDP developments is the Natura 2000 Network in Europe and the biomes of the Amazon, the Atlantic Forest and the Cerrado in Brazil. In all instances where impacts might be significant, EDP promotes a set of mitigation measures (minimisation, offsetting) and monitoring programmes. During the operation of generation plants, this approach is integrated into the environmental management systems, largely certified to Standard 14001:2004 (page 17).

In 2016, the following management and offsetting initiatives of relevance in terms of impacts on biodiversity in the production activity are worth mentioning:

New hydropower plants

In Portugal, in the Baixo Sabor plant, the implementation of the compensatory measures programme of targeting impacts on biodiversity was completed across a wide number of actions distributed over 17 integrated management territorial units covering a total of 27,163 ha. Currently under operation, an Integrated Environmental Monitoring Plan (IEMP) is underway assessing the effectiveness of the CMs in place and all the environmental descriptors required by the Environmental Impact Statement (EIS). In the Foz Tua plant, the implementation of the programme of compensatory measures targeting biodiversity is underway in accordance with the planned actions.

The “Junto à Terra” project, as a school community awareness-raising and engagement initiative for the municipalities covered by the reservoirs of these two adjacent territories, started the first of three consecutive academic years (from 2016/2017 to 2018/2019) to implement the project in the Baixo Sabor municipalities. In 2016, the work focused essentially on the planning and designing of pedagogical and teaching tools together with local stakeholders.

Peixe Angical HPP - Brazil

The environmental and behavioural monitoring studies of the Boto (*Inia geoffrensis*) contribute to increasing knowledge on the ecology of this species. In 2016, the scientific team responsible for the study was recognised with the publication of a scientific paper (Water Spouting by Botos (*Inia geoffrensis*): A Risky Behaviour? / Araújo-Wang, Claryana; Wang, John Y. Aquatic Mammals; Moline 42.4 (2016): 542-544.), available from <https://doi.org/10.1578/AM.42.4.2016.542>

EDP Produção, through the Faculty of Science at Lisbon University (FCUL), continued the pilot project to minimise the impact and control the erosive effects at the land and water level variation band of the Salamonde and Caniçada reservoirs, since they are subject to daily water level variations. This R&D project was inspired by the physiology and ecology of the biological crusts, under a Natural Infrastructure approach for the search/use of solutions based on nature to address issues related to the use and availability of the water natural resource.

In Brazil, although EDP has no control over the management of the Santo António do Jari or Cachoeira Caldeirão hydropower plants in the state of Amapá, or the São Manuel plant, it is actively involved in mitigation and monitoring their impact on biodiversity.

In Spain, EDP Renováveis and Fundación EDP continued the red kite (*Milvus milvus*) radiolabelling work and conservation programme at the Community of Castilla y León (www.edpr.com> sustainability at EDPR> environmental commitment> environmental initiatives). In Portugal, in the area of forest fire protection, fuel management actions are being undertaken until 2018 in sections of Power Lines and Wind Farms, covering an approximate area of 900ha, distributed over some 60 EDP Renováveis infrastructure facilities located from North to South of the mainland. In order to protect their priority habitats, through a partnership with the Portuguese authority for biodiversity and forests (ICNF), similar actions are being undertaken in forest perimeters located in Sites of Community Importance (SCIs) of the Natura 2000 Network (www.edpr.com> sustainability at EDPR> environmental commitment> environmental initiatives).

EDP Spain, through the Fundación EDP, and in cooperation with the Fundación Oso de Asturias and others, as well as the involvement of the communities, continued habitat improvement actions for bears, namely tree plantations and the release of alevins into Asturian rivers (see Report of the EDP Foundation, www.fundacionedp.es> institutional publications).

Under the AMBER (Adaptive Management of Barriers in European Rivers) Project, EDP is establishing a partnership with the University of Oviedo to help mitigate the impact on biodiversity resulting from the fragmentation of European rivers (page 100).

Within the distribution activity in Portugal, the protection of wild birds kept its main focus on the correction of power lines considered by the Technical Assessment Commission for Power Lines and Birds (CTALEA) as having a potential impact on these species (see Biodiversity Report 2013-2014 available from www.edp.pt/sustainability/publications), under the:

- National Specific Programme for Wild Birds (PENAS), over a length of 39km;
- LIFE Initiative of the European Commission; Life Imperial (<http://lifeimperial.lpn.pt>), over a length of about 17km of lines, and LIFE Rupis (www.rupis.pt), over a length of about 5.5km.

EDP Distribuição collaborated with EDP Produção in the matter of the compensatory measures for the Foz Tua (FTHPP) Hydropower Plant which provides for the correction of MV/HV power lines located near Bonelli's eagle nests in the Tua Valley Nature Park.

The VII Protocol on Wild Birds was defined and approved focusing on validation actions of the electrocution risk maps of critically endangered species (e.g. The golden eagle -*Aquila chrysaetos*) and the bustard collision maps, as well as the preparation of the risk maps for species not included in previous protocols on wild birds, such as the Egyptian vulture (*Neophron percnopterus*) and the peregrine falcon (*Falco peregrinus*).

EDP Biodiversity Chair – 2012-2016

EDP has supported the EDP Biodiversity Chair since 2009, in partnership with the Foundation for Science and Technology and the University of Porto, with the aim of promoting scientific knowledge to help manage impacts on biodiversity resulting from the activity of electric power generation.

In the 2012-2016 period, intensive applied research, advanced training and knowledge dissemination activity was undertaken, based on the following research lines: (i) conservation biology; (ii) fragmentation ecology; (iii) long-term ecological research; and (iv) evaluation, mitigation and monitoring of impacts. To date, the Chair has contributed to science in the following ways:

- the creation of a research group devoted to applied ecology (ApplEcol), with 12 PhD researchers, 15 PhD students, and 10 research assistants and technicians;
- the production of 59 scientific papers in relevant fields for assessment, offsetting and monitoring of environmental impacts;
- the wide dissemination of scientific outcomes through 69 presentations at national and international events, including guest addresses on the Chair itself;
- the consolidation of the LTER Sabor site as an exemplary global case of the involvement of a large company in a long-term ecological research;
- the advanced training of 6 researchers in initial post-doctoral phases, 16 PhD students and 5 masters' students.

Air Emissions

One of the most significant aspects of the EDP Group's activity is the emission of air pollutants resulting from the combustion process. The main pollutant emissions are NO_x, SO₂ and Particles. These are regularly monitored so as to check compliance with the values established in current law.

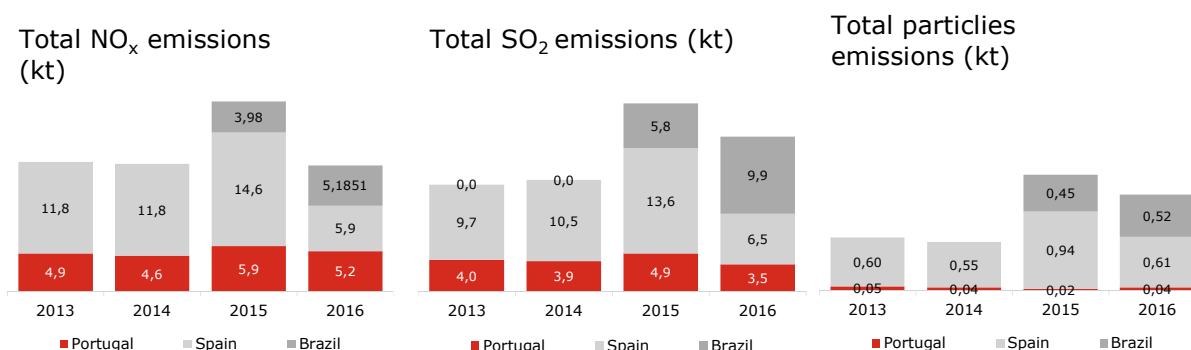
The increase in the generation portfolio based on renewable sources and the use of gas treatment systems contributes significantly to the reduction of the specific emissions of these gases. EDP continues to invest in the continuous

improvement of gas treatment systems in order to ensure compliance with the best European standards in terms of air emissions, notably:

- EDP's first de-nitrification facility in Spain, built in Group 2 of the Aboño Thermal Power Plant, and the start of the installation works of a gas de-nitrification plant in Group 3 of Soto de Ribera;
- In Portugal, in what concerns the catalytic de-nitrification facilities (SCR) at the Sines Thermal Power Station, the periodical replacement of the catalysers (coming to the end of their service life) has been started, being carried out during the major overhaul of the power generation groups. Works in the de-sulphurisation systems at this same plant have also been done during the overhaul of two of its power generation groups (groups 1 and 2).

These improvements total 42 million Euros in investments and costs. In 2016, there was a significant reduction in the total emissions of NO_x, SO₂ and Particles (page 135) as a result of a lower use of electricity generation from coal-fired power stations, and, concerning NO_x, the installation of de-nitrification in group 2 of the Aboño Thermal Power Plant.

Waste and By-Products

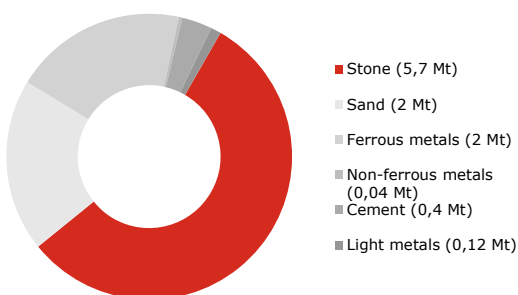


CIRCULAR ECONOMY

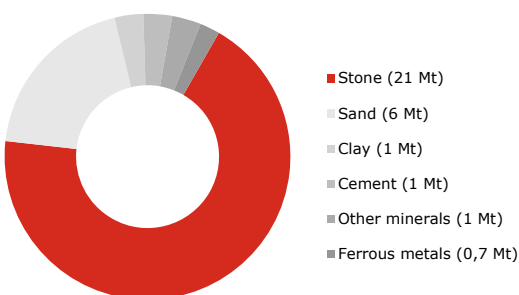
A detailed study on "circularity" was carried out at EDP in Portugal, which enabled the use of resources (purchases), the production of waste and by-products and their reintroduction into the economy to be quantified. This study found that some 90% of waste and by-products generated by operations in Portugal are re-used.

In the figures below, the main materials used in EDP Produção and EDP Distribuição, based on 2014 data, may be observed.

Characterization of the main materials used in EDP Distribuição



Characterization of the main materials used in EDP Produção



Waste materials management at EDP follows the procedures of the Environmental Management Systems whereby the aim is to reduce its generation and its harmfulness at source, as well as increase the percentage of waste for recovery. Under this management, EDP regularly raises its employees' and contractors' awareness, enhancing their knowledge about applicable Portuguese legislation, and internal procedures.

Electricity generation activities account for most of EDP's total waste generation. A notable case is coal-fired power plants since they generate large amounts of fly ash and slag, resulting from combustion, and gypsum from the de-sulphurisation process.

In Spain, EDP continued to develop the process in 2016, to achieve the status of by-product for coal fly ash and slag.

The total amount of waste transported to its final destination totalled 456,000 tonnes, meaning a reduction of 29% over 2015, which was mainly due to a lower use of thermal coal electricity generation (page 136 and 137).

The activities of electricity and gas distribution service provision and the new production plants generate waste. Since these are the responsibility of the service provider, they are also accounted for by EDP.

In the building sites of the new hydropower plants more than 62 thousand tonnes were transported to their final destination, 99.8% of which was for recovery.

Waste that deserves a particular mention includes equipment contaminated by PCBs, at concentrations of less than 500 ppm. Under the current regulations, PCB equipment may remain in operation until the end of its service life. EDP, however, has been anticipating its disposal, giving priority to this type of equipment under its replacement plans. In 2016, 86 tonnes of waste containing PCBs were transported to their final destination (page 136).

Prevention and Emergency Response

EDP's premises have emergency plans listing possible risks, and outlining how to act and the means available on site. Employees and service providers are made aware of these practices and the scenarios are regularly tested by emergency drills (page 118).

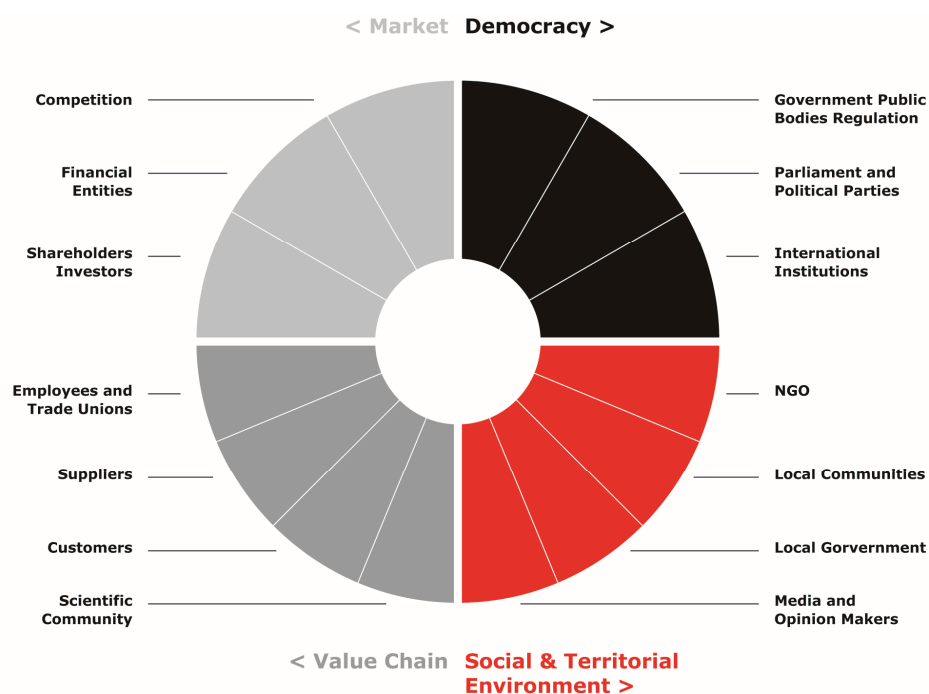
Several minor spills have occurred, mainly within distribution, which mostly resulted from vandalism. When detected, the sites were properly confined, and spill containment procedures were carried out until the arrival of the cleaning team, with no environmental damage having been observed.

As prevention, EDP also has near-accident identification and handling procedures in place aimed at preventing and minimising any negative impact. In 2016, 82 environmental near misses were recorded.

7. Stakeholders

Stakeholder management is an exercise in demand, sharing and transparency of businesses in their relationship with society and in particular with all those that have an impact on, or are impacted by business activities.

The involvement of stakeholders in the EDP Group is a strategic priority for maintaining an open, transparent dialogue with all those to whom the business is related. Building and strengthening relationships of trust, sharing knowledge and relevant information, anticipating challenges and identifying new opportunities for cooperation are the main goals of the EDP Group's Stakeholder Relationship Policy.



EDP invests in frank relations with its stakeholders, believing that it improves its performance, anticipates and manages risks, and creates value for the various stakeholders in all the geographies in which it operates. To this end, the commitment of the EDP Group's business units, which seek to know their stakeholders and the relevant, critical issues for them, has been fundamental, guaranteeing relationship channels and drawing up action plans that address identified risks and that meet the expectations of the relationship.

EDP's Executive Board of Directors approved the EDP Group's Stakeholder Management Methodology, entrusting the Boards of Directors of its subsidiaries with the establishment of the internal rules that formalise the adoption of this methodology and the appointment of a department responsible for the core function of Stakeholder Management. Currently, all the Group's business units have assigned the responsibility for the management of stakeholders to a specific department, which liaises with the Corporate Department responsible for the relationship with stakeholders at Group level.

EDP's aim is to achieve excellence in its relationship with its stakeholders, and it has been working on a strategy based on, and noted for, proactive listening to what interests and concerns all those to whom it relates. In this sense, consulting processes of external stakeholders are regularly encouraged to allow those with whom companies interact to be heard, both at the level of the business unit activities and at the institutional level. This listening, that is dynamic and complementary with other channels, allows us to evaluate, among other things, the existing relationship model and propose possible improvements.

2016 was marked by the development and roll-out of the first EDP Group Integrated Stakeholder Management Plan, which consolidated the stakeholder plans developed by all the Group's business units, and represents an important tool in the strategic management of the Company's Stakeholders. The proactive disclosure of information on relevant, critical issues was one of the great designs of the macro stakeholder engagement initiatives undertaken in 2016.

It was also in 2016 that the full implementation of the stakeholder management methodology was completed in all geographies, marked by the conduct of stakeholder consultation processes by EDP Renováveis, EDP Brasil and EDP Spain, the results of which were shared with the Boards of Directors of the respective business units, as well as with the Group's Stakeholder Management Committee, chaired by the CEO of EDP.

EDP has also been strengthening its internal procedures through the implementation of cross-cutting methodologies, particularly where they affect the involvement with local communities within EDP projects.

The challenges for the EDP Group for 2017 include carrying out a new proactive consultation campaign, aimed at deepening the knowledge about the main expectations of the relationships with the most strategic EDP stakeholders, anticipating critical issues in the relationship, and giving feedback to the business and to the Company through the publication of the 3rd Stakeholders Report.

The following pages present the results for the segments that have a central role in the business. Also notable are certain operational initiatives aimed at strengthening the relationship with some of the different segments of EDP Group stakeholders.

7.1. Employees

EDP Group's Human Resources strategy consists of fostering the continuous development and improvement of all its employees and their alignment with corporate values and culture, contributing to the sustainability of the business across all Group companies.

It is implemented through the culture, the senior managers and the employees themselves, and through the creation of a unique experience throughout the employee's life focusing on the critical moments of their professional career:

- Attracting and recruiting;
- Developing and creating mobility opportunities;
- Managing performance and reward;
- Fostering diversity and inclusion and the employees' engagement.

In terms of the strategic agenda, 2016 was marked by the successful closure of the deployment of the Human Resources Strategic Plan - the Corporate People Plan 2014-2016, the design of a new plan - the Corporate People Plan 2016-2020 -, in line with EDP's Business Plan.

The implementation of the projects and initiatives under the Corporate People Plan 2014-2016 provided an opportunity to work on key hard components which today place the Human Resources practices of the EDP Group amongst the best in the market. Progress was made in people management technologies and systems, the globalisation of programmes, practices and procedures and the construction of a people management philosophy shared by all Group businesses and geographies.

Looking forward, the Corporate People Plan 2016-2020 addresses contemporary and transformational challenges in people management, envisioning the support of global evolution of the business by transforming leadership and performance and development models, within an increasingly digital workplace. This strategic plan comprises three core



axes – (1) generational renewal, (2) leadership transformation, and (3) talent growth -, and two supporting axes – (4) the ongoing search for efficient processes and decisions, and (5) the development of the job profiles of the Human Resources team. The return on investment of the strategic initiatives defined under this plan will be measured by means of 3 key tools – the people scorecard (specific indicators and metrics), the study of engagement and external recognition and assessments.

EDP publishes an annual Social Report detailing its strategic plan, management model and the different implementation initiatives, which is available at www.edp.pt> about EDP> human resources> EDP's social reports.

In 2016, the EDP Group had 11,992 employees, 1% down on 2015 (12,084). This decrease reflects staff inflows (722) and outflows (814), with different impacts according to the businesses and geographies in which EDP operates. By and large, the number of employees in Portugal, Spain and Brazil remained stable or decreased slightly, and the number of employees in those geographies where the EDP Renováveis business is more active - predominantly the United States - increased visibly.

In Portugal, the balance was -146 employees, driven by the decline in recruitment needs for the energy distribution and generation businesses, caused by the technological changes in the sector, the implementation of initiatives focused on operational efficiency, and the high number of natural reforms.

In Brazil, the annual variation in the number of employees is residual (-11), despite a high turnover rate (10%) arising from the country's cultural and legal specifics. Most recruitment activity had to do with staff replacements, the set-up of the solar business and the acquisition of the company APS Soluções em Energia (+46).

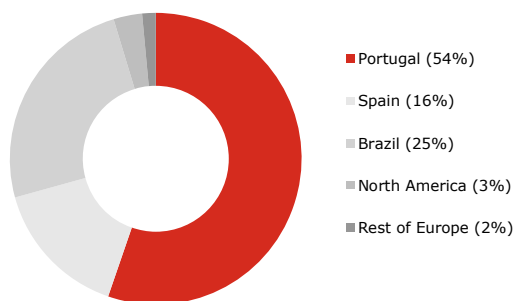
In Spain, the headcount increased by 1% (23 employees), for which recruitment for EDP Renováveis and the companies related to the trading activity (EDP Comercializadora SA and EDP Soluciones Comerciales SA) contributed.

In the United States of America, EDP increased its staff by 39 employees with the growth of the renewable energy business which involved the acquisition of new wind farms.

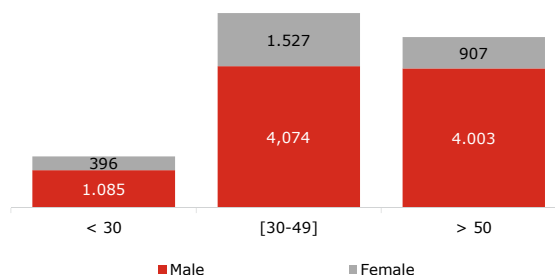
Of the total 11,992 Group employees, 11,874 (99%) are permanent staff, 65 are on fixed-term contracts and 53 are executive directors.

In 2016, EDP's workforce was composed of employees from 40 nationalities with an average age of 45 years and is distributed geographically as follows:

Employees distribution by geography (#11,992)

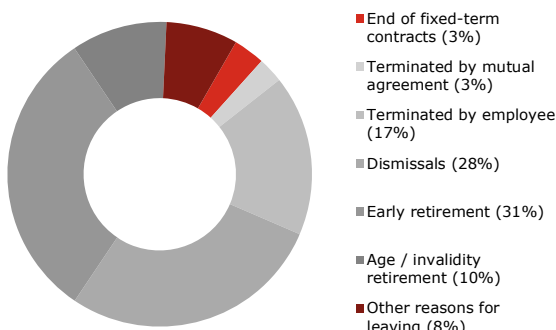


Employees distribution by age group (#)

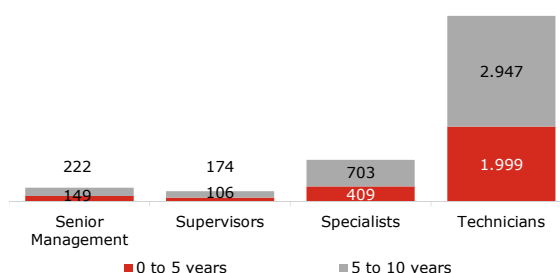


2016 continued to mark an outflow due to retirement/early retirement. Of the total 814 employees who left the company, 41% was due to early retirement (253) or to natural old age or invalidity retirement (83). With regard to early retirement, the high number is explained by the fact that the employees had reached eligibility, this being a right that combines age and seniority, resulting from the generational renewal which occurred in 1976-1983.

Reasons for leaving (%)



Eligible employees for retirement (#)



Over the next 10 years, approximately 4,000 employees could leave the company due to retirement and early retirement. In order to help these employees prepare for the transition to retirement, EDP has been improving the design of a programme focused on such aspects as physical and mental health, active life in retirement and how to manage this stage of life financially. In 2016, the concept was subject proof of concept, which began in 2015 with a pilot programme, and this will enable us to consolidate the broad application of the programme in 2017.

EDP also maintains a constructive, collaborative attitude towards the official authorities and the workers' representatives - Workers' Councils and Trade Unions. There are local teams in all geographies to ensure contact and engagement with the various bodies. In the EDP universe, 45.3% of employees are unionised (page 139 and 141).

Attracting and recruiting

In 2016, EDP continued to focus on its position as a global employer brand within a dynamic and outreach approach to students who have the profile the Group wishes to attract. Below are some of the initiatives undertaken in this field:

Promotion	E-networking partnerships	Competition	Development
Dissemination of initiatives and opportunities within the EDP Group, increasingly through a digital focus; Presence in 27 <i>jobshops</i> ; 40% of new hires for the permanent staff via LinkedIn.	Dissemination and sharing of experience and knowledge with the academic community; 43 EDP Group partner universities; 12 <i>Open Days</i> .	Stimulating the development of skills amongst the university, technical and professional populations for the development of energy-related projects; 1,458 students involved in university competitions.	Bringing candidates closer to the labour market through traineeships; 971 traineeships allocated; Launch of the 3rd edition of the EDP Trainee Programme.

3rd Edition of the EDP Trainee Programme

The EDP Trainee Programme is a challenge for young people of high potential based on 3 key pillars: *Job rotation* on a global scale, continuous learning and development of challenging projects. In the 2016 edition, 40 trainees were recruited, 60% more than in the previous edition, from 12 different nationalities and with a gender balance (45% female) and diverse backgrounds.

Developing

At EDP, employee development is understood as an integrated cycle, which starts on their first working day at the company and is fostered over time, leveraged by a transparent and constructive evaluation model. In this context, in the 2016 training and capacity building and knowledge management initiatives, the skill assessment model and the Group's internal mobility project were of particular interest.

Training and capacity building

For EDP, pursuing a permanent individual and collective learning culture focusing on the personal and professional qualification and development of its employees is a mechanism to achieve the Human Resource strategy, highlighting its position on the importance of investing in the Development of its Human Capital. As such, the company seeks, through the 7 schools in its Corporate University (EDP University - UEDP), to develop its employees' skills, enable the sharing of knowledge generated within the Group, and ensure the advancement of the skills that guarantee the sustainability of its business in the 14 geographies in which it operates.

SCHOOL	INITIATIVES
Management Development School	The "Global Leadership Program", whose aim is to develop middle managers within the EDP Group, was promoted in partnership with an internationally renowned business school. The participants were given the opportunity to deepen their knowledge and skills in business, finance, strategy and leadership, as well as in people management. "Meaningful Conversations" is a programme started in 2016 which will run into 2017, whose aim is to encourage a meritocratic and transparent culture, and ongoing feedback. Participants had the opportunity to develop the appropriate attitudes and skills for conducting and managing meaningful conversations that enhance performance differentiation and development opportunities. The "Lead Now Program" was designed to develop new leaders at the EDP Group, who were undertaking the responsibility for managing people for the first time. It is a leadership and management skill development programme, in line with the Amplify model.
Production School	In 2016, workshops were organised for all graduate staff on innovative and disruptive topics, e.g. the <i>workshops</i> "OTGEN – The role of solar power in Portugal" and "Data Analytics to support the generation business", together with specialisation courses focusing on the specific needs of the Business Unit, such as the "Implementation of Generation Projects" course. For technical staff, in addition to completing the design of the training offered to the "junior" segment, a pilot training was held for the "Senior" segment, called "Maintenance of Hydro and Thermal Power Plants". With regard to non-O&M technical staff, a cross-cutting training offer was developed for the first time in a workshop format on the topic "Sustainability and Energy Business".
Distribution School	The development of a structured training offer for technical staff continued, focusing on <i>core</i> areas of EDP Distribuição (distribution networks, asset management and dispatch and driving), whereby safety and sustainability remained as critical contents, transversal to the various courses. Bearing in mind that, in managing the national street lighting network, EDP performs an enabling role for all players concerned, the Street Lighting Workshop was organised to provide knowledge on the new technologies in this field and strengthen motivation to undertake these responsibilities. Training was delivered in Spain in asset management, focusing on ISO 55000. The focus on e-Learning was reinforced: new courses on Cyber-Security of the Distribution Network Critical Information Structure (rapid learning) and Asset Management. A Teacher Training project for CEM was developed, in partnership with EDP Internacional, more specifically the action "Training for Trainers - Low Voltage Live Works", delivered in Macau and implemented by the Distribution School.

SCHOOL	INITIATIVES
Renewables School	The following courses were organised for the Renewables School: • Launch of the <i>online</i> "Strategic Workshop on Climate Change" course, based on videos taken during the <i>workshop</i> for managers, made available on demand to all employees under the same title. • The "Business Overview" course was introduced as part of the induction programme for new recruits during the "Welcome Day". • Delivery of the <i>workshop</i> for European managers under the topic: "Strategic Workshop on EDPR competing companies: strategies in onshore, offshore, solar, funding sources" and the <i>workshop</i> for North American managers based on the topic: "EDPR Over the Next 5 Years – What Should Senior Management be Doing in Order to be Ready to Meet Our Business Goals"
Gas School	A complementary offer was developed for senior managers with "Environment and Safety", "Gas Contract Negotiation" and "Innovation in Natural Gas Provision" courses, together with the preparation of an advanced "Infrastructure" course. The final session of the Basic Offer for Senior Managers was held, ending a training cycle for all experts and senior experts in the Gas Business. An Offer for Technicians was launched, comprising four key courses on the value chain, regulations and procedures, infrastructure and environment/safety.
Commercial School	An in-depth review of the training offered in the Commercial School was conducted, in line with the current strategy and the critical competences of the EDP Group's commercial area. The new training offer covers five programmes: "Commercial Business Integration and Specialisation Programme", "Commercial Capacity Building Programme", "Marketing Programme", "Commercial Processes and Systems Programme" and "Workshop/Seminar Programme targeting current challenges in the Commercial Area". Under this review, the pilot course "Digital Transformation" was held, focusing on one of the themes with the most impact on society today, giving the participants the opportunity to get acquainted with the main concepts of the digital universe from a corporate/business perspective and a client/user perspective.
EDP School	Launch of the Ulectures, whose first speaker was António Mexia. This is a new format in the EDP University for delivering 1.5h sessions with internal or external guest tutors, on current topics or other topics of interest to the EDP population. The "Strategic Innovation" workshop was organised with John Litman, the author of "Ten Faces of Innovation", as the main speaker. The "Mindfulness" component was introduced into the "Management of Stress and Well-Being" courses, aimed at helping develop mindfulness and full attention skills, enabling better management of ideas, emotions and attention. The training on the Behavioural Area was stepped up. The School's training offer was reviewed through its structuring by programmes and having in mind the employee's entire life cycle.

In 2016, UEDP, as a Corporate University of the EDP Group, obtained International Certification by the European Foundation for Management Development (EFMD), under the Corporate Learning Improvement Process Accreditation (CLIP). It should be noted that there are only 20 accredited Corporate Universities and the EDP University thus becomes the first Corporate University in Portugal to be certified nationally (UEDP has DGERT certification since 2015 for 16 educational and training areas) and internationally, positioning itself as a reference Corporate University worldwide.

In 2016, an Advisory Board was also created, comprising prestigious Portuguese and foreign personalities, whose mission is to keep EDP University abreast of the best practices, bringing in an external perspective on training, knowledge management, and the main trends in these fields.

In 2016, 390,000 hours of training were delivered at the EDP group, corresponding to a total of about 78,000 participants in more than 5,000 training actions.

Acknowledging Knowledge as an intangible asset of the utmost importance for EDP, EDP University, in collaboration with the Group's various companies, launched the Corporate Knowledge Management Project in 2016. The aim of this initiative is to define a cross-cutting Knowledge Management Model for the Group and to adopt systemic critical knowledge retention and transfer practices within the organisation.

EDP Sustainability course

The EDP School promoted an e-learning training session for all employees in Portugal in the scope of Sustainable Development, resulting in a participation rate of 73%.

Over 80% of students evaluated positively the training program, considering it very useful in terms of acquisition of knowledge and awareness of employees for Sustainability, as an essential pillar in the growth of the company in an increasingly globalized and strongly competitive market.

In 2017, the course will be adapted to EDP Brasil, EDP Spain and EDP Renováveis.

Knowledge Management

EDP invests in initiatives to enhance and recognise the knowledge and experience of its most experienced employees, leveraging critical knowledge retention and transfer mechanisms. In this context, the company promoted the Experience Enhancement Programme to identify and disseminate the knowledge and know-how of its employees with over 30 years' seniority. There were 75 participants in this programme in 2016.

The knowledge retention and transfer topic is particularly critical for the sustainability of the traditional generation business, and for this reason EDP has been developing knowledge management initiatives, including the set-up of an online corporate platform for knowledge sharing, managed by EDP University and called LINK – Login to Knowledge; its aim is:

- To boost the cycle of acquisition, systematisation and sharing of critical knowledge about the business;
- To promote access to, and transfer of tacit knowledge through specialist networks, making it clearer;
- To facilitate the employees' access to critical knowledge through navigation in business settings and transversal searches;
- To enhance collaborative knowledge that provides greater adherence by employees to knowledge management initiatives through the recognition of their active input.

The first phase of implementation of this pilot was completed and covers the traditional generation business area. The platform can be accessed by all EDP employees, and already includes more than 1,600 contents.

Additionally and in a transversal manner, EDP continued to invest in the improvement of *core* knowledge management tools and their internal communication, an important component of which is the Online Library which had, in 2016, its own document repository with more than 180,000 documents, and over 25 million records that can be consulted by all employees from libraries across the world.

Amplify: EDP Group's Skill Model

"Amplify", the EDP Group's skill model, seeks to align the development of its employees with the Group's strategic challenges, in order to contribute to the creation of a global culture and endow the company with the skills that will allow it to achieve results in a highly competitive global environment.

"Amplify" is a development cycle which includes an analysis of skills, *feedback* and the building of an Individual Development Plan (IDP), processes based on a new global inter-geography platform for Human resource management – about.me.

Approximately 10,750 employees participated in this model in the various companies and geographies in which EDP operates.

As global results, the skills with the highest ratings in the various geographies, under the Employee segment, are Excellence in Performance, Openness and Transparency and Collaboration and Networking. The skills in need of development are Curiosity and Self-Development, Initiative and Proactivity and Problem-Solving.

Under the leadership segment, the highest ratings were given to Openness and Transparency, Executive Maturity and Building of Partnerships. The skills with more scope for enhancement are Management of Innovation, People Development and Organisational Change.

In order to strengthen these skills, the EDP Group's employees drafted 5,069 Individual Development Plans, subsequently validated by senior managers. This means that about 47% of the structure prepared an IDP in its first year of implementation.

Switch – Mobility as a Development Instrument

The presence of the EDP Group in different business units of the sector's value chain and in various geographies poses challenges and opportunities for its employees. In this context, professional mobility is one of the main on-the-job development tools offered by the EDP Group to its employees, promoting the development of new skills and synergies between the Group's teams and businesses.

The Switch Programme provides employees with a more transversal vision of the business, exposing them to new situations and different realities, and preparing them to meet new challenges. On the one hand, it strengthens a technical and work experience component with new learning in different business units and on the other it enhances the development of the formal and informal contact network and the networking process.

In 2016, there were 823 long-term mobilities (permanent mobilities) under the Switch Programme, which represented a job/activity change for 7% of the EDP group's universe of employees. Additionally, there were 31 short-term mobilities of 3 to 6 months (18 in Portugal; 4 in Spain; and 9 in Brazil).

Managing Performance and Rewarding Employees

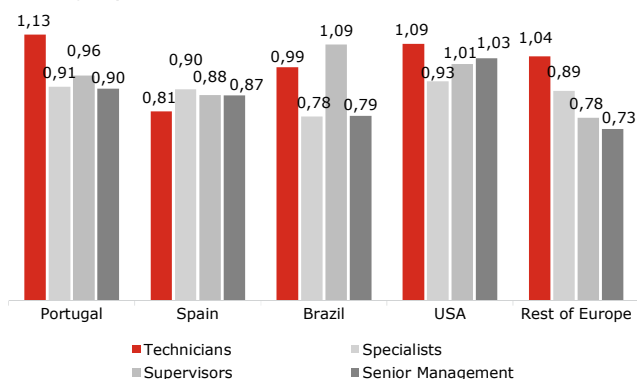
The reward and benefit policy of the Group reflects EDP's values and culture and seeks to continually fine-tune the systems to ensure the principles of internal equity and external competitiveness, respecting the agreements made at all levels of the relationship with employees and/or their representative bodies.

Sustainability performance indicators

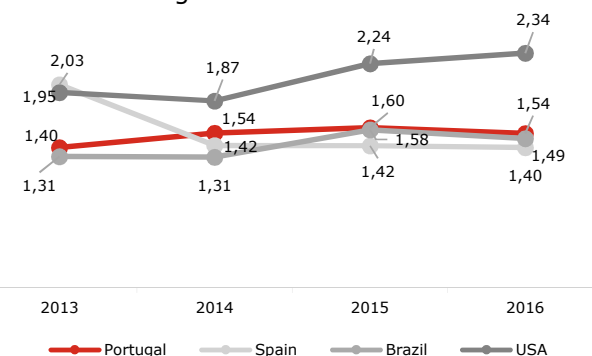
In order to ensure the achievement of the strategic sustainability goals and to deepen the EDP culture, taking it to all departments and employees, the Executive Board of Directors approved, in 2016, the generalization of Key Performance Indicators for Sustainability, applying them to the entire EDP Group and each business unit and respective areas.

By 2017, sustainability indicators will be developed in order to extend the assignment of specific goals to individual employees.

Salary ratio F/M by professional category



Ratio EDP minimum / national minimum wage



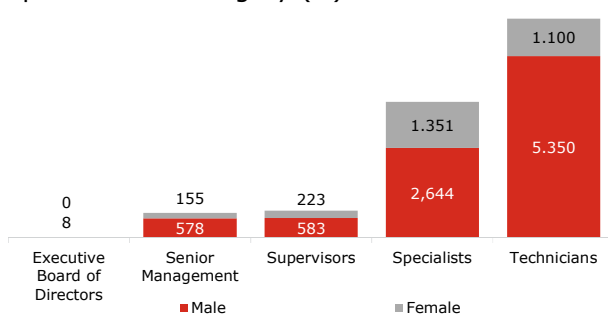
Fostering Diversity and Inclusion

In 2016, EDP strengthened its culture of diversity and inclusion by implementing various measures approved in the 2015 3-year Action Plan.

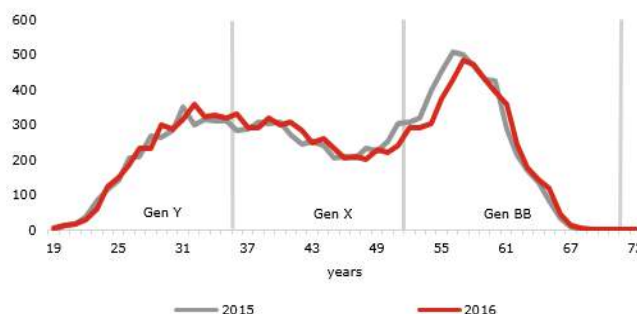
Under this topic there were initiatives on the four dimensions to be addressed: Gender, Disabilities, Generations and Nationalities, as follows:

- Training on Unconscious Bias for the team of HR professionals in Portugal, mainly those with a direct impact on the recruitment and selection of candidates;
- Ensuring gender equality in the Trainee Programme, as well as the incorporation of candidates from 12 different nationalities;
- Evaluation of the accessibility and mobility conditions of EDP buildings (starting with the headquarters building in Porto), which had a very positive result;
- Mapping positions with the possibility of being assigned to a disabled employee in Portugal and Brazil and active search by EDP Brasil for disabled candidates for job vacancies;
- Workshops conducted in Portugal and Spain (EDP Renováveis) to encourage young women to choose STEM (Science, Technology, Engineering and Mathematics) courses, with a particular emphasis on engineering, with close mentoring by various female employees in the company;
- New Parent Kit, intended to structure and consolidate relevant information for this stage in the employees' lives, including information on benefits, rights and duties of future and new parents.

Employees distribution by professional category (#)



EDP employees generations (#)



Globally, the number of women increased by 1% over 2015, representing in 2016 24% of the Group's total staff. The presence of women in managerial posts increased to 24%, a growth from 25% to 28% in the management segment.

In generational terms, there was a significant increase in the Y generation, which already accounts for 30% of the organisation; this was partly due to the recruitment effort made, particularly in Portugal, and also to employees retiring, with the Baby Boomers generation now accounting for 36% of the organisation. The average age of the Group's employees is 45 years (page 108).

With regard to the commitments undertaken, EDP joined the group of 79 companies in 2016 that adopted diversity as an ethical imperative, by signing the Portuguese Charter on Diversity, and renewing its commitment to IGEN, which strives for the development of internal measures and policies that foster Gender Equality within Companies. EDP Spain has also undertaken the commitment to sign the Charter de la Diversidad, following the example of the 802 companies that have also done so.

Conciliar

Conciliar is a multi-geography programme (in place in Portugal, Spain and Brazil) of an operational nature, which is part of the Diversity and Inclusion area.

The programme's mission is to promote the development and improvement of the quality of employees' lives, fostering a balance and reconciliation between the various plans in their lives (professional, family and social) so as to contribute to a culture of diversity and inclusion within the EDP Group.

The aims of the programme are the promotion of measures covering the different employee segments and generations, ensuring that measures are applied in a decentralised manner and encouraging the active engagement of employees in their development and use (including senior managers).

In 2016, these measures included:

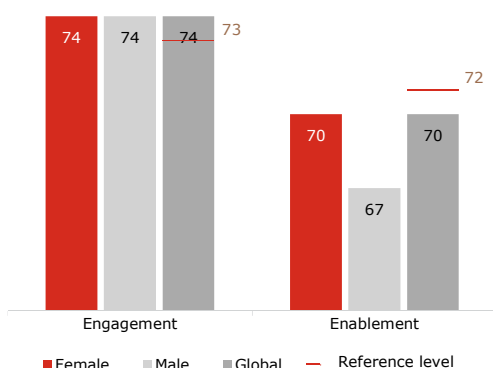
- Global Meetings in all geographies, resulting in 27 measures, 18 good practices and 6 challenges shared by the teams managing the programme locally;
- Dissemination sessions of the Programme in Portugal (21 sessions in 16 localities for over 900 employees) and in Brazil;
- The launch of the programme newsletter in Portugal, to reach out to employees all over the country and provide monthly updates;
- Initiatives for more than 450 descendants of employees in Portugal (children and grandchildren) to put them in touch with the business and the company's activities;
- The extension of the Workplace Gymnastics measure to the 15 largest buildings in Lisbon, Porto and Coimbra (Portugal) impacting more than 3,000 employees;
- The support for more than 170 new parents for birth and adoption in Portugal;
- The implementation of a new discount/protocol platform for Portugal and Spain;
- The launch of the "edp es saludable" Programme at EDP Spain to promote healthy habits in nutrition, sports and health;
- The reinforcement/structuring of the assistance services programme for employees in Spain and Brazil;
- The introduction of the "Sport Aid" measure at EDP Renováveis to promote a healthy lifestyle through financial allowances for employees to attend gyms.

In Portugal and Spain, this programme has contributed since 2011 to the certification as a "Family Responsible Company" granted by the Fundación Másfamilia. In 2016, EDP followed up on and monitored the measures that lead to this certification, and also sought to incorporate suggestions for improvement that arose from the 2015 audit.

Organisational Climate

Following the changes introduced in 2015 in the study of the organisational Climate, diversifying the range of dimensions assessed and improving alignment with best practices in the market, it was possible for each team to structure action plans based on their results, and for corporate plans to be drawn up covering the entire Group.

Satisfaction study result (%)



In this way, the main aim of the Follow-up: Climate Study 2016 was to provide data that enabled a review and reassessment of established plans, therefore focusing on the two most global dimensions: the level of involvement of employees in the company (engagement) and their perception about organisational support (enablement). In 2016, the study involved 89% of EDP Group employees, and found that 74% felt engaged in the company, and 70% had a strong perception about organisational support. Additionally, the EDP Group presents results that are virtually aligned with (in the case of enablement) or even exceed (in the case of engagement) the results of high performance companies which set a benchmark in the reference market. This data continues to reflect our employees' strong level of satisfaction, so in order to continue improving, specific plans across the entire Group are needed, as is the case of the three corporate action strands which are being implemented.

CORPORATE ACTION PLANS



Well-Being, Health and Safety

EDP evaluates every year its performance in the light of the strategic goal: "Zero accidents". To ensure compliance with this commitment, EDP has built a culture of prevention and safety, promoting safety practices as stated in its Occupational Health and Safety Policy, applicable to employees and service providers.

EDP has a Corporate Occupational Health and Safety Management System in place (SGSC), based on the OHSAS 18001 standard, which abides by the International Labour Organisation's guidelines expressed in internal rules of procedure.

EDP is also certified for generation activities (94% of net capacity installed), the power distribution activity (29% of transformation power) and the gas sector (100% of the activity), which covers 33% of employees.

The more relevant activities and the company's commitments are detailed at www.edp.pt > sustainability > occupational health and safety.

EDP Comercial

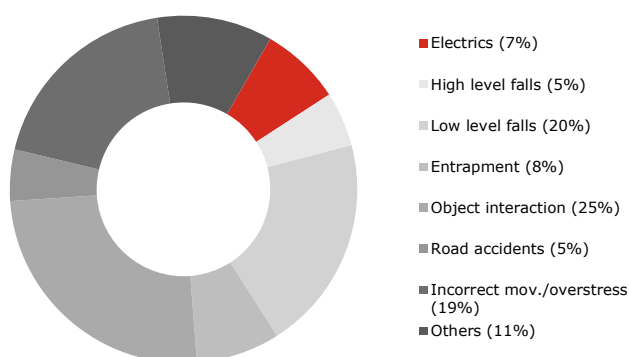
Certified the integrated management of the environment and safety, covering all employees and activities.

Reduction in accidents

The implementation of EDP's annual occupational health and safety programme was based on a set of actions aimed at reinforcing the positive safety culture and preventing occupational accidents, reflected by a reduction in the frequency indices and the seriousness of accidents (pages 139 and 141). This programme included training for EDP employees and service providers, the ongoing evaluation and control of labour risks and the implementation of an internal and external inspection and audit programme of EDP facilities and works.

Despite the efforts made, there were still 334 work accidents, 185 of which required one or more days of absence from work, among the total EDP employees and service providers. Unfortunately, 3 deadly accidents occurred in Portugal with service providers, which is not compatible with EDP policies and with the efforts made. In this regard, every accident and near-accident is systematically studied aiming to achieve the "zero accidents, no personal harm" objective.

Accidents by Type (EDP Employees and Contractors)



Review of the EDP Group Health and Safety Policy

Strenghtens the culture of preventive safety by adopting positive safety behaviors, in particular by involving service providers and encouraging the participation of near misses.

30 work accidents occurred involving employees requiring one or more days of absence.

2016	Unit	Group	Portugal	Spain	Brazil	North America	Rest of Europe
Workplace accidents ¹		30	23	3	3	0	1
Male	#	26	21	3	2	0	0
Female	#	4	2	0	1	0	1
Lost days		2,003	1,723	90	180	0	10
Male	#	1,882	1,626	90	166	0	0
Female	#	121	97	0	14	0	10
Fatal accidents		0	0	0	0	0	0
Male	#	0	0	0	0	0	0
Female	#	0	0	0	0	0	0

¹ Accidents leading to an absence of one more calendar day.

The proactive management of safety at EDP includes an analysis of near-accidents so as to anticipate the occurrence of more serious accidents. In 2016, there were 384 near-accidents whose causes were analysed, and preventive and corrective measures were defined for their control.

Outside the company's scope of activity, there were also 7 deadly accidents of an electrical origin at EDP facilities or with EDP equipment, which involved people unrelated to the activity. These accidents were caused by contact with work equipment on live power lines (5) and access to locations with live electrical equipment that were restricted to authorised workers only (2), for the purpose of theft or vandalism.

Training and Awareness-Raising

EDP promotes regular awareness-raising and training actions for employees and service providers, so that they can fulfil their tasks under safe conditions.

In 2016, a total of 16,735 training actions were delivered, corresponding to 397,132 hours, and involving 61,925 employees and service providers.

Preparedness for Emergency Response

In the management of emergency situations, 431 drills were carried out (72 in Portugal, 93 in Spain, 66 in Brazil, 95 in the USA and 105 in the rest of Europe), in various industrial and administrative facilities and ongoing works, whose aim was to test the effectiveness of the respective emergency plans. These drills involved external agencies, such as civil protection, fire fighters and police and public security forces.

Sustainability Performance Indicators

In 2016, in order to ensure compliance with the strategic sustainability goals and deepen EDP's culture, extending it to all departments and employees, the Executive Board of Directors approved the application of the Key Sustainability Performance Indicators to the entire EDP Group and to each business unit and respective areas. For 2017, the sustainability indicators will be developed so as to extend the allocation of specific targets to individual employees.

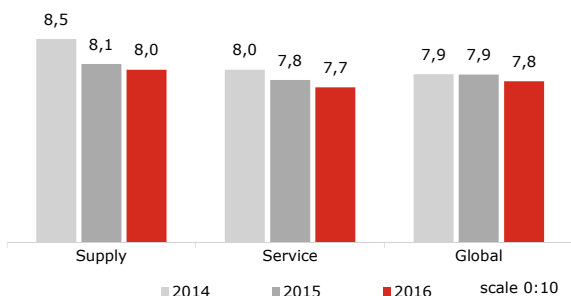
7.2. Customers

The supply of energy and services increasingly require greater customer orientation, with special focus on the continuous improvement of the customer experience to ensure their maximum satisfaction. The EDP Group closed the year with 9.8 million electricity and 1.5 million gas customers (page 84).

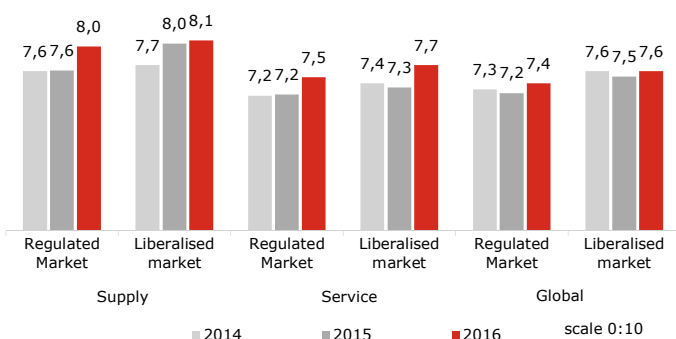
Customer Satisfaction

In collaboration with certified external entities, customers are consulted about the quality of the services provided and their experience during the service through surveys based on a set of satisfaction macro-indicators: with Energy Supply (electricity and/or gas), with the Service and Overall Satisfaction.

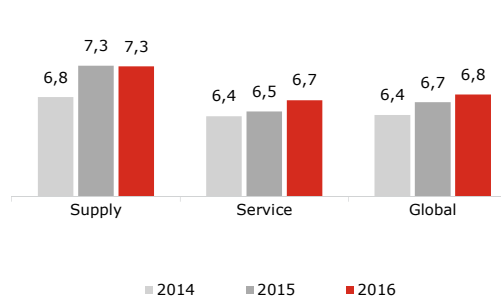
Natural Gas residential costumers
Regulated market - Portugal



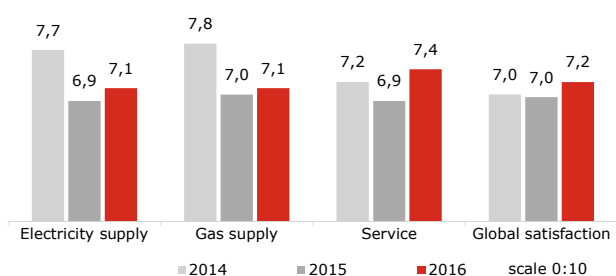
Electricity residential costumers Portugal



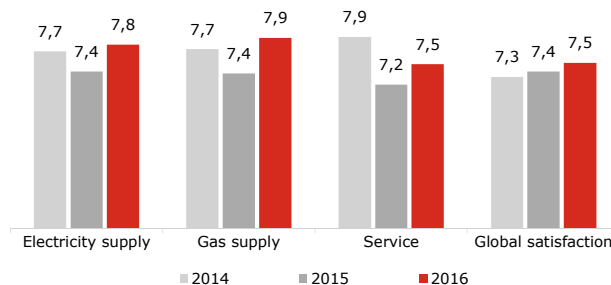
Electricity business costumers Liberalised market - Portugal



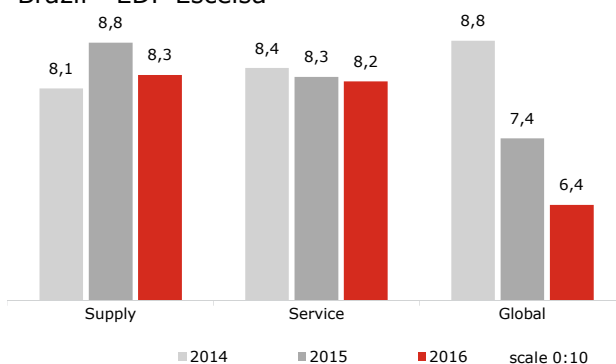
Electricity and Gas residential customers Spain



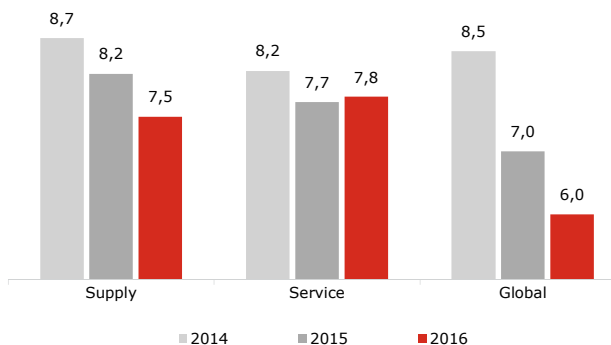
Electricity and Gas business customers Spain



Electricity residential customers Brazil - EDP Escelsa



Electricity residential customers Brazil - EDP Bandeirante



EDP measures the overall satisfaction of its electricity (Portugal, Spain and Brazil) and natural gas (Portugal and Spain) customers in the residential and business segments. In 2016, the overall satisfaction reached 76.3%, above the 75.8% annual target.

An Iberian-wide programme was implemented in 2016, Voice of Customer (VoC), which collects immediate feedback from customers after they contact the company via any of the telephone, personal, digital and technical channels. This information helps to gauge the levels of satisfaction and how likely they are to recommend the company, and to measure the performance of EDP channel operators, so that improvements can be made to internal procedures.

Customer Relationship

The diversity of customer segments and market offerings implies the existence of a range of streamlined and focused communication channels, so that the company can respond with quality and efficiency to customers' requests.

Throughout 2016, Cliente edp 365, an internal programme whose aim is to strengthen EDP's position in the commercial area in Portugal, continued to promote the development of initiatives in the following axes: development of a broad portfolio of competitive and innovative offers, continuous improvement of the customer experience, reinforcement of the integrated communication channel and partnership strategy to improve service quality, focus on an excellent organisational performance and promotion of greater efficiency and controlled risk.

Over the last few years, there has been a strong focus on the diversification of contact channels and the promotion of digitalisation. EDP provides a portfolio of digital platforms, which have seen continuous improvement in 2016 in terms of features and usability, leading to higher levels of subscription, use and satisfaction.

A new Comunidade EDP website (comunidade.edp.pt) was launched, enhanced with new content, campaigns, pastimes, partners and benefits for customers in Portugal. The platform enables customers to enjoy exclusive advantages in a simple way and free of charge. In 2016 it had around 582,000 subscribers in Portugal.

In Portugal and Spain, EDP has focused on improving the websites of energy suppliers and the digital edpOnline self-servicing platforms.

In addition to the improvement in usability/browsing of the two websites, in Portugal EDP invested in increased contract, servicing and customer information features. It is worth noting the entry into operation of a Helpcentre (organised, interactive information search area), and new offers, campaigns, simulator and form areas. The website was distinguished, among others, with the best site.pt award by ACEPI (page 25).

The digital edpOnline Self-Servicing platform in Portugal, in its browser version (edponline.pt), improved and diversified its registration, membership, consultation and transaction features. In addition to the consultation of bills and current accounts, consumption history, contract management and communication of readings, users also have access to other features, such as simplified registration, social login and consultation of documents. The App version of edpOnline has grown rapidly both in the number of subscribers and usage. In Spain, the adoption of the Agile Scrum methodology has also reduced time-to-market and enhanced the customer digital experience.

In 2016, invoices in Portugal were reformulated, for both residential and business customers, with a new design and clearer information.

The e-voicing service reached 2,770 thousand customers, corresponding to an increase of 53% over the previous year. This increase was mainly due to the investment made by the distribution companies of EDP Brasil in promotion campaigns of this service, within the scope of a intermunicipal competition. For each 10 electronic bills, EDP will donate a tree, in order to reach 1,030 until the end of 2017.

The installation of smart meters increased strongly in 2016, especially in Portugal and Spain, where roughly doubled when compared to the previous year: about 1.2 million units, which corresponds to 18% of Low Voltage delivery points.

In Brazil, a number of initiatives have been launched focusing on better access to services and new service channels. The scope of the project includes improvements to the services of Helpdesks, Call centre, Virtual Agency (web), SAP system and mobile service (creation of new channels: application and SMS).

In 2016, the Group incurred fines amounting to 3.8 million euros for non-compliance with laws and regulations in its relationship with customers. The highest amount, 3.7 million euros, related to energy supply and the use of products and services. This was mainly due to non-compliance by EDP Brasil with the deadlines set by the regulator (energy cut-off frequency and reconnection). In Spain, EDP paid 3 fines for violation of privacy and loss of customers' data amounting to 81,000 euros.

In Portugal, it is pending before the Court of Competition, Regulation and Supervision a feature of judicial review of ERSE's decision (Energy Services Regulator), applying a fine of 7,500,000 euros to EDP Comercial, for alleged infringement of legal information obligations relating to economically vulnerable customers, particularly in the context of social tariffs and electricity and natural gas ASECE's benefits (Extraordinary Social Support to Electricity Consumers).

During 2016, several developments occurred in the judicial procedure, now waiting the decision by the Court of Competition, Regulation and Supervision.

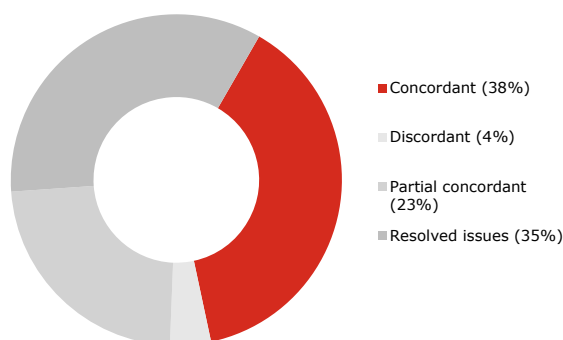
Customer Ombudsman

In Portugal, there is an entity, independent from the EDP Group, called the Customer Ombudsman, which assesses cases submitted by customers when the responses to complaints made to the services do not meet their expectations.

The Customer Ombudsman has the authority to issue an opinion on matters related to energy supply and the provision of services by the EDP companies, including: the fulfilment of supply contracts, consumption estimates, billing and claims for damages arising directly from the service provided.

In 2016, the Customer Ombudsman received 1,982 complaints, 66% of which were related to electricity complaints and 23% to dual contracts. Most complaints (70%) related to Contracts and Reading/Billing/Collection.

Ombudsman's answer orientation (%)



In terms of the Ombudsman's procedure and the website (www.provedordocliente.edp.pt), a shorter response time to the customer of 3 working days was achieved in 2016, an improvement for this indicator of more than 23%.

Innovating in the customer's service

The energy solutions provided by EDP are intended to meet the specific needs of the various customer segments through a diversified offer of products and services.

In 2016, about 93 million euros in revenue was generated, representing an increase of 19% over 2015 (page 142). The following points show some examples of the solutions provided to customer.

Products and Services

In addition to the offer of energy in Portugal and Spain, EDP has a broad range of other energy solutions and services, most importantly insurance and support, maintenance contracts, audits and energy certifications (www.energia.edp.pt and www.edpenergia.es).

A list follows of the latest products and services and/or those that stand out for contributing to a more sustainable use of resources:

Portugal

EDP Smart Home	Heat pumps	Energy Bundle + Funciona	Integrated solutions for SMEs
Integrated service solution for an efficient use of energy: solar power, electric mobility, batteries and edp re:dy.	Solution for more efficient water heating, including water saving devices to reduce consumption.	Solution that incorporates an installation overhaul and equipment maintenance component into the energy service.	Energy and energy efficiency solution, including specific offerings for each activity sector: Agriculture, Hospitality and Restaurants, Commerce and Services, Industry and Charities.

Spain

Funciona Plus, Funciona Luz and Funciona Clima	Re:Dy	Air conditioning and domestic hot water	Car-E mobility
Overhaul and maintenance of electricity and gas installations, air conditioning equipment and electrical appliances.	This enables customers to monitor, control and manage home consumption in real time.	Acquisition or renovation plans for more efficient equipment.	Charging point solution for electric vehicles.

Electricity supply from renewable energy sources shared by all customer segments should be noted. It should be noted that, in Spain, electricity supplied to residential customers and small businesses has is associated with an assurance of origin from 100% renewable energy. Business customers only have the certificate of origin after applying for it.

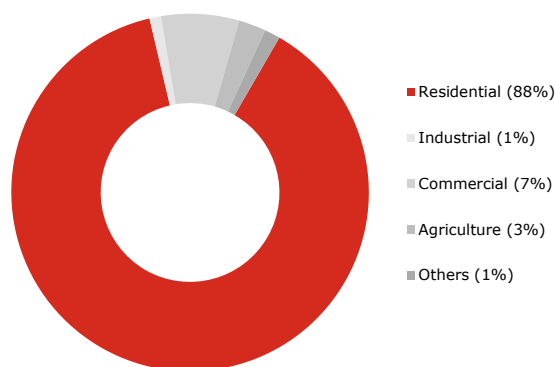
Under sustainable mobility, in Portugal, EDP launched the Electrical and Gas Mobility Plan which offers customers who acquire an electric vehicle discounts in their energy bills from electric mobility partner brands. Also, the first "Ecostation" for alternative energy-based vehicles in Asturias was opened in Gijón (Roces). The facility combines a compressed natural gas filling area (CNG) and a rapid recharging point (50kW) for electric vehicles. In 2016, 70,265kg of CNG were supplied, corresponding to an estimated reduction of 73 tonnes of CO₂.

In Spain, in the Business and Large Account segments, the focus on fairly mature products and services, such as Integra, corrective maintenance, efficient lighting and power factor correction continued in 2016.

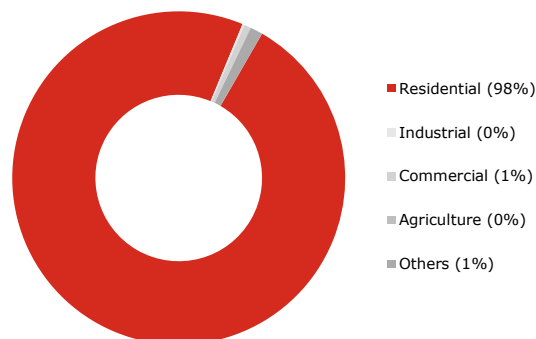
Additionally, more recent services, such as "Óptima+", launched in 2015 and showing 75% growth in 2016, have been consolidated. This service helps companies manage their energy, since they have a real-time consumption evolution control and supervision system at their disposal, and it also allows the customer to configure active and reactive energy consumption alerts.

In Brazil, the integration of APS Soluções em Energia, now EDP Soluções em Energia was completed. The company carries out energy efficiency projects and provides technical and commercial services (www.edp.com.br> Comercialização e Soluções de Energia> Portfólio).

Distribution of electricity customers by type (%)



Distribution of gas customers by type (%)



EDP has also entered the photovoltaic distributed generation market through EDP Solar. In 2016, EDP entered into sales contracts for solar projects amounting to 226kWp of installed capacity.

In the different customer segments and geographies, regarding the area of photovoltaic generation services, EDP already installed about 9.3 MW, avoiding the emission of about 3.9 kton of CO₂.

Promotion of Energy Efficiency

In addition to the abovementioned products and services that make up the business portfolio, EDP also supports other energy saving measures, programmes and projects.

In Portugal, its participation in the Plan for Promoting Efficiency in Electricity Consumption (PPEC), promoted by the Energy Services Regulator (ERSE), is worth noting. This encourages the implementation of measures for the adoption of consumption habits and more efficient equipment by consumers in the different market segments – residential, Commercial and Services, Industry and Agriculture.

In 2016, a new competition was launched to be implemented in 2017-2018. The EDP Group had 19 measures (3 more than in the previous competition) approved, representing 67% of the funding available. It is estimated that the implementation of these measures will allow for savings of roughly 1,157 GWh and a reduction of 428,105 tonnes of CO₂, taking into account the service life of the equipment.

In the residential segment, measures for promoting efficient lighting, such as the replacement of halogen bulbs with LED technology (about 250,000 units) should be noted, as well as support for the purchase of efficient storage water heaters, heat pumps and flow rate regulators. In the B2B segments those measures that were highly successful under the 2013-2014 programme were continued, and their funding amount was quickly spent and exceeded by the applications received, including the promotion of improved compressed air supply systems in industrial installations, the replacement of low efficiency motors with high performance motors and the installation of electronic variable speed drives.

In the business sector in the Iberian Peninsula, in particular, EDP supports the implementation of energy efficiency projects through the Save to Compete programme, whereby energy consumption reduction measures are identified and their implementation and costing are promoted through the savings generated. Since its launch in Portugal (2012) and Spain (2013), 387 applications have been received. It is estimated that the programme had generated accumulated savings of about 143 GWh by the end of 2016, corresponding to 15.9 million euros of invoice savings, and a reduction of approximately 60,000 tonnes of CO₂. The results are accounted for online and can be consulted at the Save to Compete website at (energia.edp.pt> corporate> serviços> save-to-competes).

With the transposition of the Energy Efficiency Directive, suppliers in Spain are obliged to achieve annual energy savings equivalent to 1.5% of sales to end customers between 2014 and 2020. In 2016, the companies in the sectors covered contributed financially to the National Energy Efficiency Fund, exceeding the 100 million euros required to finance energy efficiency initiatives. EDP Spain contributed approximately 8 million euros.

In Brazil, EDP offers bespoke energy efficiency solutions for businesses on the free market (www.edp.com.br> Comercialização e Soluções de Energia> Portfólio). The following should be noted:

B.O.T (Building Operations Transfer)	Energy Management System	Efficient Lighting
Construction, operation and maintenance of final energy uses in order to reduce losses and ensure the sustainability of the Energy Efficiency actions for contractually defined periods.	Continuous control of the full consumption of energy (electricity, gas, water and others) in order to reduce waste.	Upgrade of the lighting system, with the installation of more efficient and durable equipment, such as LED or high output fluorescent lamps.

In 2016, through EDP Soluções em Energia, there were developed 15 energy efficiency projects, corresponding to 45 GWh energy savings and a reduction of 3,677 tonnes of CO₂. Among the new contracts, a project with the Makro supermarket chain was defined in order to implement energy efficiency measures.

A number of initiatives were also undertaken, under the Energy Efficiency Programme, in a total investment of R\$ 22.78 million, which led to a reduction of 5.7MW in demand at peak times and energy savings of 18.5 GWh, avoiding approximately 1,510 tonnes of CO₂. Funds for the programme are used in accordance with the legislation for the Brazilian electricity sector which stipulates that distributors apply 0.4% of their net operating income annually to energy efficiency programmes (0.5% until May 2016).

The “Boa Energia nas Escolas” (Good Energy in Schools) initiative, for example, promotes the training of the teaching staff and raises awareness within the school community of the efficient use of energy, through on-site activities and recreational and interactive experiences and visits to the Good Energy Truck which travels to cities where EDP Brasil distribution concessions are located. In 2016, the initiative was the recipient of investments of about R\$ 2.09 million.

When considering both the Energy Efficiency Programme and the projects of EDP Soluções em Energia, there was energy savings of more than 63 GWh, avoiding about 5 thousand tCO₂.

Vulnerable Customers

One of EDP’s objectives is to ensure a quality service to every customer, with particular focus on the most vulnerable segments.

In Portugal, in line with the Group’s Sustainable Development Principles and in compliance with existing legislation, EDP has promoted the adherence of eligible customers to the social tariff and the ASECE (Extraordinary Social Support to Electricity Consumers), through various communication campaigns and initiatives addressed to Private Charities. In 2016, the cross-checking between the Tax Authority and the Social Security data allowed 663 thousand customers (vs. 93 thousand in 2015) to have social tariff. This social support allows a discount of over 30% in the energy bill, mostly supported by EDP.

In Spain, in addition to the special tariff created in 2009, EDP entered into agreements with the Local Authorities in some areas to avoid the interruption of energy supply on the grounds of non-compliance and provide advice on energy efficiency, maximising customers’ savings.

With the “Energía Solidaria” initiative, Fundación EDP has promoted the well-being and energy efficiency of the most disadvantaged families in the Asturias, Basque Country and Cantabria areas. This project consists of identifying initiatives that could lead to reductions in customers’ energy bills by changing consumption habits and implementing energy efficiency measures. In 2016, 77 households and 5 Social Centres were targeted, with a total reduction of 137,210 kWh in annual gas consumption and 57,380 kWh in electricity, and expected savings of EUR 13,745.

In Brazil, the electricity social tariff allows for discounts varying in accordance with the conventional tariff established for each company. Since 2010, EDP’s two distributors have partnered with local authorities to encourage the community to formally register for the social tariff. In 2016, 143,502 customers benefited from the the social tariff.

Also through its Energy Efficiency Programme, EDP supports low-income customers, while raising their awareness of the efficient consumption of energy. The initiatives “Boa Energia na Comunidade” (Good Energy in the Community), within the EDP Bandeirante, and “Agentes da Boa Energia” (Good Energy Agents) within the EDP Escelsa, are good examples of this. Both target vulnerable customers and encompass guidance on the proper, safe use of electrical power, and the replacement of inefficient equipment. In 2016, they accounted between them for the delivery of 180,272 compact fluorescent lamps, 74 fridges and 1,668 showers with a power controlling system.

7.3. Suppliers

The EDP Group's sustainable supply chain management plan saw important developments in 2016. The new structures and methodologies addressing the extension of the risk and sustainability analysis to the whole supply chain led to more in-depth procedures and initiatives, notably:

- The publication of a new sustainable purchasing area at www.edp.pt > suppliers > sustainable Procurement;
- The prototyping of new risk assessment and supplier segmentation methodologies;
- The expansion of training, consultation and dialogue activities with suppliers;
- The development of new training programmes in sustainability for EDP suppliers and employees;
- The drafting of a corporate internal procedure Protocol.

The EDP Group leads sustainability management in the supply chain driven by five strategic goals defined in 2016, whose implementation should be fully achieved by 2020:

- To reduce, in a systematic manner, the contractors' and service providers' accidents;
- To protect the Human Rights in the supply chain, according to Ruggie's methodology – Global Compact;
- To audit contractors and service providers with Sustainability risks (Environment, Social and Governance);
- To evaluate critical suppliers by Sustainability criteria (ESG);
- To assure environmental, security and occupational health certification of suppliers exposed to high risks.

EDPartners

In 2016, the EDPartners concept was strengthened through workshops promoting regular meetings with suppliers and fostering the sharing of various initiatives within the EDP universe, associated with the Group's values of Excellence, Innovation and Sustainability with a relevant impact on its supply chain.

The presentations addressed topics conducive to the improvement of business practices aligned with the EDP Group's objectives and seeking to assert the positioning and working methods of its suppliers in order to contribute to mutual success.

A noteworthy event was the EDPartners Supplier Relationship Workshop, held in September and attended by some 200 suppliers. This event was devoted to the sharing of the vision and objectives set by EDP to manage its supply chain, focusing on themes such as EDP Payment Optimisation, Sustainability and Ethics.

The 3rd edition of the EDPartners Awards was also held in 2016, which received 172 applications from 132 companies, whose winners will be announced at a ceremony in 2017. Among the novelties in this edition, are the fact that this initiative covers EDP companies and suppliers in Spain, and the introduction of a prize under the "Prevention and Safety" category. Learn more at www.edpartners.edp.pt.

Self-Billing in the EDP Group

The self-billing program, currently covers 800 suppliers, distributed across the various EDP Group companies, accounts for more than 200,000 annual invoices. Its main advantages are the streamlining of the process, the elimination of the need for manual validation, document registration and paper-based filing, and a reduction in the average payment time to suppliers.

EDP Group certified by Transparent

Transparent rated EDP as a reference company in the processing of its suppliers' invoices, with best-in-class performance in Europe.

The business units strengthen the relationship with their critical suppliers by developing various initiatives on Sustainability. A case in point was the II Meeting with EDP Gás Partners, which discussed the themes of Sustainability, Environment and Safety. The partners engaged directly with the meeting and made joint presentations. Specialist meetings with partners are also held, either by segment of activity, as was the case of the meeting on new technologies, or by critical topic, such as the safety meetings and awards in all geographies.

EDP strongly invests in Prevention and Safety with its service providers, an example of which is the doubling of the budget for this purpose in Brazil, which rose from R\$ 4 million to R\$ 8 million, disseminating the EDP Culture among suppliers. The aim of the meeting in São Paulo with suppliers was to extend the 12 principles of action of EDP Brasil to its partners.

Audits

In 2016 an on-site auditing campaign was launched in partnership with LABELEC and APCER—Associação Portuguesa de Certificação, involving more than 70 critical suppliers to the EDP Group. This activity, which involved Portugal and Spain, essentially seeks to analyse sustainability management information and procedures within EDP's supply chain, mutually benefiting EDP's and its suppliers' risk management. The success of this programme, which focuses on matters such as the environment, occupational health, safety and hygiene, labour issues, strategic alignment and others, shows and develops the commitment of the Global Procurement Unit to its strategic role regarding the Supply Chain Sustainable Management within the EDP Group.

Ethics for Suppliers

A training programme on EDP Ethics for suppliers began in 2016, aimed at extending EDP's vision and strategy on Business Ethics to its supply chain. In its initial version, this programme covers more than 6,000 employees of Service Providers who operate on behalf of EDP, provide services within EDP facilities and have access to confidential information on people and the business (page 87).

Suppliers and Global Acquisitions

In 2016, the acquisition of fuels, the construction of power facilities, the acquisition and maintenance of equipment and the sourcing of services connected to energy distribution and commercial activities were the acquisition categories that continued to define the key profile of the EDP Group's supply chain.

In overall terms, except for the supply of fuels, the EDP Group entered into contracts amounting to 3.2 billion euros with 17,078 suppliers, 2,260 of which made sales in excess of 75,000 euros. Of these, 1,406 were scrutinised regarding their sustainability practices, through the RePro global platform, developed by Achilles, which EDP uses to characterise its suppliers in terms of their environmental, labour, human rights and impact on society practices.

SUPPLIERS AND GLOBAL PURCHASING ¹	Unit	Group	Portugal ²	Spain ²	Brazil	EDPR NA	EDPR EU+BR
Suppliers ³							
Suppliers	#	17,078	5,683	2,567	4,705	668	4,025
Suppliers > 75,000 EUR	#	2,260	732	387	655	201	323
Turnover							
Turnover	millions €	3,235	924	278	780	862	391
Local	%	94	95	90	90	99	97

¹ Fuel purchases not included.

² EDP Renováveis not included.

³ In the total number of Group EDP suppliers, the companies which have business in more than one geography are counted only once.

With the exception of fuel and energy source acquisitions, 94% of purchases targeted local suppliers. This indicator does not arise from any kind of discrimination of suppliers or products on grounds of national or regional origin, but rather from the structure of the business and the supply chain itself. Neither does EDP promote discriminatory practices on grounds of its suppliers' socio-economic characteristics.

In 2016, 53% of suppliers scrutinised for their sustainability practices and with sales in excess of 75,000 euros had certified Quality Management Systems. With regard to Environmental and Safety Management Systems, 30% and 28% of companies, respectively, are certified.

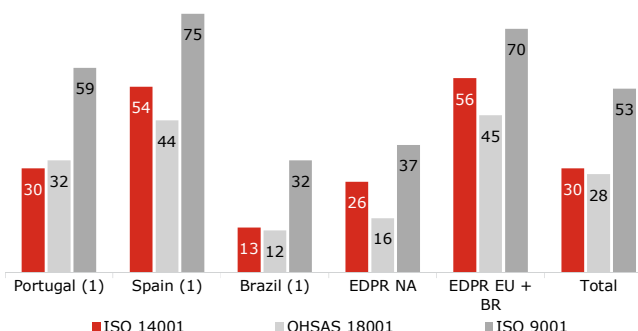
Suppliers and Fuel Acquisitions

EDP identified coal extraction and transport as the activity of its supply chain with the highest exposure to social impact, labour, human rights and environmental risks. However, EDP's main coal suppliers actively operate sustainability and impact management policies, and have certified management procedures in place.

EDP is part of the international Bettercoal initiative, an association of energy companies, as a way of promoting risk monitoring and mitigation through an annual audit plan of coal mines and the promotion of a good practice code of conduct with suppliers (www.edp.pt> sustainability> approach to sustainability> bettercoal).

In 2016, EDP bought 169 million euros worth of natural gas for the Portuguese market and 381 million euros for its operation in the Spanish market. Acquisition of Liquefied Petroleum Gas (LPG) amounted to 847,000 euros, exclusively for the Portuguese market. With regard to coal, acquisitions for Portugal amounted to 187 million euros, for Spain 90 million euros and for Brazil 106 million euros. Services (e.g. terminal services) associated with these acquisitions amounted to 11, 8 and 15 million euros, respectively.

Strategic suppliers certified (%)



(1) Does not include Renewables

Fuels with 79% certification

Of the total coal purchased, 98% is certified in Quality (ISO 9001), Environment (ISO 14001) and Health and Safety (OHSAS 18001).

At the same time, underpinned by the BetterCoal initiative, EDP includes complementary sustainability standards for 100% of the new direct coal procurement contracts and, by 2016, 70% of the coal purchased is covered by scrutiny of good practices.

Of the total natural gas acquired, 77% is certified in ISO 9001 or ISO 50001, 77% in 14001 and 72% in 18001.

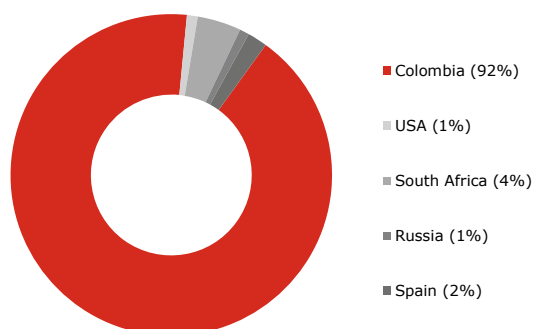
In addition, including the acquisition of fuel oil, LPG and associated services, ISO 9001 certification covers 84% of purchases, ISO 14001 covers 83% and OHSAS 18001, 79%.

SUPPLIERS AND FUEL PURCHASES ¹	Unit	Group	Portugal	Spain	Brazil
Suppliers ²					
Suppliers	#	62	33	29	8
Suppliers > 75,000 EUR	#	40	14	26	7
Turnover					
Turnover	millions €	969	370	479	121
Local	%	56	48	74	12

¹ Include fuel purchases and services associated.

² In the total number of Group EDP suppliers, the companies which have business in more than one geography are counted only once.

Coal origin (%)



Certified fuel suppliers (%)



Fuels and associated services were acquired from 63 suppliers. The bulk of coal and gas raw materials is sourced from foreign suppliers. In 2016, EDP bought coal from five different countries, mainly Colombia (92% of the whole supply). Spanish coal represented 2% of the total.

7.4. Community

EDP voluntarily promotes and supports social, cultural and environmental initiatives with the purpose of contributing to the sustainable development of societies and upholding its strategic vision. EDP explicitly specifies the results that it intends to achieve and the projects in which it is involved using the LBG international methodology (Measuring Community Investment), in which it participates actively through a role on its Steering Group. Using this model, EDP promotes the structured dissemination of its decisions and enables discussion of the results and benefits for communities. All of the Group's business units and foundations use this methodology.

The community investment policy is based on three priorities:

- Promotion of the EDP Group's engagement in the surrounding environment for improved quality of life of the respective communities.
- Support for initiatives that contribute to strengthening each of the dimensions of sustainable development:
- Contributing to the recognition and prestige of the Group and to its brand reputation and value.

Social innovation

EDP's global voluntary investment has contributed to the implementation of 591 projects, 137 fewer than the previous year but with a greater concentration of contributions, which rose from an average of 35,549 euros to 45,366 euros per project. The thin spread of contributions in 2015 has therefore been addressed, in line with the preference for greater concentration of contributions in projects of greater worth in terms of outcomes and effects. To this end, in 2016, EDP undertook an in-depth study of its contribution history, with the projects characterized based on a methodology developed by the Institute for Social Entrepreneurship to identify those with most transformative potential. The analysis facilitated the construction of a decision-making methodology that forecasts the replicating effects of the investment.

In recent years, assessment of the positive social impact of voluntary corporate contributions has become a prevalent theme, fed by intense international debate. However, although the debate is ongoing and there is a wide range of approaches, the discussions increasingly point towards three key ideas. On the one hand, companies must set clear priorities by demonstrating the link between their voluntary investments and business priorities. Second, companies must decide which projects to fund, in accordance with quantitative targets relating to expected outcomes and effects.

Finally, volunteering must be more oriented towards initiatives that add value, in the areas of expertise of company employees, with direct and simultaneous returns for the company and society.

In parallel with this debate, in 2016, EDP worked within the BCSD Portugal and WBCSD framework on the development of the Social Capital Protocol. This methodology will be launched in the first half of 2017 to establish the common international logical body for the identification and valuation of projects and themes in the social sphere, based on the "Logical Model" concept, with prioritization of the subjects of employment, training and the development of skills and security of people.

The EDP Group's total Voluntary Investment was 26.8 million euros (see table), thus maintaining roughly the same average contribution amount since 2013.

Close to 87% of the entire investment was in the form of direct monetary contributions, with 8% coming from donations in kind and time contributions, including corporate volunteering during working hours, in accordance with EDP's "Conciliar" (Reconcile) programme. Direct project development and management costs accounted for 5% of the total investment.

The distribution of voluntary investment by types shows an increase in contributions for Arts and Culture, Economic Development and Social Welfare with a reduction in the areas of Education and Environment. These reductions do not entail an actual reduction in total investment because, in the case of compulsory programmes linked to the new producing centres, the dominant themes are actually Education and the Environment.

Distribution of investment by business area changed compared to 2015, most notably the increase in Brazil from 8% to 16% and with Portugal now 69%, EDP in Spain 13% and EDP Renováveis 3%.

INVESTMENTS IN THE COMMUNITY (€)	2016 ¹	2015	2014	2013
CATEGORY	25,423,816	25,879,425	23,938,444	23,349,362
Nonstrategic investment	1,974,485	209,398	450,758	1,424,720
Strategic investment	21,990,186	23,556,186	22,474,228	19,485,249
Commercial initiative	1,459,144	2,113,841	1,013,458	2,439,393
NATURE	25,423,816	25,879,425	23,938,444	23,349,361
Education	3,014,078	4,316,280	4,039,760	3,956,229
Health	1,745,576	1,814,003	1,689,097	2,036,327
Economic development	2,636,611	1,692,293	1,438,385	5,070,549
Environment	1,617,103	2,296,117	2,003,958	1,163,368
Art and culture	10,360,759	7,234,190	8,486,509	5,459,532
Social welfare	5,225,581	3,839,037	2,997,119	3,989,792
Emergency response	23,805	183,150	7,640	32,673
Others	800,302	4,504,356	3,275,977	1,640,891
TYPE	25,423,816	25,879,425	23,938,444	23,349,362
Cash contributions	23,193,983	23,288,861	21,443,096	22,807,122
Kind contributions	249,697	71,334	813,399	238,101
Working time contributions	1,980,135	2,519,230	1,681,949	304,139
MANAGEMENT COSTS	1,387,549	1,532,303	2,315,382	3,625,320
TOTAL VALUE OF CONTRIBUTIONS (INCLUDING MANAGEMENT COSTS)	26,811,365	27,411,728	26,253,826	26,974,682

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

The main initiatives of the voluntary investment in the community in 2016 are highlighted in the following table:

PROJECTS	OUTCOMES	COUNTRY
MAAT	MAAT – the Museum of Art, Architecture and Technology is EDP's new cultural initiative for the city of Lisbon. A museum that crosses three areas in a venue for debate, discovery, critical thought and international dialogue. An innovative project that connects a new building, designed by the Amanda Levet Architects firm, to the Tejo Plant, an example of national industrial architecture of the first half of the twentieth century and one of the most visited museums in the country. MAAT reflects the ambition to present national and international exhibitions with the contributions of contemporary artists, architects and thinkers. Reflecting on major themes and current trends, the programme will also present a range of curator perspectives on Fundação EDP's Art Collection.	Portugal
Museum of the Portuguese Language	The Museum of the Portuguese Language was inaugurated in São Paulo in 2006 and recorded four million visitors before being destroyed by fire in late 2015. Recognized by Unesco as the best communication and information project, EDP Brasil, through the EDP Institute, is investing R\$ 20 million in its refurbishment and reopening to the public.	Brazil
Holidays for children with chronic illnesses	The Fundação EDP Holiday Camps have been taking place at the Palmela EDP Camp since 2014. In 2016 the Holiday Camp for children and young people with chronic illnesses benefited 48 children supported in five National Health System hospitals and was organized by the Fundação EDP in partnership with EDP Valor and Sávica, with the support and approval of the General Directorate of Health.	Portugal
Public Art	Fundação EDP's Public Art Programme involves populations in new cultural experiences and stimulates local development through art initiatives in public spaces in low-density areas nationwide. In 2016, programmes were developed in Trás-os-Montes, (Alfândega da Fé, Torre de Moncorvo, Miranda do Douro and Mogadouro), Ribatejo (Vila da Marmeleira, Assentiz, São João da Ribeira and Ribeira de São João), Alentejo (Campo Maior, Ouguela and Degolados), Algarve (Vila do Bispo, Barão de S. João, São Bartolomeu de Messines, Alte and Alportel).	Portugal
EDP Solidária programme	For the second year, Fundación EDP launched the EDP Solidária programme in Spain and this year extended the successes of the previous year - it received 49 applications and selected 15 projects, in a total investment of 400 thousand euros. In Brazil, EDP Solidária has been developed by the EDP Institute since 2010 and supported three new projects taking its total support to over 75 projects. In Portugal, in 2016, 30 new projects were supported in the area of Social Inclusion and 17 in Health, with a total amount of €1,882,634. In Education, two more universities were included for the award of scholarships to 22 students.	Global
A drawing for a tree.	For the third time Fundación EDP celebrated the spring festival with the "swap a drawing to plant a tree" project. The programme took place in Oviedo, Santander, Bilbao and Gijón, with 4,000 cherry trees planted in 2016. In total 80,000 trees have been replanted in these initiatives.	Spain
EDP in schools programme	Run in partnership with the Ministry of Education, the programme develops initiatives in citizenship and improvement in the school environment to enhance the quality of life of students in local state schools. EDP's work in schools provides tools for student learning, promotes a fusion of art and energy, encourages community participation in schools, fosters student health and mobilizes partnerships for educational causes. In 2016, the programme was present in 31 schools in eight Brazilian states, reaching 5,564 students with eight different initiatives.	Brazil
Fundraising	With more than 11,000 participants, the annual Houston to Austin bicycle ride is one of the largest fundraising events in support of research and services for the treatment of Multiple Sclerosis. More than \$32,000 was collected through EDP Renováveis.	USA

Volunteering

EDP Volunteering is a fundamental priority of the Group's relationship with communities and, at the same time, of the development and motivation of EDP employees. Through its Volunteer Programme, EDP gives its employees in Portugal, Spain and Brazil four hours' work a month to be used in volunteering and promotes volunteering programmes of skills and awareness-raising and mobilization campaigns in all geographical areas.

EDP CORPORATE VOLUNTEERING	Un.	2016	2015	2014
EDP Volunteers	#	2,153	2,404	2,248
EDP time used in volunteering (h)	h	15,187	17,426	17,946
Beneficiary entities	#	345	332	242

The “Parte de Nós” (It’s up to us) programme promotes collective volunteering in special periods and campaigns. For example, Parte de Nós Natal and Parte de Nós Ambiente (Christmas and Environment, respectively), held in the Group’s various geographical areas and bringing employees and their families, suppliers and stakeholders together in joint campaigns with vulnerable people or environmental protection initiatives. Skills volunteering programmes put the professional and personal skills of each employee at the service of the community - it is specialized and continuous volunteering.

PROJECT	INITIATIVES	COUNTRY
Aprender a Empreender (Learning to Endeavour)	85 EDP volunteers, 852 hours and 1,769 students in 80 schools. Based on their professional experience and in the context of the Junior Achievement Portugal - Aprender a Empreender Association, EDP employees promote the training of students in management, economics and entrepreneurship in dozens of schools in Portugal, to develop skills in teamwork, problem solving, project development, leadership and guidance for success.	Portugal
Electricians’ Pool	Consisting of volunteer electricians working in social economy organizations to correct faults, replace and upgrade systems and perform safety checks.	Portugal
Pool of Energy Efficiency Assessors	40 EDP electricians, in a total of 310 hours’ volunteering in working hours, support social institutions to use energy more efficiently and reduce their bills.	Portugal
LEAN	EDP employees provide training and support in the LEAN methodology, which identifies ways to increase process efficiency and reduce consumption and waste. In 2016, 64 volunteers invested 377 hours’ volunteering during working hours, thus enabling the implementation of more than 10 LEAN initiatives in schools, public bodies and social sector institutions.	Portugal
Desafio do Bem (Challenge for Good)	This project is moving into its 6th year and involves healthy competition between work teams for the practice of volunteering. In 6 years 76 social organizations have taken part, with 843 volunteers and investment of R\$ 97,000.	Brazil
Cidadãos Pró-Mundo (Pro-World Citizens)	In skills volunteering on the Pro-Mundo Cidadãos programme, 14 volunteers give English classes at the João XXIII School, near to EDP’s facilities, in a highly vulnerable community, a total of 800 hours’ volunteering on Sundays.	Brazil

Local communities

As part of its work, through the construction and installation of the necessary infrastructure for the production and distribution of energy, EDP produces different environmental and socioeconomic impacts in the areas in which it operates. The company addresses this through a policy of active and transparent engagement with local stakeholders in order to enhance the positive impacts of the business and to prevent and minimize negative outcomes. Constant dialogue, the promotion and encouragement of communication channels and the creation of continuous and lasting relationships guarantee transparency, trust and closeness between the parties and help prevent obstacles and conflicts resulting from the non-inclusion of communities in project planning. These programmes, which include compulsory compensatory measures, also call for considerable voluntary investment by EDP, guided by priority for actions promoting local development.

The inclusion and dialogue policy is developed by all business units and stimulated through the Edp + Perto training programme, through which EDP employees are made aware of community expectations and trained in analytical tools and dialogue methodologies. This preparation of EDP employees is especially significant in the construction of new dams and wind farms, due to both the disruption to the property of the populations and impacts on ecosystems. The dynamics of construction operations require major mobilization of technical resources and seasonal over-population of workers whose impacts have to be included in planning. However, once the construction phase is completed, the presence of the infrastructure still requires an active policy of dialogue and engagement with communities. This is now part of the EDP’s operational management Business Plan.

In the context of hydroelectric power plant construction projects in 2016, the following developments related to compensation measures are of note:

Portugal

PROJECTS	INITIATIVES
Baixo Sabor	In 2016, a Partnering Agreement was signed between EDP and the Baixo Sabor Municipalities Association, with the delivery to the municipalities of the management of the Environmental Interpretation and Animal Recovery Centre, with the support of the University of Trás-os-Montes and Alto Douro and the Polytechnic Institute of Bragança.
Foz Tua	Mobility Plan - in connection with the Foz Tua hydroelectric plant, a Mobility System is being implemented as a compensatory measure. In 2016 the construction of the quays, recovery of the rail infrastructure and the construction of rolling stock all began. At the beginning of the second half of 2017 operation by a specialised operator will start. The Vale do Tua Interpretative Centre - in late 2015 the museum programme and architecture project were approved. Work started in October and it is expected to open to the public in the third quarter of 2017.
Capacity Upgrades	Protocols have been signed with the Local Councils of Vieira do Minho and Montalegre in the Venda Nova III and Salamonde capacity upgrades currently taking place in the Cávado basin. These protocols aim to contribute to the development of the areas covered. In one case, by financing the facilities for a future business incubator – EUR 539,000; In the other by financing the paving of the Caminho and Formiga track - EUR 111,000.

In Brazil, noteworthy impact management measures, in addition to local development initiatives, involved compensation and relocation of the families and communities affected by these projects.

Brazil

CRITICAL ISSUES	INITIATIVES
Relocation families	EDP Brasil is adopting measures for the management of the impacts of relocation of families and on communities affected by the construction of generation plants. At Cachoeira Caldeirão, the extension of the Compensation and Relocation of Affected Families Programme was noteworthy: although 344 families were identified in the feasibility study phase, it was increased to 750 families during project implementation, with the decision taken to include them all in the package of socio-economic benefits. In 2016, for example, Distribuição Espírito Santo completed the construction of a line over a distance of approximately 35 km, between the municipalities of Jaguaré and São Mateus, without the need for relocation of families and with 100% of the compensation being paid following amicable negotiations. In total, infrastructure projects in Brazil required the displacement of 924 families. These impacts were mitigated through compensation in 920 cases and rehousing in 14 cases.
Indigenous peoples	In order to maintain open and transparent communication with the Kayabi, Apiaká and Munduruku indigenous peoples of the lower Teles Pires river, EDP Brasil implemented Fale Conosco Indígena (Speak to Us for Indigenous Peoples). Amateur radio (frequency 6977 - channel 2) is the main channel for dialogue with the indigenous peoples. There is also fale conosco (0800 762 6635), e-mail (faleconosco@saomanoelenergia.com.br) and the services offices in the municipalities of Paranaita and Alta Floresta. All requests received are evaluated and answered with a record of the questions, claims, ideas and requests.
Social Development	To mitigate, compensate and monitor the impacts of the Cachoeira Caldeirão hydroelectric development, 58 socio-environmental programmes have been put in place. The actions include the construction of nine classrooms with 700 school desks and a commitment has been made to build a hospital. The impacts of the São Manoel Hydro Plant are mitigated through the Social Facilities and Infrastructure Upgrade Programme. EDP Brasil has invested in excess of R\$ 27 million to address improvements in public services, such as enhanced public safety, social assistance and education in the municipalities of Paranaita (MT), Alta Floresta (MT) and Jacareacanga (PA).

Scientific Community

EDP's relationships with the scientific community are based on key areas of the Group's activity and are materialized in a host of partnership projects with impact on the business.

These institutions are knowledge hubs with which EDP enjoys close relationships and collaboration to devise innovative technical and scientific responses to the challenges of the business. Furthermore, the presence of these institutions in the different regions of the world in which EDP makes investments, allied to the high visibility of its representatives in society, strengthen the strategic importance of this sector.

Over the last year, EDP has continued working to coordinate and structure its many relationships with this area, through an internal working group and greater information sharing in relevant areas. The outcome of this work has been the systematization of relationships with these stakeholders and an understanding of their expectations in relation to EDP. It is therefore possible to create value for the business, particularly through two major blocks - attracting talent and research, development and innovation.

Within research and innovation joint work is taking place for the development of models to predict social, environmental and economic impacts in EDP's different areas of business. A number of protocols with impacts on the energy generation business and on power grids have been agreed. These protocols are a mean of increasing knowledge, implementing service quality improvement measures and improving the efficiency of the infrastructures managed by EDP.

Meanwhile, in terms of talent attraction, ever closer relationships with higher education institutions enable EDP not only to position itself as a major Portuguese employer but also to provide information on the company and energy sector so that it attracts applications from increasingly talented people. The development of EDP's current human resources in partnership with this stakeholder segment is also one of the priorities of these relationships. A number of training protocols provide the framework for the training and skills development of EDP employees.

EDP's goal is to make this relationship ever closer through more interaction and new listening processes. This strategy will make it possible to identify new themes, to be managed in protocols with direct impact on the business.

The following presents some of the initiatives developed in 2016 with the Scientific Community:

PROJECTS	STAKEHOLDERS	INITIATIVES
SBE New Campus	Nova School of Business and Economics	Partnership with the Nova University School of Business and Economics for the construction of the new Carcavelos Faculty Campus. This is a flagship partnership, with an impact in Portugal and global visibility. It also cements a closer relationship between EDP and a key stakeholder in research and recruitment. Accordingly, energy themes will be addressed in the Nova University SBE's syllabuses and recruitment will be even more coordinated and selective.
Re:dy Challenge	Portuguese Universities and Start-ups	This is a competition between teams from different technological universities and start-ups, geared towards Energy Efficiency, comfort and safety for B2C customers. The key objective is to promote the creation of new applications and uses for the technology developed by EDP, Re:dy. It is also intended to identify high potential elements for the Group, to help EDP form closer relationships with universities and research in the area of energy efficiency and, at the same time, to establish the EDP brand as a sponsor of innovative ideas, giving visibility to the Re:dy brand.

Local Authorities

Local authorities are of key significance in the EDP Group's stakeholder strategy, given the diverse relationships that they have with the Group companies. On the one hand they have a dual role as customers and concession providers, but they are also legitimate representatives of the communities in which EDP operates.

EDP's interactions with this group show that proximity and trust are essential for effective relationships with these stakeholders. In order to meet the expectations of the local authorities, in 2016 the EDP Group's business units made efforts to develop closer relationships and share information on the Group's activities in the regions, to establish partnerships in key areas such as energy efficiency promotion and the creation of initiatives that contribute to regional development.

The following presents some of the initiatives developed in 2016 with the local authorities:

OBJECTIVE	INITIATIVES
Dialogue	Produção+Perto: The hydro generation centres, in accordance with their action plans, held three Produção+Perto (Production and Proximity) sessions with local councils in the regions in which EDP operates, with the aim of establishing trust and disseminating information about the company's work. 34 local councils took part, in Régua, Castelo de Bode and Caniçada
Capacity building	EDP promotes capacity building in the municipalities by providing funding for equipment and infrastructure projects and by delivering training. Examples of this approach are the 2016 Vehicle Donation Programme through which 21 cars were allocated to 21 civil protection agencies and training was delivered to local organizations to improve their funding applications to EDP and thus enhance the success of their projects.
Energy Efficiency	Inclusion of LED lamps in Street Lighting: Following a period of negotiation between EDP Distribuição and the National Association of Portuguese Municipalities, a protocol was signed on 13 September, 2016, agreeing the revision of Annex I of the Low Voltage power distribution concession contract. This involved the removal of mercury vapour and the use of LED lamps as standard equipment for the installation of new Street Lighting systems, replacement of mercury vapour lamps in upgrades of Street Lighting systems and the replacement of obsolete lamps or lamps in a poor state of repair. This initiative was implemented as part of EDP Distribuição's Stakeholder Management Plan 2016, which aimed to address energy efficiency and environmental concerns by applying an innovative technology to the low voltage network.

8. Complementary Indicators

Environmental Indicators

2016	UN	Group	Portugal	Spain	Brazil	North America	Rest of Europe
ENVIRONMENTAL CERTIFICATION (ISO 14001)							
Certified generation facilities	#	328	113	103	10	34	68
Certified maximum net installed capacity	MW	23,319	9,853	5,567	2,491	3,934	1,473
Certified maximum net installed capacity	%	93	94	100	93	81	96
Certified substations	#	238	171	58	9	n.a.	n.a.
Certified substations installed capacity	MVA	12,561	6,829	5,244	489	n.a.	n.a.
Certified substations installed capacity	%	41	39	100	6	n.a.	n.a.
Certified gas distribution	%	100	100	100	n.a.	n.a.	n.a.
Revenues from certified installations	%	61	78	41	30	85	95
PRIMARY ENERGY CONSUMPTION	TJ	220,587	105,508	68,681	46,376	18	4
Coal	TJ	169,582	78,270	45,156	46,156	n.a.	n.a.
Fuel oil	TJ	373	256	116	n.a.	n.a.	n.a.
Natural gas	TJ	39,160	26,837	12,320	n.a.	3	0
Blast furnace gas	TJ	8,925	n.a.	8,925	n.a.	n.a.	n.a.
Coke gas	TJ	1,125	n.a.	1,125	n.a.	n.a.	n.a.
Diesel oil	TJ	230	9	77	144	n.a.	n.a.
Iron and steel industry gas	TJ	944	n.a.	944	n.a.	n.a.	n.a.
Fuel for vehicle fleet	TJ	248	136	17	77	15	4
ENERGY INTENSITY ¹	MJ/EUR	15.1	13.7	19.0	18.8	0.0	0.0
THERMAL POWER PLANT EFFICIENCY	%	39.7%	41.8%	39.3%	35.4%	n.a.	n.a.
ELECTRICITY CONSUMPTION							
Generation self-consumption	MWh	3,496,546	2,412,524	567,533	471,808	29,721	14,960
Administrative service	MWh	35,236	24,779	3,644	5,325	1,260	228
Grid losses	%	9.2	9.5	4.0	11.0	n.a.	n.a.
GHG EMISSION							
Direct emissions (scope 1)	ktCO_{2eq}	18,931	8,835	4,908	5,186	1	0
Stationary combustion ²	ktCO _{2eq}	18,900	8,819	4,902	5,180	n.a.	n.a.
SF6 Emissions	ktCO _{2eq}	8	5	1	2	0	0
Company fleet	ktCO _{2eq}	18	10	1	5	1	0
Natural gas consumption	ktCO _{2eq}	0.48	0.06	0.25	0.00	0.17	0.01
Natural gas losses	ktCO _{2eq}	5	1	4	n.a.	n.a.	n.a.
Indirect emissions (scope 2) ³	ktCO_{2eq}	565	348	0	191	17	8
Electricity consumption in office buildings	ktCO _{2eq}	2	0	0	0	1	0
Electricity losses	ktCO _{2eq}	540	348	0	191	n.a.	n.a.
Renewable plants self-consumption	ktCO _{2eq}	24	0	0	0	16	8
Other indirect emissions (scope 3)	ktCO_{2eq}	12,469	3,725	6,274	2,288	135	47
Purchased goods and services (C01)	ktCO _{2eq}	55	18	18	18	0	0
Capital Goods (C02)	ktCO _{2eq}	287	39	68	3	131	47
Fuel and energy related activities (C03)	ktCO _{2eq}	7,091	2,767	2,274	2,050	0	0
Upstream transportation and distribution (C04)	ktCO _{2eq}	304	74	15	215	0	0
Business Travels (C06)	ktCO _{2eq}	11	4	1	2	4	0
Use of sold products (C11)	ktCO _{2eq}	4,722	824	3,898	0	0	0
GHG EMISSIONS INTENSITY ⁴	kgCO₂/EUR	1.3	1.2	1.4	2.2	0.0	0.0
CO₂ AVOID EMISSIONS	ktCO₂	32,724	12,206	4,115	2,245	10,590	3,567
TOTAL EMISSIONS							
CO ₂ ²⁵	kt	18,900	8,819	4,902	5,180	n.a.	n.a.
NO _x	kt	16.2	5.2	5.9	5.2	n.a.	n.a.
SO ₂	kt	19.9	3.5	6.5	9.9	n.a.	n.a.
Particulate matter	kt	1.17	0.04	0.61	0.52	n.a.	n.a.
Mercury	kg	100	69	31	0	n.a.	n.a.
SF6	kg	331	213	40	77	0	1
SPECIFIC OVERALL EMISSIONS							
CO ₂ ²⁵	g/kWh	271	285	369	543	n.a.	n.a.
NO _x	g/kWh	0.2	0.2	0.4	0.5	n.a.	n.a.
SO ₂	g/kWh	0.3	0.1	0.5	1.0	n.a.	n.a.
Particulate matter	g/kWh	0.02	0.00	0.05	0.05	n.a.	n.a.
SPECIFIC THERMAL EMISSIONS							
CO ₂ ²⁵	g/kWh	787	726	659	1169	n.a.	n.a.
NO _x	g/kWh	0.7	0.4	0.8	1.2	n.a.	n.a.
SO ₂	g/kWh	0.8	0.3	0.9	2.2	n.a.	n.a.
Particulate matter	g/kWh	0.05	0.00	0.08	0.12	n.a.	n.a.

2016	UN	Group	Portugal	Spain	Brazil	North America	Rest of Europe
WATER COLLECT BY SOURCE							
Ocean	10 ³ x m ³	1,477,099	1,113,985	363,114	n.a.	n.a.	n.a.
River/Stream	10 ³ x m ³	16,031	8,163	7,868	n.a.	n.a.	n.a.
Water reservoir	10 ³ x m ³	6	n.a.	n.a.	6	n.a.	n.a.
Water hole	10 ³ x m ³	149	147	0	2	n.a.	n.a.
Well	10 ³ x m ³	12	0	0	10	2	0
Municipal water supplies	10 ³ x m ³	15,561	2,385	751	12,412	12	2
Other private entity	10 ³ x m ³	1,420	401	1,018	0	0	0
USE OF WATER							
Cooling water	10 ³ x m ³	1,503,732	1,122,131	370,466	11,135	n.a.	n.a.
Row water	10 ³ x m ³	5,995	2,827	1,930	1,237	n.a.	n.a.
Potable water	10 ³ x m ³	208	123	15	55	13	2
WASTEWATER							
Wastewater from generation with treatment	10 ³ x m ³	4,933	709	2,400	1,824	n.a.	n.a.
Discharge into sea	10 ³ x m ³	1,481,107	1,114,585	364,698	1,824	n.a.	n.a.
Discharge into inland and estuary water	10 ³ x m ³	4,502	3,013	1,488	n.a.	n.a.	n.a.
WASTE SENT TO FINAL DISPOSAL							
Total waste	t	458,258	109,448	189,866	158,082	701	161
Total hazard waste	t	6,443	3,945	1,103	996	299	99
Recovered Waste	%	59	95	77	12	70	74
MAIN WASTE CATEGORIES							
Fly ash	t	263,656	980	153,164	109,513	n.a.	n.a.
Slag	t	121,538	95,826	25,712	n.a.	n.a.	n.a.
Used oils	t	600	220	228	36	101	16
PCB	t	86	0	86	0	0	0
Metals	t	5,621	654	3,219	1,584	153	11
Gypsum	t	6,721	4,321	2,239	161	n.a.	n.a.
BY- PRODUCTS							
Gypsum	t	139,644	105,898	33,746	0	n.a.	n.a.
Ash	t	483,058	463,943	n.a.	19,114	n.a.	n.a.
DISTRIBUTION IN PROTECTED AREAS							
High voltage distribution grid in protected areas	km	1,139	905	122	112	n.a.	n.a.
Overhead	km	1,125	891	122	112	n.a.	n.a.
Underground	km	14	14	0	0	n.a.	n.a.
Medium voltage distribution grid in protected areas	km	13,494	9,039	866	3,589	n.a.	n.a.
Overhead	km	12,500	8,098	818	3,584	n.a.	n.a.
Underground	km	994	941	48	5	n.a.	n.a.
Substations in protected areas	#	43	19	19	5	n.a.	n.a.
FLOODED AREAS BY RESERVOIRS	ha	6,025	5,690	330	4	n.a.	n.a.
ENVIRONMENTAL COMPLAINTS	#	167	35	2	49	9	72

¹ Primary energy consumption by turnover.

² Instead of what EDP has reported before, the stationary emissions do not include those produced by the burning of ArcelorMittal steel gases in EDP's power plant in Spain, which totalled 2,616.1ktCO₂ in 2016.

³ Calculation according with GHG Protocol based location methodology.

⁴ Scope 1 and Scope 2 emissions by turnover.

⁵ Includes only stationary combustion emissions.

2015	UN	Group	Portugal	Spain	Brazil	North America	Rest of Europe
ENVIRONMENTAL CERTIFICATION (ISO 14001)							
Certified generation facilities	#	302	97	103	8	29	65
Certified maximum net installed capacity	MW	21,899	9,236	5,806	1,738	3,706	1,413
Certified maximum net installed capacity	%	90	92	97	67	88	93
Certified substations	#	200	137	58	5	n/a	n/a
Certified substations installed capacity	MVA	10,676	5,157	5,235	284	n/a	n/a
Certified substations installed capacity	%	35	29	100	4	n/a	n/a
Certified gas distribution	%	100	100	100	n.a	n/a	n/a
Revenues from certified installations	%	53	72	40	5	93	100
PRIMARY ENERGY CONSUMPTION							
Coal	TJ	209,191	92,743	81,435	35,012	n/a	n/a
Fuel oil	TJ	272	147	125	n/a	n/a	n/a
Natural gas	TJ	28,810	20,160	8,646	n/a	3	0
Blast furnace gas	TJ	11,347	n/a	11,347	n/a	n/a	n/a
Coke gas	TJ	949	n/a	949	n/a	n/a	n/a
Diesel oil	TJ	183	0	77	105	n/a	n/a
Iron and steel industry gas	TJ	1,337	n/a	1,337	n/a	n/a	n/a
Fuel for vehicle fleet	TJ	256	143	17	79	12	4
ENERGY INTENSITY ¹	MJ/EUR	16.3	14.6	24.8	12.8	0.0	0.0
THERMAL POWER PLANT EFFICIENCY	%	38.1%	40.7%	37.4%	32.0%	n/a	n/a
ELECTRICITY CONSUMPTION							
Generation self-consumption	MWh	3,540,374	2,400,486	775,379	320,694	30,843	12,972
Administrative service	MWh	35,662	24,140	4,396	5,660	1,260	207
Grid losses	%	9.4	9.8	4.1	11.0	n/a	n/a
GHG EMISSION							
Direct emissions (scope 1)	ktCO ₂ eq	21,550	9,833	8,002	3,714	1	0
Stationary combustion ²	ktCO ₂ eq	21,518	9,817	7,993	3,708	n/a	n/a
SF ₆ Emissions	ktCO ₂ eq	8	5	1	2	0	0
Company fleet	ktCO ₂ eq	18	11	1	5	1	0
Natural gas consumption	ktCO ₂ eq	0.47	0.05	0.24	0.00	0.17	0.01
Natural gas losses	ktCO ₂ eq	6	0	6	n/a	n/a	n/a

2015	UN	Group	Portugal	Spain	Brazil	North America	Rest of Europe
Indirect emissions (scope 2) ^{3,4}	ktCO _{2eq}	982	632	0	325	18	8
Electricity consumption in office buildings	ktCO _{2eq}	2	0	0	0	2	0
Electricity losses	ktCO _{2eq}	957	632	0	325	n/a	n/a
Renewable plants self-consumption	ktCO _{2eq}	23	0	0	0	16	7
Other indirect emissions (scope 3) ⁴	ktCO _{2eq}	14,623	3,428	7,991	3,044	118	41
Purchased goods and services (C01)	ktCO _{2eq}	53	18	18	18	0	0
Capital Goods (C02)	ktCO _{2eq}	251	34	59	2	114	41
Fuel and energy related activities (C03)	ktCO _{2eq}	7,636	2,429	2,481	2,727	0	0
Upstream transportation and distribution (C04)	ktCO _{2eq}	385	74	15	296	0	0
Business Travels (C06)	ktCO _{2eq}	9	3	1	1	4	0
Use of sold products (C11)	ktCO _{2eq}	6,288	870	5,418	0	0	0
GHG EMISSIONS INTENSITY ⁵	gCO ₂ /EUJ	1.5	1.3	1.9	1.5	0.0	0.0
CO ₂ AVOID EMISSIONS	ktCO ₂	28,732	8,390	5,098	2,487	9,106	3,652
TOTAL EMISSIONS							
CO ₂ ²⁶	kt	21,518	9,817	7,993	3,708	n/a	n/a
NO _x	kt	24.4	5.9	14.6	4.0	n/a	n/a
SO ₂	kt	24.2	4.9	13.6	5.8	n/a	n/a
Particulate matter	kt	1.41	0.02	0.94	0.45	n/a	n/a
Mercury	kg	147	64	38	46	n/a	n/a
SF6	kg	328	194	61	63	5	5
SPECIFIC OVERALL EMISSIONS							
CO ₂ ²⁶	g/kWh	340	412	489	419	n/a	n/a
NO _x	g/kWh	0.4	0.2	0.9	0.4	n/a	n/a
SO ₂	g/kWh	0.4	0.2	0.8	0.6	n/a	n/a
Particulate matter	g/kWh	0.02	0.00	0.06	0.05	n/a	n/a
SPECIFIC THERMAL EMISSIONS							
CO ₂ ²⁶	g/kWh	813	770	746	1225	n/a	n/a
NO _x	g/kWh	0.9	0.5	1.4	1.3	n/a	n/a
SO ₂	g/kWh	0.9	0.4	1.3	1.9	n/a	n/a
Particulate matter	g/kWh	0.05	0.00	0.09	0.15	n/a	n/a
WATER COLLECT BY SOURCE							
Ocean	10 ³ x m ³	1,693,580	1,234,467	459,113	n/a	n/a	n/a
River/Stream	10 ³ x m ³	43,155	7,555	35,600	n/a	n/a	n/a
Water reservoir	10 ³ x m ³	9	n/a	n/a	9	n/a	n/a
Water hole	10 ³ x m ³	111	110	0	1	n/a	n/a
Well	10 ³ x m ³	32	0	0	32	0	0
Municipal water supplies	10 ³ x m ³	11,825	2,493	902	8,426	4	1
Other private entity	10 ³ x m ³	56,626	10,564	37,587	8,468	6	1
USE OF WATER							
Cooling water	10 ³ x m ³	1,743,808	1,241,974	494,323	7,510	n/a	n/a
Row water	10 ³ x m ³	6,157	2,937	2,345	875	n/a	n/a
Potable water	10 ³ x m ³	195	118	13	56	6	1
WASTEWATER							
Wastewater from generation with treatment	10 ³ x m ³	3,843	556	1,959	1,329	n/a	n/a
Discharge into sea	10 ³ x m ³	1,696,239	1,234,894	460,017	1,329	n/a	n/a
Discharge into inland and estuary water	10 ³ x m ³	11,622	3,014	8,608	n/a	n/a	n/a
WASTE SENT TO FINAL DISPOSAL							
Total waste	t	642,362	116,842	377,060	147,517	846	97
Total hazard waste	t	7,089	3,734	2,421	634	235	66
Recovered Waste	%	46	59	56	10	79	87
MAIN WASTE CATEGORIES							
Fly ash	t	416,101	759	292,686	122,656	n/a	n/a
Slag	t	123,947	67,950	55,997	n/a	n/a	n/a
Used oils	t	428	167	129	50	62	21
PCB	t	113	58	55	0	0	0
Metals	t	2,632	383	566	1,341	341	1
Gypsum ⁷	t	64,447	41,506	22,940	n/a	n/a	n/a
BY- PRODUCTS							
Gypsum	t	228,050	168,869	59,181	0	n/a	n/a
Ash	t	244,071	242,355	n/a	1,716	n/a	n/a
DISTRIBUTION IN PROTECTED AREAS							
High voltage distribution grid in protected areas	km	1,194	937	106	151	n/a	n/a
Overhead	km	1,180	923	106	151	n/a	n/a
Underground	km	14	14	0	0	n/a	n/a
Medium voltage distribution grid in protected areas	km	13,582	9,071	786	3,725	n/a	n/a
Overhead	km	12,601	8,140	741	3,720	n/a	n/a
Underground	km	981	931	45	5	n/a	n/a
Substations in protected areas	#	43	19	18	6	n/a	n/a
FLOODED AREAS BY RESERVOIRS	ha	6,025	5,690	330	4	n/a	n/a
ENVIRONMENTAL COMPLAINTS	#	227	58	4	71	25	69

¹ Primary energy consumption by turnover.

² Instead of what EDP has reported before, the stationary emissions do not include those produced by the burning of ArcelorMittal steel gases in EDP's power plant in Spain, which totalled 3,264.6 ktCO₂ in 2016.

³ Calculation according with GHG Protocol based location methodology.

⁴ Scope 2 and 3 emissions were restated to avoid double counting.

⁵ Scope 1 and Scope 2 emissions by turnover.

⁶ Includes only stationary emissions.

⁷ In Portugal this indicator includes the valorization of accumulated productions from previous years.

Social Indicators

2016	UN	Group	Portugal	Spain	Brazil	North America	Rest of Europe
EMPLOYMENT							
Employees	#	11,992	6,537	1,886	2,961	422	186
Executive Board of Directors	#	8	8	0	0	0	0
Senior Management	#	733	406	163	77	62	25
Supervisors	#	806	352	243	140	48	23
Specialists	#	3,996	1,982	733	914	235	132
Technicians	#	6,450	3,789	748	1,830	77	6
Male employees	%	76	78	73	78	67	62
Female employees	%	24	22	27	22	33	38
Females in management position	%	24	24	75	17	28	35
Senior management hired from the local community	%	98	100	99	97	98	64
Employees by types of contract	#	11,992	6,537	1,886	2,961	422	186
Executive bodies	#	53	31	1	21	0	0
Male	#	50	29	1	20	0	0
Female	#	3	2	0	1	0	0
Permanent workforce	#	11,874	6,464	1,867	2,938	422	183
Male	#	9,076	5,042	1,357	2,279	283	115
Female	#	2,798	1,422	510	659	139	68
Fixed-term contracts	#	65	42	18	2	0	3
Male	#	37	21	13	2	0	1
Female	#	28	21	5	0	0	2
Employees by occupational contract	#	11,992	6,537	1,886	2,961	422	186
Full-time	#	11,953	6,536	1,854	2,961	422	180
Male	#	9,157	5,092	1,367	2,301	283	114
Female	#	2,796	1,444	487	660	139	66
Part-time	#	39	1	32	0	0	6
Male	#	6	0	4	0	0	2
Female	#	33	1	28	0	0	4
Employees with special needs	#	196	121	18	57	0	0
Male	#	128	84	12	32	0	0
Female	#	68	37	6	25	0	0
Foreign employees	#	198	35	57	19	54	33
New employees	#	722	232	75	295	94	26
Direct admissions to permanent workforce	#	584	190	49	228	94	23
Admissions with fixed-term contracts	#	62	34	24	2	0	2
Other admissions	#	76	8	2	65	0	1
Male	#	509	157	52	215	70	15
Female	#	213	75	23	80	24	11
<30 years	#	390	153	37	144	40	16
[30-50 years]	#	311	74	37	140	50	10
>=50 years	#	21	5	1	11	4	0
F/M new admissions rate	x	0.42	0.48	0.44	0.37	0.34	0.73
Employees leaving	#	814	377	52	307	59	19
Male	#	632	292	45	234	47	14
Female	#	182	85	7	73	12	5
<30 years	#	122	29	9	56	18	10
[30-50 years]	#	197	24	13	125	26	9
>=50 years	#	495	324	30	126	15	0
Turnover	%	6.38	4.61	3.39	10.15	19.01	12.20
Male	%	6.18	4.35	3.55	9.71	21.63	12.29
Female	%	7.03	5.52	2.96	11.69	13.64	12.03
<30 years	%	17.23	14.39	35.94	15.05	33.92	33.33
[30-50 years]	%	4.61	2.26	2.26	7.15	15.11	6.99
>=50 years	%	5.12	4.31	2.20	15.29	14.50	0.00
Average age of workforce	years	45	49	46	38	38	36
Average age of new admissions	years	31	30	32	32	33	30
Average age of leaving	years	50	57	49	44	40	33
Average seniority of employees	years	18	24	17	10	4	5
Seniority of leaving	years	22	32	20	15	4	4
Absenteeism rate	%	3.12	3.65	3.63	1.95	2.47	n.d.
Employees entitled to parental leave	#	399	153	73	139	19	15
Male	#	273	109	40	101	13	10
Female	#	126	44	33	38	6	5
Employees that took parental leave	#	297	151	72	40	19	15
Male	#	171	107	39	2	13	10
Female	#	126	44	33	38	6	5
Retention rate of employees who took parental leave	%	99	100	100	n.d.	100	100
Male	%	100	100	100	n.d.	100	100
Female	%	98	100	100	95	100	100
Annualized average base salary	€	3,095	3,184	4,250	1,516	7,215	3,993
Male	€	3,075	3,139	4,427	1,507	7,565	4,408
Female	€	3,158	3,343	3,779	1,547	6,503	3,316
Pay ratio by gender (F/M)	x	1.03	1.07	0.85	1.01	0.86	0.76
Ratio of the annual total compensation for the organization's highest-paid individual to the average annual total compensation for all employees (excluding the highest-paid individual)	x	n.a.	6.38	5.59	13.48	3.85	n.a.
Ratio of percentage increase in annual total compensation for the organization's highest-paid individual to the average percentage increase in annual total compensation for all employees (excluding highest-paid individual)	%	n.a.	0.00	0.00	0.73	0.00	n.a.

2016	Un.	Group	Portugal	Spain	Brazil	North America	Rest of Europe
TRAINING							
Total hours of training	hours	389,883	198,042	65,705	102,730	14,764	8,642
Environment	hours	5,349	3,920	292	877	140	120
Sustainable development	hours	9,265	7,678	1,093	221	0	273
Ethics	hours	6,346	1,954	483	2,734	945	230
Quality	hours	10,767	9,831	608	328	0	0
Languages	hours	28,006	11,159	11,797	4,201	118	731
Information systems	hours	36,236	19,781	13,176	1,900	1,120	259
Other	hours	293,914	143,719	38,256	92,469	12,441	7,029
Average training per employee (h/p)	h/p	33	30	35	35	35	46
Executive Board of Directors	h/p	15	15	n.a.	n.a.	n.a.	n.a.
Senior Management	h/p	37	41	44	11	29	38
Supervisors	h/p	57	52	43	102	42	52
Specialists	h/p	38	47	39	16	30	48
Technicians	h/p	26	18	26	40	49	28
Employees with training	%	93	96	100	83	109	100
LABOUR RELATIONS							
Collective employment agreements	%	92	99	82	99	0	39
Trade union membership	%	45	56	17	50	0	1
Union Structures	#	37	21	4	8	0	4
Hours lost due to strikes	hours	0	0	0	0	0	0
Staff engaged in further study	#	30	30	n.d.	n.d.	n.d.	n.d.
Professional Internships	#	417	285	0	132	0	0
Academic internships	#	517	136	343	6	20	12
HEALTH AND SAFETY (H&S)							
Installed capacity certified by OHSAS 18.001	MW	23,487	9,852	5,548	2,611	3,934	1,541
Installed capacity certified by OHSAS 18.001	%	94	94	100	98	81	100
Employees							
Accidents ¹	#	30	23	3	3	0	1
Fatal accidents	#	0	0	0	0	0	0
Frequency rate ²	Tf	1.37	2.07	0.94	0.46	0.00	3.22
Severity rate ³	Tg	91	155	28	28	0	32
Total lost days due to accidents	#	2,003	1,723.00	90	180	0	10
Occupational diseases	#	3	3	0	0	0	0
Occupational diseases rate (with devaluation)		0.09	0.18	0	0	0	0
Contractors							
Accidents ¹	#	155	107	21	14	12	1
Fatal accidents	#	3	3	0	0	0	0
Working days	#	5,420,000	2,619,813	626,042	1,728,052	374,696	71,398
Frequency rate ²	Tf	3.84	5.52	4.41	1.07	4.21	1.84
Severity rate ³	Tg	217	350	195	27	107	684
EDP employees and contractors							
Frequency rate ²	Tf_total	2.98	4.29	3.02	0.87	3.26	2.34
Severity rate ³	Tg_total	173	280	128	28	83	446
Fatal electrical accidents involving third parties ⁴	#	7	3	0	4	0	0
Near accidents	#	384	49	48	94	176	17
Representatives elected in H&S Commissions	#	234	69	10	130	21	4
EDP employees represented	%	88	89	66	100	100	21
Number of meetings	#	553	44	48	202	252	7
H&S TRAINING							
Employees							
Awareness actions	#	1,197	219	447	171	295	65
Employees	#	10,919	1,799	2,676	3,554	2,679	211
Training hours	hours	68,839	11,432	9,706	40,329	5,958	1,414
Contractors							
Awareness actions	#	15,538	5,770	52	8,274	1,412	30
Employees	#	51,006	19,057	529	29,568	1,756	96
Training hours	hours	328,294	16,107	103	299,054	12,588	442

¹ Accidents leading to an absence of one more calendar day and fatal accidents.

² Accidents by a million hours worked.

³ Absence days by a million hours worked.

⁴ Accidents occurred in the premises of the company plants or

2015	UN	Group	Portugal	Spain	Brazil	North America	Rest of Europe
EMPLOYMENT							
Employees	#	12,084	6,683	1,863	2,972	383	183
Executive Board of Directors	#	8	8	0	0	0	0
Senior Management	#	700	390	159	72	57	23
Supervisors	#	782	354	238	121	48	21
Specialists	#	3,896	1,922	713	921	209	131
Technicians	#	6,698	4,009	754	1,858	69	8
Male employees	%	77	78	73	78	67	66
Female employees	%	23	22	27	22	33	34
Females in management position	%	22.9	22.0	26.2	17.6	22.9	31.8
Senior management hired from the local community	%	98.3	100.0	98.7	97.2	94.7	78.3
Employees by types of contract	#	12,084	6,683	1,863	2,972	383	183
Executive bodies	#	54	33	1	20	0	0
Male	#	51	31	1	19	0	0
Female	#	3	2	0	1	0	0
Permanent workforce	#	11,925	6,560	1,858	2,950	383	174
Male	#	9,177	5,143	1,358	2,303	258	115
Female	#	2,748	1,417	500	647	125	59
Fixed-term contracts	#	105	90	4	2	0	9
Male	#	65	55	4	1	0	5
Female	#	40	35	0	1	0	4
Employees by occupational contract	#	12,084	6,683	1,863	2,972	383	183
Full-Time	#	12,055	6,681	1,837	2,972	383	182
Male	#	9,288	5,228	1,360	2,323	258	119
Female	#	2,767	1,453	477	649	125	63
Part-time	#	29	2	26	0	0	1
Male	#	5	1	3	0	0	1
Female	#	24	1	23	0	0	0
Employees with special needs	#	199	113	25	56	0	5
Male	#	126	75	18	30	0	3
Female	#	73	38	7	26	0	2
Foreign employees	#	176	29	56	18	40	33
New employees	#	774	283	80	275	110	26
Direct admissions to permanent workforce	#	636	187	70	249	110	20
Admissions with fixed-term contracts	#	89	78	3	2	0	6
Other admissions	#	49	18	7	24	0	0
Male	#	553	201	42	218	78	14
Female	#	221	82	38	57	32	12
<30 years	#	414	189	39	131	43	12
[30- 50 years]	#	333	89	41	138	52	13
>=50 years	#	27	5	0	6	15	1
Rácio F/M de novas entradas	x	0.40	0.41	0.90	0.26	0.41	0.86
Employees leaving ¹	#	736	332	82	255	46	21
Male	#	575	279	66	183	36	11
Female	#	161	53	16	72	10	10
<30 years	#	99	10	6	69	9	5
[30- 50 years]	#	225	35	21	126	28	15
>=50 years	#	412	287	55	60	9	1
Turnover	%	6.32	4.58	4.29	9.39	22.32	13.06
Male	%	6.13	4.55	3.87	9.18	24.15	10.59
Female	%	6.96	4.69	5.49	10.10	18.50	17.74
<30 years	%	17.87	16.64	38.46	15.07	36.36	19.32
[30- 50 years]	%	5.28	2.93	2.76	7.76	18.60	10.98
>=50 years	%	4.20	3.66	3.90	7.21	19.05	11.76
Average age of workforce	years	45	49	46	38	39	35
Average age of new admissions	years	31	29	31	31	34	32
Average age of leaving	years	48	58	52	38	38	34
Average seniority of employees	years	19	24	17	11	4	4
Seniority of leaving	years	21	32	26	10	4	3
Absenteeism rate ²	%	3.45	3.47	3.42	3.80	2.06	n/a
Employees entitled to parental leave	#	409	135	100	128	29	17
Male	#	272	91	48	99	25	9
Female	#	137	44	52	29	4	8
Employees that took parental leave	#	309	134	100	29	29	17
Male	#	172	90	48	n.d.	25	9
Female	#	137	44	52	29	4	8
Retention rate of employees who took parental leave	%	100	100	100	98	100	100
Male	%	100	100	100	n.d.	100	100
Female	%	99	100	100	93	100	100
Annualized average base salary	€	3,042	3,126	4,284	1,491	7,101	4,022
Male	€	3,026	3,085	4,471	1,480	7,465	4,331
Female	€	3,098	3,271	3,773	1,529	6,351	3,433
Pay ratio by gender (F/M)	x	1.02	1.06	0.84	0.85	0.79	1.03
Ratio of the annual total compensation for the organization's highest-paid individual to the average annual total compensation for all employees (excluding the highest-paid individual)	x	n/a	6.50	5.54	13.66	3.91	n/a
Ratio of percentage increase in annual total compensation for the organization's highest-paid individual to the average percentage increase in annual total compensation for all employees (excluding highest-paid individual)	%	n/a	3.47	0.00	0.00	0.00	n/a

2015	Un.	Group	Portugal	Spain	Brazil	North America	Rest of Europe
TRAINING							
Total hours of training	hours	443,105	210,368	65,012	148,169	12,335	7,221
Environment	hours	4,617	2,181	580	992	632	232
Sustainable development	hours	2,559	1,787	555	12	0	205
Ethics	hours	3,556	1,577	1,928	38	0	14
Quality	hours	2,172	1,911	213	48	0	0
Languages	hours	24,661	11,354	12,377	254	21	655
Information systems	hours	51,874	38,008	5,916	7,071	649	231
Other	hours	353,666	153,550	43,443	139,754	11,033	5,885
Average training per employee (h/p)	h/p	37	31	35	50	32	39
Executive Board of Directors	h/p	15	15	n/a	n/a	n/a	n/a
Senior Management	h/p	38	48	40	8	16	22
Supervisors	h/p	51	62	40	43	50	39
Specialists	h/p	44	51	43	36	29	43
Technicians	h/p	30	18	25	59	43	33
Employees with training	%	96	95	100	98	96	100
LABOUR RELATIONS							
Collective employment agreements	%	92	99	83	99	0	34
Trade union membership	%	47	57	17	50	0	0
Union Structures	#	30	21	3	6	0	0
Hours lost due to strikes	hours	0	0	0	0	0	0
Staff engaged in further study	#	43	35	n.d.	8	n.d.	n.d.
Professional Internships	#	381	240	0	141	0	0
Academic internships	#	518	170	321	0	15	12
HEALTH AND SAFETY (H&S)							
Installed capacity certified by OHSAS 18.001	MW	21,518	9,491	5,898	583	4,099	1,447
Installed capacity certified by OHSAS 18.001	%	88	94	99	22	97	95
Employees							
Accidents ³	#	49	38	4	7	0	0
Fatal accidents	#	1	0	0	1	0	0
Frequency rate ⁴	Tf	2.27	3.45	1.26	1.09	0.00	0.00
Severity rate ⁵	Tg	106	146	35	89	0	0
Total lost days due to accidents	#	2,292	1604	112	576	0	0
Occupational diseases	#	4	4	0	0	0	0
Occupational diseases rate (with devaluation)		0.18	0.18	0.00	0.00	0.00	0.00
Contractors							
Accidents ³	#	138	88	18	25	3	4
Fatal accidents	#	4	2	0	2	0	0
Working days	#	4,675,629	2,144,820	586,089	1,619,707	226,244	98,769
Frequency rate ⁴	Tf	4.00	5.52	4.04	2.19	1.74	5.33
Severity rate ⁵	Tg	237	392	164	71	33	498
EDP employees and contractors							
Frequency rate ⁴	Tf_total	3.34	4.69	2.88	1.81	1.25	3.81
Severity rate ⁵	Tg_total	188	293	111	77	24	356
Fatal electrical accidents involving third parties ⁶	#	16	3	0	13	0	0
Near accidents	#	254	34	52	54	95	19
Representatives elected in H&S Commissions	#	155	63	15	70	4	3
EDP employees represented	%	70	73	84	54	100	10
Number of meetings	#	520	54	51	124	288	3
H&S TRAINING							
Employees							
Awareness actions	#	971	210	359	104	247	51
Employees	#	9,021	2,125	2,818	1,935	1,967	176
Training hours	hours	60,315	13,606	8,718	31,769	4,891	1,331
Contractors							
Awareness actions	#	4,588	2,628	81	832	897	150
Employees	#	14,820	10,796	401	1,822	1,173	628
Training hours	hours	66,493	8,225	563	46,585	10,709	411

¹ In Spain, they are not considered 32 employees from the sale of the company Gas Energía Distribución Murcia.

² EDP Brasil doesn't have data available for this indicator. EDP reports the last available value (2013).

³ Accidents leading to an absence of one more calendar day.

⁴ Accidents by a million hours worked.

⁵ Absence days by a million hours worked.

⁶ Accidents occurred in the premises of the company plants or equipment.

Economical Indicators

EDP GROUP	UN	2016	2015
ECONOMIC VALUE GENERATED	'000€	15,899,739	17,277,905
Economic value distributed	'000€	14,550,903	15,162,973
Economic value accumulated	'000€	1,348,836	2,114,932
R&D	'000€	14,816	35,401
ENERGY EFFICIENCY AND SUPPLEMENTARY ENERGY SERVICES REVENUES ¹	'000€	1,005,821	1,008,456
Energy efficiency services revenues	'000€	92,975	79,877
Supplementary energy services revenues ²	'000€	912,846	928,578
SUPPORT FROM PUBLIC AUTHORITIES ³	'000€	51,246	82,157
FINES AND PENALTIES	'000€	6,959	6,005
ENVIRONMENTAL MATTERS ⁴	'000€	133,726	104,620
Investments	'000€	72,043	53,901
Expenses	'000€	61,683	50,719
SOCIAL MATTERS		0	0
Personnal costs	'000€	588,843	575,665
Employee benefits	'000€	71,773	77,314
Direct training investment	'000€	5,948	5,861
Direct training investment per employee	€p	496	485
HC ROI per employee	%	0.17	0.18

¹ Energy Efficiency and Supplementary Energy Services: services provided under energy supply, instalation of more efficient and/or building retrofit, and

² Supplementary energy services revenues include the following categories: Energy Management, Maintenance and Operation, Property/Facility Management, Energy and/or Equipment Supply, Provision of Service (example: steam) and other.

³ Support from public authorities both recognised and not recognised in the income statement.

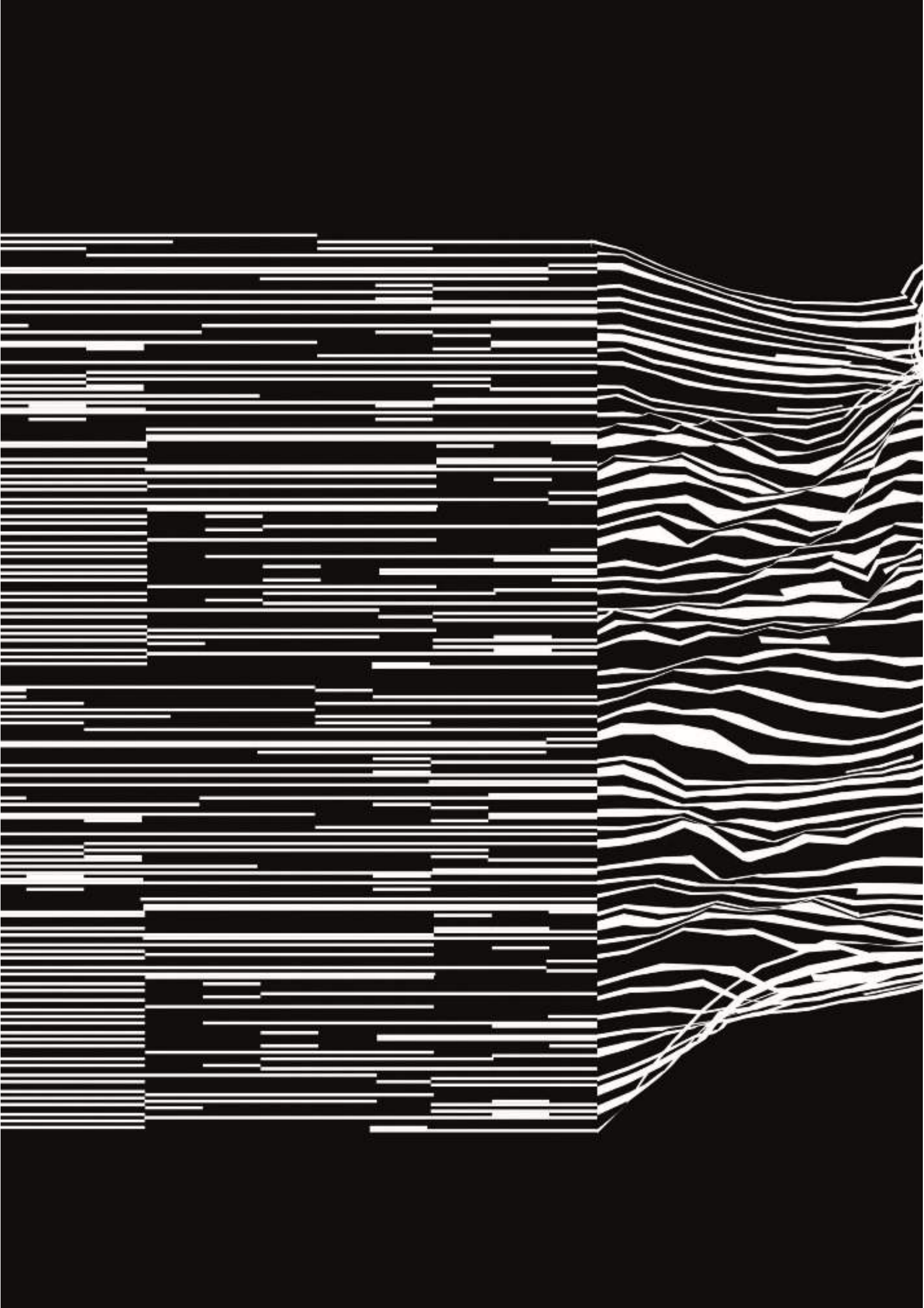
⁴ More information available on the Notes to the Consolidated and Company Financial Statements (Nota 51).

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04 Corporate Governance

Part I – Information on Ownership Structure, Organization and Corporate Governance		
A. Ownership Structure		
I. Capital Structure	147	
II. Shareholdings and Bonds Owned	149	
B. Corporate Bodies and Committees	154	
I. General Meeting	154	
Composition of the General Meeting	154	
Exercise of Voting Rights	154	
II. Management and Supervision	156	
Composition	156	
Operation	189	
Committees of Managing or Supervisory Body	190	
III. Supervision	194	
Composition	194	
Operation	195	
Powers and Duties	196	
IV. Statutory Auditor	196	
V. External Auditor	197	
C. Internal Organization		
I. Articles of Association	200	
II. Whistleblowing	200	
III. Internal Control and Risk Management	201	
IV. Investor Relations	216	
V. Website	217	
D. Remuneration		218
I. Power to Set Remuneration		218
II. Remuneration Committee		219
III. Remuneration Structure		219
IV. Disclosure of Remuneration		225
V. Agreements Affecting Remuneration		228
VI. Stock Purchase Option Plans or Stock Options		229
E. Transactions with Related Parties		229
I. Mechanisms and Procedures of Control		229
II. Business Information		232
Parte II – Assessment of Corporate Governance		232
1. Corporate Governance Code in Effect		232
2. Compliance with the Corporate Governance Code		232
3. Other Information		245
Annex I. Corporate Bodies' Biography		246
Annex II. Attendance List of the General and Supervisory Board		257
Annex III. Attendance List of the executive Board Of Directors		258
Annex IV. Positions Held in Other Companies		259
Annex V. Attendance List of Financial Matters Committee / Audit Committee		260
Annex VI. Financial Instruments Transactions by EBD and GSB		261





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04. Corporate Governance

Part I – Information on Ownership Structure, Organisation and Corporate Governance

A. Ownership Structure

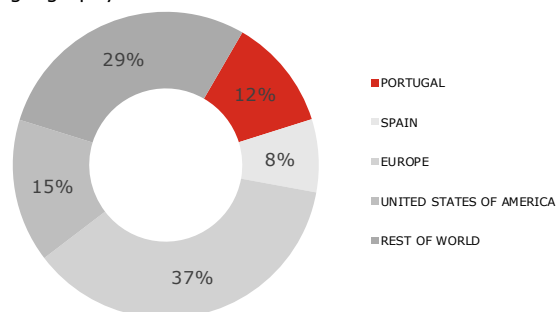
I. Capital Structure

1. Capital Structure

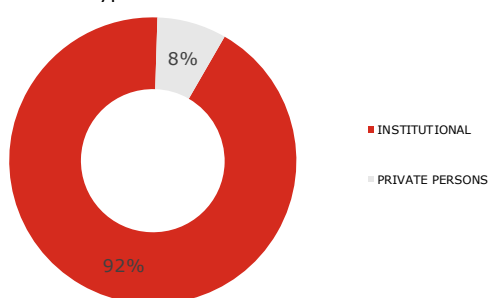
According to in Article 4 (2) of EDP's Articles of Association, EDP's share capital to the amount of EUR 3,656,537,715.00 is represented by 3,656,537,715 shares, which are ordinary and have a face value of 1 euro each.

The geographical and investor type breakdown of the EDP shareholder structure on 31 December 2016 was as follows:

Breakdown of shareholder structure by geography



Breakdown of shareholder structure by investor type



Source: Interbolsa

2. Restrictions on Share Transferability

In statutory terms the shares are not subject to any limitations in terms of transferability, given that, according to the Portuguese Securities Code, shares traded in the market are fully transferable.

3. Treasury stock

As at 31 December 2016, EDP owned 22,056,438 treasury stock shares, corresponding to 0.60% of the share capital and 0.60% of the voting rights.

4. Change of company control

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

5. Defensive measures

EDP has not taken any measures to prevent takeover bids that would put the interests of the company and its shareholders at risk. The supplementary rules on this matter remain thus in force.

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

Although EDP's Articles of Association impose this limitation on the exercise of voting rights, this limitation is not a measure to prevent successful takeover bids.

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

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

6. Shareholder agreements

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

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

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

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

Although Parpública has sold its shareholdings in EDP's share capital and CGD does not own a qualifying shareholding in EDP's share capital, according to information at EDP's disposal this does not represent automatic cessation of the effects

of the shareholder agreement. EDP has not been informed of any agreement to revoke or amend the said shareholder agreement.

II. Shareholdings and Bonds Owned

7. Qualifying holdings

Pursuant to Article 8 (1) (b) of CMVM Regulation 5/2008, we are providing the following information on qualifying holdings owned by EDP shareholders as at 31 December 2016 and attributable voting rights in accordance with Article 20 (1) of the Securities Code.

Shareholder	Nº of Shares	% Capital with voting rights
CHINA THREE GORGES CORPORATION		
Stakes held by entities in a control or group relationship		
China Three Gorges (Europe), S.A.	780,633,782	21.35%
Total	780,633,782	21.35%

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

CNIC CO. LTD.		
Stakes held by entities in a control or group relationship		
Orise, S.a.r.l.	110,435,491	3.02%
Total	110,435,491	3.02%

Orise, S.a.r.l. is fully owned by Kindbright Holdings Corp. Limited, which in turn is fully owned by CNIC Co., Ltd (formerly known as Guoxin International Investment Co., Ltd.), which in turn is fully owned by People's Republic of China.

CAPITAL GROUP COMPANIES, INC.		
Stakes under management by entities in a control relationship		
Capital Research and Management Company	504,891,305	13.81%
Capital Income Builder	292,282,419	7.99%
Income Fund of America	68,246,105	1.87%
Capital World Growth and Income Fund	117,811,072	3.22%
Capital Guardian Trust Company	5,170,025	0.14%
Capital International Limited	3,675,476	0.10%
Capital International Sàrl	1,264,002	0.03%
Capital International, Inc.	74,716	0.00%
Total	515,075,524	14.09%

Capital Research and Management Company ("CRMC") is fully owned by Capital Group Companies, Inc. CRMC is an investment consultancy vehicle which manages mutual funds registered in the United States. CRMC manages capital assets for several investment companies through three divisions, Capital Research Global Investors, Capital International Investors and World Investors. CRMC fully owns Capital Group International, Inc. ("CGII"), which in turn controls investment management companies ("fund management companies CGII"): Capital Guardian Trust Company, Capital International, Inc., Capital International Limited and Capital International Sàrl. The fund management companies CGII operate primarily as investment managers for institutional clients. The reported shareholdings are held by mutual investment funds under discretionary investment management.

OPPIDUM CAPITAL, S.L.		
Stakes held directly		
Oppidum Capital, S.L.	263,046,616	7.19%
Total	263,046,616	7.19%

According to paragraph 1(b) of article 20 of the Portuguese Securities Code, the voting rights inherent to the share capital held by Oppidum Capital, SL and Flicka Forestal, SL are imputable to Fernando Masaveu Herrero. Oppidum Capital, SL is 55.9% owned by Masaveu Internacional, S.L. and 44.1% owned by Liberbank, S.A. In turn, Masaveu Internacional, SL is 100% held by Corporación Masaveu, SA. Corporación Masaveu, SA is 41.38% held by Fundación María Cristina Masaveu Peterson, 10.73% by Flicka Forestal, SL and 0.03% by Fernando Masaveu Herrero. Fernando Masaveu Herrero controls Fundación María Cristina Masaveu Peterson, Flicka Forestal, SL and Peña María, S.L. Flicka Forestal, SL holds 2,000,000 shares of EDP's share capital, which correspond to 0.05% of the voting rights. Additionally, Fernando Masaveu Herrero's spouse holds 17,020 shares of EDP's share capital, which correspond to 0.000465% of the voting rights. Also, three dependents of Fernando Masaveu Herrero, namely Pedro Masaveu Compostizo, Jaime Masaveu Compostizo and Elias Masaveu Compostizo hold each 500 shares of EDP's share capital. In this sense, in total, 7.25% of the voting rights of EDP, corresponding to 265,065,136 shares of EDP's share capital, should be imputable to Fernando Masaveu Herrero.

Shareholder	Nº of Shares	% Capital with voting rights
BLACKROCK, INC.		
Stakes under management by entities in a control relationship		
BlackRock (Luxembourg) S.A.	49,282,565	1.35%
BlackRock (Netherlands) B.V.	776,486	0.02%
BlackRock Advisors (UK) Limited	1,046,389	0.03%
BlackRock Advisors, LLC	3,836,968	0.10%
BlackRock Asset Management Canada Limited	1,059,783	0.03%
BlackRock Asset Management Deutschland AG	9,606,564	0.26%
BlackRock Asset Management Ireland Limited	18,662,688	0.51%
BlackRock Asset Management North Asia Limited	9,693	0.00%
BlackRock Asset Management Schweiz AG	11,076	0.00%
BlackRock Financial Management	45,287	0.00%
BlackRock Fund Advisors	32,320,429	0.88%
BlackRock Fund Managers Limited	16,462,044	0.45%
BlackRock Institutional Trust Company, National Association	32,735,889	0.90%
BlackRock International Limited	428,495	0.01%
BlackRock Investment Management (Australia) Limited	773,921	0.02%
BlackRock Investment Management (UK) Limited	1,132,323	0.03%
BlackRock Investment Management, LLC	3,388,710	0.09%
BlackRock Japan Co Ltd	3,244,637	0.09%
BlackRock Life Limited	6,412,059	0.18%
iShares (DE) I Investmentaktiengesellschaft mit Teilvermögen	1,497,174	0.04%
Total	182,733,180	5.00%
INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC) ⁽¹⁾		
Stakes held by entities in a control or group relationship		
Senfora BV	148,431,999	4.06%
Total	148,431,999	4.06%
The company Senfora BV is a company created in the Netherlands, wholly and directly owned by IPIC, which is a company wholly owned by the government of Abu Dhabi.		
MILLENNIUM BCP		
Fundação Millennium BCP	350,000	0.01%
Stakes under management by associated entities		
Fundo de Pensões do Grupo Millennium BCP	88,992,093	2.43%
Total	89,342,093	2.44%
The management company of the pension fund of Group Millennium BCP exercises independently their voting rights.		
SONATRACH		
Stakes held directly		
Sonatrach	87,007,433	2.38%
Total	87,007,433	2.38%
QATAR INVESTMENT AUTHORITY		
Stakes held by entities in a control or group relationship		
Qatar Holding LLC	82,868,933	2.27%
Total	82,868,933	2.27%
The company Qatar Holding LLC is wholly owned by Qatar Investment Authority.		
NORGES BANK ⁽²⁾		
Stakes held directly		
Norges Bank	73,355,208	2.01%
Total	73,355,208	2.01%
EDP (TREASURY STOCK)	22,056,438	0.60%
REMAINING SHAREHOLDERS	1,301,551,018	35.59%
TOTAL	3,656,537,715	100.00%

Note 1: In accordance with the made use once in nº3 of the 14º of the Partnership contract of the EDP will not be considered the votes cast by a shareholder, in proper name or as representative of another one, that exceed 25% of the totality of the corresponding votes to the share capital.

(1) On January 26th, 2017, IPIC announced that its shares and inherent voting rights had been acquired by Mubadala Investment Company PJSC, a company fully owned by the Abu Dhabi Government.

(2) On January, 9th 2017, Norges Bank announced that its shareholding had decreased to 73,080,477 shares, corresponding to 1.999% of EDP's share capital.

8. Financial instruments owned by members of the management and supervisory bodies

Financial instruments owned by members of the Executive Board of Directors

Below it is shown the financial instruments held by members of Executive Board of Directors, as required by Article 447 (5) of the Companies Code.

Executive Board of Directors	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.		EDP - Energias do Brasil, S.A.	
	Nº Shares 30-12-2016	Nº Shares 31-12-2015	N.º Bonds 30-12-2016	N.º Bonds 31-12-2015	Nº Shares 30-12-2016	Nº Shares 31-12-2015	Nº Shares 30-12-2016	Nº Shares 31-12-2015
António Luís Guerra Nunes Mexia	91,000	41,000	-	-	4,200	4,200	1	1
Nuno Maria Pestana de Almeida Alves	150,000	125,000	-	-	5,000	5,000	1	1
João Manuel Manso Neto	1,268	1,268	-	-	0	0	0	0
António Fernando Melo Martins da Costa ⁽¹⁾	54,299	34,299	-	-	1,480	1,480	0	0
João Manuel Veríssimo Marques da Cruz	81,378	3,878	200,000	200,000	1,200	1,200	0	0
Miguel Stilwell de Andrade	140,000	126,576	-	-	2,510	2,510	0	0
Miguel Nuno Simões Nunes Ferreira Setas	7,382	7,382	-	-	1,690	1,690	6,000	0
Rui Manuel Rodrigues Lopes Teixeira ⁽²⁾	8,333	5,843	-	-	12,370	12,370	0	0

Notes:

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

2) The shares of EDP - Energias de Portugal, S.A. includes 1,490 held by his spouse, Lina Lago da Silva Dantas Martins.

The operations performed with EDP financial instruments by the members of the Executive Board of Directors in 2016 are set out in Annex VI.

Financial instruments owned by members of the General and Supervisory Board

Below it is shown the financial instruments owned or imputable to the members of the General and Supervisory Board as required by Article 447 (5) of the Companies Code.

GENERAL AND SUPERVISORY BOARD ⁽¹⁾	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.	
	Nº Shares 30-12-2016	Nº Shares 31-12-2015	N.º Bonds 30-12-2016	N.º Bonds 31-12-2015	Nº Shares 30-12-2016	Nº Shares 31-12-2015
China Three Gorges Corporation	780,633,782	780,633,782	0	0	0	0
Eduardo Catroga (in representation of China Three Gorges Corporation)	0	0	0	0	0	0
Luís Filipe Marques Amado	0	0	0	0	0	0
China Three Gorges New Energy Co. Ltd.	0	0	0	0	0	0
Ya Yang (in representation of da China Three Gorges New Energy Co. Ltd.)	0	0	0	0	0	0
China International Water & Electric Corp.	0	0	0	0	0	0
Guojun Lu (in representation of China International Water & Electric Corp.)	0	0	0	0	0	0
China Three Gorges (Europe) S.A.	780,633,782	780,633,782	0	0	0	0
Dingming Zhang (in representation of da China Three Gorges (Europe) S.A.)	0	0	0	0	0	0
China Three Gorges (Portugal), Sociedade Unipessoal, Lda.	0	0	0	0	0	0
Shengliang Wu (in representation of China Three Gorges (Portugal), Sociedade Unipessoal, Lda.)	0	0	0	0	0	0
Draursa, S.A.	0	0	0	0	0	0
Felipe Fernández Fernández (in representation of Draursa, S.A.)	0	0	0	0	0	0
Fernando Maria Masaveu Herrero	265,065,136	264,709,056	0	0	0	0
Banco Comercial Português, S.A.	89,342,093	89,139,594	0	0	0	0
Nuno Manuel da Silva Amado (in representation of Banco Comercial Português, S.A.)	0	0	0	0	0	0
Sonatrach	87,007,433	87,007,433	0	0	0	0
Ferhat Ounoughi (in representation of Sonatrach)	0	0	0	0	0	0
Senfora BV	148,431,999	148,431,999	0	0	0	0
Mohamed Ali Ismaeil Ali Al Fahim (in representation of Senfora BV)	0	0	0	0	0	0
António Sarmento Gomes Mota	0	0	0	0	0	0
Alberto Joaquim Milheiro Barbosa	0	0	0	0	0	0
António Manuel de Carvalho Ferreira Vitorino	0	0	0	0	0	0
Augusto Carlos Serra Ventura Mateus	0	0	0	0	0	0
Ilídio da Costa Leite de Pinho	0	0	0	0	0	0
João Carvalho das Neves	7,429	7,429	5	5	3,200	0
Jorge Avelino Braga de Macedo	0	0	0	0	0	0
Maria Celeste Ferreira Lopes Cardona	0	0	0	0	0	0
María del Carmen Ana Fernández Rozado	0	0	0	0	0	0
Vasco Joaquim Rocha Vieira	3,203	3,203	0	0	380	60

Notes:

1) The members of the General and Supervisory Board do not hold any shares of Energias do Brasil, S.A.

According to paragraph 1(b) of article 20 of the Portuguese Securities Code, the voting rights inherent to the share capital held by Oppidum Capital, SL and Flicka Forestal, SL are imputable to Fernando Masaveu Herrero. Oppidum Capital, SL is 55.9% owned by Masaveu Internacional, S.L. and 44.1% owned by Liberbank, S.A. In turn, Masaveu Internacional, SL is 100% held by Corporación Masaveu, SA. Corporación Masaveu, SA is 41.38% held by Fundación María Cristina Masaveu Peterson, 10.73% by Flicka Forestal, SL and 0.03% by Fernando Masaveu Herrero. Fernando Masaveu Herrero controls Fundación María Cristina Masaveu Peterson, Flicka Forestal, SL and Peña María, S.L. Flicka Forestal, SL holds 2,000,000 shares of EDP's share capital, which correspond to 0.05% of the voting rights. Additionally, Fernando Masaveu Herrero's spouse holds 17,020 shares of EDP's share capital, which correspond to 0.000465% of the voting rights. Also, three dependents of Fernando Masaveu Herrero, namely Pedro Masaveu Compostizo, Jaime Masaveu Compostizo and Elias Masaveu Compostizo hold each 500 shares of EDP's share capital. In this sense, in total, 7.25% of the voting rights of EDP, corresponding to 265,065,136 shares of EDP's share capital, should be imputable to Fernando Masaveu Herrero.

The operations performed with EDP financial instruments by the members of the General and Supervisory Board in 2016 are set out in Annex VI.

9. Special powers of the managing body with regard to decisions to increase share capital

The Executive Board of Directors has the powers enshrined in the law and Articles of Association to perform its duties, which are indicated in detail in point 21.

Regarding approval of decisions on share capital increases, and according to Article 4 (3) of the Articles of Association, the Executive Board of Directors has the power to approve one or more share capital increases up to an aggregate limit of 10% of the current share capital in the amount of EUR 3,656,537,715.00, via the issue of shares to be subscribed by new entries in cash, in accordance with the issue terms and conditions that it defines. The draft decision must be submitted to the General and Supervisory Board subject to a majority of two-thirds of votes of the respective members (Article 4 (3) of EDP's Articles of Association). The General Meeting of Shareholders held on 17 April 2012 decided to approve the renewal for five years of the Executive Board of Directors' authorization. The Executive Board of Directors has not yet used this renewed power to increase EDP's share capital.

10. Significant business relationships between owners of qualifying holdings and the company

Attentive to the current reporting obligations, the Executive Board of Directors, during 2016, submitted to the General and Supervisory Board the information concerning transactions between related parties. Such information concerned the transactions listed below:

Thus, with reference to 2016 exercise, it should be reported the performance of the following operations between companies of EDP Group and owners of qualifying holdings in EDP's share capital:

- Within the scope of the strategic partnership entered into between EDP and CTG in December 2011, it was concluded the transaction related to the sale to CTG of a minority holding of wind assets of EDP Renováveis in Italy and Poland (49% of shares and shareholder loans), being the respective purchase and sale agreement signed in 28th December 2015 and reported at the 2015 version of this Corporate Governance Report. On the 27th October 2016, the financial closing of the operation occurred in which CTG, through ACE Poland S.A.R.L. and ACE Italy S.A.R.L., both fully owned by ACE Investment Fund LP (a subsidiary of China Three Gorges Hong Kong Ltd, which, in turn, is a fully subsidiary of CTG) paid approximately € 363 million, an amount correspondent to the final price agreed between the parties.
- Banco Comercial Português (BCP) provided EDP Group with financial intermediary services, having integrated the syndicate of banks which acted as Joint Lead Managers and Bookrunners of the bonds issuances occurred in May and August 2016. Also in 2016, approximately € 200 million were transferred to BCP through assignment without recourse of a part of the extra cost deficit of Special Production Regime in Portugal in 2015 and of a part of the extra cost deficit of Special Production Regime in Portugal in 2016.
- To Sonatrach it was acquired natural gas under EDP Group long term supply agreements, in the approximate value of € 133 million.
- EDP Group has supplied electricity and gas to Cementos Tutela Veguín and to other companies integrated in Masaveu Group in the approximate value of € 19 million (Cementos Tutela Veguín is a subsidiary of Corporación Masaveu which, in turn, holds 55,9% of the company Oppidum Capital, S.L. Oppidum Capital holds a participation of 7,19% in EDP's share capital).
- EDP Group has supplied electricity and gas to Liberbank and to related companies in the approximate value of € 5,7 million (Liberbank holds 44,1% of the company Oppidum Capital, S.L. Oppidum Capital holds a participation of 7,19% in EDP's share capital).

On July 29, 2010, the General and Supervisory Board approved the first draft of the "Regulations on conflicts of interests", which was revised during 2015, and a new version was approved on October 29, 2015 (Regulation) available on the EDP's website (www.edp.pt). These rules for identifying, preventing and resolving potential relevant corporate conflicts of interest have a higher level of exigency than those in the CMVM Corporate Governance Code.

Following a decision made by the General and Supervisory Board, on 17 May 2010 the Executive Board of Directors approved the rules on identification, in-house reporting and procedure in the event of conflicts of interest applicable to all EDP Group employees who play a decisive role in transactions with related parties. These rules are available on EDP's website (www.edp.pt).

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its work to the General and Supervisory Board.

The General and Supervisory Board noted in relation to 2016, in view of the cases analysed and the information provided by the Executive Board of Directors, that no evidence was found that the potential conflicts of interest underlying the transactions made by EDP may have been settled contrary to the interests of the Company.

For more information on the matter, see Point 3.5.1 of the Annual Report of the General and Supervisory Board.

B. Corporate Bodies and Committees

I. General Meeting

A) Composition of The General Meeting

11. Name and position of officers of the General Meeting and their term of office

Pursuant to Article 12 of EDP's Articles of Association, the officers of the General Meeting are a Chairman, a Vice-Chairman and the Company Secretary, who is appointed by the Executive Board of Directors.

At the Annual General Meeting of 21 de Abril 2015 the Chairman and Vice-Chairman of the General Meeting were elected for the 2015-2017 mandate. The Company Secretary was appointed on 23 April 2015 (likewise for the 2015-2017 mandate).

Board of the General Meeting	
Chairman	António Manuel de Carvalho Ferreira Vitorino
Vice-Chairman	Rui Pedro Costa Melo Medeiros
Company Secretary	Maria Teresa Isabel Pereira

The Chairman of the General Meeting is automatically a member of the General and Supervisory Board, pursuant to Article 21 (2) of EDP's Articles of Association.

The Chairman of the General Meeting has the in-house human and logistic resources appropriate to his/her needs, including the support of the General Secretariat and Legal Department, the Investor Relations Office and the Brand, Marketing and Communication Global Coordination Office, plus external support from a specialised entity hired by EDP to collect, process and count the votes. The logistic and administrative resources for the General Meeting are provided by the Company and the organisation is supervised by the Chairman of the General Meeting.

B) Exercise of Voting Rights

12. Restrictions on Voting Rights

Pursuant to Article 14 (2) of EDP's Articles of Association, each share corresponds to one vote.

According to Article 14 (9) of EDP's Articles of Association, the holders of rights representing shares under ADR (American Depositary Receipt) programmes may instruct the respective depository bank in order to see their voting rights exercised or, alternatively, grant proxy to a representative designated by EDP for such purpose, in compliance with applicable legal or statutory provisions; the depository contract should regulate terms and ways for exercising the voting rights, as well as for cases in which such instructions do not exist.

EDP's shareholders can only participate and vote at the General Meeting, personally or through a representative, if on the date of registration, 00:00 hours (GMT) of the fifth day of trading prior to that of the General Meeting, they own at least one share (Article 14 (10) of the Articles of Association).

Proof of ownership of the shares is provided by sending the Chairman of the General Meeting, by the fifth day of trading prior to that of the General Meeting, a statement issued, certified and sent by the financial intermediary responsible for

registering the shares, indicating the number of shares registered and the date of registration. It may be sent by email (Article 14 (13) of EDP's Articles of Association).

Participation in the General Meeting also requires the shareholder to express this intention to the Chairman of the General Meeting and the financial intermediary at which the individual registration account has been opened, by the end of the sixth day of trading prior to that of the General Meeting. The communication may be sent by email (Article 14 (11) of EDP's Articles of Association).

Shareholders who have expressed their intention to participate in a General Meeting pursuant to the Articles of Association and have transferred ownership of the shares between the fifth day of trading prior to that of the General Meeting and the end thereof, must inform the Chairman of the General Meeting and the CMVM immediately (Article 14 (11) of EDP's Articles of Association).

EDP's shareholders can submit a postal vote on each of the items on the agenda in a letter addressed to the Chairman of the General Meeting, as set out in Article 14 (6) of the Articles of Association.

Pursuant to Article 14 (7) of EDP's Articles of Association, voting rights may also be exercised electronically, in accordance with the requirements necessary to ensure their authenticity, which must be defined by the Chairman of the General Meeting in the invitation to the meeting.

Shareholders can find the necessary forms for postal or electronic votes on EDP's website (www.edp.pt).

EDP has taken measures to encourage shareholders to exercise their voting rights, such as elimination of financial obstacles that may affect their exercise. These measures include:

- General circulation of the notice of meeting of the General Meeting with an express indication of the channels available for the exercise of voting rights and in publications on the CMVM website (on www.cmvm.pt) and EDP website (on www.edp.pt), on the NYSE Euronext Lisbon newsletter and in mailings to shareholders;
- Payment of the costs of issuing declarations of ownership of shares for all shareholders who participate in the General Meeting (directly or by post);
- Payment of the costs involved in remote voting, including postal voting.

As per EDP's By-Laws, votes cast by a shareholder in his own name or as a representative of another exceeding 25% (twenty-five percent) of all the votes representing the share capital are not considered. This limitation applies to all decisions of the General Meeting, including those for which the law or EDP's Articles of Association provide for a qualified majority of the company's share capital.

Pursuant to Article 14 (4) of EDP's Articles of Association, votes for which, under Article 20 (1) of the Securities Code or any legal rule that amends or replaces it, he is responsible will be considered cast by the same shareholder.

EDP's shareholders are obliged to provide the Executive Board of Directors, in writing and in a complete, objective, clear, truthful form, and in a manner acceptable to the board, all information that it requests from them on facts concerning them and related to Article 20 (1) of the Securities Code. Noncompliance with this obligation shall result in prevention of the exercise of voting rights pertaining to the shares owned by the shareholder in question (Article 15 (2) and (3) of the Articles of Association).

If the limitation on the counting of votes affects a number of shareholders, it will operate in proportion to the ordinary shares owned by each one (Article 14 (5) of the Articles of Association).

Furthermore, pursuant to Article 20 (1) of the Securities Code, or any legal rule that amends or replaces it, shareholders who become owners of a shareholding of 5% (five percent) or more of the voting rights or share capital, must inform the Executive Board of Directors thereof within five business days of the date on which ownership occurred. They cannot exercise their voting rights until they have made this communication (Article 15 (1) of EDP's Articles of Association).

13. Maximum percentage of voting rights that can be exercised by a single shareholder or shareholders that are related in some of the relations of Article 20 (1)

See Point 12

14. Decisions of shareholders who, under the Articles of Association, can only be made by a qualified majority other than those provided for by law

Decisions by the General Meeting are taken by a majority of votes cast, unless the law or the Articles of Association require a qualified majority (Article 11 (3) of the Articles of Association).

Article 10 (1) of the Articles of Association defines the performance of functions in any corporate body is incompatible with:

- the status of a legal person that is a competitor of EDP or a company in a control or group relation with EDP;
- the status of a legal person or an individual related to a legal person that is a competitor of EDP;
- the exercise of functions, of any nature or for any reason whatsoever, notably by appointment to a corporate office, by employment contract or by services provision agreement, at a legal person that is a competitor of EDP or at a legal person related to a legal person that is a competitor of EDP.

Nevertheless, Article 10 (4) defines that the incompatibilities set forth in the foregoing paragraphs may also not apply to the performance of functions as a member of the general and supervisory board, to the extent permitted by law, subject to authorization given by prior resolution, with the favor of two thirds of the votes cast at the elective general shareholders' meeting. The competition relation must be expressly referred to and precisely identified in the appointment proposal, and the authorization resolution may be subject to conditions, notably to a holding of no more than 10% of EDP's share capital.

In all other cases, the deliberative quorum set out in Article 383 (2) of the Company Code applies.

II. Management and Supervision

A) Composition

15. Corporate governance model

EDP's governance structure is based, since 2006, on the dual model and consists of the General Meeting, Executive Board of Directors, General and Supervisory Board and the Statutory Auditor. The division of competences, inherent to such model, between the Executive Board of Directors and the General and Supervisory Board, has assured an effective management of the company, benefitted by a constant and attentive supervision.

According to Article 11 (2) (b) of the Articles of association, it is the responsibility of the General Meeting of EDP to elect and dismiss the members of the Executive Board of Directors and the General and Supervisory Board, as well as their Chairmen and Vice-Chairmen, if any, and the Statutory Auditors, based on a proposal by the General and Supervisory Board (or by delegation to the Financial Matters Committee / Audit Committee). The General Meeting also appoints the members of the Environment and Sustainability Board, on proposal of the Executive Board of Directors, and Remuneration Committee of the General Meeting, which is responsible for setting the remuneration of the members of the corporate bodies (except the Executive Board of Directors, whose remuneration is set by the Remuneration Committee appointed by the General and Supervisory Board).

The separation of management and supervision roles is embodied in an Executive Board of Directors, which is responsible for the management of the company's business, and a General and Supervisory Board, the highest supervisory body.

Considering this structure, we can say that the dual model of corporate governance in place in EDP has allowed effective separation of the company's supervision and management in pursuit of the goals and interests of EDP and its shareholders, employees and other stakeholders, thereby contributing to achieving the degree of trust and transparency necessary for its adequate functioning and optimisation.

Furthermore, this model has proved appropriate to the company's shareholder structure as it allows supervision by key shareholders on the General and Supervisory Board.

For a better understanding of EDP's corporate governance, EDP's website (<http://www.edp.pt/pt/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx>) allows shareholders and the general public to view the up-to-date Articles of Association in Portuguese and English, the Internal Regulations of the Executive Board of Directors, General and Supervisory Board and its committees.

Worth noting that EDP has since 2010 a Corporate Governance Manual, whose primary objective consists of registering and sharing the provisions of the Executive Board of Directors and of General and Supervisory Board regarding best practices recommendations applicable to EDP on corporate governance, in reference to CMVM recommendations. The Manual was revised in 2015, as to incorporate recent changes to legislation, having been approved by the General and Supervisory Board and by the Executive Board of Directors in January 2016. Just like the standard recommendations, also the Manual has a dynamic nature. It should therefore continue to be revised periodically, considering the contributions of all interested parties in the continuous development of EDP's governance model. The Manual for the Corporate Governance of EDP is available to shareholders and general public at its website (www.edp.pt).

The primary objective of this manual is to record and share an understanding of the two corporate bodies in terms of the recommendations of good corporate governance practices applying to EDP and appropriate guidelines to comply with them.

EDP sought to go beyond the legal requirements and regulations for this area, particularly concerning information reporting, given EDP's meticulousness and goals as regards the quality of its corporate governance practices. The Corporate Governance Manual therefore sought to serve the following purposes in order to achieve this basic goal:

- To reflect critically on recommendations on best practices set out in the CMVM Corporate Governance Code in order to contribute actively in optimising EDP's practices;
- To select the recommendations deemed most appropriate to EDP's governance model, focusing on measures taken and indicating potential measures for full adoption of good practices;
- To identify recommendations that are not appropriate to EDP's interests and give reasons for this position and indicate other ways of achieving the goals set out in the CMVM Corporate Governance Code;
- To help targets of the recommendations to reflect on the best governance practices to be followed at EDP;
- To draft a formal document that will help compliance with reporting obligations on corporate governance practices, such as the annual report required by law;
- Describe EDP's governance practices that are not set out in the Corporate Governance Code but achieve the goal shared by the General and Supervisory Board and the Executive Board of Directors to develop and increase the quality of EDP's governance processes.

With the publishing of the manual, EDP intends to keep materializing a pioneer role of excellence in terms of corporate governance best practice promotion, hoping that this initiative may also contribute to an enrichment of the debate on these matters, in a context of the overall organization and functioning of companies, particularly in Portugal.

16. Articles of Association rules on procedural and material requirements for the appointment and replacement of members of the Executive Board of Directors and General and Supervisory Board

It is the role of the General Meeting to elect and remove members of the Executive Board of Directors and the General and Supervisory Board, including their chairmen.

In the event of permanent or temporary absence of any of the members of the Executive Board of Directors, the General and Supervisory Board arranges for his/her replacement and the appointment must be ratified by the next General Meeting.

In the event of permanent absence of any of the members of the General and Supervisory Board, the substitutes on the list submitted to the General Meeting must be summoned by the Chairman of the General and Supervisory Board to replace him/her, following the order on the list. Pursuant to Article 21 (5) of EDP's Articles of Association, the substitutes on the list must all be independent. If there are no substitutes, they will be elected by the General Meeting.

17. Composition of the Board of Directors, Executive Board of Directors and General and Supervisory Board

The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors at the General Meeting of 21 April 2015, for the three-year period from 2015 to 2017. The term of office of these members of the corporate bodies therefore ends on 31 December 2017, though they may remain in office until a new appointment.

General and Supervisory Board

In the exercise of its duties – see Article 441 of the Company Code and Article 22 of EDP's Articles of Association – the main mission of the General and Supervisory Board is to constantly advise, monitor and supervise the management activities of EDP, cooperating with the Executive Board of Directors and the various other corporate bodies in pursuit of the company's interests, pursuant to the Company Code and the company's Articles of Association. It is elected by the shareholders at the General Meeting.

Pursuant to Article 21 (1) of the Articles of Association, the General and Supervisory Board consists of no fewer than nine effective members, but always more than the number of members of the Executive Board of Directors. The majority of the elected members of the General and Supervisory Board must be independent, pursuant to Article 21 (4) of the Articles of Association.

The members of the General and Supervisory Board members, elected to at the General Meeting of Shareholders that was held on 21 April 2015 for the three-year period between 2015 and 2017, are the following:

General and Supervisory Board		Independent Members	First appointment date
Chairman	China Three Gorges Corporation represented by Eduardo de Almeida Catroga ⁽¹⁾		20-02-2012
Vice- Chairman	Luís Filipe Marques Amado	Independent	21-04-2015
	China Three Gorges New Energy Co. Ltd. represented by Ya Yang		20-02-2012
	China International Water & Electric Corp. represented by Guojun Lu		20-02-2012
	China Three Gorges (Europe), S.A.) represented by Dingming Zhang		20-02-2012
	China Three Gorges (Portugal), Sociedade Unipessoal, Lda. represented by Shengliang Wu		21-04-2015
	DRAURSA, S.A. represented by Felipe Fernández Fernández		21-04-2015
	Fernando Maria Masaveu Herrero		20-02-2012
	Banco Comercial Português, S.A. represented by Nuno Manuel da Silva Amado ⁽²⁾		21-04-2015
	Sonatrach represented by Ferhat Ounoughi		12-04-2007
	Senfora BV represented by Mohamed Ali Ismaeil Ali Al Fahim ⁽³⁾		21-04-2015
	António Samento Gomes Mota	Independent	15-04-2009
	Maria Celeste Ferreira Lopes Cardona	Independent	20-02-2012
	Ilídio da Costa Leite de Pinho	Independent	20-02-2012
	Jorge Avelino Braga de Macedo	Independent	20-02-2012
	Vasco Joaquim Rocha Vieira	Independent	20-02-2012
	Augusto Carlos Serra Ventura Mateus	Independent	06-05-2013
	João Carvalho das Neves	Independent	21-04-2015
	Alberto Joaquim Milheiro Barbosa	Independent	21-04-2015
	Maria del Carmen Fernández Rozado	Independent	21-04-2015
	António Manuel de Carvalho Ferreira Vitorino	Independent	21-04-2015

1) Eduardo Catroga was an independent member of the GSB in 2006-2008, 2009-2011 mandates and chairman, also independent, in 2012-2014 mandate.

2) In 2012-2014 mandate, the office was held by Nuno Manuel da Silva Amado, Chairman of BCP.

3) In 2009-2011 and 2012-2014 mandates, the member of the CGS was Senfora S.à.r.l.

The representatives of the companies China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges New Energy Co., Ltd. and China Three Gorges (Europe) SA, initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011.

Executive Board of Directors

The Executive Board of Directors is responsible for managing the company's activities and representing the company, pursuant to Article 431 of the Company Code and Article 17 of the Articles of Association and is elected by the shareholders at a General Meeting. The Executive Board of Directors is currently made up of eight members.

Pursuant to Article 16 (2) of the Articles of Association, the Executive Board of Directors must have a minimum of five and a maximum of eight members.

The members of the Executive Board of Directors may not exercise executive functions in more than two companies not integrating EDP Group, and the exercise of the referred functions shall be subject to prior appraisal by the Executive Board of Directors, according to Article 5^o-A of the Regulation of the referred company body.

At the General Meeting of Shareholders, held on 21 April 2015, the following members of the Executive Board of Directors were elected for the 2015-2017 mandate:

Executive Board of Directors		First appointment date
Chairman	António Luís Guerra Nunes Mexia	30/03/2006
	Nuno Maria Pestana de Almeida Alves	30/03/2006
	João Manuel Manso Neto	30/03/2006
	António Fernando Melo Martins da Costa	30/03/2006
	João Manuel Veríssimo Marques da Cruz	20/02/2012
	Miguel Stilwell de Andrade	20/02/2012
	Miguel Nuno Simões Nunes Ferreira Setas	21/04/2015
	Rui Manuel Rodrigues Lopes Teixeira	21/04/2015

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

18. Independent members of the Executive Board of Directors and General and Supervisory Board

EDP's Articles of Association (Article 9 (1), Article 10 (1), Article 11 (2) (d), Article 21 (4), Article 22 (1) (a), Article 23 and Article 27) and the Internal Regulations of the General and Supervisory Board (Article 7)), both available on its website (www.edp.pt), lay down the rules on independence and incompatibilities for members of any of the company's corporate bodies.

The criteria of independence set out in EDP's Articles of Association are in line with those laid down in 414 (5) of the Company Code and determine that independence means an absence of direct or indirect relations with the company or one of its bodies and an absence of any circumstances that might affect impartiality of analyses or decisions, e.g. because the people in question own or are acting on behalf of owners of a qualifying shareholding of 2% (two percent) or more of the share capital of EDP or have been re-elected for more than two terms of office continuously or intermittently.

Pursuant to Article 9 (1) of EDP's Articles of Association, independence is "absence of direct or indirect relations with the company or one of its bodies and an absence of any circumstances that might affect impartiality of analyses or decisions, e.g. because the people in question own or are acting on behalf of owners of a qualifying shareholding of 2% (two percent) or more of the share capital of EDP or have been re-elected for more than two terms of office continuously or intermittently".

In view of the need to clarify the aforementioned Article 414 (5) of the Company Code, as there are diverging legal opinions, Associação de Emitentes de Valores Cotados em Mercado ("AEM") requested an opinion from the CMVM, whose opinion was that the capacity as independent is only lost if, "on the basis of the criterion of number of terms of office, in a situation likely to affect his/her impartiality in analyses or decisions if the members of the supervisory bodies of public limited companies, having been elected for a first term of office and re-elected continuously or intermittently for a second and third term, are re-elected (for the third time, therefore) for a fourth term of office."

Pursuant to its Internal Regulations, the General and Supervisory Board has in place a specific procedure regarding compliance with a large number of rules on incompatibilities and independence applicable to positions on this board (Articles 6 and 7 of the General and Supervisory Board Internal Regulations). This procedure includes the following aspects:

- Acceptance of a position as member of the General and Supervisory Board is subject to a written statement setting out specifically (i) the inexistence of any incompatibility under the law or Articles of Association; (ii) compliance with the independence requirements set out in its Internal Regulations, if the person has been elected as an independent member; (iii) the members' obligation to report to the Chairman of the General and Supervisory Board or, for the Chairman, directly to the board any subsequent event that might generate incompatibility or loss of independence;
- Every year, the members of the General and Supervisory Board must renew their statements as to the inexistence of incompatibility and compliance with the independence requirements, if applicable;

Also every year, the General and Supervisory Board conducts a general assessment of compliance with the rules of incompatibility and independence by its members.

At the same time, the Internal Regulations of the General and Supervisory Board has broadened the independence criteria applicable to its members, going beyond the provisions of Article 414 (5) of the Company Code and Article 9 of EDP's Articles of Association, and so people who directly or through their spouse or relative or similar in a straight line and to the collateral third degree, inclusive, are in one of the following situations cannot have independent status:

- Being holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in EDP or the same percentage in a company of which it is a subsidiary;
- Being a holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in a company that is a competitor of EDP; and
- Having been re-elected for more than two consecutive or non-consecutive terms of office.

The rules of independence covering members of the General and Supervisory Board are particularly important regarding the following requirements:

- The board must consist of a majority of independent members (Article 434 (4) of the Company Code and Article 21 (4) of EDP's Articles of Association);
- The Financial Matters Committee/Audit Committee is entirely composed of independent members of the General and Supervisory Board (Article 23 (2) of EDP By-Laws and Article 2 (1) of the Financial Matters Committee/Audit Committee's Internal Regulations);
- The Remuneration Committee of the General and Supervisory Board must comprise a majority of independent members (Article 27 (1) (b) of the General and Supervisory Board's Internal Regulations).

In compliance with the above procedure, at the start of their terms of office, the members of the General and Supervisory Board stated that they were not in any of the situations of incompatibility set out in the Companies' Code (Article 414-A (1) (a) to (e), (g) and (h) (ex vi Article 434 (4)) and Article 437 (1)) or under the Articles of Association and, where applicable, that they complied with the independence requirements of the Internal Regulations of the General and Supervisory Board. Of the incompatibility situations for the exercise of the role of member of the General and Supervisory Board, pursuant to the Article 414-A of the Companies' Code, it is considered the exercise of functions of administration or supervisory in five companies. Therefore, one may not be elected or designated a General and Supervisory Board member if holds office of administrator or supervisor in five companies.

At the end of 2016, the members of the outgoing General and Supervisory Board renewed their statements on incompatibilities and independence. On 2 March 2017, the General and Supervisory Board assessed compliance with the rules on incompatibilities and independence of the elected members at the General Meeting of 21 April 2015.

The Chairman and Vice-Chairman of the Board of the General Meeting made similar statements of compliance with the criteria of independence and incompatibility for their positions, as set out in Article 414 (5) and Article 414-A (1) of the Company Code and in Articles 9 and 10 of EDP's Articles of Association.

The above statements are available to the public on EDP's website, at "<http://www.edp.pt/en/aedp/governosocietario/Independenciaeincompatibilidade/Pages/DeclaraçãodeIndependênciaeincompatibilidades.aspx>".

The independent members of the General and Supervisory Board are shown in the table in Point 17 above.

19. Qualifications of the members of the General and Supervisory Board and Executive Board of Directors

See Annex I.

20. Family, work-related and business relationships of the members of the General and Supervisory Board and Executive Board of Directors with shareholders owning a qualifying shareholding of over 2% of the voting rights

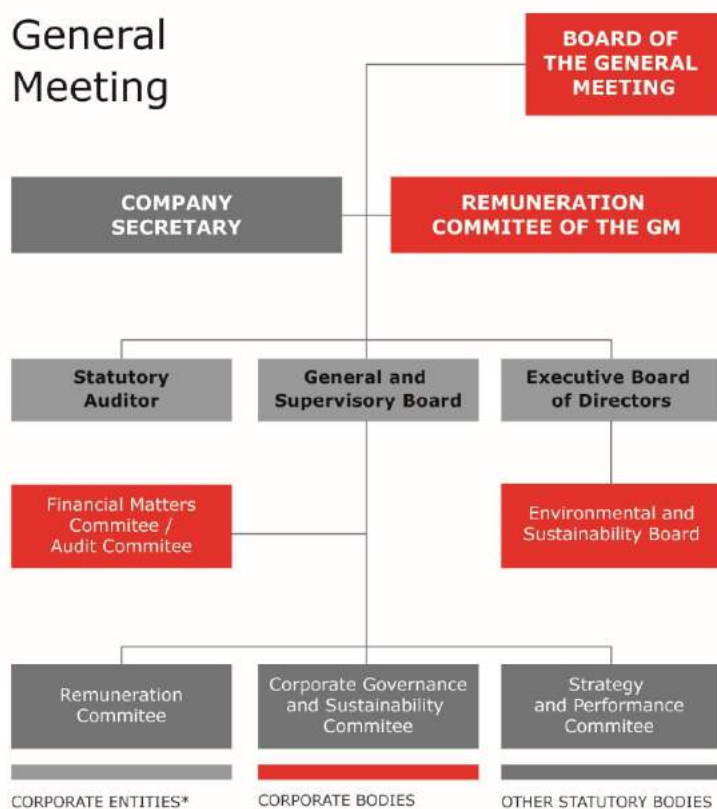
The Chairman of the Executive Board of Directors, António Luís Nunes Guerra Mexia, is a director of Banco Comercial Português, S.A. which holds indirectly a 2.44% shareholding in EDP.

As for the General and Supervisory Board, there are professional relationships between Board members and shareholders attributed a qualifying holding of more than 2% of voting rights, as described below:

- The members of the General and Supervisory Board Ya Yang, Guojun Lu, Dingming Zhang, and Shengliang Wu are managers of China Three Gorges Corporation which, through its subsidiary China Three Gorges (Europe), S.A., (formerly CWEI (Europe), S.A.) has a 21.35% shareholding in EDP.

- The member of the General and Supervisory Board Fernando Masaveu Herrero is chairman of the management body of Masaveu International, S.L. which owns 55.9% of Oppidum, S.L., a company with a 7.19% shareholding in EDP. Fernando Masaveu Herrero is also chairman of the administration body of Oppidum, S.L.
- The member of the General and Supervisory Board Felipe Fernández Fernández is a manager of Liberbank, S.A. which owns 44.1% of Oppidum, S.L., a company with a 7.19% shareholding in EDP.
- The member of the General and Supervisory Board Mohamed Ali Al-Fahim is a manager of International Petroleum Investment Company (IPIC) which wholly owns Senfora, BV, a company with a 4.06% shareholding in EDP.
- The member of the General and Supervisory Board Nuno Manuel da Silva Amado is a manager of Banco Comercial Português S.A. which holds indirectly a 2.44% shareholding in EDP.
- The member of the General and Supervisory Board Ferhat Ounoughi is a manager of Sonatrach which has a 2.38% shareholding in EDP.

21. Organisation chart, delegation and division of powers



*Corporate Entities are also Corporate Bodies, pursuing the article 8 of EDP's Articles Association.

Powers of the General and Supervisory Board

Pursuant to article 22 of the Articles of Association, the General and Supervisory Board is especially responsible for:

- Permanently monitor the management of EDP and its subsidiaries and provide management advice and assistance to the Executive Board of Directors, particularly with regard to strategy, goals and compliance with the law;
- Issue opinions on the annual report and accounts;
- Permanently oversee the work of the statutory auditor and external auditor and, with regard to the former, issue an opinion on their election or appointment, dismissal, independent status and other relations with the company;
- Oversee, on a permanent basis, and evaluate internal accounting and auditing procedures, the efficacy of the risk management system, internal control system and internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- Propose to the General Meeting the removal from office of any member of the Executive Board of Directors;
- Monitor the definition of criteria and responsibilities required or appropriate for the structures and internal bodies of the company or Group and their impact and draft follow-up plans;
- Provide for the replacement of members of the Executive Board of Directors in the event of permanent or temporary absence, as required by law;
- Issue an opinion on their annual vote of confidence in the directors set out in Article 455 of the Company Code, on its own initiative or when requested to do so by the CEO;
- Monitor and assess matters of corporate governance, sustainability, internal codes of ethics and conduct and compliance with these codes and systems for appraising and resolving conflicts of interest, including those associated with the company's relations with its shareholders, and issue opinions on these matters;
- Obtain the financial or other resources that it reasonably deems necessary for its work and ask the Executive Board of Directors to take any measures or make any corrections that it considers pertinent, with the power to hire independent consultants, if necessary;
- Receive regular information from the Executive Board of Directors on significant business relations between the company or its subsidiaries and shareholders with a qualifying holding and persons related to them;
- Appoint the Remuneration Committee and Financial Matters Committee/Audit Committee;
- Represent the company in its relations with the directors;
- Supervise the work of the Executive Board of Directors;
- Oversee compliance with the law and Articles of Association;
- Select and replace the company's external auditor, giving the Executive Board of Directors instructions for engagement or dismissal;
- Monitoring the bookkeeping, accounts and supporting documents and the status of any assets or securities held by the company, as and when it deems appropriate;
- Supervise the preparation and disclosure of financial information
- Call the General Meeting when it deems appropriate;
- Approve internal rules, including rules on relations with the other corporate bodies;
- Exercise any other powers that may be granted by law, the Articles of Association or by the General Meeting.

Under the corporate governance model in place at EDP, the General and Supervisory Board also has a power of particular importance. Although it does not have management powers, pursuant to Article 442 (1) of the Company Code, Article 17 (2) of the Articles of Association lays down that the approval of EDP's strategic plan and performance of the operations indicated below by EDP or its subsidiaries are subject to a prior favourable opinion from this board (see also Article 13 of the Internal Regulations of the General and Supervisory Board):

- Acquisitions and sales of assets, rights or shareholdings of significant economic value;
- Financing operations of significant value;
- Opening and closure of establishments, or important parts thereof, and substantial extensions or limitations of company activity;
- Other transactions or operations of significant economic or strategic value;
- Formation or termination of strategic partnerships or other forms of lasting cooperation;
- Plans for splits, mergers or conversions;
- Amendments to the Articles of Association, including changes of registered office and share capital increases when on the Executive Board of Directors' initiative;

- Approval of the draft decision of the Executive Board of Directors to increase the share capital by means of one or more share capital increases, up to the aggregate limit of 10% of the current share capital by issuing Category A shares to be subscribed by new inputs of cash;
- Formation or termination of strategic partnerships or other forms of lasting cooperation.

The Chairman of the General and Supervisory Board is granted particular powers, and, pursuant to Article 18 of the Rules of Procedure of the General and Supervisory Board, is responsible for:

- Convening and presiding over meetings of the General and Supervisory Board;
- Representing the General and Supervisory Board institutionally;
- Coordinating the work of the General and Supervisory Board and ensuring the correct operation of its committees, being entitled to attend any meeting and being kept informed of their activities;
- Proposing to the plenary General and Supervisory Board the members, the Chairman and, when appropriate, the Vice-Chairman of each committee;
- Ensuring that the members of the General and Supervisory Board punctually receive the information they need for their duties;
- Requesting from the Executive Board of Directors relevant information for the General and Supervisory Board and its committees to perform their duties and ensuring that the members of the General and Supervisory Board receive it in good time;
- Taking the necessary measures to ensure that the General and Supervisory Board adequately monitors the activity of EDP and the Executive Board of Directors in particular;
- Monitoring implementation of the General and Supervisory Board's budget and managing the material and human resources assigned to it;
- Ensuring correct implementation of General and Supervisory Board decisions.

The Chairman of the General and Supervisory Board or, in his/her absence or incapacity, a member delegated by the board for that purpose, may attend meetings of the Executive Board of Directors whenever s/he sees fit and take part in the discussion of matters to be submitted to the General and Supervisory Board, without having any voting rights pursuant to Article 21 (10) of EDP's Articles of Association.

The members of the Financial Matters Committee/Audit Committee have a duty to attend the meetings of the Executive Board of Directors when the accounts are appraised, (see Article 4 (3) (e) of the Rules of Procedure of the Financial Matters Committee/Audit Committee).

Worth also noting that the General and Supervisory Board annually performs:

- A self-assessment of its activity and performance and those of its committees, the conclusions of which are set out in its annual report (see Article 10 of the General and Supervisory Board Internal Regulations);
- An independent assessment of the activity and performance of the Executive Board of Directors, the conclusions of which are submitted to the General Meeting and are presented in an annex to the annual report of the General and Supervisory Board.

EDP, on the initiative of the General and Supervisory Board has voluntarily established a formal, impartial process to assess the activity of this board and of the Executive Board of Directors. Experience of recent years has allowed the General and Supervisory Board to make some changes in the process to make it more effective and efficient. The method used comprises the following stages:

- After the year's end, the Chairman of the General and Supervisory Board sends assessment questionnaires to the members of its Board. The questionnaires are answered individually and are confidential.

- The General and Supervisory Board Support Office statistically processes the data received and prepares the information for consideration at a General and Supervisory Board meeting;
- The General and Supervisory Board issues its assessment opinions and they are included in this board's annual report;
- At the General Meeting, the Chairman of the General and Supervisory Board presents the board's opinion in the item of the agenda for assessment of the Executive Board of Directors.

Powers of the Executive Board of Directors

The Executive Board of Directors is a collegial body. No director is allowed to represent more than one other director at each meeting.

According to regulation and EDP's by-laws, the chairman of this body has a casting vote. Anytime the Executive Board of Directors is composed by an even number of directors, in case of his absence or temporary impairment, it shall have a casting vote the member of the Executive Board of Directors to whom such right has been granted in the respective election, which, for the current term of office, has been granted to the director Nuno Maria Pestana de Almeida Alves.

The powers of the Executive Board of Directors, in accordance with the Article 17 (1) of the Articles of Association, include:

- Setting the goals and management policies of EDP and the EDP Group;
- Drawing up the annual business and financial plans;
- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the responsibilities of other company bodies;
- Representing the company in and out of court, actively and passively, with the power to waive, transact and admit guilt in any legal proceedings and make arbitration agreements;
- Buying, selling or by any other means disposing or encumbering rights or immovable assets;
- Setting up companies and subscribing, purchasing, encumbering and selling shareholdings;
- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, in compliance with the annual quantitative limits set by the General and Supervisory Board;
- Establishing the technical and administrative organisation of EDP and the rules of procedure, particularly in relation to personnel and their remuneration;
- Appointing proxies with such powers as it sees fit, including the power to delegate;
- Appointing the Company Secretary and alternate;
- Hiring and dismissing the External Auditor on recommendation of the General and Supervisory Board;
- Exercising any other powers that may be granted to it by law or by the General Meeting;
- Establishing its own internal rules.

Proposals to amend EDP's Articles of Association regarding share capital increases submitted by the Executive Board of Directors require a favourable prior opinion from the General and Supervisory Board, pursuant to Article 17 (2) (g) of the Articles of Association.

The Chairman of the Executive Board of Directors sends the Chairman of the General and Supervisory Board the notices of meetings, support documents and minutes of the meetings and, on request, provides appropriate, timely information, which is accessible to all the members of the General and Supervisory Board.

When so requested by other members of the corporate bodies, the Executive Board of Directors also provides all the required information in a timely and appropriate fashion. There is an information sharing portal for the Executive Board of Directors and General and Supervisory Board, which is accessible to all their members.

The Chairman of the Executive Board of Directors is granted particular powers by Article 18 of the Articles of Association. These powers are:

- Representing the Executive Board of Directors;
- Coordinating the work of the Executive Board of Directors and convening and presiding over its meetings;
- Ensuring proper execution of the decisions of the Executive Board of Directors.

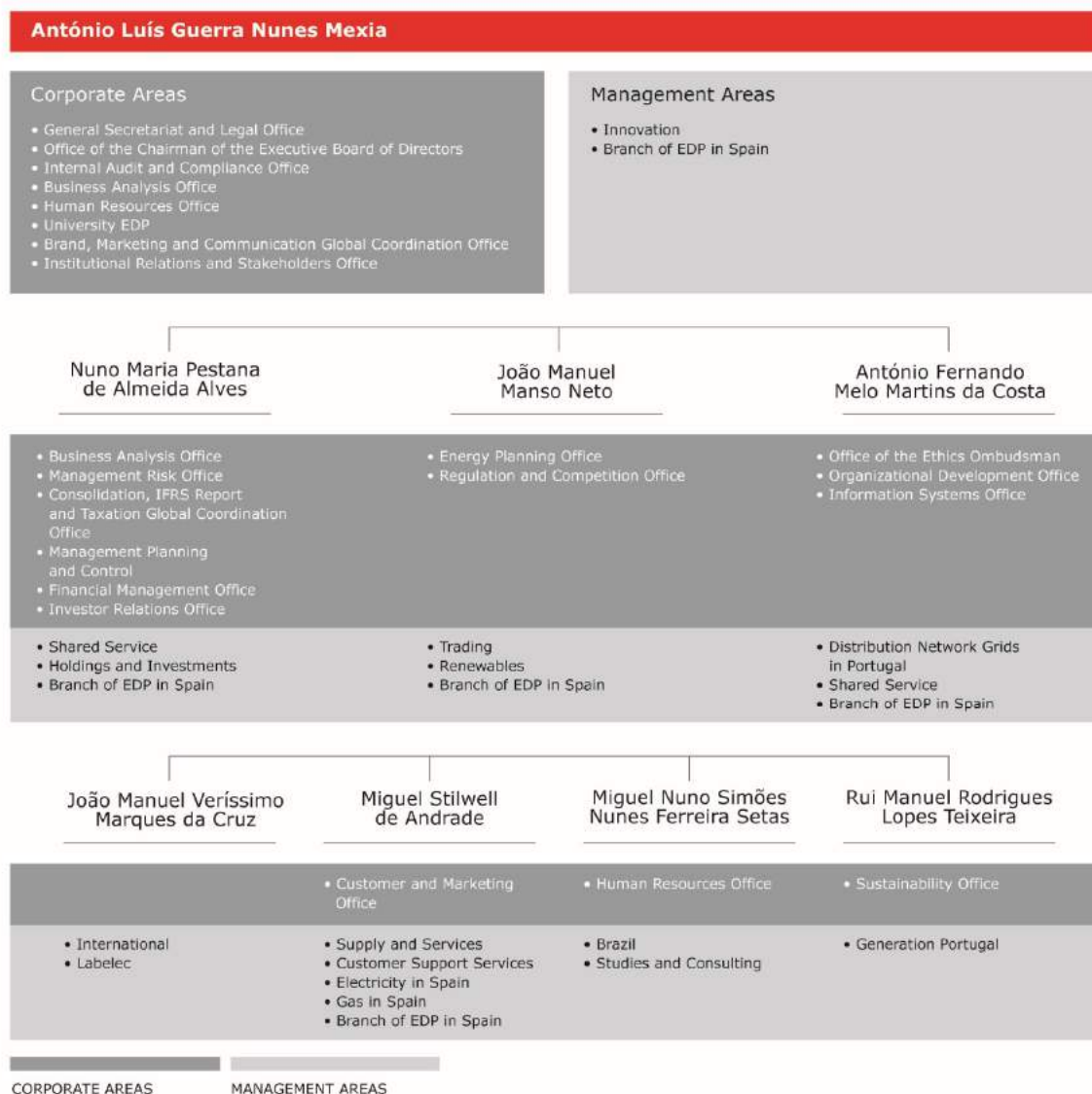
The Chairman of the Executive Board of Directors is entitled to attend the meetings of the General and Supervisory Board, whenever considered appropriate, except when these concern decisions on the supervision of the work of the Executive Board of Directors and, in general, any situations that may involve a conflict of interest, pursuant to Article 18 (2) of the Articles of Association.

In the Executive Board of Directors there is a functional division of management areas to each of its members. The college of directors is responsible for making decisions on all matters within its remit. Delegated powers are not granted to directors individually, because of the board's particular nature.

The activity and performance of the Executive Board of Directors are assessed continuously and independently by the General and Supervisory Board on an annual basis.

The members of the Executive Board of Directors were responsible for the following management areas and corporate topics:

Executive Board of Directors



EDP's functional structure

Group's organisational model

The Executive Board of Directors is responsible for defining the EDP Group's organisational model and dividing duties among the different business units, the service company EDP Valor - Gestão Integrada de Serviços, S.A. (EDP Valor) and central structure. This structure consists of a Corporate Centre that provides assistance to the Executive Board of Directors in defining and monitoring the execution of strategies, policies and goals.

The Corporate Centre is divided into departments and business units, allowing for optimisation and greater efficiency of the organisational structure.

The Executive Board of Directors is also assisted by specialised committees, which ensure more effective monitoring of matters and contribute to the decision-making process.

Corporate Centre

The central support structure for decision-making processes in 2016 was as follows:

Corporate Centre • Business Units	
OFFICES	
SUPPORT TO GOVERNANCE AREA	
General Secretariat and Legal office	Maria Teresa Pereira
Office of the Chairman of the Executive Board of Directors	Pedro McCarthy Cunha
Internal Audit and Compliance Department	Azucena Viñuela Hernández
Office of the Ethics Ombudsman	José Figueiredo Soares
STRATEGIC AREA	
Energy Planning Department	Ana Margarida Quelhas*
Business Analysis Department	Duarte Castro Bello
Risk Management Department	António Castro*
Regulation and Competition Department	Maria Joana Simões
Sustainability Department	António Castro*
FINANCIAL AREA	
Financial Management Department	Paula Cristina Guerra
Consolidation, IFRS Reporting Global Coordination Department	Miguel Ribeiro Ferreira
Management Planning and Control Department	João Gouveia Carvalho
Investor Relations Department	Miguel Henriques Viana
RESOURCES AREA	
Organisational Development Department	José Filipe Santos
Information Systems Department	Vergílio Rocha
Human Resources Department	Paula Maria Carneiro
EDP University	António Pita de Abreu
MARKETING AND COMMUNICATION AREA	
Brand, Marketing and Communication Global Coordination Department	Paulo Campos Costa
Customer and Marketing Department	José Ferrari Careto
Institutional Relations and Stakeholders	Jorge Cruz Morais
BUSINESS UNITS	
Energy Management Business Unit	Carlos Mata

Appointed by the Executive Board of Directors on June, 2nd 2016 with effects as of September 1st 2016

The current departments and their duties are as follows:

The **General Secretariat and Legal Office** provides administrative and logistical assistance to the Executive Board of Directors and legal advice to EDP and to EDP Group's companies with their head offices in Portugal, in order to ensure the effective operation of the Corporate Centre, compliance with applicable legislation and harmonisation of corporate governance policies in the Group.

The **Office of the Chairman of the Executive Board of Directors** assists the CEO in all matters within his/her remit in order to help maximise the effectiveness of decisions and instructions.

The main mission of the **Internal Audit and Compliance Department** is to conduct internal audits as an independent and objective assurance and consulting activity; to ensure the implementation of the Internal Control System for Financial Reporting ("SCIRF"); and to promote and coordinate the implementation of compliance mechanisms in the Group, as to achieve the improvement and protection of value and Group's operations, contributing to improve the processes of risk management, control and governance.

The **Ethics Ombudsman's Office** is responsible for supporting the General and Supervisory Board and the Executive Board of Directors regarding the definition, communication, implementation and assessment of objectives, policies and management instruments of corporate ethics. Additionally, it manages the processes of claims of ethical nature, regarding the commitments established concerning confidentiality and protect rights associated with these procedures.

The mission of the **Energy Planning Department** is to coordinate studies for the Group's energy portfolio development strategy in order to assist the Executive Board of Directors in building an integrated view of the portfolio and contributing to the planning of its development in the different regions in which EDP operates.

The **Business Analysis Department** coordinates studies to assist with the Group's overall business strategy and performs development operations via investments, divestitures and/or partnerships in order to assist the Executive Board of Directors in optimising EDP's business portfolio and promoting and taking new business opportunities.

The **Risk Management Department** coordinates studies to assess the Group's risk, in order to assist the Executive Board of Directors in monitoring and mitigating risk and to supply integrated analyses of return-risk.

The **Regulation and Competition Department** studies and implements regulatory strategy for the business in the MIBEL and coordinates energy regulation and competition projects for the Group, with the aim of supporting the Executive Board of Directors in decision-making and ensuring regulatory compliance by the companies covered.

The **Sustainability Department's** mission is to analyse, propose and guarantee the Group's sustainability strategy in order to assist the Executive Board of Directors in policies and goals and to ensure their implementation in the business units.

The remit of the **Financial Management Department** is to propose and implement the Group's financial management policy and analyse and monitor management of its pension fund in order to optimise and guarantee financial sustainability and control financial liabilities in accordance with Group policy.

The **Consolidation, IFRS Reporting and Taxation Global Coordination Office** is in charge of the Group's IFRS reporting in order to ensure compliance with deadlines and accounting and tax processing that is appropriate and consistent in operations at all the Group companies.

The **Management Planning and Control Department** is responsible for the Group's management planning and oversight, to ensure alignment with strategic goals and monitor implementation of the business plan.

The **Investor Relations Department** communicates with analysts and investors in Group companies to ensure the sustainability of EDP's image and reputation and fulfil the information requirements of regulators and financial supervisors.

The **Organisational Development Department** analyses, proposes and coordinates the organisation's development and provides Group-wide programmes for implementing its strategy, in order to optimise the competitiveness of EDP's organisation and operation.

The **Information Systems Department** is in charge of managing the Group's information and communication systems in the Iberian Peninsula and analysing and proposing the Group's ICT strategy in order to align it with the business units' strategy and create value by providing solutions that foster efficacy, efficiency and innovation in EDP's processes.

The **Human Resources Department** analyses and proposes the Group's human resource policies and is in charge of group-wide support processes, in order to contribute to the development and value creation for all employees, as well as to align the values and culture that is in line with the corporate values and contributes to the sustainability of the business.

EDP University assures availability, retainment and sharing of knowledge in the Group in order to reinforce a common culture, foster employees' vocational development and facilitate the appearance of new talents and full use of their skills.

Brand, Marketing and Communication Global Coordination Department, whose competences are analyse, propose, coordinate and assure a strategy of global communication for EDP Group, aimed at maximising the value of the brand through a unique vision of the positioning of communication, independently of operating areas or geographies.

The **Customer and Marketing Department** analyses, proposes and monitors the commercial marketing strategy in the Iberian Peninsula, in order to build a competitive market positioning and o maximise the profits of the business units covered.

The **Institutional Relations and Stakeholders** assures an integrated and consistent narrative with EDP's stakeholders, aligned with the adopted vision and strategy, aimed at maximising the potential of communication with stakeholders and in order to contribute to a fluid and systematised information regarding EDP and its actions.

The **Energy Management Business Unit** (UNGE) is responsible for negotiating physical and forward purchases of fuel and contracting maritime transport on behalf of the appropriate EDP Group companies. It is also responsible for spot and forward purchases and sales in the electricity market of a physical or financial nature, such as energy derivatives and foreign exchange operations. It also decides on operation and despatch programmes for the EDP Group power stations whose energy management is its responsibility in order to optimise its portfolio and supply energy to customers of the EDP Group's retailers. It also manages the EDP Group's CO2 allowance operations and green certificates.

Specific EDP committees (Functional Structures)

The EDP organisational model provides for management committees that contribute in two ways to the company's decision-making process:

- They input information to assist the Executive Board of Directors in its decision-making reflecting opinions and information from the areas in the organisation most affected by the proposal in question;
- They are used by an organisational unit (belonging to the Corporate Centre, a business unit or shared service unit to assist in gathering information, alignment, decisions and implementation of policies and practices with an impact on a number of areas in the organization.

Considering the principle of continuous improvement that the EDP Group follows and the committees' importance in the Group's organisational model, the Executive Board of Directors approved a change in structure of the committees and appointed new members in 3 May 2016.

On 31 December 2016, the committee structure was as follows:

Strategic Corporate Committees	Functional Corporate Committees	Business Committees
Risk Committee	Innovation Committee	Generation Committee
Sustainability Committee	Ethics Committee	Distribution Networks Committee
Energy Planning Committee	Information Disclosure Committee	Iberian Commercial Committee
Investments Committee	Stakeholder Committee	Transversal Coordination of Internationalization Projects Committee
Regulation Committee	Procurement Committee	
Prices and Volumes Committee	Accident Prevention and Safety Committee	
Iberian Commercial and Market Committee	Pension Plan and Fund Committee Management	
	Corporate Development Committee	
	Human Resources Committee	
	Information Technology Committee	
	Local Authorities Committee	
	Compliance Committee	
	Information Security and Data Management Committee	

I - Strategic Corporate Committees

Risk Committee

The main duties of the Risk Committee are:

- Share information on the EDP Group's key risks and risk profile;
- Discuss the result of significant risk assessment projects undertaken in conjunction with the business units;
- Discuss and issue opinions or recommendations on policies, procedures, significant risks, risk limits and extraordinary risk situations;
- Promote and monitor maintenance of the inventory of the most significant risks (risk portal);
- Approve the periodical reporting model to be submitted by the business units or the Risk Management Department and other mechanisms for reporting and monitoring EDP's risks.

The Risk Committee's membership is as follows:

Risk Committee
Chairman: Chairman of the EBD
Secretary Head of CC Risk Management
Members of the EBD (besides the Chairman):
Member of the EBD (Risk/Finance)
Member of the EBD (Renewables)
Member of the EBD (Spain)
Member of the EBD (Brazil)
CC and BU members (besides the secretary):
Head of CC Energy Planning
Head of CC Finance Management
Head of CC Regulation and Competition
Head of CC General Secretariat and Legal Office
Head of UNGE
Ad-hoc members :
Board member of EDP Produção
Board Member of EDP Distribuição
Board Member of EDP Comercial
Board Member of EDP Internacional
Board Member of EDP Valor (insurable risks)
General Manager EDP Spain (HC/NG)
Rep. EDP Renováveis
Representative of EDP Brasil

The Risk Committee held two meetings in 2016.

Sustainability Committee

The Sustainability Committee's responsibilities are as follows:

- Share information and discuss the implications of major legislative packages in the field of sustainability;
- Share the Group's environmental performance indicators and benchmarks;
- Discuss and give opinions on the annual Operational Environment and Sustainability Plans (POSA) and the annual consolidated budget;
- Discuss and give opinions on the annual action plans and the EDP Group's goals and targets;
- Monitor the progress of approved action plans and the activities of the EDP Group companies' sustainability management structures.

The Sustainability Committee's membership is as follows:

Sustainability Committee

Chairman: Chairman of the EBD

Secretary: Head of CC Sustainability

Members of the EBD (besides the Chairman):

Member of the EBD (Sustainability)

CC and BU members (besides the secretary):

Board member of EDP Produção (Envir. and Sust.)

Board member of EDP Distribuição (Envir. and Sust.)

Board member of EDP Soluções Comerciais (Envir. and Sust.)

Board member of EDP Valor (Envir. and Sust.)

Board member of EDP Inovação

Board member of EDP Foundation

Head of CC Risk Management

Head of CC Investor Relations

Head of CC Human Resources

Head of CC EDP University

Head of CC Coordination of Communication

Head of CC Institutional Relations and Stakeholders

Head of EDP Spain (Environmental) (HC/NG)

General Manager of EDP Comercial

General Manager of EDP Gás

Rep. EDP Renováveis

Rep. EDP Brasil

The Sustainability Committee held one meeting in 2016.

Energy Planning Committee

The main tasks of the Energy Planning Committee are:

- Share up-to-date information on the different markets and businesses in which the EDP Group operates (Iberia, wind, Brazil) and the performance of its portfolio in these areas;
- Analyse attractive business areas along the value chain and in the different geographic areas;
- Propose a generation portfolio and identify gas and CO2 needs for a 5-year horizon.

The Energy Planning Committee's membership is as follows:

Energy Planning Committee
Chairman: Chairman of the EBD
Secretary: Head of CC Energy Planning
Members of the EBD (besides the Chairman):
Member of the EBD(Renewables)
Member of the EBD (Trading, Spain)
Member of the EBD (Generation)
Member of the EBD (Brazil)
CC and BU members (besides the secretary)
Board member of EDP Produção
Board member of EDP Comercial
Board member of EDP Renováveis
General Manager EDP Spain (HC/NG)
Head of CC Business Analysis
Head of CC Risk Management
Head of CC Management Planning and Control
Head of CC Regulation and Competition
Head of UNGE
Head of EDP Renováveis (Regulação e Mercados)
Head of EDP Brasil (Energy Planning)
<i>Ad-hoc members :</i>
Board Member of EDP Internacional
Board Member of EDP Inovação
Head of CC Sustainability
Head of Investor Relations

The Energy Planning Committee held two meeting in 2016.

Investments Committee

The Investments Committee discusses and issues opinions on proposed investment and disinvestment projects and WACC proposals for the business units.

The Investments Committee's membership is as follows:

Investments Committee
Chairman: Member of the EBD (Finance)
Secretary: Representative of Head of CC Business Analysis
Membros CC (besides the secretary)
Head of CC Business Analysis
Head of CC Management Planning and Control
Head of CC Energy Planning
Head of CC Risk Management
<i>ad-hoc members :</i>
Responsible for the investment proposals under analysis

The Investments Committee held twenty-one meetings in 2016.

Regulation Committee

The remit of the Regulation Committee is as follows:

- Share regulatory practices in the Iberian Peninsula and the rest of Europe and those followed in Brazil;
- Analyse the European Commission's energy strategy and policies and the implementation of directives by the internal market and the competition and policies, legislation, regulations and organisation of the energy sectors in Portugal and Spain;
- Analyse prices and the implications of tariff policies and decisions on regulated activities;
- Discuss the impacts of developments and regulatory changes;

- Discuss and give an opinion on proposals for the definition of positions to be defended by the EDP Group in the Iberian and European market.

The Regulation Committee's membership is as follows:

Regulation Committee
Chairman: Member of the EBD (Regulation and Competition)
Secretary: Head of CC Regulation and Competition
Members of the EBD (besides the Chairman):
Member of the EBD (Distribution)
Member of the EBD (Trading, Spain)
CC and BU members (besides the secretary):
Member of EDP Brasil
Head of CC Energy Planning
Head of UNGE
Head of DNG UNGE
Head of EDP Spain (HC/NG) (Regulation)
Head of EDP Spain (HC/NG) (Gas Operations)
Head of EDP Distribuição (Regulation)
Head of EDP Comercial
Head of EDP Brasil (Regulation)
Head of EDP Renováveis (Regulation and Markets)
Head of EDP Gás (Regulation)
Rep. Head of CC Regulation and Competition (Competition)
Rep. Head of CC Regulation and Competition (Regulation)
Rep. of EDP Soluções Comerciais (Regulation)
Representative of EDP Serviço Universal (Regulation)

The Regulation Committee held nine meetings in 2016.

Prices and Volumes Committee

The Prices and Volumes Committee's main duties are:

- Share relevant, up-to-date information on recent developments in the Iberian electricity and gas markets;
- Discuss and align historical information and forecasts shared by business areas;
- Issue an opinion on the forward curve representing the EDP Group's best estimate on the growth of the wholesale market for a one to two-year horizon;
- Propose adjustments to management of the Iberian wholesale margin (in terms of risk coverage, commercial activity, placement of gas contracts, etc).

The Prices and Volumes Committee's membership are as follows:

Prices and Volumes Committee
Chairman: Member of the EBD (Energy Planning)
Secretary: Head of CC Energy Planning
Members of the EBD (besides the Chairman):
Member of the EBD (Trading/Spain)
Member of the EBD (Generation)
CC and BU members (besides the secretary):
Board member of EDP Produção
Board member of EDP Comercial
Board member of EDP Renováveis
Head of EDP Spain (HC/NG)
Head of CC Risk Management
Head of CC Management Planning and Control
Head of CC Regulation and Competition
Head of CC Business Analysis
Head of UNGE
Head of DMO UNGE
Head of DME UNGE
Head of EDP Spain (HC/NG) (Regulation)
Head of EDP Spain (HC/NG) (Projects)
Head of EDP Produção (Planning and Control)
Head of EDP Spain (HC/NG) (Gas Operations)
Head of EDP Renewables (Regulation and Markets)

The Prices and Volumes Committee held four meetings in 2016.

Market and Commercial Iberian Committee

The Market and Commercial Iberian Committee's responsibilities are as follows:

- Share information on the energy trading market and Iberian business for the supply of electricity, gas and services in all market segments (purchase of natural gas, gas sales balance sheet, customer losses, prices, competition, etc);
- Analyse the market situation and competitiveness of prices in the different electricity and gas market in segments Portugal and Spain;
- Propose preferential segments for the placement of gas and price policies in different segments, strategies for gas auctions, gas placement or purchase goals in gas trading, measures to retain strategic customers, adaptation or correction of current commercial policies and setting or revision of intra-group transfer prices;
- Monitor the implementation of the above measures.

The Market and Commercial Iberian Committee's membership are as follows:

Market and Commercial Iberian Committee
Chairman: Member of the EBD (UNGE)
Secretary: Head of UNGE
Members of the EBD (besides the Chairman):
Member of the EBD (Trading, Spain)
CC and BU members (besides the secretary):
Board of Directors of EDP Comercial
Board member of EDP Serviço Universal
Head of EDP Spain (HC/NG) (Trading)
Head of EDP Spain (HC/NG) (Gas)
Deputy Manager UNGE
Head of UNGE (Supply)
Head of EDP Spain (HC/NG) (Trading B2B)
Head of EDP Spain (HC/NG) (Marketing and Trading B2C)
Head of EDP Spain (HC/NG) (Operations Gas)
Head of EDP Comercial (B2B 1)
Head of EDP Comercial (B2B 2)
Head of EDP Comercial (Energy Management)
Representative EDP Branch in Spain

The Market and Commercial Iberian Committee held four meetings in 2016.

II - Functional Corporate Committees

Innovation Committee

The responsibilities of the Innovation Committee are as follows:

- Discuss and propose strategic areas of innovation in the EDP Group;
- Follow the governance model and EDP's innovation results Discuss and propose changes;
- Monitor the EDP Group's ongoing innovation initiatives and EDP Group projects in progress and propose corrective action.

The Innovation Committee's membership is as follows:

Innovation Committee
Chairman: Chairman of the EBD
Secretary: Board member of EDP Inovação
CC and BU members (besides the secretary)
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Brasil
Board member of Fundação EDP
Board member of Labelec
General Manager of EDP Spain (HC/NG)
Head of EDP Renováveis (Technical)
Head of CC Energy Planning
Head of CC Business Analysis
Head of CC Communication Coordination
Head of CC EDP University
Head of EDP Spain (NG/HC)
Ad-hoc members:
Head of CC Sustainability
Head of CC Organisational Development
Head of CC IT Systems
Head of CC Human Resources
Head of CC Customer and Marketing

The Innovation Committee held one meeting in 2016.

Ethics Committee

The Ethics Committee, which was set up after approval of the EDP Group's Code of Ethics, is appointed by the Corporate Governance and Sustainability Committee of the General and Supervisory Board and its responsibilities are as follows:

- Draft and propose its Internal Regulations to the Corporate Governance and Sustainability Committee of the General and Supervisory Board;
- Submit corporate ethics instruments, policies, goals and targets to the Corporate Governance and Sustainability Committee;
- Receive and examine cases of infringement prepared by the Ethics Ombudsman and issue an opinion on them;
- Issue an opinion, when requested to do so by any of the managing bodies of the EDP Group companies and entities on practices or codes of conduct in the fields of ethics or professional conduct within the framework of specific, legal or regulatory needs;
- Analyse decisions made by the Ethics Committee of EDP Energias do Brasil, S.A. and the Ethics Committee of EDP Renováveis, S.A. referred to it according to 3.3.2 of the Regulations of the Ethics Code;
- Assess the quarterly reports on the EDP Group's or Business Units performance in implementing the Code of Ethics;
- Annually review the Code of Ethics' suitability to the EDP Group's needs of and draw up a report, on proposal of the Ethics Ombudsman and the Sustainability Department of the EDP Corporate Centre.

The Ethics Committee's membership is as follows:

Ethics Committee
Chairman: Chairman of the EBD
Secretary: Ethics Ombudsman
Members of the EBD (besides the Chairman):
Member of the EBD (Ethics)
CC and BU members (besides the secretary):
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Soluções Comerciais
Board member of EDP Valor
Board member of EDP Renováveis
Board member of EDP Gás
Board member of EDP Serviço Universal
Head of CC Human Resources
Head of CC Internal Audit and Compliance
Representative of EDP Brasil
Representative of EDP Spain (HC/NG)

The Ethics Committee held four meetings in 2016.

Information Disclosure Committee

The Information Disclosure Committee's has two main duties:

- Analysing and assessing information that is or should be provided periodically by EDP during preparation of reports and other communications for the market;
- Assessing the mechanisms for monitoring and disclosing information about EDP.

The Information Disclosure Committee's membership are as follows:

Information Disclosure Committee
Chairman: Member of the EBD (Finance)
Secretary: Representative of Head of CC Investor Relations
CC and BU members (besides the secretary):
Head of CC General Secretariat and Legal Office
Head of CC Management Planning and Control
Head of CC Finance Management
Head of CC Coordination of Consolidation, IFRS Report
Head of CC Coordination of Brand and Communication
Representative of EDP Brazil (Investor Relations)
Representative of EDP Brazil (Accounting, Consolidation and Taxation)
Representative of EDP Renováveis (Investor Relations)

The Information Disclosure Committee held one meeting in 2016.

Stakeholders' Committee

The duties of the Stakeholders' Committee are as follows:

- Evaluate the alignment and consistency of stakeholder relationship strategies in the different markets and geographical areas where the EDP Group operates;
- Discuss priorities and propose guidelines and a management model for the Group's relations with stakeholders;
- Assess compliance with the Group's stakeholder management policy.

The Stakeholders Committees' membership is as follows:

Stakeholders' Committee
Chairman: Chairman of the EBD
Secretary: Head of CC Institutional Relations and Stakeholders
Members of the EBD (besides the Chairman):
Member of the EBD (Renewables)
Member of the EBD (Generation)
Member of the EBD (Distribution Networks)
Member of the EBD (Trading, Spain)
Member of the EBD (Brazil)
Members CC and BU (besides the secretary):
Board member of EDP Comercial
Board member of EDP Renováveis
Board member of EDP Foundation
Board member of EDP Internacional
Head of CC Human Resources
Head of CC Coordination of Brand and Communication
Head of CC Customer and Marketing
Head of CC Sustainability
Head of EDP Spain (HC/NG)
Manager of EDP Brasil
Representative of EDP Institute

The Stakeholders' Committee held one meeting in 2016.

Procurement Committee

The main responsibilities of the Procurement Committee are:

- Discuss and align strategic guidelines of EDP Group's procurement activity;
- Validate proposals for amendments to policy and the procurement organizational model of the EDP Group;
- Validate the procurement annual plan to be approved by the EBD;
- Promote the alignment of the business units regarding procurement, ensuring the articulation between top management teams;
- Propose Sponsors and members of the categories of groups and committees oversee the implementation of optimization strategies of categories;
- Discuss and propose targets for "Performance indicators" and supervise the performance of the procurement activity at global and local level.

The Procurement Committee's membership are as follows:

Procurement Committee
Chairman: Member of the EBD (Finance)
Secretary: Head of EDP Valor (DNC)
Members of the EBD (besides the Chairman):
Member of the EBD (EDP Valor)
Member of the EBD (Trading, Spain)
BU Members (besides the secretary):
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Valor
Board member of EDP Brazil
Board member of EDP Renewables
General Manager EDP Spain (HC/NG)

The Procurement Committee held one meeting in 2016.

Prevention and Safety Committee

The Prevention and Safety Committee has the following main responsibilities:

- Issue an opinion on proposals for setting the EDP Group's goals in terms of prevention and safety at work;
- Analyse the Annual Report and issue an opinion on the EDP Prevention and Safety Action Plan;
- Assess the main occupational safety indicators and propose ways of improving them;
- Issue opinions on the regulatory documents of the safety management system that cover the EDP Group as a whole or cut across different sectors.

The Prevention and Safety Committee's membership is as follows:

Prevention and Safety Committee
Chairman: Member of the EBD (EDP Sustainability)
Secretary: Head of CC Sustainability
CC and BU Members (besides the secretary):
Board member of EDP Produção (HR)
Board member of EDP Distribuição (HR)
Board member of EDP Valor (HR)
Head of CC EDP University
Head of CC Sustainability
Representative of EDP Comercial
Representative of EDP Gás
Representative of Health and Safety (H2R - EDP Valor)
Representative of EDP Gás
Representative of EDP Spain (HC/NG)
Representative of EDP Brazil
Representative of EDP Renováveis

The Prevention and Safety Committee held one meeting in 2016.

Pension Plan and Fund Committee

The Pension Plan and Fund Committee's main responsibilities are:

- Share significant information with an impact on management of the pension fund;
- Analyse the performance of assets under management, fund profitability and management mandates and the performance of the different asset managers;
- Monitor the value of the fund's liabilities and level of financing;
- Issue an opinion on investment policy and/or management mandates, actuarial assumptions used in calculating the fund's liabilities and members' contributions to the fund.

The Pension Plan and Fund Committee's membership is as follows:

Pension Plan and Fund Committee Management
Chairman: Member of the EBD (Finance)
Secretary: Head of CC Finance Management
CC and BU Members (besides the secretary)
Head of Human Resources
Head of CC Risk Management
Head of CC Consolidation, Control Accounting and Taxation
Representative Head of Human Resources (Labour Relations)

The Pension Plan and Fund Committee held four meetings in 2016.

Corporate Development Committee

The Corporate Development Committee's duties are as follows:

- Promote and monitor group-wide programmes arising from the organisational and operational priorities established at the corporate level;
- Promote and analyse organisational benchmark studies;
- Analyse, discuss and issue opinions on proposed changes to the management model of Group processes and monitor their implementation;
- Coordinate the optimisation of processes of corporate interest;

- Assess and issue opinions on the support tools and organisational efficiency to meet the common needs of the EDP companies in terms of organisation and operation.

The Corporate Development Committee's membership are as follows:

Corporate Development Committee
Chairman: Member of the EBD (Organisational Development)
Secretary: Head of CC Organisational Development
Members of the EBD (besides the Chairman):
Member of the EBD (Human Resources)
CC and BU members (besides the secretary):
Board member of EDP Produção (OD)
Board member of EDP Distribuição (OD)
Board member of EDP Comercial (OD)
Board member of EDP Soluções Comerciais (OD)
Board member of EDP Brazil (OD)
Board member of EDP Gás (OD)
Board member of EDP Renováveis (OD)
Board member of EDP Valor (Process)
Board member of EDP Labelec
General Manager EDP Spain (HC/NG) (OD)
Head of CC Human Resources
Head of CC IT Systems
Representative of CC Organisational Development (Organization)
Representative of CC Organisational Development (Process)
Representative of EDP Brazil (OD)

The Corporate Development Committee held two meetings in 2016.

Human Resources Committee

The Human Resources Management Committee's responsibilities are as follows:

- Discuss and align the definition of people management strategy of the EDP Group;
- Analyze key indicators for the different potential segments, and discuss and align development policies and instruments;
- Share information and issue opinions on measures to promote internal mobility;
- Discuss and share initiatives aimed at cultural alignment and promoting a culture of meritocracy;
- Discuss and issue an opinion on the annual budget of Human Resources EDP Group and monitor its progress;
- Promote best practices in diversity, proposing the incorporation and compliance with the Group's policy.

The Human Resources Committee's membership are as follows:

Human Resources Committee
Chairman: Chairman of the EBD
Secretary: Head of CC Human Resources
Members of the EBD (besides the Chairman):
Member of the EBD (HR and Brazil)
Member of the EBD (Finance)
Member of the EBD (Renewables)
Member of the EBD (Generation)
Member of the EBD (Distribution Networks)
Member of the EBD (International)
Member of the EBD (Trading, Spain)
CC and BU members (besides the secretary):
Board member of EDP Distribuição (HR)
Board member of EDP Produção (HR)
Board member of EDP Soluções Comerciais (HR)
Board member of EDP Comercial (HR)
Board member of EDP Valor (HR)
Board member of EDP Renováveis (HR)
Board member of EDP Foundation
Board member of EDP Gás
Head of CC Coordination of Communication and Brand
Head of CC Organisational Development
Head of CC EDP University
Head of CC Institutional Relations and Stakeholders
Ethics Ombudsman
Ad-hoc members:
Manager EDP Brazil (HR)
Manager EDP Renováveis (HR)
Manager EDP Spain (HC/NG) (HR)
Representative CC Human Resources, according to meeting's agenda

The Human Resources Committee held one meeting in 2016.

Information Technology Committee

The Information Technology Committee's duties are as follows:

- Discuss and issue opinions on guidelines for the strategic planning of information systems;
- Validate the plan and annual budget for the IT;
- Align priorities related to strategic projects;
- Issue an opinion on the relationship model between DSI and Corporate Business Units;
- Appreciate the performance of projects, systems and associated services, developing recommendations to achieve greater efficiency and availability.

The Information Technology Committee's membership is as follows:

Information Technology Committee
Chairman: Member of the EBD (Área Sistemas de Informação)
Secretary: Head of CC Sistemas de Informação
CC and BU members (besides the secretary):
Board member of EDP Produção (IT)
Board member of EDP Distribuição (IT)
Board member of EDP Comercial (IT)
Board member of EDP Soluções Comerciais (IT)
Board member of EDP Brasil (IT)
Board member of EDP Valor (IT)
Board member of EDP Inovação
Board member of EDP Renováveis (IT)
General Manager EDP Spain (HC/NG) (IT)
Head of CC Organisational Development
Head of CC Human Resources
Head of UNGE
<u>Ad-hoc members:</u>
Representative EDP Produção (IT)
Manager EDP Renewables (IT)

The Information Technology Committee held six meetings in 2016.

Local Authorities Committee

The Local Authorities Committee's duties are:

- Share information, events and projects that are important to relations with local authorities in each business area;
- Analyse strategy for settling disputes, negotiation of specific issues and creation of business opportunities;
- Analyse, discuss and issue opinions on relations between the Group's areas and local authorities and procedure priorities;
- Promote and coordinate promotional events in municipalities to develop relationships or exploit business opportunities;
- Promote a support platform for relations with local authorities for recording contacts with them and other information on their monitoring and relations.

The Local Authorities Committee's membership is as follows:

Local Authorities Committee
Chairman: Member of the EBD (Distribution)
Secretary: Board member of EDP Distribuição
Members of the EBD (besides the Chairman):
Other EBD's Members (ad-hoc/depending on the matters under discussion)
CC and BU members (besides the secretary):
Board member of EDP Produção
Board member of EDP Serviço Universal
Board member of EDP Soluções Comerciais
Board member of EDP Comercial
Board member of EDP Gás Distribuição
Board member of EDP Gás SU
Board member of EDP Renováveis
Board member of EDP Imobiliária
Representative of EDP Foundation
Head of CC Coordination of Communication Coordination
Head of CC Institutional Relations and Stakeholders
Head of EDP Distribuição (Institutional Relations)

The Local Authorities Committee held four meetings in 2016.

Compliance Committee

The Compliance Committee has the following responsibilities:

- To promote the compliance of the Group's Compliance Governance Model, policies and other compliance internal procedures;
- To support and monitor the process of creation, decision-making and implementation of the global programme of compliance;
- To support and monitor the process of creation, decision-making and implementation of the local and transversal compliance specific programs in the scope of the compliance global programme;
- To follow the activities of the plan of compliance;
- To follow the handling of complaints and investigation procedures;
- To propose measures to solve the non-compliance cases and monitor its resolution.

The Compliance Committee is composed as follows:

Compliance Committee
Chairman: Chairman of the EBD
Secretary: Head of CC Internal Audit and Compliance
Members of the EBD (besides the Chairman):
Member of the EBD (Finance)
Member of the EBD (Renewables)
Member of the EBD (Distribution)
Member of the EBD (International)
Member of the EBD (EDP Espanha - HC/NG)
Member of the EBD (EDP Brazil)
Member of the EBD (Sustainability)
<u>CC and BU members:</u>
Head of CC General Secretariat and Legal Office
Head of CC Risk Management

The Compliance Committee held one meeting in 2016.

Information Security and Data Governance Committee

The Information Security and Data Governance Committee has the following responsibilities:

- Propose and promote initiatives and guidelines to ensure alignment between the various areas and group companies involved in information security;
- Discuss and issue opinions on the political and strategic security plan of the EDP Group's information and monitor its implementation;
- Assess risks and advise on exceptions to the application of information security policy;
- Monitor serious incidents and the evolution of the Group's information security risk profile, promoting safety initiatives and the development of policy and procedures;
- Discuss and advise on strategy, objectives, policies and data lifecycle management standards;
- Assess and advise on the plan and data governance overall budget and on the allocation of ownership of each master data;
- Follow the transversal project data to different BU, the operationalization of the defined data organization strategies and promoting corrective action and resolution scaling situations of "conflict" related data;

The Information Security and Data Governance Committee is composed as follows:

Information Security and Data Governance Committee
Chairman: Chairman of the EBD (Information Systems)
Secretary: Head of CC Information Systems
Members of the EBD (besides the Chairman):
Member of the EBD (Trading)
CC and BU members (besides the secretary)
Board member of EDP Valor
Board member of EDP Soluções Comerciais
Board member of EDP Imobiliária
Board member of EDP Brasil
Board member of EDP Comercial
Board member of EDP Distribuição
Board member of EDP Serviço Universal
Board member of EDP Inovação
General Manager EDP Spain (HC/NG)
Head of CC Customer and Marketing
Head of CC Internal Audit and Compliance
Head of CC Risk Management
Manager of EDP Renováveis
Manager of EDP Produção
Head of Information Security (IT)
Head of Data EDP Soluções Comerciais

The Information Security and Data Governance Committee held three meetings in 2016.

III - Business committees

Generation Committee

The Generation Committee's main duties are:

- Exchange information on business performance in each region, including the critical environments (regulations, etc);
- Discuss, align and issue opinions on key matters for approval by the Executive Board of Directors or Board of Directors of generating companies;
- Develop a uniform view of the business and maintain multi-region benchmarking (organisation, processes and management information);
- Foster (best) common practices in selected processes or activities;
- Share unique or specialised assets (human, technological, knowledge).

The Generation Committee's membership is as follows:

Generation Committee
Chairman: Member of the EBD (Generation)
Secretary: Rep. EDP Produção (Knowledge Management)
Members of the EBD (besides the Chairman):
Member of the EBD (Spain)
Member of the EBD (Brazil)
CC and BU members (besides the secretary)
BD of EDP Produção
Board member of EDP Brasil
Board member of EDP Internacional
Head of UNGE
Head of CC Energy Planning
Head of CC Sustainability
Head of EDP Spain (HC/NG) (Project)
Head of EDP Brasil (Hydroelectric)
Head of EDP Brasil (Sustainability)
Head of EDP Spain (HC/NG) (Coal)
Head of EDP Spain (HC/NG) (Sustainability)
Head of EDP Produção (Natural Gas)
Head of EDP Produção (Sustainability)
Ad-hoc members:
Other, working groups responsible or <i>ad-hoc</i> matters

The Generation Committee held two meetings in 2016.

Distribution Networks Committee

The Distribution Networks Committee's duties are as follows:

- Exchange information on business performance in each region, including the critical environments (regulations, etc);
- Develop a uniform view of the business and maintain multi-region benchmarking (organisation, processes and management information);
- Foster (best) common practices in selected processes or activities;
- Share unique or specialised assets (human, technological, knowledge).

The Distribution Networks Committee's membership is as follows:

Distribution Networks Committee
Chairman: Member of the EBD (Distribution)
Secretary: Board member of EDP Distribuição
Members of the EBD (besides the Chairman):
Member of the EBD (Spain)
CC and BU members (besides the secretary)
Board of Directors of EDP Distribuição
Board member of EDP Gás Distribuição
Board member of EDP Brazil (Distribution)
Representative of EDP Branch in Spain
Ad-hoc members:
Head of CC Organisational Development
Head of CC Energy Planning
Head of CC Regulation and Competition
Head of CC Human Resources
Head of CC Sustainability
Head of EDP Distribuição (Regulation)
Head of EDP Distribuição (Environmental)
Head of EDP Distribuição (Human Resources)
Head of EDP Spain (HC/NG) (Regulation)
Head of EDP Spain (HC/NG) (Environmental)
General Manager EDP Brasil (Escelsa)
General Manager EDP Brasil (Bandeirante)
Board member of EDP Inovação
Board member of Labelec
Head of CC EDP University

The Distribution Networks Committee held two meetings in 2016.

Iberian Commercial Committee

The Iberian Commercial Committee's duties are as follows:

- Exchange information on business performance in each region and in the Iberian Peninsula, including the critical environments (regulations, etc);
- Discuss, align and issue opinions on key matters (such as goals, marketing plan, etc) for approval by the Executive Board of Directors or Board of Directors of supply companies;
- Develop a uniform, integrated view of the Iberian business and maintain the multi-region benchmarking (marketing, products, commercial matters and management information);
- Foster (best) common practices in selected processes or activities;
- Share unique or specialised assets (human, technological, knowledge).

The Iberian Commercial Committee's membership is as follows:

Iberian Commercial Committee
Chairman: Member of the EBD (Área Comercial)
Secretary: General Manager EDP Spain (HC/NG)
Members of the EBD (besides the Chairman):
Member of the EBD (Regulation and Competition)
Member of the EBD (Spain)
CC and BU members (besides the secretary)
Board member of EDP Serviço Universal
Board member of EDP Comercial (B2B)
Board member of EDP Comercial (B2C)
Board member of EDP Gás Serviço Universal
Board of Directors of EDP Soluções Comerciais
Head of CC Customer and Marketing
Head of CC IT Systems
Head of CC Brand and Communication Coordination
Head of UNGE
Manager EDP Spain (HC/NG) (B2B sales)
Manager EDP Spain (HC/NG) (Marketing and B2C sales)
Representative of EDP Spanish Branch
Representative of CC Coordination of Brand and Communication (Brand)
Representative of CC Coordination of Brand and Communication (Communication)
Ad-hoc members:
Head of EDP Comercial - Marketing GC
Head of EDP Comercial - Marketing PME&E
Head of EDP Comercial - Marketing B2C

The Iberian Commercial Committee held four meetings in 2016.

Transversal Coordination of Internationalisation Projects Committee

The Transversal Coordination of Internationalisation Projects Committee's duties are as follows:

- To share studies and relevant information for the business development on the areas outside the consolidated geographies of the Group;
- Analyse promotional commercial activities in all geographies;
- Discuss, align and issue opinions on key issues for the business international development;
- Follow the process composition of commercial proposals;
- Foster (best) common practices.

The Transversal Coordination of Internationalisation Projects Committee has the following composition:

Transversal Coordination of Internationalisation Projects Committee
Chairman: Member of the EBD (Internationalization)
Secretary: Board member of EDP Internacional
Members of the EBD (besides the Chairman):
Member of the EBD (Renewables)
Member of the EBD (Generation)
CC and BU members (besides the secretary):
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Renováveis
Board member of Labelec
Head of CC Business Analysis
Manager of EDP Internacional
Manager EDP Renováveis

The Transversal Coordination of Internationalisation Projects Committee held two meetings in 2016.

Customer Ombudsman

The Customer Ombudsman is an independent entity that was created in 2009 to reinforce the EDP Group's customer care policy. Its responsibilities are as follows, pursuant to Article 9 of the EDP Group Companies' Customer Ombudsman Regulations:

- Receive and examine complaints filed by customers and directly related to actions or omissions by EDP Group companies;
- Enter into dialogue with customers making a complaint;
- Arbitrate disputes and conflicts between customers and EDP Group companies;
- Issue opinions on matters relating to the activity of EDP Group companies, if requested to do so by any of their corporate bodies;
- Propose measures to improve quality of service and customer satisfaction;
- Contact third parties to obtain specialist information so that recommendations can be made to the EDP Group companies on measures to be taken to improve their customer relations.

The Customer Ombudsman's term of office is three years, and is renewable twice, for an equal period (Article 5 (2) of the EDP Group Companies' Customer Ombudsman Regulations). In the performance of his duties, the Customer Ombudsman has an independent Customer Ombudsman Office and an annual budget (Article 20 of the EDP Group Companies' Customer Ombudsman Regulations).

Subsidiary in Spain

Subsidiary EDP España manages and coordinates the energy interests of the EDP Group's dependent subsidiaries in Spain. Its management and supervisory bodies ensure optimisation of synergies and creation of value in operations and activities in Spain. It is also the organisational platform Iberian integration of support services. To this end, Suubsidiary EDP España owns all the corporate holdings in EDP Renováveis and HC ENERGÍA and, indirectly, in Naturgas Energía Grupo S.A. (Naturgas) via majority control of it, among others

Subsidiary EDP España has offices in Madrid and Oviedo. It is represented in relations with third parties by permanent representatives, who have been appointed members of the EDP Executive Board of Directors for that purpose.

The company's steering, coordination, management and representation structure consists of an Executive Committee and Management Committee. The Executive Committee is composed of five permanent EDP representatives, one Group Controller for activities in Spain, and front line managers in charge of the business units in Spain. This committee basically serves as the coordinator of the permanent representatives' activities. The Management Committee is chaired by the Group Controller and is a natural extension of the management departments at the EDP Corporate Centre, i.e. the Business Analysis, Legal, Audit, Financial and Management, Commercial Shared Services, Information Systems departments, Human Resources and EDP España Foundation. The committee groups and performs the tasks of these departments in Spain. The Subsidiary EDP España is represented in Committees in the the EDP Iberian committees, namely: Iberian Commercial and Market Committee, Distribution Grids Committee and Iberian Commercial Committee.

EDP Energias de Portugal, Sucursal en España, Sociedad Anónima	
ADMINISTRATION, COORDINATION, MANAGEMENT AND REPRESENTATION STRUCTURE	
EXECUTIVE COMMITTEE	
Permanent EDP Representative	António Mexia (Presidente)
Permanent EDP Representative	Nuno Almeida Alves
Permanent EDP Representative	João Manso Neto
Permanent EDP Representative	António Martins da Costa
Permanent EDP Representative	Miguel Stilwell de Andrade
Chairman of the Board, HC Energia	Manuel Menéndez Menéndez
General Corporate - Activities Spain	Miguel Ribeiro Ferreira
1st Line Responsible, HC Energia	Javier Sáenz de Jubera
1st Line Responsible, NG Energia	Massimo Rossini
1st Line Responsible, EDP Renováveis	João Paulo Costeira
MANAGEMENT COMMITTEE	
Legal Department	Pelayo Echavarría
Financial and Management Department	Félix Arribas
Human Resources Department	Félix Arribas
Information Systems Department	José Negueruela
Internal Audit Department	Azucena Viñuela
Business Analysis Department	João Nicolau
Commercial Shared Services Department	Rita Ferreira
EDP España Foundation Department	Vanda Martins
GENERAL SECRETARY	José Luis Martínez Mohedano

B) Operation

22. Location where the operating regulations of the General and Supervisory Board and Executive Board of Directors can be consulted

The operations of the General and Supervisory Board and Executive Board of Directors are governed by their Internal Regulations, available on EDP's website, at ["http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx"](http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx).

23. Meetings and attendance rate of each member of the General and Supervisory Board and Executive Board of Directors

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, on his/her own initiative or at the request of any of its members, the Executive Board of Directors or its Chairman, pursuant to Article 24 (1) of the Articles of Association and Article 19 (1) of the Internal Regulations of the General and Supervisory Board.

The General and Supervisory Board met 9 times in 2016 and minutes were kept of all the meetings. Information on the attendance of each member of the board is provided in Annex II to this report.

Pursuant to the provisions of Article 20(1) of the Articles of Association and Article 6(1) of the Rules of the Executive Board of Directors, this body will have ordinarily met at least twice a month, as fortnightly meetings were compulsory. Nevertheless, the Executive Board of Directors meets weekly, as a rule.

The Executive Board of Directors met 43 times in 2016 and minutes were kept of all the meetings. Information on the attendance of each member of the board is provided in Annex III of this report.

24. Company bodies with powers to evaluate performance of executive directors

The Remuneration Committee of the General and Supervisory Board is responsible for, namely, the annual evaluation of the Executive Board of Directors, taking into account, among other factors, the fulfillment of the company's strategy and the previously set goals, plans and budgets for the purpose of considering and determining the variable remuneration of the Chairman and of the other members of the Executive Board of Directors. It also evaluates the individual performance of each member of the Executive Board of Directors, including this evaluation the contribution of each member to the mode of operation of this body and the relationship between the various corporate bodies of the company.

Additionally, the General and Supervisory Board evaluates the Executive Board of Directors accordingly with the abovementioned point 21.

25. Pre-determined criteria for performance evaluation of executive directors

These criteria for evaluating the performance of the Members of the Executive Board of Directors are set out in points 69 and 71 of the Corporate Governance report.

26. Positions held at other Group or non-group companies by each member of the General and Supervisory Board and Executive Board of Directors

The positions held by members of the General and Supervisory Board and Executive Board of Directors in other EDP Group or non-group companies are shown in Annex I and IV.

C) Committees of the managing or supervisory body

27. Committees set up in the General and Supervisory Board and Executive Board of Directors

The Internal Regulations of the General and Supervisory Board provide for the establishment of standing committees and ad hoc committees, composed of some of its members, without prejudice to its responsibility for the exercise of its duties as a corporate body. These committees may be set up whenever it sees fit and appropriate and have specific duties delegated to them.

The main remit of the standing and ad hoc committees is specific, continuous monitoring of the matters entrusted to them, in order to ensure informed decisions by the General and Supervisory Board or provide it with information on certain matters.

The committees' activity is coordinated by the Chairman of the General and Supervisory Board, who ensures proper articulation of the committees with the plenary board through their chairmen, who keep him informed by sending notices and the minutes of meetings.

The General and Supervisory Board believes that the committees are important to the regular functioning of the company as they can perform certain delegated duties, especially monitoring the company's financial information, reflecting on its governance system, assessing the performance of directors and evaluating its own overall performance.

The General and Supervisory Board holds four specialized committees: Financial Matters Committee/Audit Committee, Remuneration Committee, Corporate Governance and Sustainability Committee and Strategy and Performance and Startegy Committee.

28. Membership of the executive committee and/or name of managing director(s)

Not applicable to EDP's governance model

29. Duties of each committee and summary of work performed while carrying them out

A. The Committees of the General and Supervisory Board

Financial Matters Committee/Audit Committee

The Financial Matters Committee/Audit Committee is made up of five independent members with the appropriate qualifications and experience, including at least one member with a degree in the area of the committee's duties and specific knowledge of auditing and accounting, as confirmed by the Curriculum Vitae of Chairman, which can be viewed in Annex I of the current Report.

The Financial Committee/Audit Committee had the following members:

Financial Matters Committee/Audit Committee		First appointment date
Chairman	António Sarmento Gomes Mota *	07/05/2009
Vice- Chairman	João Carlos Carvalho das Neves	22/04/2015
	Alberto Joaquim Milheiro Barbosa	22/04/2015
	Maria del Carmen Ana Fernández Rozado	22/04/2015
	Maria Celeste Ferreira Lopes Cardona	18/04/2012

* Appointed as Chairman on April 22, 2015, by decision of the General and Supervisory Board

In accordance with the Internal Regulations of the Financial Matters Committee/Audit Committee, are assigned to this Committee, by delegation from the General and Supervisory Board, the following powers:

- Financial matters relating to the Company.
- The internal procedures for auditing and accounting practices followed by the Company and the Internal Financial Reporting Control System (SCIRF), in coordination with the Internal Audit Department.
- Matters relating to the internal financial reporting control system and risk management processes, particularly relating to their fiscal, legal and financial aspects.
- The activity and the independence of the Statutory Auditor and the External Auditor of the Company, with whom it should maintain a close relationship.

As a specialised committee of the General and Supervisory Board, the Financial Matters Committee/Audit Committee also assists it in the hiring and dismissal of the External Auditor, pursuant to Article 10 (1) (k) of the Internal Regulations of the Financial Matters Committee/Audit Committee.

The membership, role and functioning of the Financial Matters Committee/Audit Committee are in line with the European Commission Recommendation of 15 February 2005 (2005/162/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC).

In view of these duties, the Financial Matters Committee/Audit Committee held 12 meetings in 2016, as envisaged in its Activity Plan. The matters addressed in those meetings were: (i) supervision of the financial reporting and business of EDP (ii) monitoring the activity of Internal and Compliance Audit Department (iii) monitoring the activity of the Risk Management Department of the EDP group (iv) monitoring litigation processes in the EDP group (v) monitoring the activity of IT Department of the EDP Group (vi) monitoring the contractual relationship with the statutory auditor and

external auditor, their activities and assessing the objective conditions of their independence and (vi) monitoring reports of irregularities (whistleblowing) and the relationship with the Audit Committees of the subsidiaries.

Remuneration Committee of the General and Supervisory Board

The Remuneration Committee appointed by the General and Supervisory Board, pursuant to Article 27 of EDP's Articles of Association, defines the remuneration of the Executive Board of Directors as well as any supplements.

According to the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit a declaration on the remuneration policy followed for the members of the Executive Board of Directors and which it has approved by it.

The Remuneration Committee held 2 meetings during 2016, considering its duties. The following topics were discussed: (i) definition of the remuneration policy of the Executive Board Members' for 2016 and 2017 in terms of fixed remuneration, of the annual variable remuneration and, for the term 2015-2017, of the multi-annual remuneration; (ii) definition of the variable annual remuneration regarding 2015 financial year, as well as the multi-annual variable remuneration of the Executive Board Members' the imputable to such year.

The Remuneration Committee of the General and Supervisory Board is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, who are all independent from the managing body. This committee always has at least one representative at the General Meetings of Shareholders.

The Remunerations Committee then had the following members:

Remuneration Committee of the GSB		First appointment date
Chairman	Yang Ya	21/04/2015
	Fernando Masaveu Herrero	21/04/2015
	Ilídio da Costa Leite de Pinho	22/05/2012
	João Carvalho das Neves	21/04/2015
	Vasco Joaquim Rocha Vieira	21/04/2015

Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability Committee is a specialised committee of the General and Supervisory Board. Its purpose is to permanently monitor and supervise all matters related with the following:

- Corporate governance;
- Strategic sustainability;
- Internal codes of ethics and conduct;
- Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- Monitoring of the definition of criteria and duties to be complied with in EDP's bodies or subsidiaries and their repercussions on their membership; and
- Drafting of succession plans.

The topics covered in-depth at the 5 meetings held in 2016 of the Corporate Governance and Sustainability Committee, in compliance with its specific duties, were the following: reporting of relevant situations in terms of Conflicts of Interest, conduct and ethics, sustainability and corporate governance and nominations and succession.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board, the majority of whom are independent, with the appropriate qualifications and experience for their duties.

The Corporate Governance and Sustainability Committee then had the following members:

Corporate Governance and Sustainability Committee		First appointment date
Chairman	Luis Filipe Marques Amado	22/04/2015
	Felipe Fernández Fernández	22/04/2015
	Jorge Avelino Braga de Macedo	22/04/2015
	Maria Celeste Ferreira Lopes Cardona	18/04/2012
	Shengliang Wu	11/05/2012

Strategy and Performance Committee

The Strategy and Performance Committee is a specialised Committee of the General and Supervisory Board, the purpose of which is to follow and supervise the questions regarding the following matters at all times:

- The short-, medium- and long-term scenarios and strategies.
- The strategic implementation, business planning and the respective budgets.
- The investments and divestments.
- Debt and funding.
- Strategic alliances.
- Market and competitiveness evolution.
- Regulation.
- Analysis of the performance of the Group and the Business Units.
- The benchmarking of the company group performance compared with the companies at the top of the sector.
- The assessment of the competitiveness of the EDP business portfolio.

The Strategy and Performance Committee is composed of the following members:

Strategy and Performance Committee		First appointment date
Chairman	Eduardo de Almeida Catroga	18/06/2015
Vice Chairman	Alberto Joaquim Milheiro Barbosa	18/06/2015
	Augusto Carlos Serra Ventura Mateus	18/06/2015
	Zhang Dingming	18/06/2015
	Ferhat Onoughi	18/06/2015
	Fernando María Masaveo Herrero	18/06/2015
	João Carlos Carvalho das Neves	18/06/2015
	Jorge Avelino Braga de Macedo	18/06/2015
	Mohamed Ali Ismaeil Ali Al Fahim	18/06/2015
	Nuno Manuel da Silva Amado	18/06/2015
	Shengliang Wu	18/06/2015

In 2016, the Strategy and Performance Committee held 8 meetings with the following themes being discussed: the performance of EDP Group's business units and EDP's share, the performance of distribution and supply activities, the follow-up of the strategic and business risks of EDP Group, the follow-up of the creation of the Business Plan for EDP Group for the 2016-2020 period, and the budget of EDP for 2017.

B. Other company bodies

Environment and Sustainability Board

The Environment Board was set up as a company body in 1991. Its name was changed to Environment and Sustainability Board by decision of the Annual General Meeting of 30 March 2006.

As a company body, the Environment and Sustainability Board has powers to advise the Executive Board of Directors on environment and sustainability matters. In particular, it provides advice and support in defining the company's environmental and sustainability strategy and drafting opinions and recommendations on the environmental impact of projects planned by the EDP Group (Article 28 (1) of EDP's Articles of Association).

The current members of the Environment and Sustainability Board, pursuant to Article 28 (2) of EDP's Articles of Association, have acknowledged competence in the field of environmental protection and sustainability.

The members of the Environment and Sustainability Board were re-elected at the Annual General Meeting of Shareholders on 21 April 2015 for a new term of office for the three-year period between 2015 and 2017.

The Environment and Sustainability Board's membership is as follows:

Environmental and Sustainability Board	
Chairman	José Pedro Sucena Paiva
	Alberto da Ponte *
	António José Tomás Gomes de Pinho
	José Manuel Viegas
	Maria da Graça Madeira Martinho

* Ceased functions on January, 2nd 2017

Remuneration Committee of the General Meeting

The remuneration of the corporate bodies, with the exception of the members of the Executive Board of Directors, is defined by the Remuneration Committee elected by the General Meeting (Article 11 (2) (d) of EDP's Articles of Association).

Pursuant to this Article, the majority of the members of the Remuneration Committee of the General Meeting must be independent.

The Remuneration Committee of the General Meeting in force has the following members:

Remuneration Committee of the General Meeting	
Chairman	Luís Miguel Nogueira Freire Cortes Martins
	José Gonçalo Maury
	Jaime Amaral Anahory

III. Supervision

A) Composition

30. The supervisory body

EDP's two-tier model of corporate governance has made possible an effective separation between supervision and management of the company. The General and Supervisory Board is the highest supervisory body.

31. Membership Financial matters committee - effective members and term of office

The duties of the Financial Matters Committee /Audit Committee are described in Point 29 of the corporate governance report.

The Financial Matters Committee/Audit Committee is made up of five independent members with the appropriate qualifications and experience, including at least one member with a degree in the area of the committee's duties and specific knowledge of auditing and accounting, as confirmed by the Curriculum Vitae of the Chairman, which can be consulted in Annex I of this report.

The Financial Committee/Audit Committee has the following members:

Financial Matters Committee/Audit Committee		First appointment date
Chairman	António Sarmiento Gomes Mota *	07/05/2009
Vice - Chairman	João Carlos Carvalho das Neves	22/04/2015
	Alberto Joaquim Milheiro Barbosa	22/04/2015
	Maria del Carmen Ana Fernández Rozado	22/04/2015
	Maria Celeste Ferreira Lopes Cardona	18/04/2012

* Appointed as Chairman on April 22, 2015, by decision of the General and Supervisory Board

32. Independent members of the Financial Matters Committee

See Point 31.

33. Qualifications of members of the Financial Matters Committee

See Annex I.

B) Operation

34. Location at which the operating procedures of the Financial Matters Committee/Audit Committee can be viewed

The Financial Matters Committee/Audit Committee's work is governed by Internal Regulations, available on EDP's website at <http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx>.

35. Meetings and attendance rate of each member of the Financial Matters Committee/Audit Committee

In 2016, the Financial Matters Committee/Audit Committee met twelve times and minutes of its meetings were kept. Information on the attendance rate of the committee's members is given in Annex V of this report.

36. Positions held in other companies within and outside the Group by each Financial Matters Committee/Audit Committee member

See Annex I.

C) Powers and Duties

37. Procedures and criteria governing the supervisory body's involvement in hiring additional services from the external auditor

The proposal for hiring additional services of the External Auditor and Statutory Auditor is made by the Executive Board of Directors to the Financial Matters Committee/Audit Committee and any contracting requires the prior authorisation of that Committee.

Rules of procedure on the Provision of Services by the Statutory Auditor and External Auditor of EDP are in force, in this regard, and the implications on the hiring of additional services are described in point 46.

There are other rules of procedure adopted by the Executive Board of Directors that ensure all EDP Group companies comply with the rules contained in the referred rules of procedure.

38. Other duties of the supervisory bodies and, if applicable, of the Financial Matters Committee/Audit Committee

The duties of the Financial Matters Committee/Audit Committee, delegated to it by the General and Supervisory Board pursuant to the Articles of Association and the Internal Regulations of the Financial Matters Committee/Audit Committee are described in Point 29.

IV. Statutory Auditor

39. The statutory auditor and the certified auditor representing it

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. (KPMG), represented by Vítor Manuel da Cunha Ribeirinho, was elected EDP's Statutory Auditor for 2015-2017 at the General Meeting of 21 April, 2015.

40. Number of years for which the statutory auditor has worked consecutively with the company and/or Group

The Statutory Auditor has been working with the company since 31 January 2005.

41. Other services provided to the company by the statutory auditor

The Statutory Auditor is the company body responsible for the examination of the accounting documents. It is elected by the General Meeting for three year terms, pursuant to Article 25 of EDP's Articles of Association and Article 446 of the Portuguese Company Code.

According to the Company Code and the company's Articles of Association, the Statutory Auditor is responsible for checking (see Article 446 (3) of the Company Code):

- The regularity of the company's books, accounting records and their supporting documents;
- The cash and all assets or securities belonging to the company or received by it as guarantees, deposits or for any other purpose, whenever and however it sees fit;
- The accuracy of the accounting documents;
- Whether the company's accounting policies and valuation criteria result in an accurate assessment of its assets and results.

A description of the services provided by the statutory auditor can be found on Point 46.

V. External Auditor

42. The external auditor and certified auditor partner representing it

EDP's External Auditor is KPMG and Vitor Manuel da Cunha Ribeiro, manager of auditing at KPMG, is the partner in charge of overseeing and performing audits of the EDP Group's accounts. KPMG is registered with the CMVM under number 9093.

The external auditor performs the necessary audit work to ensure the reliability of the financial reporting and credibility of the accounting documents.

The external auditor's duties include checking compliance with remuneration policies and systems, the efficacy of internal control mechanisms and reporting of any deficiencies to the General and Supervisory Board.

EDP takes measures specifically aimed at ensuring the independence of the external auditor, in view of the scope of services provided by audit firms.

43. Number of years for which the external auditor and certified auditor partner representing it have worked consecutively with the company and/or group

EDP's external auditor has been KPMG since December 2004 and Vítor Manuel da Cunha Ribeiro has been the certified auditor partner since 2012.

44. Policy on and frequency of rotation of external auditor and certified auditor partner representing it

The policy on rotation of the external auditor and certified auditor partner representing it depends on the strict assessment by the Financial Matters Committee/Audit Committee of the independence and quality of the work done and consideration of the independence of the statutory auditor and external auditor and the advantages and costs of replacing them.

Considering the rules referring to the mandatory rotation of the external auditor and of the statutory auditor, pursuant to Article 54 (3)(4) of the New By-Laws of the Association of the Statutory Auditors, and that the current mandate of KPMG finishes by the end of 2017, such rotation will be fulfilled for the service provision of statutory auditor and external auditor for the triennium of 2018-2020.

In this regard, on November, 3rd 2016, the General and Supervisory Board decided unanimously to approve the proposal presented by the Financial Matters Committee/Audit Committee regarding the selection of the statutory auditor to elect for the term 2018/2020. The statutory auditor shall be elected in the 2018's General Shareholders' Meeting, following a proposal by the General and Supervisory Board, which should present two options for the election and justify its recommendation on for one of the options.

45. Body responsible for assessing the external auditor and frequency of assessment

The Financial Matters Committee/Audit Committee presents annually to the General and Supervisory Board the report on the assessment of the activity and independence of the external auditor and EDP's Statutory Auditor. The result of the appreciation is published in the report of the General and Supervisory Board.

46. Work other than auditing done by the external auditor for the company and/or subsidiaries and internal procedures for approving hiring of these services and reasons for hiring them

Proposals to hire additional services from the external auditor and statutory auditor are made by the Executive Board of Directors to the Financial Matters Committee/Audit Committee and their hiring requires prior authorisation from this committee.

The Regulations on Services Provided by EDP's Statutory Auditor and External Auditor, was approved on March, 3rd 2016 and determines, regarding the contracting of additional services, that the Financial Matters Committee/Audit Committee may deny authorisation of additional services if one such service is prohibited and/or one such service involves a possible threat to the independence of the statutory auditor or the external auditor. The above mentioned regulations are available on the EDP website, (<http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx>).

In 2016, the following services were performed by the external auditor:

Audit services and Statutory Audit:

- Necessary services (including internal control procedures required as part of audits) for the issue of the external auditor's annual or interim reports on the accounts;
- Services required for compliance with local legislation (including internal control procedures required as part of audits) for the issue of legal certifications of accounts.

Other assurance of reliability services:

Services with a specific or limited purpose or scope, such as:

- Opinion on the internal control system on financial reporting;
- Reports (assurance of reliability and agreed procedures) on specified accounts, accounting elements or items in an EDP financial statement;
- Comfort letters and opinion on prospective information in the issue of securities;
- Opinion regarding Sustainability information;
- Opinion on the Consumption Efficiency Promotion Plan (PPEC);
- Financial information validation to report to ERSE;
- Statements of compliance under contractual agreements.

Other Additional Services:

In 2016, the following other additional services were hired from the External Auditor in 2016:

- Support for the review and translation of reports;
- Technical support on validation of tariff adjustments movements;
- Support on benchmark analysis of credit scorings;
- Technical support for sustainability projects.

In 2016, 6,791 Euros were invoiced related with fiscal consultancy services hired in 2015.

The reasons for hiring these services were essentially i) better understanding of the Group's business, ensuring appropriate knowledge of the relevant information, which favours greater agility and efficiency in providing solutions and ii) it was considered that the hiring of said services were not considered a threat to the independence of the External Auditor and did not foster any situation of personal interest in relation to the guarantee of independence given by the External Auditor.

The services that are not related with Legal Revision of Accounts neither External Audit requested by Group entities to the External Auditor and to other entities belonging to the same network, amounted to 1,363,089 Euros.

47. Annual remuneration paid by the company and/or subsidiary or group companies to the auditor and other natural or legal persons belonging to the same network and breakdown of percentage for the following services

KPMG is responsible for conducting an independent external audit of all the EDP Group companies in Portugal, Spain, Brazil (EDP Renováveis), USA and other countries in which the Group operates. In the subgroup of EDP Brasil independent external auditing is conducted by PriceWaterhouseCoopers.

In 2016, the recognised, specialised costs of the fees of KPMG and PriceWaterhouseCoopers for auditing, guarantee and reliability services, tax consultancy and services other than auditing for Portugal, Spain, Brazil, USA and other countries were as follows:

KPMG

Euros	Portugal	Spain	Brazil	United States of America	Other Countries	Total	
Audit and Statutory Audit of Accounts	2,147,956	1,450,205	125,635	1,124,661	850,697	5,699,154	
Other assurance of reliability services (1)	887,713	304,341	16,438 (2)	6,776	14,740	1,230,008	
Total of audit and assurance of reliability services	3,035,669	1,754,546	142,073	1,131,437	865,437	6,929,162	98%
Tax Consultancy Service	0	0	0	0	6,791	6,791	
Other Additional Services	73,290	53,000	0	0	0	126,290	
Total of Other Services	73,290	53,000	0	0	6,791	133,081	2%
Total	3,108,959	1,807,546	142,073	1,131,437	872,228	7,062,243	100%

(1) Includes assurance and reliability services of the exclusive competence and responsibility of the Statutory Auditor and External Auditor in accordance with the regulations on services provided approved by the General and Supervisory Board.

(2) Amount concerning the assurance of reliability on information related with sustainability for EDP Energias do Brasil

The audit fees and statutory audit in Portugal include 894,149 Euros related with interim limited review fees and statutory audit, on a company and consolidated basis, of EDP - Energias de Portugal, S.A.

Pricewaterhouse Coopers

Euros	Brazil
Audit and Statutory Audit of Accounts	634,134
Other Audit Services	0
Total of Audit Services	634,134
Tax Consultancy Service	0
Other Additional Services	46,027
Total of Other Services	46,027
Total	680,161

C. Internal Organisation

I. Articles of Association

48. Rules on amendments to the company's Articles of Association

EDP's Articles of Association do not set out special rules on their amendment and the general rule set out in Article 386 (3) of the Company Code therefore applies, i.e. decisions to amend the Articles of Association must be approved at a General Meeting by two-thirds of the votes cast.

EDP's Articles of Association may also be amended under the powers of the Executive Board of Directors to move EDP's registered office (Article 2 (1) of EDP's Articles of Association) and increase EDP's share capital (Article 4 (3) of EDP's Articles of Association). Pursuant to the general rule set out in Article 410 (7) of the Company Code, by reference to Article 433 of this code, these decisions by the Executive Board of Directors must be passed by a majority of the votes of the directors present or represented.

II. Whistleblowing

49. Whistleblowing policy and channels

The EDP Group has consistently implemented measures to ensure the good governance of its companies, including the prevention of incorrect practices, particularly in the areas of accounting and finance and, for this purpose, approved, on 3 March 2016, the Regulations Whistleblowing Procedures.

EDP provides Group employees with a channel that enables them to report any alleged unlawful practice or accounting or financial irregularity in their company directly and in confidence to the Financial Matters Committee/Audit Committee of the General and Supervisory Board.

With the creation of this channel for reporting irregular accounting and financial practices, EDP aims at:

- Ensuring that any employee can freely communicate his/her concerns in these fields to the Financial Matters Committee/Audit Committee;
- Facilitating the early detection of irregular situations that, if they occurred, might cause serious damage to the EDP Group, its employees, customers and shareholders.

The Financial Matters Committee/Audit Committee can be contacted by email, fax and post and access to information received in this regard is restricted. The members of this committee are authorised to receive these reports.

All complaints sent to the Financial Matters Committee/Audit Committee are treated in strict confidence and the complainant remains anonymous, unless this prevents investigation of the complaint.

Pursuant to the regulations, EDP guarantees that whistleblowing employees will not suffer any reprisals or disciplinary action for exercising their right to report irregularities, provide information or assist in an investigation.

The Financial Matters Committee/Audit Committee informed the General and Supervisory Board of its work as part of the whistleblowing mechanism in 2016. The conclusion was that none of the 39 reports received contained complaints with an impact on accounting, finance, internal control or audit matters. With the exception of 2 complaints currently under process of enquiry, all the complaints have been dealt and closed by the Financial Matters Committee/Audit Committee until the end of 2016.

EDP makes available, at its website, greater detail regarding the Whistle Blowing Procedures' Regulation to adopt in what concerns to Communication of Erroneous Procedures (<http://www.edp.pt/en/aedp/governosocietario/comunicacaodeirregularidades/Pages/ComunicacaodeIrregularidades.aspx>).

III. Internal Control and Risk Management

50. People, bodies or committees responsible for internal audits or implementation of internal control systems

Internal control matters are the responsibility of the Corporate Centre, which plays a structural role in assisting the Executive Board of Directors in defining and overseeing implementation of strategies, policies and goals.

The most important of the Corporate Centre departments and offices in terms of internal control are the Internal Audit and Compliance Department and the Risk Management Department.

The former performs internal audits or ensures that they are performed in the Group. It is also responsible for the financial reporting internal control system (SCIRF) and for the compliance role in the Group, with a view to an independent assessment of the internal control system and implementation of measures to make it more effective by optimising and aligning processes and systems.

The Risk Management Department's main responsibility is to coordinate the Group's risk assessment studies in order to assist the Executive Board of Directors in controlling and mitigating them and provide integrated risk-return analyses.

Under the law, the General and Supervisory Board permanently oversees and evaluates internal accounting and auditing procedures, the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries from employees and others are handled. This duty has been assigned to the Financial Matters Committee/Audit Committee, which, among other tasks, permanently monitors and supervises:

- EDP's financial affairs;
- Internal auditing procedures, the company's accounting practices and the internal control system for financial information and financial reporting and the compliance function, in coordination with the Internal Audit and Compliance Department;
- Matters relating to the internal control system for financial information and to risk management process, particularly taxation, legal and financial aspects.
- The activity and independence of the Statutory Auditor, with whom it should maintain a close connection.

51. Description of hierarchical and/or functional dependency on other company bodies or committees

The Internal Audit and Compliance Department belongs to the Corporate Centre and although it is answerable to the CEO, it reports in practice to the Financial Matters Committee/Audit Committee. The department's work is supervised by the Financial Matters Committee/Audit Committee, which approves the annual internal audit plan before it is sent to the Executive Board of Directors and monitors its systematic implementation.

52. Other company areas with risk control duties

The management of risk is an integral part of the common practices of business management and it is the responsibility of all, from the Executive Board of Directors right down to the individual staff member. Each one is responsible for knowing the risks existing in their area of intervention and for managing them in accordance with their role, expertise and delegated responsibilities.

The Group manages its meaningful risks in a portfolio approach, optimizing the risk/ return trade-off transversely across its business areas, aiming to create value and to stand out in the markets where it operates. The Group works towards a permanent progress of its risk management processes in order to reflect the evolution of its needs and to maintain its alignment with international risk management best practices.

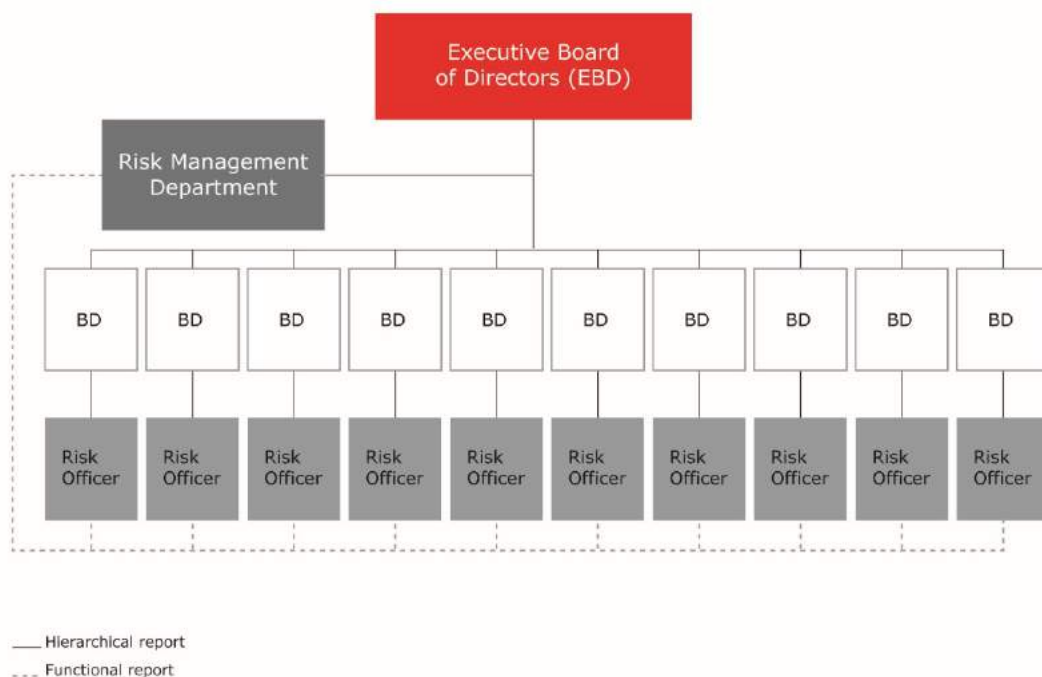
The integration of risk management in the most relevant business and decision making processes is promoted as part of i) strategic development, ii) investment decisions, iii) business plan and iv) operations management, with the purpose of ensuring stability in results and optimize its response to changes in context and opportunities.

The risk management process is structured around 3 lines of defence (business operation, risk management/ compliance and internal and external auditing), each led independently and ensuring an adequate level of segregation relative to one another. The functions of risk identification, analysis, evaluation, treatment and monitoring are followed by a set of bodies with clearly established roles and responsibilities, typified by Group policies that are approved and ratified by the competent bodies of the Group:

- **The General and Supervisory Board (GSB)**, in particular the Financial Committee/ Audit Committee, is responsible for monitoring on a permanent basis and evaluating internal procedures for accounting and auditing, in addition to the efficacy of the risk management system, the internal control and the internal auditing systems, including the way in which complaints and queries are received and processed, whether originating from employees or not. The General and Supervisory Board is additionally involved in the Group's Strategic Plan, ensuring, implicitly, an alignment between management and shareholders regarding risk appetite.
- **The Executive Board of Directors (EBD)** is the highest body responsible for risk-related decision-making, supervision and management control. It is responsible for the approval of the business plan, for setting the management objectives and policies of the EDP Group. It is responsible, among other duties, for defining the Group's risk exposure, in line with the best practices in risk management procedures and policies (namely, the respective exposition limits by risk category), as well as the allocation of resources, depending on the risk-return profile of the various options available.
- **The Risk Management Department**, headed by the Chief Risk-Officer, lends an integrated and holistic view of the Group's risk position (top-down perspective), supporting the prioritization and coordination of cross-cutting initiatives, offering a segregated and business-independent view regarding key risks. Its main responsibilities are: i) to maintain and update an inventory of the Group's most significant risks and fostering their implementation in the various Business Units and Corporate Departments; ii) to promote and monitor the implementation of the management and control actions regarding the Group's most significant risks; iii) to systematically measure specific risks and conduct risk-return analyses, noting and reporting adjustment needs when necessary; iv) to define main concepts, methods and risk measures and Key Risk Indicators (KRI), supplementary to the Key Performance Indicators (KPI); v) to develop and support projects and initiatives aimed at the effective improvement of the management process of significant risks; and vi) to support the Executive Board of Directors in the risk management and business continuity areas.
- **The Management of Business Units and Corporate Departments** is the first responsible for an integrated risk management in each of their business areas. Its main responsibilities are: i) to propose and approve (through the respective Board of Directors) the definition of key principles for risk management, aligned with the orientations defined by corporate policies; ii) to ensure that the risks within the scope of their activity are identified, analyzed and evaluated broadly, rigorously and consistently throughout the Group, using established methodologies; iii) to optimize the risk/ return trade-off of their activity, aligned with the orientations established by the Executive Board of Directors, regarding the definition and implementation of risk management strategies, implementation of effective initiatives in treatment costs of key risks, the clear and equilibrated allocation between parties in case of internal or external contract of products or services and the definition of mechanisms and levels of residual risk transference

(insurance); iv) to monitor and report periodically their risk position, by the definition and regular monitoring of KRIs, risk reports and the evaluation of existing risk controls; and v) to highlight key aspects of risk management to their respective risk-officers, Risk Management Department and appropriate decision makers.

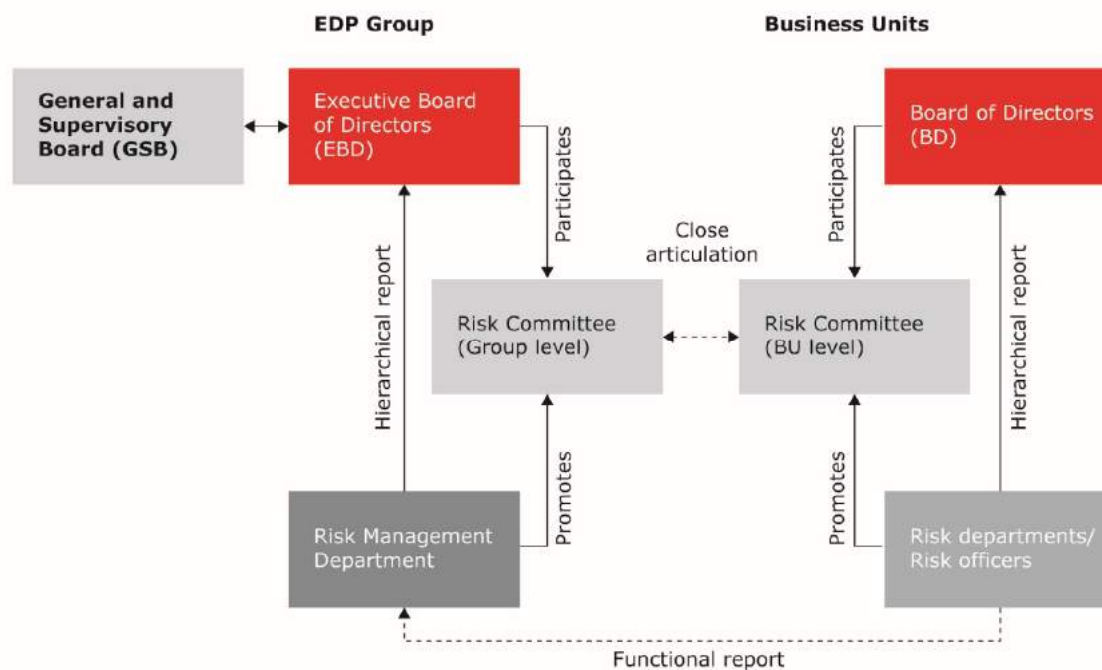
- **Local structures for risk management (risk-officers)** assume a key role on operationalizing risk management. Typically, they report hierarchically to a member of the respective Board of Directors, and in coordination with EDP Group Chief Risk-Officer, acting independently from business operation. In large and/ or particularly complex Business Units local replicas of risk management corporate structure exist, articulated with the Risk Management Department. Their responsibilities include: i) to identify and characterize through quantification and qualification the materiality of key risks (both threats and opportunities), within the scope of their activity and in articulation with the business; ii) to perform studies on key strategic issues and associated risks, in close articulation with the business and the Risk Management Department; iii) to support the Board of Directors and Departments on decision making, in the perspective of risk; iv) to advise on mitigation and hedging strategies for key risks; v) to monitor and report key risks to decision makers and Risk Management Department, to implement policies and procedures, including the follow-up of expositions vs. established risk limits, the systematic register of incidents and quasi-incidents, including the characterization of events and its quantitative impact; vi) to develop and promote methodologies to analyze, evaluate and treat actual and emerging risks and support its implementation; vii) to coordinate initiatives regarding crisis management and business continuity; viii) to coordinate the existing Risk Committees (if applicable); and ix) to provide adequate risk related information to the Risk Management Department, decision makers, and remaining relevant stakeholders.



Risk-officers network of EDP Group

Furthermore, there are a number of regular forums for the discussion, analysis and issue of opinions on risk-related topics:

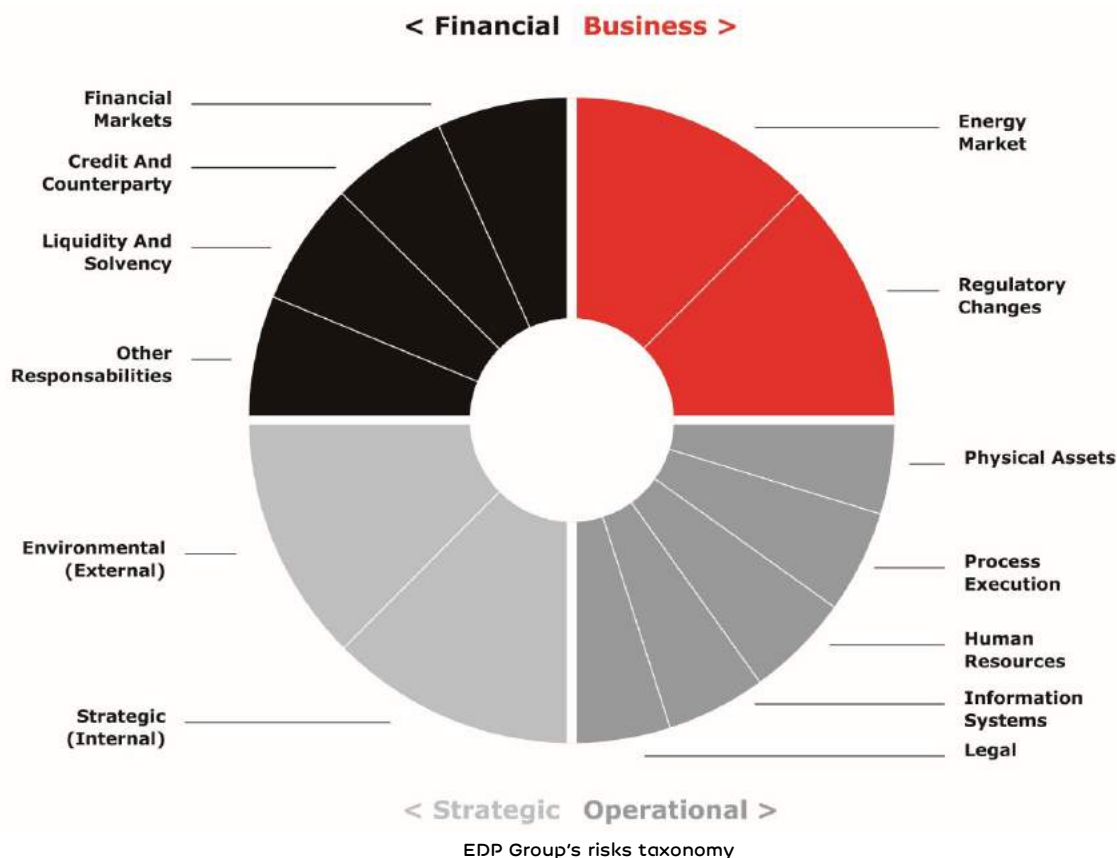
- **EDP Group Risk Committee** has the main objective of supporting the decisions of the Executive Board of Directors in the identification, assessment, management and control of risk, in terms of: i) supporting the identification of significant risks and the characterization of the EDP Group's risk profile; ii) discussing relevant risk analysis and evaluation projects results developed with Business Units and Corporate Departments; iii) advising and/ or recommending risk management strategies (e.g., regarding policies, procedures and limits); and iv) monitoring and controlling the evolution of significant risks. This Committee is held at half-yearly intervals (at least). It is composed of the key decision makers and those responsible for the Group's risk management (the Executive Board of Directors, the Corporate Centre and selected Business Units).
- **The Individual Risk Committees** are set up and held at Business Unit levels when the degree of complexity of risk management justifies such, taking on a structure replicated from the Group's Risk Committee. These Committees are composed of the key decision makers and those responsible for risks of each Business Unit, typically coordinated by the respective risk officer.



EDP Group's risk Committees

53. The main types of economic, financial and legal risk to which the company is exposed in its business

The taxonomy of risks for the EDP Group combines in an integrated approach and in common language the various mapped risks existing in relation to the Group's different Business Units, structured around four major families: strategic, business, financial and operational.



Strategic risks

Strategic risks typically incorporate risk of medium to long-term time horizons and low probability of occurrence. In any case, the EDP Group closely monitors and reports on these risks, since it considers that these risks may have a significant impact if they occur. The strategic risks can be broken down into two different types:

- **Risks of the surrounding context**, associated with external developments that may have a negative material impact on the Group, in particular but not limited to, severe macro-economic, social/ or political crisis in core geographies for the Group, technological disruptions of various kinds, profound changes resulting from climate change and disruptive changes in competitive paradigm.
 - **Regarding the risk of a macro-economic, social and/ or political crisis in Portugal and/ or Spain**, the EDP Group believes that the adoption of the quantitative easing program by ECB, the stability of public deficit and of the interest rate of public debt in Portugal and Spain, as well as the stability of political context, suggest a material reduction of the probability of actual occurrence of these risks (compared with previous years).
 - **Regarding technological disruption**, the EDP Group has sought to position itself at the forefront of technological development in the sector, looking at this issue not as a threat but as a central vehicle for promoting growth in the future. The EDP Group has accordingly actively and transversely invested in and investigated the promotion of new technologies in the various stages of the value chain, namely EDP Inovação' activity level.
 - **Regarding climate change**, such changes may have a significant and across-the-board impact on the various stakeholders over the medium to long term (e.g., in terms of average temperatures, average sea levels, structural changes in water and/or wind volumes, or the incidence of extreme weather phenomena). In this

sense, the Group has decisively invested over recent years in strengthening its portfolio of renewable energy as well as in a concerted strategy of environmental sustainability, which has been internationally recognised, not only in order to reduce its ecological footprint, but also to ensure its resilience to the possible materialisation of risks deriving from climate change.

- **Regarding disruptive changes to the competitive paradigm**, the Group recognizes the risks associated with changes to the business model paradigm (e.g. in relation to distributed generation). The EDP Group addresses this risk through meticulous analyses and prospective investment, allowing it to proactively anticipate and adapt its business model to possible market development trends.
- **Strategic risks**, associated with investment decisions, relationships with key partners (shareholders and others), internal governance and corporate planning (in its various forms).
 - **Regarding investment decisions**, EDP's growth strategy implies the constant evaluation and decision-making in relation to investment options that allow it to implement the strategy established and approved by its shareholders. Accordingly, a meticulous and consistent process is defined across the Group, with pre-established criteria¹ for analysis, decision-making and monitoring of projects. This process is conducted at the corporate level by the Business Analysis Department, locally supported by the various Business Units. Additionally, Investment Committees regularly meet to discuss, monitor and advise on i) investment analysis and decisions; ii) compliance with investment implementation schedules; and iii) evaluation of impact of detected or potential deviations. These forums are performed both at the Business Unit level and at the corporate level, involving decision-makers and key experts of the Group in the relevant fields.
 - **Regarding the relationship with partners** (shareholders and others), the EDP Group has a solid and stable core of shareholders, which is aligned with and actively participates in the Group's strategy. On the other hand, the EDP Group is guided by strict criteria at all levels for the selection of its partners in the various countries and business areas in which it operates, the management of which is led by the Executive Board of Directors, Business Units and Institutional Relations and Stakeholders Department.
 - **Regarding internal governance**, the Group considers that the design and implementation of its various corporate bodies ensures compliance with the best international practices on this topic (see previous section for more information).
 - **Regarding corporate planning** (particularly in terms of brand and communication, investor relations, human resources, information systems, business strategy, and others) the Group believes that the current structures and processes allow it to adequately manage these risks.

Business risks

The business risks encompass all risk factors intrinsically linked to revenue from the core activity of the EDP Group in the generation, distribution and sale of energy in the various countries and markets where it operates. The business risks can be broken down into two different types:

- **Energy market risks**, related to electricity prices (pool) and other commodities, renewable energy generating volumes (hydro and wind power), energy consumption (associated with demand) and supply margins.
 - **Regarding price of electricity**, the impact is limited by the fact that a significant share of generation is contracted in the long term, especially in relation to EDP Renováveis and most of the installed capacity in Brazil, as well as the case of power plants still covered by CMEC², in Portugal, which will start being subject to market price from June 30, 2017 onwards. Currently, generation subject to market price fluctuations includes: i) all ordinary status generation in Spain; ii) the Ribatejo and Lares power plants, new hydroelectric power plant projects; iii) generation in Brazil in excess of or in deficit to the PPA; and iv) part of the wind energy farms of EDP Renováveis in Spain, USA, Poland and Romania. The Energy Management Business Unit (UNGE) is responsible for proactively acting in the MIBEL³ and other forward markets (including OTC) in order to optimize the margin of market generation and limit the respective risk, according to the delegation of powers clearly

¹ Particularly related to the definition of minimum return levels, up to date and geography/ business line-specific discount rates as well as to the resilience to multiple adverse scenarios of delays, overruns, fluctuations in key business variables, political environment and regulations

² Costs of Maintenance of Contractual Balance

³ Iberian electricity market

established and ensuring periodic P@R - "Profit at Risk" reporting, based on a proprietary model. Energy Management Business Unit (UNGE)'s operations are adequately framed by a specific risk policy, including exposure limits.

- **Regarding the price of other commodities (mostly fuel and CO2)**, subject to fluctuation due to supply and demand dynamics or changes in international legislation and relevant only to power plants exposed to market risk, this risk is monitored and proactively managed by the Energy Management Business Unit (UNGE), which negotiates and manages coal and gas contracts and CO2 allowances. It is also responsible for mitigation of the fuel prices risk via hedging (including foreign exchange risk in USD, in coordination with the Financial Management Department).
- **Regarding renewable energy generation volumes**, the EDP Group has a degree of material exposure to this risk, particularly in relation to water volume (Wind Energy Capability Index⁴ tends to be less volatile than the Hydroelectric Capability Index⁵, on an annual basis), arising from its increasing focus on a generation portfolio with ever greater renewable energy, as well as the progressive entrance to the market (until 2017) of a set of generation power plants covered by CMEC mechanisms. It should be noted that this risk, although it may introduce some volatility in annual results, has a significantly lower impact on NPV⁶ in the lifetime of the hydroelectric power plants, since it i) diversifies inter-annually; ii) diversifies through technologies (lower hydro productivity is, in part, compensated by higher thermal production at typically higher prices) and iii) is uncorrelated with the market. On the other hand, exposure in Brazil is significantly mitigated by i) the fact that there is hydrological diversification throughout the country (through financial coupling mechanisms); as well as ii) the fact that a PPA on fixed energy generation is established; and iii) the fact that the Group joined, in the end of 2015, the hydro risk renegotiation mechanism, which combined with the cap on PLD⁷ price limits the exposure to the deficit of allocated energy relative to energy sold in PPA (for the Regulated Environment). On the other hand, the normalization of hydrological affluences and reservoir levels, investment plans for new capacity as well as the current macro-economic context contribute to limit the materiality of this risk in the future
- **Regarding energy consumption (electricity and gas)**, the EDP Group is subject to fluctuations in the amounts of energy sold (depending on factors such as, among others, economic activity and annual temperatures). A trend of falling energy sales has been noted in recent years, as the result of a slowdown in economic activity in Portugal and Spain. Consumption can also be affected, besides such economic cycle fluctuations, by situations of rationing (as happened in Brazil in 2001). Government estimates indicate a low probability of rationing in Brazil, due to the progressive normalization of hydro affluences and consequently reservoir levels (figures above homologous periods) as well as a slowdown in demand as a consequence of the current macro-economic context. This risk, like the previous one, is difficult to mitigate by itself. EDP chooses to manage it through diversification across multiple technologies, countries and business lines.
- **Regarding sales margins**, the current customer migration to the free market enhances the aggressiveness of offers from suppliers and can add additional volatility in terms of market shares and unit margins. Moreover, there is risk associated with deviations in actual consumption from the forecasting model adopted by the Group. These risks are managed by the Group's energy sales companies, with particular emphasis on initiatives to i) strengthening the core offer (e.g., through combined electricity and gas products); and ii) introducing innovative products and services (e.g., Funciona and Re:dy). In addition, the Prices and Volumes Committee evaluates and regularly makes recommendations for the dynamic management of this risk.
- **Regulatory risks**, related to changes in legislation and regulations that the Group is required to comply with in the various countries and markets in which it operates (in particular, but not limited to, sectoral packages, regulatory frameworks, environmental legislation and taxes, and other).

Changes resulting from the introduction of sectoral packages and modifications of revenue models have impacted on the EDP Group in recent years in a material manner, particularly in Portugal (as a result of the Financial Assistance Programme) and Spain (due to the large imbalance of the tariff deficit in that country). It is expected that this risk shall continue to be relevant in the future, although somehow less burdensome as a

⁴ Ratio between the yearly wind energy output vs. reference year

⁵ Ratio between the yearly hydro energy output vs. reference year

⁶ Net present value

⁷ Currently of R\$ 422,56/MWh

result of the gradual stabilization of the macroeconomic environment in Portugal and the tariff deficit in Spain and Portugal.

This risk is managed proactively by the EDP Group, through monitoring and thorough preparation of the various dossiers and adopting a constructive and cooperative attitude in their discussion. This allows the materialisation of unfavourable options and/or those out of synch with reality in the different market contexts in which the Group operates to be anticipated and minimized.

Financial risks

The financial risks encompass the market risk factors linked to the (non-operational) energy business of the EDP Group in the various countries and markets where it operates. Financial risks can be divided into four different types:

- **Financial variables risks**, associated with fluctuations in international markets in interest rates, exchange rates, inflation and valuation of financial assets held by the Group.
 - **Regarding interest rates**, the risk is mainly associated with the percentage of debt at floating rates, as well as any increases in costs associated with fixed rate debt refinancing needs in a context of rising current interest rates. This risk is managed and mitigated by the Group's Financial Management Department, which ensures compliance with the risk profile, using the procedures and tools provided by the Group's risk policies. Periodic reports on the evolution of these variables and sources of risk are prepared.
 - **Regarding foreign currency exchange rates**, the risk is associated with fluctuations in the cost of the purchase and sale of electricity and fuel and with the cost of investments denominated in foreign currencies, as well as fluctuations in the value of net assets, debt and income denominated in foreign currencies. The EDP Group acts proactively in order to ensure a broadly balanced net structural exposure (assets - liabilities) in USD, GBP and CAD. On the other hand, the geographical diversification (and exposure to multiple currencies) contributes for the reduction of annual result volatility. The remaining risks are managed and mitigated by the Group's Financial Management Department, in conjunction with the Energy Management Business Unit (UNGE), EDP Renováveis and EDP Brasil, in the same way as above.
 - **Regarding inflation**, the risk is mainly associated with the fluctuation of operating revenues and costs in the various countries where the EDP Group operates. In terms of mitigation, the revenue models of regulated activities as well as part of the PPAs include inflation pegging components in order to preserve adequate revenue for the business activity. A significant component of the Group's current business activities is also focused on markets with stable inflation rates. For the remaining risk, as well as active management of the various supply and services contracts, the EDP Group addresses this risk from an integrated perspective, mitigating it through an appropriate debt profile (fixed rate/floating rate) aligned with the revenues profile.
 - **Regarding the valuation of financial assets**, EDP adopts a conservative risk policy with reduced levels of exposure, based on a reduced weight of strategic financial assets and short term cash investments mainly based on bank deposits (without market risk). This risk mainly results from the possibility of devaluation of the financial assets that EDP holds (traded on securities markets). It is managed according to the procedures and tools provided by the Group's risk policies.
- **Counterparty and credit risks**, associated with unexpected changes in the compliance capacity with obligations by customers, financial counterparties (mainly associated with deposits in financial institutions and financial derivatives) and energy counterparties.
 - **Regarding financial counterparties**, the adverse macroeconomic and financial environment has led to a fall in ratings of various financial institutions where the Group invests its liquidity (impacted by the adverse macroeconomic and financial environment). This risk is managed through: i) a careful selection of counterparties; ii) an appropriate diversification of risk over multiple counterparties; iii) an exposure based on financial instruments of reduced complexity, high liquidity and of a non-speculative nature; and iv) regular monitoring of the positions held.
 - **Regarding energy counterparties**, this risk is reduced for operations in an organized market. For operations in OTC⁸ markets and fuel purchases, the Energy Management Business Unit (UNGE), which is responsible for monitoring and the interface with wholesale markets, monitors transactions by applying exposure and negotiation limits that have been established and approved in advance by a higher management according to

⁸ OTC: Over the Counter

the counterparty rating (external whenever possible, or internally rated if the former is unavailable), and using clearing houses for clearing. The counterparty risk is also associated with the sale of long-term energy agreements (PPA), which is minimized by the fact that a significant proportion of counterparties in this context are sovereign entities (governments or state-owned electricity systems). Meticulous scrutiny and approval criteria are likewise applied for private counterparties.

- **Regarding customers**, the Group is exposed to default risk in Portugal, Spain and Brazil. The average level of risk in Spain is structurally mitigated in terms of expected loss due to a mix of customers with greater weight of the B2B segment (which has less relative weight of average default). The risk in Brazil is mitigated through financial collateral to mitigate the loss (for the Free Contracting Environment), and through the partial recovery of non-compliance by the regulated tariff (for the Regulated Contracting Environment). This is monitored by EDP Distribuição and EDP Soluções Comerciais (in Portugal) and HC Energía and Naturgas (in Spain), which are responsible for carrying out the meter reading cycles and cutting off the service/taking legal action and debt recovery. In addition, mitigation tools such as credit insurance and setting up bank collateral are used, whenever this is deemed necessary.
- **Liquidity/solvency risk**, associated with specific cash shortfalls, difficulties in access/cost of credit and rating reduction risk.
 - **Regarding possible sporadic cash shortfalls**, there is a risk of possible default of the EDP Group in meeting all its short-term liabilities in the committed time periods, or just being able to do so under unfavorable conditions. This risk is mitigated through careful liquidity management, by means of: i) centralization (cash pooling) of all the Group's liquidity at the holding company except for Brazil; ii) keeping adequate levels of liquidity (cash and firmly committed credit lines) based on detailed forecasting of cash requirements (reviewed in 2016 to cover two years of refinancing); iii) an appropriate strategy to diversify funding sources; and iv) the diversification of debt type and maturity profiles.
 - **Regarding access to and the cost of credit**, the EDP Group has achieved, despite the adverse economic context, all funding necessary for the usual roll over of debt and to finance the Group's business. EDP's Group has successfully continued with its strategic commitment to reduce leverage (expressed as Net Debt/EBITDA excluding Regulatory Assets) over forthcoming years. Additionally, the Group has acted throughout 2016 towards increasing the average maturity of its debt and reducing its average cost.
 - **Regarding the risk of a ratings decline**, the EDP Group can be impacted in its access to and cost of financing by adverse changes in its rating profile (assigned by international agencies). EDP proactively manages this risk by maintaining a low risk profile and maintaining stable contractual standards, which assure that its liquidity position does not depend on mechanisms as financial covenants or rating triggers.
- **Other liabilities' risk**, associated with obligations relating to the capitalization of the Defined Benefit Pension Fund of the Group for Portugal (which has a risk associated with the market value of its assets), and additional costs associated with early retirement as well as medical expenses. The liabilities for employee social benefits are calculated annually by an Independent Actuary on the basis of IFRS-IAS assumptions (taking various factors into account, including interest rate, demographic aspects, economic variables and the applicable requirements). The Defined Benefit Pension Fund is regularly monitored by the Pension Fund Committee that meets at an established frequency, in terms of the value of its assets and the variations in terms of its liabilities (e.g., actuarially related).

Operational risks

The operational risks encompass the risk factors other than those linked to the energy and financial business of the EDP Group in the various countries and markets where it operates, associated with the planning, construction and operation of physical assets, implementation of processes, human resources, information systems and litigation. The operational risks can be broken down into five different types:

- **Physical assets risks**, related to unforeseen occurrences in projects under development/construction, damage to physical assets in operation and (technical and non-technical) operating losses, associated with the operation of the assets (mainly in distribution).
- **Regarding projects under development/construction and assets in operation**, the EDP Group is exposed to incidents derived from external causes (e.g., seismic or atmospheric phenomena, fire, damage to structures, burglary and theft, environmental pollution) or internal causes (e.g., damage caused by defects of origin and/or faulty installation), which can result in, inter alia, threats to the physical integrity of the Group's employees or third parties, repair or replacement costs of equipment, asset unavailability and consequential loss of profit or compensation to third parties.
 These risks are initially managed and mitigated by the various operational areas of the Group's business units, which propose and implement in an articulated manner the best practices in terms of the different policies, standards and operating procedures, inspection and regular preventive maintenance as well as crisis management plans and business continuity for catastrophic events. To this regard, it should be noted the revision of crisis management and business continuity policies in 2015, in order to ensure the continuous alignment with international best practices. Secondly, a significant portion of the remaining risk is mitigated through a comprehensive range of insurance policies (particularly in terms of property damage, civil liability, and the environment), insured in an integrated manner through a special area for this field - the Insurable Risks' Unit. This approach ensures consistency in the risk management policies, guarantees the dissemination of best practices and strengthens the negotiating position of the Group. The existing insurance policies contribute to significantly mitigate the impact of large-scale events (e.g., associated with extreme and comprehensive weather phenomena, non-availability of revenue generating assets or significant compensation to third parties) as well as much less frequent incidents with catastrophic impact (e.g., earthquakes).
- **Regarding operating losses**, the EDP Group is, firstly, liable for regulatory penalties if it does not meet the objectives set for distribution efficiency (technical losses) and also, on the other hand, for the loss of revenue associated with increased consumption of non-invoiced energy (non-technical losses). The various energy distribution business units (EDP Distribuição, EDP Gás, HC Energía, Naturgas Energía, Bandeirante and Escelsa) are responsible for this risk. Programs are continuously developed to monitor and mitigate this risk (including the launch of comprehensive programs to combat fraud).
- **Process implementation risks**, associated with irregularities in the implementation of various processes (particularly, but not limited to, commercial activities, supplier selection and management, billing and collection from customers, planning and budgeting of activities). This risk is monitored by the various business units. Its mitigation regarding financial reporting is controlled through the group-wide Financial Reporting Internal Control System (SCIRF), which systematically assess both quantitatively and qualitatively the existence and adequacy of the design and documentation of the various existing processes, as well as their internal control mechanisms, based on annual cycles.
- **Personnel risks**, associated with incidents impacting on the physical integrity of employees, the impact of unethical conduct and labour and trade union relations.
 - **Regarding incidents impacting on the physical integrity of employees**, the Group directs its activity around a zero accident culture, with awareness of employees concerning the risks involved in the various activities, as well as continuous identification and implementation of best practices for the prevention and meticulous analysis of incidents.
 - **Regarding potentially unethical conduct by employees or other associated entities**, the EDP Group regularly develops a training course (for all employees) on ethical models of conduct and behaviour in the presence of transgressions in the ethical domain. This risk is monitored by the Office of the EDP Ethics

Ombudsman, which is an independent entity responsible for collecting, analysing and assessing in the Ethics Committee all allegations of unethical conduct, under strict conditions of confidentiality and protection of the respective sources. Moreover, the EDP Group Ethics Committee is responsible for establishing the action lines to mitigate and penalise unethical conduct, whenever necessary, according to the facts collected and reported by the Ombudsman.

- **Information systems risks**, associated with both the non-availability of management information systems as well as failures in the integrity and security of their data.

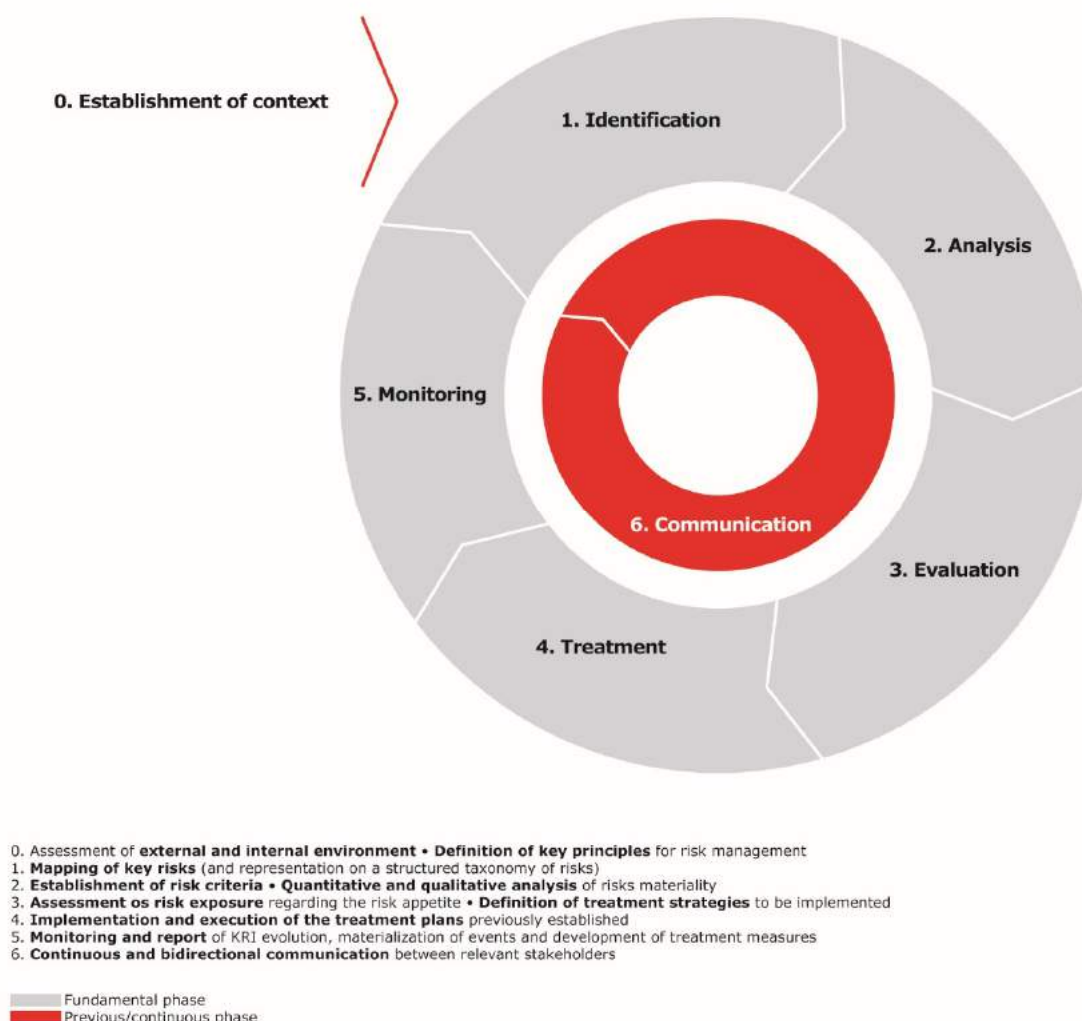
These risks are managed by specialized areas within each of the business units (centralized in the Information Systems Department for Portugal and Spain). Criticality and maximum unavailability times permissible for each of the main families of applications have been established for their mitigation, in close coordination with the various Business Units (end users). Disaster recovery redundant systems been sized and implemented to address the business specifications (particularly demanding for the associated critical systems, e.g., the implementation of financial transactions, communication and grid operation and trading of energy). Business Units with operational information systems (i.e., EDP Produção and EDP Distribuição) have specialized teams to guarantee the security and integrity of systems.

- **Litigation risks**, associated with losses arising from non-compliance with existing tax, labour, administrative, or civil legislation, or any other, that has an economic (penalties, compensation and agreements) and reputation impact.

EDP Group analyses, monitors and reports the aggregate exposure and material developments to all relevant bodies, whether at the level of the Board of Directors or the General and Supervisory Board. In addition to overall exposure and by country, all cases deemed to be of a material nature (contingency over EUR 2.5 million) are collected, analysed and reported individually. All ongoing processes are evaluated and classified individually as probable, possible or remote, according to their probability of resulting in a negative impact on the EDP Group. EDP and its subsidiaries' board of directors, based on the information provided by legal advisors and on the analysis of pending law suits, recognises provisions to cover the losses estimated as probable, related with litigations in progress. This treatment includes not only ongoing disputes (litigation in courts), but also the main contingencies in dispute and not materialised (and which may also translate into a negative impact, either through decision by the court or by out of court settlement).

54. Identification, analysis, evaluation, treatment and monitoring of risks

Given the size of EDP Group and its geographical diversity, it is important to define a common process for all Business Units that recognises and manages the heterogeneity of businesses and activities in which the Group operates. Accordingly, risk management in the EDP Group can be divided into 5 major integrated and structured phases (identification, analysis, evaluation, treatment and monitoring), complemented by a previous phase of establishment of context, and adequate levels of communication between all stakeholders:



EDP Group's Risk Management Process

- **The identification** of risks concerns the survey and update of the main risks associated with the Group's business, as well as their representation in a structured repository – the taxonomy of risks. Each of the Business Unit and Corporate Departments is primarily responsible for this exercise, within their scope. The Risk Management Department, in coordination with risk-officers, is responsible for the validating and integrating the different exercises and for obtaining and maintaining a global perspective (at the EDP Group level). The Group recently updated its top-down global risk map, based on interviews and in conjunction with the Group's main risk-owners. More recently, it also developed a reference taxonomy of risks, promoting a common language and facilitating the structure of different exercises for risk identification across all Business Units.
- **The analysis** of risks concerns the establishment of criteria to assess its nature and order of relative magnitude, as well as the analysis of individual and aggregated exposition according to the defined criteria. Each Business Unit and Corporate Department is primarily responsible for this exercise, within their scope of activity, being supported by the Risk Management Department, in coordination with risk-officers, namely through the development of adequate methodologies. This standardization and systematization of analysis and assessment criteria helps make risks of a heterogeneous nature comparable, informs the various decision makers of the orders of magnitude of the various risks and guides the prioritization of management and mitigation initiatives and the definition of clear risk

management policies at various levels (including the definition of limits). In addition to this perspective, risk-return analyses are performed systematically (based on EBITDA@Risk, CF@Risk or other methods) associated with the main strategic guidelines and decisions of the Group (e.g., regarding the Group's Strategic Plan, key investment decisions or other topics deemed to be relevant).

- **The evaluation** of risks is related to the comparison between the risk profile and the risk appetite, tolerance and capacity of the Group (stated both implicitly or explicitly), as well as on the definition of adequate strategies for treatment, when necessary. This exercise is responsibility of the Executive Board of Directors and Business Units, supported by the risk-officers, who act in coordination with the business operation (or risk-owners) and the Risk Management Department (headed by the Chief Risk-Officer). It is important to highlight the recent formalization of EDP Group's risk appetite statement, with the external objective of structuring a holistic narrative around the strategic pillar of controlled risk, as well as the internal objective of promoting a reflection on the risk-return trade-off of strategic options.
- **The treatment** of risks concerns the adequate implementation of the risk strategies previously established, including the definition of adequate mechanisms of control. This exercise is responsibility of each Business Unit and Corporate Department, within the scope of their activity.
- **The monitoring** of risks ensures the effectiveness of action on identified risks, both in terms of control and periodic reporting of the Group's position as regards several risk factors, as well as the effective implementation of the policies, standards and procedures established for risk management. This role is ensured by the Boards of Directors of the various Group Business Units. The Risk Management Department and risk-officers are responsible for promoting and enhancing risk control and management measures, disseminating best practices and supporting the disclosure of concepts, methods, risk measures and key risk indicators (KRI). Additionally, the Risk Management Department, supported by the network of risk-officers, develops a set of bi-weekly or quarterly reports sent to the Executive Board of Directors and to the Board of Directors of each Business Unit.

55. Main features of the risk management and internal control systems in place in the company for the disclosure of financial information

EDP Group has incorporated, into its management, the Internal Control System of Financial Reporting (SCIRF), based on criteria established by the regulatory framework of internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013), in relation to business processes and entity level controls, and the Control Objectives for Information and Related Technologies (COBIT), in relation to the general controls of information technology.

According to the adopted methodology and approved responsibilities model, activities were carried out related to the development, monitoring and maintaining of the internal control system, within the competence of those responsible that participating in it at the corporate level, entrepreneurial units and business units level (business and shared services units companies).

As part of the activities related to evolution, quality and strengthening of the internal control system, the topics regarding the analysis of financial and fraud risks related to financial reporting were strengthened, in view of the continuous improvement of the system.

The monitoring and maintenance work was carried out through: (i) corporate and ii) business and shared services units companies.

I. The activities at **corporate level** were as follows:

- Planning and monitoring cycle, maintenance and review of reference models, conceptual and methodological support to business and shared services units companies;
- Defining SCIRF 2016 Scope based on the consolidated financial information, supported on materiality and risk criteria on a "top down" (Corporate Internal Audit Department) and "bottom up" basis, from which the companies and Corporate Centre departments and respective processes considered relevant were identified. Autonomously, they

- were covered by the scope, the most relevant companies in Portugal, Spain and Brazil geographies and in aggregate, the units that make up EDP Renewables, SA, EDP Renewables Europe, SL and EDP Renewables North America, LLC;
- Support for business and shared services units companies in the documentation and review of new controls and redesigned of the existing, resulting from the inclusion of new topics, by materiality and/or risk and legal, structural or procedural changes;
 - Identification of relevant computer applications that support SCIRF and analysis of "service organizations", for monitoring the issuance of the ISAE 3402 reports corresponding to an independent assessment of the control environment used by EDP's information technology service providers;
 - Support and monitoring the cycle evaluation process, by the External Auditor, in terms of work planning, interaction with business and shared services units companies, resolution of identified non-compliances and reporting to those internal responsible and supervisors;
 - Launch and monitoring of the self-certification process, through which those responsible for the internal control of the business and shared services units companies, declare their explicit recognition about the sufficiency or insufficiency of the controls documentation in terms of updating and adjustment, its execution and maintenance of evidence, actions approval and implementation related to the resolution of non-compliance and compliance with the Code of Ethics;
 - Completion of the self-assessment process for SCIRF 2016 cycle, through which the CAE, represented by the CEO and CFO, emit a responsibility report on the safety and reliability degree of consolidated financial statements preparation and presentation;

II. The activities at **business and shared services units companies level** of EDP Group were as follows:

- Analysis of the results of the scope model application to the financial statements on an individual basis and inclusion of new topics and relevant applications, following the risk analysis "bottom up";
- Application of stand alone scope level for the EDP Espanha, EDP Renováveis and EDP Brazil subgroups, with the profile of materiality and risk appropriate to their size, have been published by the Auditors, in their respective annual reports, the corresponding independent reports on the internal control system, in line with the publication made in the annual consolidated report;
- Identification, review and appointment of SCIRF responsible, depending on the result of the Scope model application and on the review and/or update due to organizational, structural, legislative and operational changes in the business and shared services units companies;
- Documentation of new controls and redesign of the controls documented in previous cycles, subject to revision due to changes at different levels of the business and shared services units companies;
- Implementation of actions necessary for the resolution of non-compliances identified in the assessment tests;
- Self-certification by which the SCIRF leaders assess, at all levels of the chain, the sufficiency and updating of documentation and maintenance of evidence in the execution of control activities;
- Self-assessment by the CEO and CFO of EDP Spain, EDP Renewables and EDP Brazil subgroups, through the issue of responsibility reports on the degree of safety and reliability of the preparation and presentation of financial statements, in line with the issuance of the independent reports, by the External Auditor, at "stand alone" level;
- The SCIRF 2016 evaluation was made by the Group's External Auditor, KPMG, according to the "ISAE 3000 - International Standard on Assurance Engagements" in all geographies covered by the scope model, with the support of Price Waterhouse Coopers, in the specific case of EDP Brazil.

The External Auditor issued an independent report on the Group's Internal Control System of Financial Reporting related to the financial statements of December 31, 2016, without reservations nor qualifications, presented in the annex "Reporting Principles", concluding with a reasonable degree of assurance regarding the effectiveness of internal controls system on financial reporting of EDP Group.

IV. Investor Relations

56. Composition, duties and information provided by these services and their contact information

The essential role of the Investor Relations Department is to act as the interlocutor between EDP's Executive Board of Directors and investors and the financial markets in general. It is responsible for all the information provided by the EDP Group, in terms of disclosure of privileged information and other market communications and publication of periodic financial statements.

In carrying out its duties, the department is in constant contact with investors and financial analysts, providing all the information that they request, while observing the applicable legal and regulatory provisions.

EDP's Investor Relations Department comprises six people and is coordinated by Miguel Viana. It is located at the company's head office:

Avenida 24 de Julho, nº 12, 4º Piso - Poente
1249-300 Lisboa
Telephone: +351 21 001 2834
Fax + 351 21 001 2899
E-mail: ir@edp.pt
Website: www.edp.pt

The table following shows the communication channels through which EDP provides its shareholders with information on each type of documentation.

CHANNELS	In Person ¹	www.edp.pt	E-mail	IR Phone Number ²	By Mail ³	www.cmvm.pt
Elements required by law or regulation ⁴						
Notice of meeting	✓	✓	✓	✓	✓	✓
Executive Board of Directors' proposals	✓	✓	-	✓	✓	✓
Amendment of the Articles of Association	✓	✓	-	✓	✓	✓
Other proposals	✓	✓	-	✓	✓	-
Annual Report	✓	✓	✓	-	-	✓
Management and supervisory positions held in other Group companies by company officers	✓	✓	-	✓	-	✓
Elementos adicionais disponibilizados pela EDP						
Ballots for voting by proxy	✓	✓	✓	✓	✓	-
Ballots for voting by mail	✓	✓	✓	✓	✓	-
Ballots for voting by e-mail	✓	✓	✓	✓	✓	-
Clarification of any issues	✓	✓	✓	✓	✓	-
EDP Articles of Association and Regulations	✓	✓	✓	✓	✓	✓

1) At EDP's headquarters

2) IR phone number +351210012834;

3) Written notice from the Chairman of the Executive Board of Directors regarding Annual General Meetings

4) Art. 289 of Companies Code and Regulation of CMVM 5/2008

57. Representative for market relations

The representative for market relations is Nuno Maria Pestana de Almeida Alves, member of the Executive Board of Directors.

58. Percentage of and response time to queries received in the year or pending from previous years

EDP's goal is for communication with the market to consist of objective, transparent information that is understandable to all stakeholders. This is only possible with a financial reporting policy based on transparent, consistent information provided to investors and analysts, as the company has been doing.

The company has therefore made a systematic effort to meet the needs of investors and analysts, which is not an easy task due to the complexity of the sector, always with a view to fostering relationships of trust with financial agents and markets.

In 2016, EDP participated in events with analysts and investors to inform the market of the company's strategy and operational and financial performance. These included roadshows, presentations to analysts and investors, meetings and conference calls.

75 market communications were made in 2016. The Investor Relations Department received 404 requests for information and had 974 meetings with analysts and investors. The average response time to queries was less than 24 hours and no requests were held over into 2017.

The company's efforts have been rewarded at a number of events. In 2016, EDP was nominated for the "IR Magazine Europe Awards 2016", having been considered the 4th best company for senior management team (CEO and CFO), whilst in terms of the global ranking of the "IR Magazine Europe Awards 2016", EDP cemented its position, having been elected in 2016 the 6th best public company in Europe in terms of investor relations for large caps.

V. Website

59. Website Address

EDP's website (http://www.edp.pt/en/aedp/governosocietario/Pages/msg_PCGS.aspx) provides comprehensive legal or corporate governance information, updates on the Group's activity and complete financial and operational data in order to facilitate searches and access to information by shareholders, financial analysts and others.

The information made available through this channel in Portuguese and English includes data on the company, financial statements and accounts, privileged information, the Articles of Association and internal regulations of corporate bodies, the Group's shareholder structure, preparatory documentation for General Meetings, historical performance of EDP share prices, a calendar of company events, the names of members of the corporate bodies and the representative for market relations, contact information for the Investor Relations Department and other information of potential interest about the Group. EDP's website also allows visitors to view or request accounting documents for any financial year since 1999.

60. Location of information about the company, its status as a public limited company, head office and other details mentioned in Article 171 of the Company Code

The information set out in Article 171 of the Company Code is available on EDP's website on:

<http://www.edp.pt/en/aedp/governosocietario/Pages/Dados%20da%20Sociedade.aspx>

61. Location of the Articles of Association and regulations of bodies or committees

The Articles of Association and regulations of bodies and committees are available on EDP's website on:

<http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx>

62. Location of information on the names of members of the corporate bodies, market relations representative, investor relations office or equivalent body, their duties and forms of access

The names of members of the corporate bodies, market relations representative, investor relations office or equivalent body, their duties and forms of access are available on EDP's website on:

http://www.edp.pt/en/aedp/governosocietario/orgaosgovernosocietario/Pages/default_new.aspx

<http://www.edp.pt/en/aedp/governosocietario/Pages/Dados%20da%20Sociedade.aspx>

63. Location of accounting documents, which must be available for at least five years and the six-monthly calendar of company events disclosed at the start of each half year, including General Meetings, disclosure of annual, six-monthly and, if applicable, quarterly accounts

The accounting documents and calendar of company events are available on EDP's website on:

<http://www.edp.pt/en/Investidores/Resultados/Pages/Resultados.aspx>

<http://www.edp.pt/en/investidores/calendario/Pages/Calendario.aspx>

64. Location of notice of meeting for General Meetings and all their preparatory and subsequent information

The notice of meeting for General Meetings and all their preparatory and subsequent information are available on EDP's website on:

<http://www.edp.pt/en/Investidores/assembleiasgerais/assembleiasanuais/Pages/AssembleiasAnuais.aspx>

65. Location of history of decisions made at the company's General Meetings, the share capital represented and result of votes for the previous three 3 years

The history of decisions made at the company's General Meetings, the share capital represented and result of votes are available on EDP's website on:

<http://www.edp.pt/en/Investidores/assembleiasgerais/assembleiasanuais/Pages/AssembleiasAnuais.aspx>

D. Remuneration

I. Power to set Remuneration

66. Power to set the remuneration of corporate bodies and company directors

Pursuant to the Articles of Association, payments to the company officers are fixed by a Remuneration Committee appointed by the General Meeting of Shareholders, with the exception of the remuneration to members of the Executive Board of Directors, which is fixed by a Remuneration Committee appointed by the General and Supervisory Board.

When establishing the remuneration of the members of the General and Supervisory Board and Statutory Auditor, the Remuneration Committee of the General Meeting takes account of its fixed nature and the imperative rules on its determination, in particular Article 440 (2) of the Company Code, which sets out the criteria for setting the remuneration of the General and Supervisory Board, Article 374-A of the Company Code on the remuneration of members of the officers of the General Meeting and Article 60 of Decree-Law 224/2008 of 20 November on the remuneration of the Statutory Auditor.

II. Remuneration Committee

67. Membership of the Remuneration Committee, including names of the natural or legal persons hired to assist and declaration on independence of each member and consultant

The membership of the Remuneration Committee of the General Meeting and of the Remuneration Committee appointed by the General and Supervisory Board is set out in Point 29.

In 2016, no natural or legal persons were hired to assist any of the Remuneration Committees referred to on the previous paragraph. Therefore, no-one who provides or has provided in the last three years services to any body answering to the Executive Board of Directors or the Executive Board of Directors itself or who is currently a company consultant was hired. This statement covers any natural or legal persons that are related to them by an employment or service agreement.

68. Knowledge and experience of remuneration policy of the members of the Remuneration Committee

The Remuneration Committee of the General and Supervisory Board is composed of members of the General and Supervisory Board with qualifications and experience in remuneration policy, according to Annex I of the current Report.

III. Remuneration Structure

69. Remuneration policy of management and supervisory bodies

Executive Board of Directors

Remuneration policy for the members of the managing body is set by the Remuneration Committee appointed by the General and Supervisory Board. This committee defined the remuneration of the directors, intending for it to reflect the performance of each member of the Executive Board of Directors in each year of their term of office (annual variable remuneration) and their performance during their term by fixing a variable component that is consistent with maximisation of EDP's long-term performance (variable multi-annual remuneration).

The recommendation uses an undetermined concept whose satisfaction depends on the concrete circumstances of the issuing company and especially on its shareholders' understanding of what is reasonable in these circumstances. Interpretation of the reasonability of the relative weight of the variable remuneration against the fixed remuneration must take account of the other elements in the recommendation, particularly of orientation towards alignment of the remuneration structure with the shareholders' long-term interests. One of the natural consequences of this principle is an increase in the weight of the variable component in order to create appropriate incentives for the company's executive directors to foster sustainable growth.

The relative weight of the variable remuneration against the fixed remuneration take account particularly of orientation towards alignment of the remuneration structure with the shareholders' long-term interests. As a result the weight of the variable component is higher to create appropriate incentives for the company's executive directors to foster its sustainable growth.

The remuneration policy statement, as approved by the shareholders, lays down that the total variable component can reach twice the fixed component during a term of office, thereby placing a maximum limit of two-thirds of the remuneration depending on fulfilment of strict company performance goals. Variable remuneration depends on whether

the executive directors achieve a performance of 90% of the business plan. Only if they achieve 110% fulfilment will they receive the maximum amounts allowed by the company's remuneration policy.

Variable remuneration is divided into annual, which may only reach 80% of fixed remuneration, and multi-annual, which may reach 120% of the fixed remuneration. Variable multi-annual remuneration is only paid if the goals have been met and is paid three years after the financial year in question.

If the remuneration goals are fully met in a term of office, 60% of the directors' variable remuneration is deferred for no less than three years.

If we compare this percentage with that set out for credit institutions and financial companies, pursuant to Directive 2010/76/EU of the European Parliament and of the Council of 24 November, as it is a paradigm that was widely analysed and discussed in Europe, we find that EDP's policy on variable remuneration is equivalent to the strictest used by these entities.

In accordance with the remuneration policy of the members of the Executive Board of Directors proposed by the Remuneration Committee of the General and Supervisory Board "a significant part of the variable remuneration" corresponding to the variable multi-annual remuneration may be a maximum of 120% of gross annual remuneration and it will be paid three years after the financial year in question.

Payment of the multiannual variable remuneration is conditional on the non-realization of intentional unlawful acts, known after the completion of the evaluation and that jeopardize the sustainability of the performance of the company, being paid after the clearance and Remuneration Committee of the General and Supervisory Board approval.

The remuneration policy statement approved by the General Meeting on 19 April, 2016 sets out the following:

- **Fixed annual remuneration** – EUR 800,000 gross for the CEO, EUR 560,000 gross for the administrator responsible for finance matters and for the Chief Executive Officer of EDP Renováveis Group and EUR 480,000 for the remaining members of the Executive Board of Directors. Maintenance of directors' retirement savings plans during their term of office, at a net amount of 10% of their fixed annual remuneration. The characteristics of these retirement savings plans are set out in current legislation applicable to these financial products;
- **Annual variable remuneration** – for each member of the Executive Board of Directors its value is limited to 80% of their gross annual fixed remuneration. The amount is determined on the basis of the following indicators for each year in office: performance of the EDP Group's total shareholder return against Eurostoxx Utilities and PSI-20, earning per share, net debt to EBITDA ratio, operational cash flow excluding regulatory receivables, and residual income. The weighted average of these indicators is given an overall weight of 80% for all members of the Executive Board of Directors, when determining their annual variable remuneration. The other 20% is based on an individual assessment by the Remuneration Committee of the General and Supervisory Board;
- **Multi-annual variable remuneration** – also for each member of the Executive Board of Directors, this component may be between 0% and 120% of their fixed annual remuneration based on an annual accumulated assessment of the directors' performance in achieving economic sustainability for the EDP Group. The award of this multi-annual remuneration, although calculated on an annual basis, only takes effect if, at the end of the term of office, at least 90% of the strategic objectives have been achieved. These will be assessed on the basis of performance and comparison with defined strategic benchmarks, as well as the individual contribution of each member of the Executive Board of Directors to such performance. This payment component is fixed on the basis of the following factors: performance of total return for the Group's shareholders against Eurostoxx Utilities and PSI-20 in the term of office, performance of earnings per share in the term of office, performance of Net Debt to EBITDA ratio in the term of office, performance of the sustainability index applied to the EDP Group, and performance of operational cash flow excluding regulatory receivables in the term of office. The weighted average of these indicators is given an overall weight of 65% for all members of the Executive Board of Directors, when determining their multi-annual variable remuneration. 35% of the remuneration that is determined by the qualitative internal assessment of the Executive Board of Directors by the Remuneration Committee of the General and Supervisory Board is reserved. Payment of the multiannual variable remuneration is deferred in time, for a period not less than three years, getting the appropriate payment conditional on the non-realization of intentional unlawful acts, known after the completion

of the evaluation and that jeopardize the sustainability of the performance of the company, being paid after the clearance and Remuneration Committee of the General and Supervisory Board approval.

General and Supervisory Board

Pursuant to the provision of the Article 440 of the Companies' Code, the remuneration of the members of the General and Supervisory Board is fixed, in view of their duties.

The remuneration of the Chairman of the General and Supervisory Board was fixed on the basis of the almost full-time performance of his duties, unlike the rest of the members of such body.

Considering the study developed by the Remuneration Committee of the General Shareholders' Meeting in 2015, as well as the challenges the Company intended to pursue during 2016, the Commission defined the following remuneration policy guidance for the exercise began on 1st January 2016 until the term of the respective mandates:

- A differentiation between the remuneration of the members of the General and Supervisory Board and those of the members of the Executive Board of Directors shall be maintained, and there will be no variable component or any other remunerative supplement for the General and Supervisory Board.
- It shall be taken into account the performance merit and the complexity of the functions performed by the members of each body, so that the cohesion, stability and development of the company is not endangered.
- As to the General and Supervisory Board Chairman, it shall be particularly considered (a) the relevant duties exercised in a full-time basis (or, at least, 80% of the available time); (b) that the Chairman is not member of any relevant corporate body in listed companies; (c) that the Chairman office's functions comprehend a strong component of institutional representation; and (d) that it also demands the selection of a public figure with a high-qualified curriculum and with public recognition and prestige;
- In what regards the Deputy Chairman, it shall be considered the duties and works performed by him in other committees, being expected, as mentioned, that throughout the social exercise there will be a higher clarification of the respective functions.
- It is also important to distinguish other specific positions in the General and Supervisory Board, namely the participation of General and Supervisory Board members in other committees, as well as the functions in those committees.
- Finally, it should be considered that, historically, the remuneration of the Chairman of the General Shareholders' Meeting Board is similar to the remuneration attributed to a Committee Chairman. Therefore, the remuneration of the Chairman of the General Shareholders' Meeting Board shall be aligned accordingly.

The shareholders approved the statement of remuneration policy.

70. How remuneration is structured to allow alignment of the interests of the members of the managing body with the company's long-term interests and how it is based on assessment of performance and discourages excessive risk-taking

As set out in the remuneration policy described in Point 69, remuneration is structured to allow alignment of the interests of the members of the Executive Board of Directors with the company's long-term interests.

The time period considered for the payment of the variable component of the remuneration (gap of three years regarding the exercise at stake), the subjection of this payment to the non-performance of unlawful willful actions known after the assessment and that jeopardize the sustainability of the company's performance, to which is added i) the utilization of qualitative criteria looking forward for a strategic perspective and of medium term in the development of the company, ii) the existence of a maximum limit for the variable remuneration and iii) the relative weight of this component in the total value of the remuneration, represent decisive elements to promote a performance of the company's management

focused not only in short term goals, but also that integrates in its performance the company's and the shareholders' interests in a medium and long term perspective.

The members of the managing body have not concluded any agreements with the company or third parties that have the effect of mitigating the risk of variability of their remuneration fixed by the Remuneration Committee.

71. Reference to a variable remuneration component and any impact of performance evaluation on this component

As described above in point 69, remuneration policy in effect for 2015-2017 involves three main components: i) fixed remuneration, ii) annual variable remuneration and iii) multi-annual variable remuneration.

The indicators used to assess the performance of the Executive Board of Directors in order to determine annual and multi-annual variable remuneration are as follows:

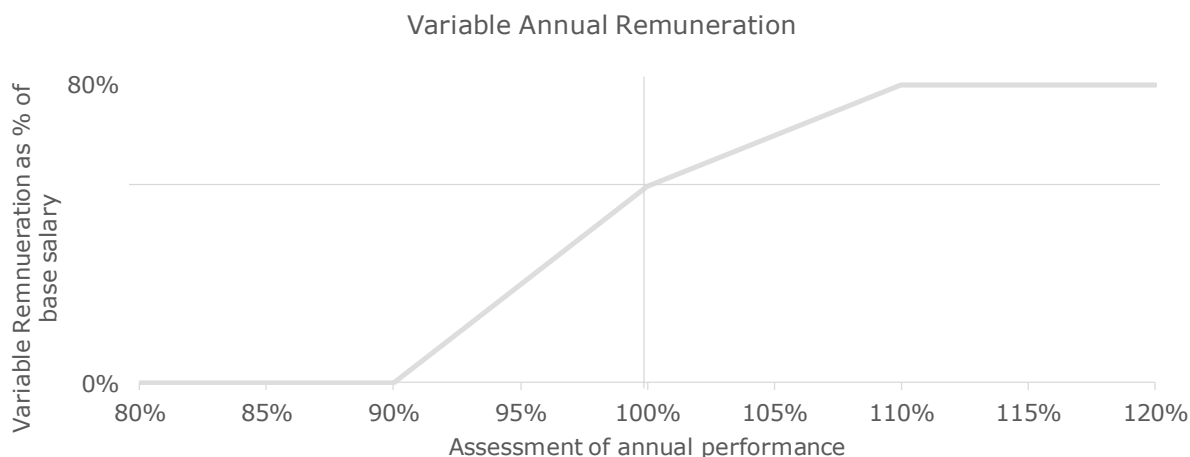
Annual performance indicators

The annual performance indicators aim to evaluate the Executive Board of Directors in a short term perspective. For such, stock exchange indexes are considered, as well as financial performance indicators, compared against the annual budget proposed by the Executive Board of Directors and approved by the General and Supervisory Board, having each of the budgets the business plan as a starting point. This type of performance evaluation allows the measurement of the level of fulfilment of short term objectives assumed by the Executive Board of Directors towards the shareholders.

Quantitative and qualitative component and its weight

	KPI	Weight	Benchmark	Description
Quantitative Component (80%)	Total shareholder return (TSR) vs Eurostoxx utilities e PSI20	25%	50% - PSI20 50% - SX6E	Comparison between EDP's Total Shareholder Return (TSR) and the TSR of two major indexes: the Eurostoxx utilities (SX6E, which encompasses the most important utility companies within the Eurozone); and the PSI20 (the Portuguese stock market index). The indexes are equally-weighted and the current year-end prices are compared with the previous year year-end prices, including dividends reinvestment.
	Earnings Per Share	20%	2016 Budget	Comparison between earnings per share of the year under analysis and the one defined in the annual budget previously approved by the General and Supervisory Board.
	Net Debt to EBITDA	15%	2016 Budget	Comparison between the net debt over EBITDA ratio and the ratio defined in the annual budget approved by the General and Supervisory Board.
	Operating cash flow excluding regulatory receivables	13%	2016 Budget	Comparison between this year operating cash flow, excluding the impact from regulatory receivables and the one defined in the annual budget approved by the General and Supervisory Board.
	Residual Income	7%	2016 Budget	Comparison between the net income minus the product between EDP's cost of capital and its net worth, excluding non-controllable interests, and the amount previously defined in the annual budget approved by the General and Supervisory Board.
Qualitative Component (20%)	Individual Performance Assessment	20%	-	Individual assessment by the Remuneration Committee of the General and Supervisory Board, based on the individual performance of each member of the executive Board of Directors.
	Total	100%		

The resulting amount of the quantitative and qualitative component is then weighted, as mentioned above, by a coefficient of 80% of the annual fixed remuneration.



Multi-annual performance indicators

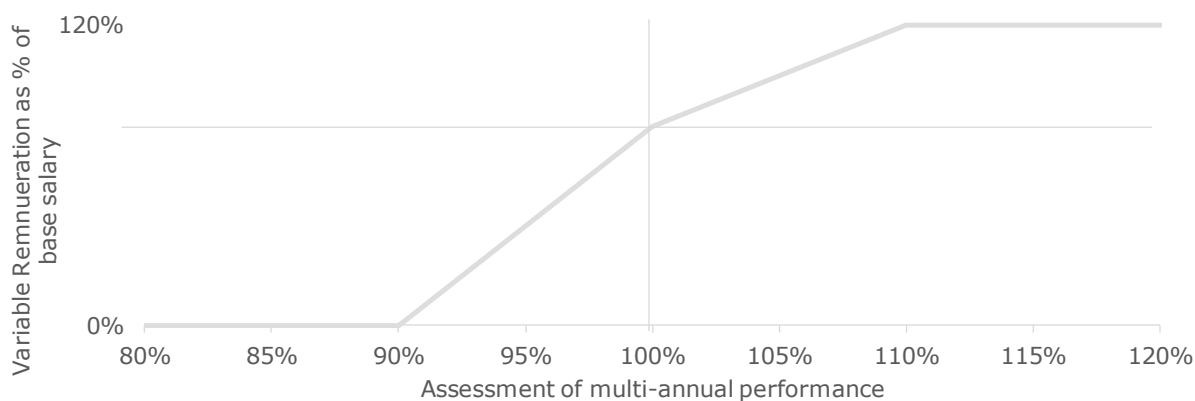
The multi-annual performance indicators aim to evaluate the Executive Board of Directors in a long term perspective. For such, stock exchange indexes are considered, as well as financial performance indicators, compared against the most recent business plan proposed by the Executive Board of Directors and approved by the General and Supervisory Board. This type of performance evaluation allows the measurement of the level of fulfilment of long term objectives assumed by the Executive Board of Directors towards the shareholders. The internal business plan of EDP Group is the document sustaining the mid and long term financial objectives of EDP, presented to the capital markets on its "Investor Days" or "Capital Markets Day". The business plan for the 2016-2020 period was approved by the General and Supervisory Board in May 2016 and was presented to the market in "EDP Capital Markets 2016", concerning the main financial objectives for the company through 2020.

Quantitative and qualitative component and its weight

	KPI	Peso	Comparativo	Descrição
Quantitative Component (65%)	Total shareholder return (TSR) vs Eurostoxx utilities e PSI20	18.5%	50% - PSI20 50% - SX6E	Comparisson between EDP's Total Shareholders Return (TSR) and the TSR of two major indexes: the Eurostoxx utilities (SX6E, which encompasses the most important utility companies within the Eurozone); and the PSI20 (the Portuguese stock market index). The indexes are equally-weighted and the current year-end prices are compared with the previous year year-end prices, including dividends reinvestment.
	Earnings Per Share	18.5%	Business Plan	Comparison between earnings per share of the year under analysis and the one defined in the 2016-2020 business plan previously approved by the General and Supervisory Board.
	Net Debt to EBITDA	15%	Business Plan	Comparison between the net debt over EBITDA ratio and the ratio defined in the 2016-2020 business plan approved by the General and Supervisory Board.
	Sustainability Performance Indicator	8%	Historic; Peers; qualitative	This indicator evaluates EDP sustainability performance taking into account: absolut metrics' evolution over past periods, peer comparison and qualitative performance evaluation of the Remuneration Committee of the General and Supervisory Board.
	Operating cash flow excluding regulatory receivables	5%	Business Plan	Comparison between this year operating cash flow , excluding the impact from regulatory receivables, and the one defined in the 2016-2020 business plan approved by the General and Supervisory Board.
Qualitative Component (35%)	Individual Performance Assessment	35%	-	Individual assessment by the Remuneration Committee of the General and Supervisory Board, based on the individual performance for the period of each member of the Executive Board of Directors.
Total		100%		

The resulting amount of the quantitative and qualitative component is then weighted, as mentioned above, by a coefficient of 120% of the annual fixed remuneration.

Variable Multi-Annual Remuneration



72. Deferral of payment of variable component of remuneration and its length

The multi-annual variable remuneration is calculated every year and only becomes effective at the end of the term of office if at least 90% of the strategic goals have been achieved, as assessed on the basis of company performance and its comparison with the strategic benchmarks and the individual contribution of each member of the Executive Board of Directors.

All multi-annual eventual variable remuneration is paid three years after the financial year in question.

73. Criteria on allocation of variable remuneration in shares and executive directors' maintenance of these shares, any agreements concluded concerning these shares, such as hedging or risk transfer contracts, their limit and their association with total annual remuneration

The members of the Executive Board of Directors do not own company shares under variable remuneration schemes.

74. Criteria on allocation of variable remuneration in options, period of deferral and price of exercise

EDP has no variable remuneration option schemes.

75. Main parameters and basis of any annual bonus system and any non-monetary benefits

Company directors do not receive any significant remuneration in the form of non-monetary benefits.

76. Main characteristics of supplementary pension or early retirement schemes for directors and date of approval individually at a General Meeting

The remuneration fixed by the Remuneration Committee of the General and Supervisory Board sets for a retirement savings plan-type standard financial product for the members of the Executive Board of Directors, through the application of a net amount correspondent to 10% (ten percent) of their fixed annual remuneration. It was granted in accordance with the Remuneration Policy Statement approved by resolution of the General Shareholders' Meeting dated 19 April 2016. This financial product does not entail any cost to EDP in the future, as it is merely a subscription to a financial product while the members of the managing body hold their positions and is not covered by Article 402 (1) of the Company Code.

IV. Disclosure of Remuneration

77. Annual aggregate and individual remuneration paid to the members of the company's managing body by the company, including fixed and variable remuneration and its different components

The total gross amount paid by EDP to the members of the Executive Board of Directors in 2016 was 10,867,574 euros.

The table below shows the gross amounts of remuneration paid individually to the members of the Executive Board of Directors in office in 2016:

Euros	Gross remuneration paid by EDP	
	Fixed	Annual Variable (2015)
António Luís Guerra Nunes Mexia (Chairman)	983,908	395,968
Nuno Maria Pestana de Almeida Alves	688,736	316,775
João Manuel Manso Neto	660,409	313,856
António Fernando Melo Martins da Costa	562,018	308,019
João Manuel Veríssimo Marques da Cruz	296,155	177,948
Miguel Stilwell de Andrade	570,065	310,938
Miguel Nuno Simões Nunes Ferreira Setas	310,681	207,352
Rui Manuel Rodrigues Lopes Teixeira	576,744	293,427

The remuneration of the Chairman and directors of the Executive Board of Directors include the amounts associated with the retirement savings plan. The amounts of the variable remuneration were fixed on the basis of the tax treatment applicable in the director's country of tax residence. The amounts paid by EDP subsidiaries refer solely to their period of residence abroad.

As results of the policy in force, the compensation is structured to allow the alignment of the EBD members' interests with the long-term interests of the company. In this way, taking into account the objective calculations associated with the remuneration model, the Commission set the multi-annual variable component imputable to the second year of the 2012/2014 mandate.

Euros	Gross remuneration paid by EDP	
	Multi-annual variable (2013)*	
António Luís Guerra Nunes Mexia (Chairman)	656,172	
Nuno Maria Pestana de Almeida Alves	519,408	
João Manuel Manso Neto	519,408	
António Manuel Barreto Pita de Abreu	436,303	
António Fernando Melo Martins da Costa	471,324	
João Manuel Veríssimo Marques da Cruz	291,634	
Miguel Stilwell de Andrade	491,760	

Multi-annual variable remuneration concerning performance in 2012-2014, year of 2013

78. Amounts paid for any reason by other subsidiary or Group companies or companies under common control

The table below shows the gross amounts of remuneration paid by other subsidiary or Group companies or companies to a member of the Executive Board of Directors under common control.

Euros	Gross remuneration paid		
	Fixed	Variable (2015)	Companies in a control relationship
João Manuel Veríssimo Marques da Cruz	240,000	0	EDP Ásia - Soluções Energéticas
Miguel Nuno Simões Nunes Ferreira Setas *	268,566	0	EDP - Energias do Brasil

* Annual Fixed Remuneration shall be adjusted by the end of April 2017, aiming for the correction of deviations resulting from exchange rates.

79. Remuneration in the form of profit-sharing and/or payment of bonuses and reasons for these bonuses or profit sharing

EDP has no schemes in place for payment of remuneration in the form of profit-sharing and/or payment of bonuses.

80. Compensation paid or owed to former executive directors for termination in the financial year

There are no agreements between the company and members of the managing and supervisory bodies providing for compensation in the event of termination, as proven by the remuneration policy statement in effect for 2016. As a result no compensation for termination was paid or is owed to former directors.

It should also be noted that there are no contracts for severance payment in force, nor does the remuneration policy provide for such, in the event of dismissal or termination by agreement from the post of director.

In particular, the company does not assign compensation beyond the legally required in case of dismissal from the post of director founded in inadequate performance neither was any payments made in this context during the year 2016.

81. Annual aggregate and individual remuneration paid to the members of the company's supervisory bodies

1. General and Supervisory Board

The total gross amount paid by EDP to the members of the General and Supervisory Board in 2016 was 1,904,000 euros.

The table below shows the remuneration paid in 2016 to the members of the General and Supervisory Board in office:

Euros	Gross Fixed
China Three Gorges Corporation*	515,000
Luís Filipe Marques Amado	95,000
China International Water & Electric Corporation	47,000
China Three Gorges New Energy Corporation	70,000
CWEI (Europe), S. A.	57,000
CWEI (Portugal), Sociedade Unipessoal, Lda.	67,000
Banco Comercial Português, S. A.	57,000
DRAURSA, S. A.	57,000
SONATRACH	57,000
António Sarmiento Gomes Mota	120,000
Mohamed Al Fahim	57,000
Vasco Joaquim Rocha Vieira	57,000
Maria Celeste Ferreira Lopes Cardona	80,000
Jorge Avelino Braga Macedo	67,000
Ilídio Costa Leite Pinho	57,000
Fernando Maria Masaveu Herrero	67,000
Augusto Carlos Serra Ventura Mateus	57,000
João Carvalho das Neves	100,000
Alberto Joaquim Milheiro Barbosa	80,000
María del Carmen Fernández Rozado	70,000
António Manuel Carvalho Ferreira Vitorino	70,000

*Remuneration paid to representant, Mr. Eduardo de Almeida Catroga

2. Other Company Bodies

Environment and Sustainability Board

The members of the Environment and Sustainability Board are paid in attendance vouchers of EUR 1,750 per meeting. In 2016, the remuneration paid to the members of the Environment and Sustainability Board was as follows:

Euros	Fixed Gross Remuneration
José Pedro Silva Sucena Paiva	5,250
Alberto Manuel Rosete da Ponte	1,750
António José Tomás Gomes de Pinho	3,500
José Manuel Viegas (1)	0
Maria Graça Madeira Martinho	0
(1) Resigned remuneration	

Remuneration Committee of the General Meeting

The members of the Remuneration Committee of the General Meeting received the following remuneration in 2016:

Euros	Fixed Gross Remuneration
Luís Miguel Nogueira Freire Cortes Martins	15,000
José Gonçalo Maury	10,000
Jaime Amaral Anahory	10,000

82. Remuneration of the Chairman of the General Meeting.

The Chairman and Secretary of the General Meeting do not earn any remuneration in that capacity, given that they are remunerated as a member of the General and Supervisory Board and company Secretary, respectively. The Vice-Chairman of the General Meeting is paid an amount of EUR 3,000 a year.

V. Agreements Affecting Remuneration

83. Contractual limitations for compensation payable to directors for dismissal without due cause and their association with the variable component of remuneration.

In accordance with the remuneration policy statement in effect for 2016, EDP has no existing contracts providing for payments in the event of dismissal or termination by mutual agreement of directors.

84. Description and amounts of agreements between the company and members of the managing body and directors, as set out in Article 248-B (3) of the Securities Code, providing for compensation in the event of dismissal without due cause or termination of employment following a change of company control

Considering Article 248-B (3) of the Securities Code, EDP has no directors other than the members of the corporate bodies. In addition to the members of these bodies, there are no managers who have regular access to privileged information and participate in decisions on the company's management and business strategy.

Furthermore, we reiterate that, in accordance with the remuneration policy statement approved at a General Meeting and in effect for 2016, EDP has no existing agreements providing for payments in the event of dismissal or termination by mutual agreement of directors.

VI. Stock Purchase Option Plans or Stock Options

85. Plan and its beneficiaries

There are no stock options for company employees.

86. Description of the plan (conditions for award, clauses on non-saleability of shares, shares price criteria, price of options in financial year, period in which options can be exercised, characteristics of shares or options, incentives for purchase of shares or exercise of options)

There are no stock options for company employees.

87. Stock options of company employees

There are no stock options for company employees.

88. Control mechanisms set out in any employee share scheme so that they do not exercise their voting rights directly

The company has no such control mechanisms.

E. Transactions with Related Parties

I. Mechanisms and Procedures of Control

89. Company mechanisms for monitoring transactions with related parties

The General and Supervisory Board approved objective, transparent rules on the identification, prevention and resolution of relevant corporate conflicts of interest called Framework on Handling of Conflicts of Interest, which was revised in late 2009.

Following a decision made by the General and Supervisory Board, on 17 May, 2010 the Executive Board of Directors approved the rules on identification, in-house reporting and procedure in the event of conflicts of interest applicable to all EDP Group employees who play a decisive role in transactions with related parties.

These rules are also available on EDP's website.

As part of its improvement of governance practices, on 29 July 2010, the General Supervisory and Board approved EDP's rules on conflicts of interest and transactions between related parties, which was reviewed in 2015 and a new version was approved on 29 October 2015, available on EDP's website (www.edp.pt). This set of rules on the prevention, identification and resolution of potential corporate conflicts of interest has a wider scope of application than that set out in CMVM Regulation 4/2013.

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its work to the General and Supervisory Board.

For further information on this matter, see Point 3.5.2. of the annual report of the General and Supervisory Board.

90. Transactions that underwent controls in the year

Attentive to the current reporting obligations, the Executive Board of Directors, during 2016, submitted to the General and Supervisory Board the information concerning the transactions between related parties. Such information concerned the transactions listed below:

- Sale to CTG of a minority holding of wind assets of EDP Renováveis in Italy and Poland (49% of shares and shareholder loans), being the respective purchase and sale agreement signed in 28th December 2015. On the 27th October 2016, the financial closing of the operation occurred in which CTG, through ACE Poland S.A.R.L. and ACE Italy S.A.R.L., both fully owned by ACE Investment Fund LP (a subsidiary of China Three Gorges Hong Kong Ltd, which, in turn, is a fully subsidiary of CTG) paid approximately de € 363 million correspondent to the final price agreed between the parties.
- Provision by Banco Comercial Português (BCP) to EDP Group of financial intermediary services, having integrated the syndicate of banks which acted as Joint Lead Managers and Bookrunners of the bonds issuances occurred in May and August 2016.
- Sale to BCP, through assignment without recourse transactions, of around € 200 million, referent to a part of the extra cost deficit of Special Production Regime in Portugal in 2015 and to a part of the extra cost deficit of Special Production Regime in Portugal in 2016.
- Acquisition to Sonatrach of natural gas under EDP Group long term supply agreements, in the approximate value of € 133 million.
- Provision, by EDP Group, of electricity and gas supply services to Cementos Tutela Veguín and other companies integrated in Masaveu Group in the approximate value of € 19 million.
- Provision, by EDP Group, of electricity and gas supply services to Liberbank and related companies in the approximate value of € 5,7 million.

The General and Supervisory Board noted that, with basis on the cases analyzed and information provided by the Executive Board of Directors for 2016, there was no evidence that the potential conflict of interests in EDP operations were resolved contrarily to the company's interests.

At the same time, it is important to highlight Article 17(2) of EDP Articles of Association, that defines a number of matters subject to favourable prior opinion from the General and Supervisory Board. This corporate body has competences to set the parameters for measuring the economic or strategic value of the operations that must be submitted for its opinion, and these were approved by the referred Board on the 18th June 2015.

In this scope, during 2016 exercise, 25 operations were submitted to favourable prior opinion from the General and Supervisory Board with an average value € 352 million and a maximum value of €1 000 million. Regarding the waiver of prior opinion, were submitted to the General and Supervisory Board 11 operations, with the average value of € 292 million and a maximum value of € 800 million.

In what concerns operations subject to favourable prior opinion from the General and Supervisory Board, 5 of them have inherent transactions with related parties (in the average value of € 299 million). Regarding operations in which there were waivers of prior opinion, 3 have inherent transactions with related parties (in the average value of € 100 million). Considering the specificities underlined to these operations, previously to the issue of a favourable prior opinion or to the waiver of a prior opinion by the General and Supervisory Board, the Corporate Governance and Sustainability Committee, always as possible, analyzed them and concluded for the non-existence of evidences that the potential conflict of interests subjacent to the operations performed by EDP have been resolved in a way contrary to the company's interests.

91. Procedures and criteria applicable to the supervisory body's prior assessment of transactions between the company and holders of qualifying shareholdings or entities related to them in any way

The current rules on the issue and waiving of a prior opinion from the General and Supervisory Board, as referred previously, were approved on 18 June, 2015, along with the procedures for communication and clarifications between it and the Executive Board of Directors.

Pursuant to EDP's Articles of Association, the General and Supervisory Board fixes the parameters for measuring the economic or strategic value of operations submitted to it for an opinion and sets up speedy mechanisms for issuing an opinion in urgent cases or when the nature of the subject so warrants and the situations in which this opinion can be waived (Article 21 (7)). The mechanism for waiving a prior opinion from the General and Supervisory Board may only be used in cases of exceptional urgency or if the nature of the subject so warrants, as set out in EDP's Articles of Association and the regulations of the General and Supervisory Board in effect in 2011 (current Article 13 (5)).

All matters in which a prior opinion is waived are later appraised at meetings of the General and Supervisory Board.

Furthermore, the General and Supervisory Board has set out strict rules on transactions between related parties in order to prevent conflicts of interest.

Within this scope, it should be highlighted what is defined in the Regulation regarding "Conflicts of interests between related parties in EDP" in what concerns the procedures and criteria applicable to the supervision for previous evaluation of business between the company and qualified shareholders or any entities with whom the latter are related:

For legal transactions or situations between related parties that are likely to cause a conflict of interest between those involved that will have an impact on the interests of EDP, the Executive Board has to request the preliminary opinion of the General and Supervisory Board or its waiver, and also has to provide the following information:

- A brief description of the operations and obligations assumed by the parties.
- A statement the procedures adopted for selecting the counterparty, particularly if the operation was based on a tender/consultation or limited tendering procedure.
- In the case of a limited tendering procedure, the reasons for such decision and the measures adopted to mitigate any risks from potential conflicts of interests.
- In the case of a tender/consultation, statement of the type of contact established with potential stakeholders and identify such.
- In the event competitive offers existed, information on the terms of the different proposals and the reason for the choice made.
- Identification of the parameters to measure the operation performed under "normal market conditions for similar transactions".
- Measures taken to prevent or resolve potential conflicts of interests.
- Evidence, if applicable, of the multiannual nature of the operation, in which case the starting date of the selected tender/contract should be reported together with the date on which the supplies and/or services provided shall be provided or carried out.

With respect to legal business or cases that exist between related parties that are likely to give rise to a conflict of interests between those involved, which could impact the interests of EDP, these should be subject to a preliminary opinion from the General and Supervisory Board:

- If the Corporate Governance and Sustainability Committee can meet before the General and Supervisory Board meeting, an opinion from this Committee should be requested, which should be presented to the General and Supervisory Board for decision making purposes.

- If it is not possible for the Corporate Governance and Sustainability Committee to meet, the assessment of the potential conflict of interests must be made directly by the General and Supervisory Board within its decision making authority.

With respect to legal business or cases that exist between related parties that are likely to give rise to a conflict of interests between those involved, which could impact the interests of EDP, which are subject to a request for waiver of the preliminary opinion from the General and Supervisory Board, at least three Members of the Committee should be consulted, and the majority have to be independent.

When considering the request by the Executive Board, in the event of a request to waive the preliminary report, the Corporate Governance and Sustainability Committee, the General and Supervisory Board or the Chairman of this Board, may recommend to the Executive Board that appropriate measures must be taken to address the potential conflict of interest.

II. Business Information

92. Location of accounting documents providing information on transactions with related parties, pursuant to IAS 24, or reproduction of the information

Information on transactions with related parties, pursuant to IAS 24, is set out in Note 46 of the consolidated and individual financial statements.

Part II - Assessment of Corporate Governance

1. Corporate Governance Code in Effect

EDP – Energias de Portugal, S.A. (EDP) is a listed company whose securities are admitted to trading on the NYSE Euronext Lisbon stock market.

Pursuant to Article 2 (1) of CMVM Regulation 4/2013 on governance of companies issuing shares admitted to trading in a regulated market located or operating in Portugal, EDP abides by the recommendations set out in the Corporate Governance Code, as approved by the CMVM in July 2013, available on www.cmvm.pt. It has not opted to follow any other code of recommendations in this matter.

This report is structured in compliance with Article 1 (4) of CMVM Regulation 4/2013, and therefore abides by the model in its Annex I, not including the sections not applicable to EDP's corporate governance model.

2. Compliance with the Corporate Governance Code

The following table lists the CMVM recommendations on corporate governance established in the referred Corporate Governance Code and indicating whether or not they were adopted, in full or partially by EDP, as well as where more detailed information can be found in this report on the adoption of each specific recommendation.

STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN REPORT
I. VOTING AND CONTROL OF THE COMPANY			
			Chapter B
I.1. Companies must encourage their shareholders to take part and vote in general meetings, for instance by not fixing an excessively large number of shares required to have voting rights and introduce the means necessary for postal and online votes.	Adopted		Title I
			No. 12
			page 154
			Chapter B
I.2. Companies must not use mechanisms that hinder decision-making by their shareholders, such as by fixing a deliberative quorum larger than that provided for by law.	Adopted		Title I
			No. 14
			page 156
			Chapter B
I.3. Companies must not set up mechanisms that result in a time lapse between the right to receive dividends or subscribe new securities and the voting right of each ordinary share, unless this is duly justified by the shareholders' long-term interests.	Adopted		Title I
			No.12
			page 154
I.4. The articles of association of companies that limit the number of votes that can be held or cast by a single shareholder, individually or with other shareholders, must also set out that the amendment or maintenance of this provision must be submitted to the vote of the general meeting at least every five years – with no increased quorum requirement above that laid down by law – that all the votes cast must be counted without the aforementioned limitation on this decision.	Not Adopted	Over the past five years, the subject of statutory limitation on voting rights has already been discussed by the General Meeting of EDP on two occasions. The limitation of the number of votes set out in Article 14 of the Articles of Association reflects the will of the shareholders of EDP expressed through resolutions of the General Meeting, in the defence of the company's specific interests: (i) a change of the limit from 5% to 20% was approved by the shareholders at the General Meeting of 25 August 2011, involving participation of 72.25% of the capital and approval by a majority of 94.16% of the votes cast; (ii) a later increase to the current 25% was approved at the General	

Meeting of 20 February 2012, involving participation of 71.51% of the capital and approval by a majority of 89.65% of the votes cast.

The shareholders have thus been periodically called on to decide on limiting the number of votes. The continued existence of the limitation has prevailed and the reflection on the adjustment of the relevant ceiling for counting voting rights, precisely to progressively increase this level.

The momentum of shareholders of the Company has thus proven to be perfectly in tune with the sense advocated in the Recommendation and sufficiently apt for pursuing its goals, avoiding rigid formulas for this review set down in the Articles of Association, which has also fostered the particularly intense scrutiny of this clause by shareholders.

I.5. No measures must be taken that have the effect of requiring payments or liability for expenses on the part of the company in the event of transfer of control or a change in the membership of the management body that may interfere with the free transmissibility of shares and free appreciation by the shareholders of the members of the management body board. Adopted

Chapter A

Title I

No. 4 and 5

page 148

STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN REPORT
II. SUPERVISION, MANAGEMENT AND OVERSIGHT			
II.1. SUPERVISION AND MANAGEMENT			
		This recommendation does not apply to the company's current governance model.	
II.1.1. Within the limits of the law and unless the company becomes too small, the board of directors must delegate the everyday running of the company. The powers delegated must be indicated in the annual Corporate Governance Report.	Not Applicable	The delegation of powers granted in the Latin model to delegated directors does not exist in the Executive Board of Directors of EDP. It only has an allocation of management areas to each of the members of the Executive Board of Directors, with the college of directors responsible for taking decisions on all matters under its jurisdiction. Moreover, Article 431(3) of the Portuguese Company Code on the powers of the Executive Board of Directors establishes that the powers of management and representation of directors is governed by the scheme provided for in Article 406, 408 and 409 and excludes Article 407 concerning the delegation of management powers.	
II.1.2. The Board of Directors must ensure that the company acts in accordance with its goals and must not delegate its powers to: i) define the company's general strategy and policies; ii) define the group's corporate structure; iii) make decisions that must be deemed strategic due to their amount, risk or special characteristics.	Not Applicable	This recommendation does not apply to the company's current governance model.	
II.1.3. In addition to the exercise of its supervisory duties, the General and Supervisory Board must take full responsibility for the company's governance and so the articles of association or an equivalent provision must enshrine the board's obligation to give its opinion on the company's strategy and main policies, definition of the group's corporate structure and decisions that must be deemed strategic due to their amount or risk. This board must also assess compliance with the company's strategic plan and implementation of its main policies.	Adopted	According to the two tier model of governance, the Executive Board of Directors does not delegate any of the matters referred to in this Recommendation. However, the supervisory body and management monitoring body issues prior opinions concerning the approval of the strategic plan and certain strategic or significant operations (Article 17(2) of the Articles of Association).	Chapter B Title II No. 21 page 162

II.1.4. Unless the company becomes too small, the Board of Directors and the General and Supervisory Board, depending on the model used, must set up any necessary committees to:

Chapter B

a) Make a competent, independent assessment of the performance of the executive directors and their own overall performance and that of the other committees;

Title II

No. 24 and 29

b) Reflect on the system, structure and governance practices used, verify their efficacy and propose improvement measures to the competent bodies.

page 190 and 191

Chapter B

II.1.5. The Board of Directors or General and Supervisory Board, depending on the applicable model, must set goals for risks and create systems to control them in order to guarantee that risks actually run are consistent with these goals.

Title II

No. 21

page 162

II.1.6. The Board of Directors must include a number of non-executive members to guarantee its effective capacity to monitor, supervise and assess the work of the remaining members of the management body.

Not Applicable

This recommendation does not apply to the company's current governance model.

II.1.7. The non-executive directors must include an appropriate proportion of independents, depending on the company's governance model, size, shareholder structure and free float.

The independence of the members of the General and Supervisory Board and of the Audit Committee will be measured in accordance with current legislation. Where the other members of the Board of Directors are concerned, independent directors are persons who are not associated with any group with specific interests in the company and who are not in a situation liable to affect their impartial analysis or decision, due, for example, to:

Chapter B

Title II

Adopted

a. Having been employees of the company or a subsidiary or group company in the last three years;

No. 18

b. Having provided services or done significant business with the company or a subsidiary or group company directly or as an owner, director or manager of a legal person in the last three years;

page 159

c. Receiving remuneration paid by the company or a subsidiary or group company in addition to the remuneration from their position as director;

d. Living in a common-law marriage or being the spouse, relative or similar in a direct line to the third degree, inclusive, in the collateral line of directors or natural persons directly or indirectly owning qualifying shareholdings;

e. Owning qualifying shareholdings or being the representative of a shareholder owning qualifying shareholdings.

Chapter B

II.1.8. Directors who perform executive duties when asked to do so by other members of the corporate bodies must provide the information requested by these bodies in a timely fashion and in the appropriate form. Adopted

Title II

No. 21

page 162

Chapter B

II.1.9. The chairman of the executive management body or executive committee must send the invitations and minutes of their meetings to the Chairman of the Board of Directors, Chairman of the Supervisory Board, Chairman of the Audit Committee, Chairman of the General and Supervisory Board and Chairman of the Financial Committee, as applicable. Adopted

Title II

No. 21

page 162

II.1.10. If the chairman of the management body performs executive duties, this body must appoint from among its members an independent director to coordinate the work of the other non-executive members and the right conditions for them to make independent, informed decisions or find another equivalent mechanism for this coordination. Not Applicable

STATEMENT OF COMPLIANCE

RECOMMENDATION

ADOPTION STATUS

COMMENTS

DESCRIPTION IN REPORT

II.2. OVERSIGHT

II.2.1. Depending on the model in question, the chairman of the Supervisory Board, Audit Committee or Financial Committee must be independent in accordance with the applicable legal criterion, and have the appropriate powers for his/her duties. Adopted

Chapter B

Titles II and III

II.2.2. The oversight body must be the main interlocutor with the external auditors and the first recipient of their reports and will be responsible for proposing their remuneration and ensuring that the appropriate conditions exist in the company for the provision of the services. Adopted

II.2.3. The oversight body must assess the external auditors every year and propose to the competent body their dismissal or termination of their service contract whenever so justified. Adopted

II.2.4. The oversight body must assess the internal control and risk management systems and propose any necessary adjustments. Adopted

II.2.5. The Audit Committee, General and Supervisory Board and the Supervisory Board must give their opinion on work plans and resources allocated to internal audit services and compliance services and must receive these services' reports at least when they cover matters related to rendering of accounts, identification or resolution of conflicts of interest and detection of potential illegalities. Adopted

II.3. FIXING REMUNERATION

No.s 29, 31 and 33

pages 191, 194 and 195

Chapter B

Title II

No.s 21 and 29

pages 162 and 191

Chapter B

Title II

No.s 21, 29 and 45

pages 162, 191 and 198

Chapter B

Title II

No.s 21 and 29

pages 162 and 191

Chapter C

Title II

No. 49

page 200

II.3.1. All members of the Remuneration Committee or equivalent must be independent from the executive members of the management body and include at least one member with knowledge and experience of remuneration policy.	Adopted		Chapter B Title II No. 29 page 191
II.3.2. No natural or legal person who provides or has provided services to any unit answerable to the management body, the company's management body itself or with a current relationship with the company or consultant of the company in the last three years may be hired to assist the Remuneration Committee in its duties. This recommendation also applies to any natural or legal person related to the former under an employment or service agreement.	Adopted		Chapter D Title II No. 67 page 219
II.3.3. The remuneration policy statement by the management and supervisory bodies set out in Article 2 of Law 28/2009 of 19 June must also contain:			Chapter D
a) Explicit identification of the criteria used to determine the remuneration paid to the members of the corporate bodies;			Titles III and IV
b) Information on the maximum potential individual amount and the maximum potential aggregate amount payable to the members of the corporate bodies and an indication of the circumstances in which these maximum amounts may be payable;	Adopted		No.s 69, 70, 71, 72 and 80 pages 219 to 225 and 226
d) Information as to whether payments for dismissal or termination are required or not.			
II.3.4. The proposal on approval of plans to allocate shares and/or share options or based on variations in share prices to members of the corporate bodies must be submitted to the General Meeting. The proposal must contain all the necessary elements for a proper assessment of the plan.	Not Applicable	There is no share allocation scheme in force.	Chapter D Title VI No. 85 page 229
II.3.5. The proposal on approval of any retirement benefit system for members of the corporate bodies must be submitted to the General Meeting.	Not Applicable	EDP has not set up a specific retirement benefit system for the members of its management and supervisory bodies. Nevertheless, the members of the Executive Board of Directors receive a	Chapter D

The proposal must contain all the necessary elements for a proper assessment of the system.

"standard" retirement savings plan financial product correspondent to 10% of the fixed component of the annual remuneration. Such financial product does not bear any charge for EDP in the future, since its subscription is valid only while the members of its management body hold office. Such provision was assigned in accordance with the Remuneration Policy Statement approved in the general meeting of 19 April 2016. On the referred Remuneration Policy Statement, it is also mentioned that the characteristics of these "standard" retirement savings plan are the ones in force in the legal framework applicable to these financial products.

Title III
No. 69 and 76
Pages 219 and 225

STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN REPORT
III. REMUNERATION			
Chapter D			
III.1. The remuneration of the management body's executive members must be based on actual performance and discourage excessive risk taking.	Adopted		Title III
			No.s 69 and 70
			pages 219 to 221
			Chapter D
III.2. The remuneration of the management body's non-executive members and of the members of the oversight body must not include any component that depends on the company's performance or value.	Partially Applicable and Adopted	The first part of the recommendation is not applicable given the current governance model of the company.	Title III
			No. 69
			page 219
			Chapter D
III.3. The variable component of remuneration must be generally reasonable in relation to the fixed remuneration component and maximum limits must be set on all components.	Adopted		Title III
			No. 69
			page 219

			Chapter D
III.4. A significant part of variable remuneration must be deferred for no less than three years and the right to receive it must be dependent on the continued good performance by the company in this period.	Adopted		Title III
			No. 70 and 72
			page 221 and 225
			Chapter D
III.5. The members of the management body must not conclude agreements with the company or with third parties that have the effect of mitigating the risk of variability in remuneration fixed for them by the company.	Adopted	There are no contracts entered into by the members of the management body that include such clauses.	Title III
			No. 70
			page 221
III.6. Up to the end of their term of office, the executive directors must keep the company shares to which they have had access under variable remuneration schemes up to a limit of twice the amount of their total annual remuneration, with the exception of shares that need to be sold to pay taxes resulting from benefits from them.	Not Applicable	There is no share allocation scheme in force.	
III.7. If variable remuneration includes share options, the start of the exercise period must be deferred for no less than three years.	Not Applicable	No stock options plan exists.	
			Chapter D
III.8. If the dismissal of a director is not the result of a serious breach of his/her duties or unfitness for normal performance of his/her job, but is still due to inadequate performance, the company has the appropriate, necessary legal instruments to ensure that no compensation other than that legally payable can be demanded.	Adopted		Title IV
			No. 80
			page 226
STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN REPORT
IV. AUDIT			

			Chapter B
IV.1. As part of his duties, the external auditor must verify compliance with remuneration policies and systems for the corporate bodies and the efficacy and efficiency of internal control mechanisms and report any deficiencies to the company's oversight body.	Adopted		Title III
			No. 42
			page 197
			Chapter B
IV.2. Neither the company nor any of its subsidiaries must contract services other than audit services from the external auditor or any entities in the same group or network with him. If it is necessary to contract such services (which must be approved by the oversight body and set out in its Annual Corporate Government Report), they must not amount to more than 30% of the total value of the services provided to the company.	Adopted		Title III
			No. 46
			page 198
			Chapter B
IV.3. Companies must endeavour to change auditors after two or three terms of office, depending on whether they are for four or three years, respectively. Their continuation beyond this limit must be justified in a specific opinion from the oversight body that expressly indicates the auditor's independence and the advantages and costs of his replacement.	Adopted		Title III
			No. 44
			page 197

STATEMENT OF COMPLIANCE

RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN REPORT

V. CONFLICTS OF INTEREST AND RELATED-PARTY TRANSACTIONS

			Chapter A
V.1. The company's business with shareholders owning qualifying shareholdings or with entities in any way related to them, pursuant to Article 20 of the Securities Code must be conducted under normal market conditions.	Adopted		Title II
			No. 10

			page 153
			Chapter B
			Title II
			No. 21
V.2. The management or oversight body must establish procedures and criteria for defining the relevant degree of significance of business with shareholders owning qualifying shareholdings (or with entities in any of the relationships set out in Article 20 (1) of the Securities Code) and business deals of substantial importance will require a prior opinion from the body.	Adopted		page 162
			Chapter E
			Title I
			No. 91
			page 231
STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN REPORT
VI. INFORMATION			
			Chapter C
VI.1. Companies must provide access to information on their progress and current economic, financial and governance situation on their websites in Portuguese and English.	Adopted		Title V
			No. 59
			page 217
VI.2. Companies must have an office for investor relations and permanent contact with market to respond to investors' requests in a timely fashion. A record must be kept of requests submitted and how they were handled.	Adopted		Chapter C
			Title IV

3. Other information

Attached to this report and considered part of it there are the following documents:

Annex I Corporate Bodies' Biography

Annex II Attendance list of the General and Supervisory Board

Annex III Attendance list of the Executive Board of Directors

Annex IV Positions held by the members of the Executive Board of Directors in other companies belonging or not to the EDP Group

Annex V Attendance list of Financial Matters Committee/Audit Committee

Annex VI Other operations with financial instruments in which EDP's share was used as an underlying asset were also performed

Annex I

General and Supervisory Board

Eduardo de Almeida Catroga, **Chairman**

He was born on 14th November 1942. He has a degree in Finance from ISEG of Universidade Técnica de Lisboa (currently ISEG) in 1966 having received the award Alfredo da Silva for the highest course classification as well as a several other scholar awards. He was a professor at ISEF (from 1968 to 1974) and an invitee graduated professor from 1990 onwards. In 1979 he had a post-graduate degree from Harvard Business School (Program for Management Development). In 2012 he obtained the Honoris Causa Degree from Universidade Técnica de Lisboa. He has a long corporate career of over 47 years, mainly in the private sector. He began in 1967 at CUF (by then the larger corporate group in the Iberia) where he was responsible for the finance department, for the planning and control department and, by the age of 31, Chief Financial Officer and member of the Board and of the Executive Committee. Later on, he was Executive Vice-Chairman of Quimigal (sector of chemistry) from 1978 to 1980. In 1981 he became delegate director of Sapec (Belgian holding with a diversified business portfolio) and is now its Chairman. On the 80's he was non-executive director of BP (British Petroleum) Portugal and Chairman of the Board of Directors of CELCAT. Since February 2012, he is the Chairman of EDP General and Supervisory Board, where he has been a Member since 2006. He is also a non-executive director at Nutrinveste (company that is a world leader at the consume products area such as oil and olive oil) and at the Group Banco Financia Holding (investment bank). He is also a member of the Investment Committee of PVCI (Portugal Venture Capital Initiative), a fund of investment funds connected to Banco Europeu de Investimentos. He was Minister of Finance of the XII Government, as independent, in the last mandate of Cavaco Silva as Prime-Minister, between December 1993 and October 1995. He has also performed, always as independent, two other political missions: in 2010, he led the negotiation group of Partido Social Democrata (PSD) who agreed with the socialist government of José Sócrates the fruition of 2011 State General Budget; in middle 2011, as per PSD invitation, he coordinated the preparation of the proposal for PSD electoral programme for the June 2011 elections. He published *Política Económica – 22 Meses no Ministério das Finanças* (1995) and *Intervenções sobre Política Económica* (vol. I, Discursos and vol. II, Debates e Entrevistas, 1995), beyond several articles in specialty magazines in the areas of economic policy, portuguese economy and corporate strategy. On 9th June 2006 he was granted by the President of Republic, with the Grã-Cruz da Ordem Militar de Cristo. In 2007, he obtained the award Carreira de Economista, attributed by Economists Bar and the distinction of Antigo Aluno do Ano by ISEG.

Luís Filipe Marques Amado, **Vice-Chairman**

He was born on 17th September 1953. Natural from Porto de Mós, with a degree in economy, auditor of Tribunal de Contas. He was a deputy of Assembleia Regional da Madeira and of Assembleia da República, Secretary of State of Internal Administration and Foreign Affairs, Minister of National Defense and Minister of State and of the Foreign Affairs and Cooperation. He was a "Visiting professor" at Georgetown University. Currently, he is an advisor. He was non-Executive Chairman of Banif and he is non-executive director of SOM. Invitee professor of Instituto Superior de Ciências Sociais e Políticas and of Paris School of International Affairs (PSIA). Curator of Fundação Oriente and Member of the Board of Directors of Fundação Francisco Manuel dos Santos. Member of the European Council of Foreign Relations and of Centre for International Relations and Sustainable Development (CIRSD). He received the Grã-Cruz da Ordem de Cristo and several distinctions from foreign governments. He was elected Vice-Chairman of EDP General and Supervisory Board on the General Shareholders Meeting in 21st April 2015.

Ya Yang

He was born on 27th August 1962. He has a Bachelor's degree in Finance from Changsha University of Electricity. He later got his "Diplôme d'Etudes Supérieures Spécialisées" from the Business School of the University of Montreal, Canada and MBA from HEC Paris. He served a series of posts before devoting to the China Three Gorges Project. He was Project Officer of the Bureau of Hydropower Construction of Ministry of Water Resources & Hydropower and Auditor of Beijing Office of PriceWaterHouseCoopers. Currently, he is the Chief Accountant & Corporate Controller of China Three Gorges Corporation, Member of the Board of China Yantze Power Company Limited and Vice-Chairman of Risk Management

Committee of China Society for Hydropower Engineering. He was appointed member of the General and Supervisory Board of EDP, in representation of China Three Gorges New Energy Co. Ltd, on 20th February 2012 and initiated their term of office on 11th May 2012. He was appointed as representative of China Three Gorges New Energy Co. Ltd, elected as Member of EDP'S General and Supervisory Board on the 21st April 2015 General Shareholders' Meeting.

Guojun Lu

He was born on 12th July 1956. He has a Bachelor's degree in Engineering from East China Institute of Water Resources Engineering and a PhD in Economics from Central University of Finance and Economics in China. He served for China International Water and Electric Corporation from 1982 to 2010, starting as Deputy Chief of the Sri Lanka Office, Manager of the Pakistan Project Department and Deputy Chief of the Hydropower Department 1. He then served as Vice President and President of China International Water and Electric Corporation and Executive Vice President of China Water Investment Group Corporation. Currently, he is Assistant President of China Three Gorges Corporation and Chairman of China Three Gorges International Corporation. He was appointed member of the General and Supervisory Board of EDP, in representation of China International Water & Electric Corp, on 20th February 2012 and initiated their term of office on 11th May 2012. He was appointed as representative of China International Water & Electric Corp, elected as Member of EDP'S General and Supervisory Board on the 21st April 2015 General Shareholders' Meeting.

Dingming Zhang

He was born on 1st December 1963. He has a Bachelor's degree in Power System and Automation from Huazhong University of Science and Technology in 1984 and his Master's degree in Management from Huazhong University of Science and Technology in 2001. He served as an associate and then Deputy Division Chief in the Key Project Construction Department of the State Planning Commission of China (1984-1994), working in Germany between 1992 and 1993. He then worked as Deputy Division Chief, Division Chief and Deputy Director of Capital Planning Department of the Three Gorges Construction Committee under the State Council (1994-2002), before he became Deputy Director of Power Production Department of China Three Gorges Corporation (2002). He then worked as Executive Vice President of China Yangtze Power Company Limited (2002-2011) and President of Beijing Yangtze Power Capital Co. Ltd. (2008-2011). His past experience also includes Director of the Board of Guangzhou Development Industry (Holding) Co. Ltd. and Director of the Board of Yangtze Three Gorges Technology and Economy Development. From 2011 to 2015, he served as Board Secretary, Director of Strategic Development Department and Director of Marketing Department in China Three Gorges Corporation. Since 2015, he is President of China Yangtze Power Company Limited. He was appointed Vice-Chairman of the General and Supervisory Board of EDP, in representation of China Three Gorges Corporation, on 20th February 2012 and initiated their term of office on 11th May 2012. He was appointed as representative of China Three Gorges (Europe), S.A., elected as Member of EDP'S General and Supervisory Board on the 21st April 2015 General Shareholders' Meeting.

Shengliang Wu

He was born on 11th March 1971. He received Bachelor's degree in Engineering from Wuhuan University of Hydraulic and Electrical Engineering in 1992. Master's degree in Technical Economics and Management from Chongqing University in 2000. He served as technician and later as an engineer in Gezhouba Hydropower Plant (1992-1998). Secretary of Corporate Affairs Department in Gezhouba Hydropower Plant (1998-2002). Financial Manager of Capital Operating Department of China Yangtze Power Company (2002-2003). Information manager and then Deputy Director of Office of the Board of China Yangtze Power Company (2004-2006). Deputy Director and then Director of Capital Operating Department of China Yangtze Power Company (2006-2011). His past experience includes Director of the Board of Daye Non-ferrous Metals Co., Ltd (2008-2011). Executive Vice President of Beijing Yangtze Power Capital Co. Ltd (2008-2011). In 2011, he was appointed as Deputy Director of Strategic Planning Department in China Three Gorges Corporation. Since 2015, he is Vice President of China Three Gorges International Corporation, President of China Three Gorges (Europe) S.A. He was appointed member of the General and Supervisory Board of EDP, in representation of China Three Gorges International (Europe) S.A. on 20th February 2012 and initiated their term of office on 11th May 2012. He was appointed as representative of China Three Gorges (Portugal), Sociedade Unipessoal, Lda., elected as Member of EDP'S General and Supervisory Board on the 21st April 2015 General Shareholders' Meeting.

Felipe Fernández Fernández

He was born on 21st December 1952. He has a degree in Economics and Management Sciences (1970 - 1975) from the University of Bilbao. His professional career includes the following positions: Professor at the Faculty of Economics and Business, University of Oviedo (1979 - 1984), Director of Regional Economy and Planning of the Principality of Asturias (1984 - 1990), Member of the Board and Executive Committee of the Caja de Ahorros de Asturias (1986 - 1990), Member of the Board of Directors and Vice-President of " Sociedad Asturiana de Estudios Económicos e Industriales" (1986 - 1990), Member of the Board of Directors and Vice-President of the company SEDES , SA (1988 - 1990), President of the Committee for Planning and Urbanism of Asturias (1990 - 1991); Counsel for Planning, Urbanism and Housing in the Principality of Asturias (1990 - 1991); Counsel for Rural and Fishing Affairs in the Principality of Asturias (1991 - 1993), Director of the Department of Management Control of Hidrocarbónico (1993 - 1998), Director of the Department of Management Control, Purchasing and Quality of Hidrocarbónico (1998 - 2001), Chairman of the company Gas Asturias (2001 - 2003), Director of Support Areas and Control of Hidrocarbónico (2001 - 2002); Hidrocarbónico CFO, Chairman of Gas Capital, CEO of Hidrocarbónico Servicios, Board Member of Naturcorp, Gas de Asturias, SINAIE, Canal Energía, Telecabal and Sociedad Regional de Promoción de Asturias (2002 - 2004). He is currently Board Member of HC Energía, Board Member of Naturgas Energía Grupo, Board Member of Ahorro Corporación, Board Member of Liberbank and Member of its Management Committee (participation in the preparation and approval of Risk Appetite Frame (RAF) and of 2015 Liberbank Recovery Plan, and participation and approval of risk reports Información con Relevancia Prudencial 2014 and Informe de Autoevaluación de Capital 2014 of Liberbank; participation in trainee seminars of Price Waterhouse Coopers: Recovery Plan (November 2015) and Risk Appetite Frame – RAF (May 2015); Board Member of Cementos Tudela Veguín and Masaveu Inmobiliaria. Member of the Patronage of Fundação Princesa das Asturias and Member of the Jurado de la Concordia. He was appointed member of the General and Supervisory Board of EDP, in representation of Cajastur Inversiones SA, on 20th February 2012 and, in representation of DRAURSA, S.A., in 21st April 2015; currently he is a Member of the Corporate Governance and Sustainability Committee.

Fernando Maria Masaveu Herrero

He was born on 21st May 1966 in Oviedo (Asturias). He received a law degree from the University of Navarra. He started to work at Masaveu Group in 1993 where he played various roles. He currently performs the following positions, among others: Chairman of Masaveu Corporation; Cementos Tutela Veguín; Agrocortex Florestais do Brasil; Masaveu LLC; Masaveu Real Estate US Delaware LLC; Board Member of Hidroeléctrica del Cantábrico, S.A.U.; Board Member of Naturgas Energía Grupo; Board Member of Bankinter; Member of the Bankinter Executive Committee; Board Member of ENEO SGPS; Board Member of Olmea International; Chairman of Fundação Maria Cristina Masaveu Peterson; Chairman of the Fundação San Ignacio de Loyola; Protector of Fundação Princesa das Astúrias; Member of the Executive Committee of Fundação Princesa das Astúrias; Member of the Executive Committee of Fundação Princesa das Astúrias; Member of the Patrimonial Committee of Fundação Princesa das Astúrias; International Protector of Associação Amigos do Museu do Prado; Honor medal of Escuela Superior de Música Reina Sofía; Patroness of scholarships; Chairman of the Board of Oppidum Capital, S.L. Beyond this, he is a Member of the Board of several companies in Masaveu Group. Member of EDP General and Supervisory Board; Member of EDP Strategy and Performance Committee; Member of EDP Remunerations Committee; he was elected Member of EDP's General and Supervisory Board in 20th February 2012 and in 21st April 2015. In the past, he occupied relevant positions in several areas: I+D: Board Member and Vice-Chairman of Agrupación de Fabricantes de Cemento (OFICEMEN) and joint Board Member of Masaveu Medicina; Furthermore: Chairman of Bodegas Murúa, Bodegas Fillaboa and Bodegas Pagos de Aráiz, Board Member at Rioja Alta; Foundations: Protector and Chairman of Fundação Masaveu, Protector and Secretary at Fundação Virgen de los Dolores, Protector of Fundação Oso; Energía: Chairman of Audit Committee of Hidroeléctrica del Cantábrico; Financial: Board Member of Financiera Interprovincial SINCAV, Board Member of Banco Herrero, Member of the International Advisory Board of Santander Group; Transportation: Joint Board Member of Transportes Covadonga, Comercial Iberoamericana de Servicios e Fletamentos y Consignaciones Marítimas. Environment: Board Member of Teconma; Medical: Board Member of Molypharma and of Medicina Asturiana; Editorials: Vice-Chairman of the Board of Directors and of the Executive Committee of Ediciones Nobel; Real State and Concessions: Joint Board Member of COCANSA, Chairman of the Board of Directors of DRAURSA, Chairman of the Board of Directors of Estacionamientos Iruña, Joint Director of Aparcamientos Asturias y

Estacionamientos Noroeste, Vice-Chairman and Board Member of Propriedades Urbanas, Chairman of the Board of Directors of Agüeira e Hoteles y Turismo de la Meseta, Managing Director of Danyson Kft.

Nuno Manuel da Silva Amado

He was born on 14th August 1957. He has a degree in Companies Organization and Management from ISCTE – Instituto Superior das Ciências do Trabalho e da Empresa. He has also complementary executive degree from INSEAD, Fontainebleau (Advanced Management Programme). From 1980 to 1985 he was employee of KPMG Peat Marwick, at the Audit and Consulting Department. From 1985 onwards he worked at Citibank and Banco FONSECAS & BURNAY. Afterwards he was Member of the Board of Directors of Deutsche Bank Portugal, Member of the Executive Committee of BCI (Banco de Comércio e Indústria) / Banco Santander, Vice-Chairman of the Executive Committee of Crédito Predial Português, Vice-Chairman of the Executive Committee of Banco Totta & Açores, Member of the Executive Committee of Banco Santander Negócios de Portugal, of Banco Santander Totta, S.A. and of Banco Santander Totta, SGPS. From August 2006 until January 2012 he became CEO and Vice-Chairman of the Board of Directors of Banco Santander Totta, S.A. and of Banco Santander Totta, SGPS. Since February 2012 he is Vice-Chairman of the Board of Directors and CEO of Banco Comercial Português. He is Vice-Chairman of the Supervisory Board of Bank Millennium Polónia. He was appointed Member of the General and Supervisory Board of EDP – Energias de Portugal, S.A. on May 6th 2013. At the General Shareholders' Meeting of the 21st April 2015 he was elected Member of EDP – Energias de Portugal, S.A., as representative of Banco Comercial Português, S.A.

Ferhat Ounoughi

He was born in 26th April 1967. He has a degree in Finance by the Institute of Economic Sciences of the University of Algiers in 1991. He has also an Executive MBA in Strategy by MDI Algiers and by EDHEC, University of Lille II, France, 2008. He has also professional education in audit and internal control from IFACI, the French Institute of Internal Control and Audit, 2009. He has attended several training courses on accountancy, finance, audit, dispute resolution, project management, production and exploitation of petroleum, leadership and commercial development. After the military service, he joined Sonatrach, the national Algerian company for oil and gas, at the Accountant and Financial Department. In 1999, he assume his first management position as "Order to Pay Manager" at the oil and gas production department. In 2002, he was promoted and became the financial responsible for the engineering and construction of Sonatrach upstream activity. In 2004 he was again promoted and assumed the position of Audit Procedures Head at Sonatrach upstream activity. Between 2006 and 2013, he became Internal Audit Director of Sonatrach upstream activity. While connected to the internal audit, he attended several seminars within the scope of the management risk, namely, "Risk Management" in 2007, "The role of internal Audit in the Risk Management" in 2008 and "Mapping of Major Risks" (in 2009). In 2013, he is appointed Director of Financial Operations in the Head Quarter of Sonatrach, position was assumed until beginning of 2016. In March 2016, he is appointed Executive Central Director of Procurement and Logistic of Sonatrach, position he assumed until the beginning of 2017. In January 2017, he is appointed Executive Director of Subsidiaries and Affiliates of Sonatrach. He was elected Member of EDP – Energias de Portugal, S.A. General and Supervisory Board as Sonatrach's representative on the 21st April 2015.

Mohamed Ali Al-Fahim

He was born on 4th March 1976. He has a degree in Finance by the University of Suffolk, Boston (1999). He has started his professional career at Abu Dhabi National Oil Company (ADNOC), where he worked from 2000 to 2008. His activity was focused in the identification and in the definition of investment strategies for a balanced investment portfolio of ADNOC, which could be able to meet the Groups requirements for cash flow and returns. During that time, he also had working experience as Corporate Finance Consultant for KPMG-Dubai (2001-2002) and for HSBC Bank at the Project and Export Finance Division-London (2006). Since September 2008, he has been Head of Finance at the Finance & Accounts Department of International Petroleum Investment Company (IPIC). He is a member of the board of directors of several companies as IPIC representative: AABAR Investment PJS (since May 2010) and RHB bank Group (since May 2014). Mr. Al Fahim has attended Risk Management program for corporate leaders at Harvard Business School on December 2013. He was appointed member of the General and Supervisory Board of EDP, in representation of Senfora Sarl, on 16th April 2010 and 20th February 2012 and, as representative of Senfora B.V. on the 21st April 2015.

António Sarmento Gomes Mota

He has born on 10th June 1958. He has a degree in Management by ISCTE, (1981), an MBA by the School of Economics of Universidade Nova de Lisboa (1984) and a PhD in Management by ISCTE. He is a Full Professor of ISCTE Business School which he has been the head (2003 – 2012). He was also the head of INDEG/ISCTE (2005 - 2012); Chairman of the Board of Directors of Grupo Soares da Costa (since 2013), Chairman of the Tax Board of CTT (since 2013) and member of the Remunerations Committee of PT; he is also Vice-Chairman of Instituto Português de Corporate Governance (since 2010); he is also author of a number of books and papers on areas such as corporate governance, financial markets and instruments, strategy and business restructuring. He was appointed member of the General and Supervisory Board of EDP on 15th April 2009 and reappointed on 2th February 2012 and on 21st April 2015.

Maria Celeste Ferreira Lopes Cardona

She was born on 30th June 1951. She holds a degree, a master and a Phd (legal-administrative sciences, specialization in Administrative Law) in law from Faculdade de Direito da Universidade de Lisboa. She was a Member of Centro de Estudos Fiscais of THE Minister of Finance. She represented Portugal, on behalf of Minister of Finance, on the Tax Affair Committee of OCDE. She has been an Assistant Professor in Faculdade de Direito da Universidade de Lisboa and in Universidade Lusíada. She was Deputy at the European Parliament and at the National Parliament. She was Minister of Justice of the XV Constitutional Government. She was graced the degree of Grande Oficial da Ordem do Infante D. Henrique, attributed in 1998, by his Excellency the President of the Portuguese Republic. She was also a non-executive Board Member of Caixa Geral de Depósitos. Mrs. Celeste Cardona published articles and opinions in specialty magazines, namely in "Ciência e Técnica Fiscal". She is also author of several monographs and varied studies, such as "As agências de regulação no Direito Comunitário", "O problema da retroactividade na lei fiscal e na Constituição", "A prescrição da obrigação tributária e a caducidade da liquidação de impostos", e "A natureza e o regime das empresas de serviço público". She is currently a lawyer and a consultant in M. Cardona Consulting, Lda. and also a non-executive member of BCI, headquartered in Maputo, Mozambique, a member of the Fiscal Council of SIBS and a legal and fiscal consultant for several financial and non-financial institutions. She was appointed Member of the General and Supervisory Board of EDP on the 20th February 2012 and on the 21st April 2015.

Ilídio da Costa Leite De Pinho

He was born on 19th December 1938. Degree in Electronics and Machinery Engineering. Grã-Cruz Order of Merit, Honorary member of the Industrial Order of Merit. Member of the "Ordens Honoríficas Portuguesas" from 1986 to 1999. Gold Medal and "Honorary citizen" award granted by the city of Vale de Cambra, in 1999. Gold medal and "University Benefactor" award granted by "Universidade Católica Portuguesa". Golden Badge by the Portuguese Association of Voluntary Firemen, in 2002. Between 1986 and 1991 was non-executive Board of Directors Member of "ICEP" in representation of the National Industry. President of the City Hall Council of Vale de Cambra between 1979 and 1983 and President of the City Hall Assembly of Vale de Cambra, between 1993 and 1997. Member of the Administrative Committee of "Universidade Católica" – Oporto and of the Senate of "Universidade do Porto". Member of University Counsel of "Universidade de Aveiro". Member of the board of several business association. Member of the "Trilateral Commission" between 1988 and 1996. Was founder and Chairman of the Board of Directors of COLEP. Was founder of NacionalGás, S.A. and its subsidiaries, LusitâniaGás, EGA, EGL, EMPORGÁS, EDISOFT, S.A. and MEGASIS. Was the main shareholder of Transinsular. Was non-executive Member of the Board of Directors of "Banco Espírito Santo, S.A." between 2000 and 2005. Shareholder of "CEM - Companhia de Electricidade de Macau, SARL". Chairman of the Strategy Committee of "Fomentinvest, S.A.". Founder and Chairman of the Board of Directors and the Board of Trustees of Fundação Ilídio Pinho. Chairman of various companies of Group Ilídio Pinho. He was appointed member of the General and Supervisory Board of EDP on the 20th February 2012 and on the 21st April 2015.

Jorge Braga De Macedo

He was born on 1st December 1946. He has a law degree from Universidade de Lisboa in 1971. At Yale University, he completed M.A. in International Relations (1973) and also has PhD in Economics (1979). He aggregated in the Faculty of Economics from Universidade de Lisboa in 1982. Since 1999 to 2003 he belonged to the Organisation for Economic Cooperation and Development (OECD) and the European Commission in Brussels between 1988 and 1991. At a national

level, he was Minister of Finance (1991-1993 having chaired ECOFIN) and President of the Parliamentary Commission for European Affairs (1994-1995) and of the Instituto de Investigação Científica e Tropical (2004 – 2015). He has taught in several universities in the USA, Europe and Africa. He was a trainee at Fundo Monetário Internacional and has been a consultant at the European Bank for Reconstruction and Development, the United Nations, the World Bank. Currently, he is a Professor and Director of the Center Globalization and Governance (CG & G) at the Nova School of Business and Economics from the Universidade Nova and a researcher at NBER (Cambridge, Mass); CEPR (London) and CIGI (Waterloo, Ont.). He was appointed member of the General and Supervisory Board of EDP on the 20th February 2012 and on the 21st April 2015.

Vasco Joaquim Rocha Vieira

He was born on 16th August 1939. He has a degree in Civil Engineering. He took several courses and specialties, including General Course of Staff (1969-1970), Complementary Course of General Staff (1970-1972), Course of Command and Direction for Official General (1982-1983) and the Course of National Defense (1984). In 1984 in was promoted to Brigadier and in 1987, he was promoted General. In 1956 he joined the Military College having received the Alcazar of Toledo Award, given to the highest rated finalist of all students from the Military Academy. From 1969 to 1973 he collaborated with Lisbon's City Hall. He taught at the Military Academy and at the Institute for Advanced Military Studies. He was Deputy Secretary for Communications and Public Works of the Macau Government (1974-1975). Director and of Weapons and Engineering (1975/1976). Chief of Staff of the Army (1976/1978) during the normalization period of the Army role in the democratic regime following 1974 Revolution, of the military reconversion, of the operative and missions of the Army upon the end of Ultramar war and the demobilisation and reorientation of the Army for Portugal responsibilities before OTAN. During this period, he was, inherently, member of the Revolution Council. He was national military representative (1978/1984) at Europe Supreme Allied Command – SHAPE/OTAN, Minister of Republic for Azores Autonomous Region with chair at Council of Ministers (1986/1991). Appointed as Macao Governor in 1991, he was responsible for the management of this territory during the transition period until the power transference from Portugal to People's Republic of China in 1999. Currently, he is Member of the Board of Engineers, Member of the Academy of Engineering, Member of the Supreme Council of Associations of the Former Students of the Military College, member of the Supreme Council of SHIP (Sociedade Histórica da Independência de Portugal), member of the Honorary Council of the ISCSP (Instituto Superior de Ciências Sociais e Políticas) and Member of the School Board of the same Institute. He is an honorary associate of Lisbon Geography Society, of Sociedade Histórica da Independência de Portugal and of the Combatants League. He was appointed member of the General and Supervisory Board of EDP on 20th February 2012 and reappointed on the 21st April 2015.

Augusto Carlos Serra Ventura Mateus

He was born on 27th August 1950. He has a degree in Economics from the Superior Institute of Economics and Finance (ISCEF), of Technical University of Lisbon. Guest Professor at ISEG with diversified responsibilities in the areas of European and Portuguese Economy, Economic Policy and Industrial and Competitiveness Policy at the level of degrees and masters' degrees. Researcher and consultant in the areas of macroeconomics, economic policy, industrial competitiveness, business strategy, territorial development, program evaluation, policy and economic development of culture and creativity. Responsible for the coordination of several studies of evaluating programs and policies and for the coordination of several research projects and studies in applied economics. He has held the positions of Secretary of State for Industry (October 1995 until March 1996) and Ministry of Economy (March 1996 until December 1997). He is currently Chairman of the consulting company Augusto Mateus & Associados, founded in 1998, and General Chairman of Instituto Politecnico de Tomar since 2011. He was appointed member of the General and Supervisory Board of EDP on May 6th 2013 and on the 21st April 2015.

João Carvalho das Neves

Professor in finance and planning and management control, ISEG, Universidade de Lisboa. Director of the master degree in Real Estate Management and Assessment. Advisor at A2ES – Agência de Avaliação e Acreditação do Ensino Superior para as áreas da Gestão, Gestão de Saúde, Banca e Finanças. Manager Advisor (pro bono) of Raríssimas – Associação Nacional de Doenças Mentais e Raras. Independent management consultant. PhD by Manchester Business School, center for Creative Leadership, Kennedy Harvard Government School), in management control (HEC Paris and Wisconsin

Graduate Business School in Madison), in company finances (IMD and Management Center of Europe), in international finances (INSEAD), in analysis and risk management (Stern New York University) and in banks (International Banking Centre from Manchester Business School and the International Center for Monetary and Banking Studies in Geneva). Fellow by RICS Royal Institution Chartered Surveyors (management and assessment of real estate) since January 2008. Statutory Auditor since 1998. Technical Account Admitted since 1981. Approved s Business Coach by the ECA European Coaching Association. Approved as Multi-Health Systems in Emotinal Intelligence Bar-On model. Chairman of ACSS Administração do Sistema Central de Saúde, I.P (2011-2014). Board Member of BPN (2008) and SLN (2008 – 2009) where he was included as member of Miguel Cadilhe team; Judicial administrator (1993 – 1998) of Torralta, TVI and Casino Hotel de Troia, taking part of the recovery process of these companies. Associated Partner of Coopers & Lybrand, now PWC (1992 – 1993), director of CIFAG/IPE (1985 – 1992) and assistant controller of Cometna (1981 – 1984); Member of the Scholar Council ISEG (2014 - ...); Chairman of the Audit Board ADVANCE Centro de Investigação em Gestão do ISEG (2009 – 2014); Chairman of the Audit Board of ADVANCE Centro de Investigação em Gestão of ISEG (2009-14); Chairman of the Audit Board of Federação Portuguesa de Judo (1997 – 2013); Member of the Audit Board of SIBS, S.A. (2007 – 2008); Member of the Audit Board of FCCN – Fundação para a Computação Científica Nacional (2009 – 2011); Member of the Scientific Council of INE for the housing prices index (2010 – 2011); Member of ISEG Scientific Coucil (2005 – 2008); Chairman of Management Department at ISEG (2007 – 2008); MBA Director at ISEG (1998 – 2020 and 2014 – 2016) and of the post-graduation and master degree in management and and real estate assessment (2001 - ...). Relevant experience as consultant, invitee professor abroad and author and co-author of management books. To point out the activity developed in the risk area, namely the attendance of courses, the coordination of projects, the co-authorship on several articles on the matter, the communication in national and international conferences and the guidance in PhD dissertations. He was elected member of the General and Supervisory Board of of EDP – Energias de Portugal, S.A. in 21st April 2015.

Alberto Joaquim Milheiro Barbosa

Has more than 35 years of professional experience. After obtaining his degree in Electrical Engineering he taught at the Faculty of Engineering of Porto University as an assistant professor and started his industrial career has an engineer in electrical studies. He enhanced his competences throughout his career with multiple technical and management training programs of both national and international institutions. During several years, he was a member of the Board, overseeing Efacec activities in the fields of Electrical Mobility, amongst others. He has previously held positions of President of Board, Executive Director or General Manager in several national and international companies, within the Efacec and Tech M5 Groups. Currently, he is a member of EDP's General and Supervisory Board. Within the scope of this Board, he is a member of the Strategy and Performance Committee and of the Audit Committee. He is also a board member of the technological start-up "Follow Inspiration". During his career, Alberto Barbosa has headed or been involved in mergers, acquisitions and sale of over 20 companies or business areas (some of them involving several hundred million euros) and has overseen multiple projects including strategic analysis, technical analysis and financial package preparation. He has also gained strong experience in investor relations, as well as in negotiation with financial institutions. He is a member of the Portuguese Academy of Engineering (Academia de Engenharia) and had actively participated in multiple industry associations and fora, including the IEC, the Portuguese Institution of Engineers (Ordem dos Engenheiros), Animee, UNICE, APDC, APREN, APIEE and ADFER. He has also worked as an Expert for the CEC, advising the Commission on several subjects in the fields of Energy and Information Technology. Over the last 20 years he has participated in multiple conferences and colloquiums, having presented over 100 lectures in technical fields (electricity networks, telecommunications, transportation systems) as well as management areas, and wrote technical and position articles in various magazines and newspapers.

Maria Del Carmen Ana Fernández Rozado

Degree in Economic and Business Administration and Political Science and Sociology in the Complutense University of Madrid. PHD in aforementioned University. MBA in IESE Business School (University of Navarra). Member of State Tax Inspectors Body, by public competition. Account Auditor (Registered in the Auditing and Accounting Institute). During professional career, has participated in more than 50 workshops, international and national workshops and seminars regarding: Finance, Auditing, Taxes, Global Management, Business Strategy, Renewable Energies, International Cooperation. More than 35 years of experience in the field of Finance, Accounting, Taxation and in the Energy Sector. From 1983-1999 she has occupied relevant positions in the Ministry of Economy and Finance (General Tax Inspector

Chief in Madrid). In 1999 was appointed member of the Board of the National Energy Commission (Regulatory Body of Spanish Energy System). During this period (1999-2011) she has participated in the Planning of the Sector including authorizations, mergers and acquisitions as well as in the implementation of the retribution model for Electricity distribution in the Spanish Market and other subjects... President during several years of the Renewable Energy TASK FORCE, Sustainability Energy Efficiency and Carbon Market in ARIAE (Latin American Energy Regulators Association). A large part of her professional career has been carried out in Latin America providing technical assistance in the Regulatory Bodies in Peru, Colombia, Dominican Republic, Guatemala, Argentina and Uruguay regarding aspects in implementation of technical norms in the tender of renewable energies. Development of projects in wind, solar and mini hydraulic, energy efficiency, carbon markets (elaboration of PDDs, baseline, follow-up and monitoring of GEI emissions). In the EU, she has been Vice-President of renewable energies in MEDREG (Mediterranean Regulatory Body). Since September 2011 she is International advisor for the development and implementation of business plans in energy and in Infrastructures in Latin America and Asia. Local Support with Institutions and Regulatory Bodies. From 2012-2013 she was a member of the Advisory Board of Ernst & Young (EY) in Madrid. In April 2015 she was appointed member of the General and Supervisory Board and the Audit Committee of EDP (Energias de Portugal), Lisbon. Professor at several Universities and Business Schools both Spanish and Foreign, developing programs in relation with Fiscal, Account Auditing, financing of Renewable Energy projects and Carbon Markets. Author of numerous articles and publications regarding previously mentioned activities. Member of Several Professional Associations in Spain and Latin American. Patron of the Comillas University Foundation ICAI-ICADE, Madrid. Vice-president of the Club Financiero Genova, Madrid.

António Vitorino

He was born in Lisbon, in 1957. He has a degree in law by Faculdade de Direito da Universidade de Lisboa, in 1981. He has a master degree in legal-political sciences by Faculdade de Direito da Universidade de Lisboa, in 1986. He is a Member of Portuguese Bar Association since 1982. He was an assistant professor at Faculdade de Direito de Lisboa since 1982. He is an invitee professor at Faculdade de Direito da Universidade Nova de Lisboa between 2008 and 2010. He was a deputy at Assembleia da República between 1980 and 2006. He was Secretary of State of Parliamentary Issues (1983 – 1985); he was an Alternate Secretary of Macao Government (1986 – 1987) and a Judge at Constitutional Court (1989 – 1994). He was a Deputy at the European Parliament (1994 – 1995). He was Minister of Presidency and National Defense (1995 – 1997). He was European Commissionaire for the Justice and Internal Affairs (1999 – 2004). He is a non-executive member of the Board of Directors of Banco Santander Totta and Chairman of the General Shareholders' Meeting of Brisa, Auto-Estradas de Portugal, S.A. and EDP – Energias de Portugal, S.A.; he is the Chairman of the Audit Board at Siemens Portugal and Tabaqueira Industria. He is also a non-executive Chairman of Áreas (Portugal). Chairman of Instituto Jacques Delors, Paris (2011/2016). Partner of Cuatrecasas, Gonçalves Pereira from December 2005 onwards. He was elected Member of EDP – Energias de Portugal, S.A. on the 21st April 2015.

Executive Board of Directors

António Luis Guerra Nunes Mexia, **Chairman**

Since March 2006, he became CEO of EDP Energias de Portugal and since June 2015 he is President of Eurelectric. He is also the President of the Business Council for Sustainable Development in Portugal (part of the WBCSD regional network) since April 2016.

Born on the 12th of July 1957 in Lisbon, he received a degree in Economics from the University of Geneva (Switzerland) in 1980, where he was Assistant Lecturer in the Department of Economics. He was also a lecturer at Universidade Nova de Lisboa and at Universidade Católica from 1982 to 1995. He served as Assistant to the Secretary of State for Foreign Trade from 1986 until 1988. From 1988 to 1990 was Vice-Chairman of the Board of Directors of ICEP (Portuguese Institute for Foreign Trade). From 1990 to 1998 became Board of Director of Banco Espírito Santo de Investimentos and, in 1998, he entered the Gas sector as Chairman of the Board of Directors of Gás de Portugal and Transgás. In 2000 he joined Galp Energia as Vice-Chairman of the Board of Directors, and became Executive Chairman of the company in 2001. In 2004, was appointed Minister of Public Works, Transport and Communication of the Portuguese Government. In 2013 he received the Honoris Causa Graduation from "Instituto Superior de Economia e Gestão" (ISEG) and in 2014 he was honored by The President of the Portuguese Republic with the "Grã-Cruz da Ordem do Mérito Empresarial".

Nuno Maria Pestana de Almeida Alves

Born on the 1st of April, 1958. He holds a degree in Naval Architecture and Marine Engineering (1980) and a Master in Business Administration (1985) by the University of Michigan. In 1988, he joins the Planning and Strategy Department of Millennium BCP and, in 1990, becomes an associate director of the bank's Financial Investments Division. In 1991, Mr. Nuno Alves is appointed as the Investor Relations Officer for the Group and, in 1994, he joins the Retail network as Coordinating Manager. In 1996, he becomes Head of the Capital Markets Division of Banco CISF, currently Millennium bcp Investimento, and, in 1997, Co-Head of the bank's Investment Banking Division. In 1999, Mr. Nuno Alves is appointed as Chairman and CEO of CISF Dealer, the brokerage arm of Banco CISF. Since 2000, before his appointment as EDP's Chief Financial Officer in March 2006, Mr. Nuno Alves acted as an Executive Board Member of Millennium BCP Investimento, responsible for BCP Group Treasury and Capital Markets. He is Member of the Board of Directors of EDP Energias do Brasil, EDP Renováveis and Hidroeléctrica del Cantábrico, and CEO of EDP - Imobiliária e Participações and Sãvida. He was appointed on March 30th, 2006 as Member of the Executive Board of Directors, which office began on June 30th, 2006, and reappointed on April 15th, 2009, February 20th, 2012 and April 21st, 2015.

João Manuel Manso Neto

He was born on April 2nd 1958. He graduated in Economics from Instituto Superior de Economia (1981) and received a post-graduate degree in European Economics from Universidade Católica Portuguesa (1982). He also completed a professional education course through the American Bankers Association (1982), the academic component of the Master's Degree programme in Economics at the Faculty of Economics, Universidade Nova de Lisboa and, in 1985, the "Advanced Management Program for Overseas Bankers" at the Wharton School in Philadelphia. From 1981 to 1995 he worked at Banco Português do Atlântico, occupying several positions, mainly as Head of the International Credit Division, and General Manager responsible for Financial and South Retail areas. From 1995 to 2002, he worked at the Banco Comercial Português, where he held the posts of General Manager of Financial Management, General Manager of Large Corporates and Institutional Businesses, General Manager of the Treasury, member of the Board of Directors of BCP Banco de Investimento and Vice-Chairman of BIG Bank Gdansk in Poland. From 2002 to 2003, he was a member of the Board of Banco Português de Negócios. From 2003 to 2005 he worked at EDP as General Manager and Member of the Board of EDP Produção. In 2005 he was elected CEO at HC Energía, Chairman of Genesa and Member of the Board of Naturgas Energia and OMEL. Currently he is CEO of EDP Renováveis and responsible for Regulation and Energy Management (Gas and electricity) at Iberian level, being also member of the Board of OMIE, OMIP and MIBgás. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009, 20th February 2012 and 21st April 2015.

António Fernando Melo Martins da Costa

Born in Oporto, Portugal on December, 1954, he holds a degree in Civil Engineering from Faculdade de Engenharia do Porto (1976) and a MBA from Porto Business School (1989). He also has complementary Executive degrees from INSEAD (Fontainebleau, France – 1995), PADE from AESE (Lisbon, 2000) and the Advanced Management Program from Wharton School (Philadelphia, USA – 2003). He was a Teacher's Assistant at the Instituto Superior de Engenharia do Porto between 1976 and 1989. In 1981 he joined the Hydro Generation department at EDP where he stayed until 1989. Between 1989 and 2003 he was General Director at the Millennium BCP Bank, and executive board member of Insurance, Pensions and Assets Management companies of BCP Group. Between 1999 and 2002 he was Executive Director of Eureko BV (The Netherlands), President of Eureko Polska and Vice-President of PZU (Poland). He was the CEO and Vice-Chairman of the Board of Directors of EDP – Energias do Brasil between 2003 and 2007. During this period, he also held positions as Vice-President of the Portuguese Chamber of Commerce in Brazil and President of the Brazilian Association of Electricity Distribution companies. In 2007, he assumed functions as Chairman and CEO of Horizon Wind Energy in the USA, being also a Member of the Executive Board of EDP Renováveis since its incorporation in 2008 until 2012. Between 2009 and 2012, he was CEO of EDP Internacional, and CEO of EDP Soluções Comerciais from 2009 to 2013. He is CEO of EDP Gás since 2012 and CEO of EDP Valor since 2013. Maintains responsibilities for EDP Distribuição at EDP's Executive Board level. He is a Founding Member of the Portuguese Institute for Corporate Governance. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009, 20th February 2012 and 21st April 2015.

João Manuel Veríssimo Marques da Cruz

He was born on 23rd May 1961. He holds a degree in Management (1984) from Lisbon's ISE at the Technical University of Lisbon - Instituto Superior de Economia da Universidade Técnica de Lisboa, an MBA (1989) from the Technical University of Lisbon - Universidade Técnica de Lisboa and a Post Graduation in Marketing and Management of Airlines (1992) from the Bath University /International Air Travel Association, UK. He began his career at the TAP Group in 1984 (Transportes Aéreos de Portugal) having had several positions until becoming General Director. Between 1997 and 1999 he was a Board Member of TAPGER. Between 2000 and 2002, he was a member of the Board of several companies within CP - Portuguese Railways, namely EMEF. From 2002 and 2005, became CEO of Air Luxor, an airline company, and from 2005 and 2007 he was chairman and CEO of ICEP - Instituto do Comércio Externo de Portugal. From March 2007 to 2012, he was a board member of EDP Internacional S.A. and in 2009 he was nominated Chairman of the Board of Directors of CEM - Macao Electrical Company. He was appointed as a member of the Executive Board of Directors of EDP Renováveis on May 2012, as Chairman of the Câmara Comércio Luso-Chinesa on April 2012 and Chairman of EDP Internacional on September 2014. He was appointed as member of the Executive Board of Directors on 20th February 2012 and reappointed on 21st April 2015. He was appointed as a member of the Executive Board of Directors of EDP - Energias do Brasil SA on April 10, 2015. He is Chairman of Global Hydro a joint venture between EDP and CTG for hydro projects of small and medium size from 9 April 2015.

Miguel Stilwell de Andrade

He was born on 6th August 1976. Graduated with an M.Eng with Distinction in Mechanical Engineering in the University of Strathclyde (Glasgow, Scotland) and an MBA by MIT Sloan (Boston, USA). He initiated his career at UBS Investment Bank in London, UK, where he worked primarily in Mergers and Acquisitions in various projects in European countries, including Portugal, as well as in Japan, Thailand and Brazil. Miguel lived between 1994 and 2003 in Scotland, Italy, England, Portugal and the USA. In 2000, he joined EDP in the area of Strategy and Corporate Development / M & A and was the Director of this area between 2005 and 2009. During this period Miguel coordinated and managed various M&A and capital market transactions for EDP, including the acquisition of several companies that gave rise to EDP Renewables, the acquisition of Hidrocentabrico, the different phases of EDP's privatization, EDP's share capital increase in 2004, EDP Energias do Brasil IPO in 2005 and EDP Renewables IPO in 2008. He was a Member of the Board of EDP Distribuição Energia, from January 2009 to February 2012. Miguel was also a non-executive Member of the Board of Directors of EDP Inovação, EDP Ventures, EDP Gas Distribuição and Chairman of InovGrid ACE. In 2012 he was appointed CEO of EDP Comercial, as well as CEO and Vice-Chairman of Hidroeléctrica del Cantabrico and Naturgas Energia. Between 2013 and 2015 he was a Member of FAE - Fórum de Administradores de Empresas's Board of Directors. In 2014 he was appointed CEO of EDP Soluções Comerciais. Miguel was appointed in 2015 as Board Member of the Câmara de Comércio Hispano Portuguesa in Spain. He was elected member of the Executive Board of EDP on the 20th February of 2012 and reelected on 21st April 2015.

Miguel Nuno Simões Nunes Ferreira Setas

He was born on November 12, 1970. In Brasil since 2008, Miguel Setas is currently, since January 2014, the CEO of EDP Energias do Brasil. Between 2010 and 2013, he was the Vice-President responsible for the Distribution business (CEO of EDP Bandeirante and EDP Escelsa, two electricity distribution companies). Between 2008 and 2009, he was the VP responsible for New Business Development, Commercialization and Renewables. He joined EDP in 2006, as the CEO Chief of Staff. In 2007, he was executive board member of EDP Comercial (responsible for the commercialization in the liberalized energy market). He was also Board Member of EDP Inovação, Portgás and Fundação EDP. He holds a BSc. in Physics, and a MSc. in Electrical and Computing Engineering, both granted by IST (Instituto Superior Técnico, Lisbon). He has an MBA from Universidade Nova de Lisboa (Lisbon MBA). He has been working in the energy sector since 1998, when he was Corporate Director in GDP - Gás de Portugal. Between 1999 and 2001, he was Board Member of Setgás (natural gas distribution company in Setúbal, part of Galp Energia). Between 2000 and 2001, he was Executive Board Member of LisboaGás (natural gas distribution company in Lisbon, part of Galp Energia). He was Strategic Marketing Director of Galp Energia (oil and gas) until 2004. In the transportation sector, he was Executive Board Member of CP - Comboios de Portugal and CEO of CP Lisboa (largest business unit of CP), between 2004 and 2006. He started his career, in 1995, as consultant in McKinsey & Co, developing strategic projects for energy, banking, insurance, retail and industry clients. He was appointed on 21st April 2015 as a member of the Executive Board of Directors.

Rui Manuel Rodrigues Lopes Teixeira

He was born on October 10, 1972. He was appointed on 21st April 2015 as member of the Executive Board of Directors of EDP. He serves as Chief Executive Officer of EDP – Gestão da Produção de Energia, S.A. He is also Member of the Board of Directors of several subsidiaries of the Company's Group. From 1996 to 1997, he was assistant director of the commercial naval department of Gellweiler— Sociedade Equipamentos Maritimos e Industriais, Lda. From 1997 to 2001, he worked as project manager and ship surveyor for Det Norske Veritas, with responsibilities for offshore structures, shipbuilding and ship repair. Between 2001 and 2004, he was consultant at McKinsey & Company, focussing on energy, shipping and retail banking. From 2004 to 2007, he headed the corporate planning and control division within the EDP Group. In 2007 also served as Chief Financial Officer of EDP Renewables Europe SL. In 2008 became a member of the Board of Directors of EDP Renováveis, S.A., member of the Executive Committee, and the Chief Financial Officer of the Company. He holds a Master of Science degree in Naval Architecture and Marine Engineering from the Instituto Superior Técnico de Lisboa, a Master in Business and Administration from the Universidade Nova de Lisboa and is a graduate of Harvard Business School's Advanced Management Program.

Annex II

Meetings of the General and Supervisory Board and each member's attendance:

Name	21-Jan	3-Mar	20-Apr	4-May	7-Jul	28-Jul	22-Sep	3-Nov	15-Dec	%
Eduardo Almeida Catroga – Presidente	P	P	P	P	P	P	P	P	P	100
Luís Filipe Marques Amado – Vice- presidente	P	A	P	P	A	P	P	P	P	77,8
Alberto Joaquim Milheiro Barbosa	P	P	P	P	P	P	P	P	P	100
António Manuel de Carvalho Ferreira Vitorino	P	P	P	P	A	P	P	P	A	77,8
António Sarmento Gomes Mota	P	P	P	P	A	P	P	P	P	88,9
Augusto Carlos Serra Ventura Mateus	P	P	P	P	A	P	P	P	P	88,9
Dingming Zhang	R	R	P	R	R	R	P	R	P	33,3
Felipe Fernández Fernández	P	P	R	P	P	P	P	P	P	88,9
Ferhat Ounoughi	A	P	P	A	A	P	P	P	P	66,7
Fernando María Masaveu Herrero	R	P	P	P	R	R	P	P	P	66,7
Guojun Lu	R	R	R	R	R	R	R	R	R	0
Ilídio da Costa Leite de Pinho	A	P	P	P	P	A	P	P	P	77,8
João Carvalho das Neves	P	P	P	P	P	P	P	A	P	88,9
Jorge Avelino Braga de Macedo	P	P	P	P	P	P	P	P	P	100
Maria Celeste Ferreira Lopes Cardona	P	P	P	P	P	P	P	P	P	100
María del Carmen Fernandez Rozado	P	P	P	P	P	P	P	P	P	100
Mohamed Ali Ismaeli Ali Al Fahim	P	P	P	P	P	P	P	P	P	100
Nuno Manuel da Silva Amado	P	P	P	A	P	P	P	P	P	88,9
Shengliang Wu	A	P	P	P	P	P	R	P	R	66,7
Vasco Joaquim Rocha Vieira	P	P	P	P	P	P	P	P	P	100
Ya Yang	A	P	P	P	P	P	P	P	P	88,9

P = Attendance; A = Absence; R = Represented

Total of meetings held in 2016: 9

Participation average: 81%

Annex III

Meetings of the Executive Board of Directors and each member's attendance:

Name	12-jan	19-jan	25-jan	2-feb	16-feb	26-feb	3-mar	3-mar	14-mar	29-mar	12-apr	26-apr	29-apr	3-may	4-may	4-may	17-may	25-may	1-jun	7-jun	21-jun	27-jun
António Luís Guerra Nunes Mexia	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	A	P	P
Nuno Maria Pestana de Almeida Alves	P	P	P	P	P	P	P	P	A	P	P	P	P	P	P	P	P	P	P	P	P	P
João Manuel Manso Neto	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
António Fernando Melo Martins da Costa	P	P	P	P	P	A	P	P	P	A	P	A	A	P	P	P	P	P	P	P	P	A
João Manuel Veríssimo Marques da Cruz	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Miguel Stihwell de Andrade	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Miguel Nuno Simões Nunes Ferreira Setas	P	P	P	P	P	P	P	P	P	A	P	P	P	P	P	P	P	P	P	P	P	P
Rui Manuel Rodrigues Lopes Teixeira	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P

Name	5-jul	7-jul	19-jul	25-jul	28-jul	2-aug	30-aug	5-sep	12-sep	29-sep	11-oct	18-oct	31-oct	3-nov	8-nov	15-nov	29-nov	6-dec	14-dec	15-dec	20-dec	%
António Luís Guerra Nunes Mexia	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	98
Nuno Maria Pestana de Almeida Alves	P	P	P	P	P	P	P	P	P	A	P	P	P	P	P	A	P	P	P	P	P	93
João Manuel Manso Neto	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	98
António Fernando Melo Martins da Costa	P	P	A	P	P	P	A	P	P	P	P	P	P	P	P	A	P	P	P	P	P	81
João Manuel Veríssimo Marques da Cruz	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	100
Miguel Stihwell de Andrade	P	P	P	P	P	A	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	98
Miguel Nuno Simões Nunes Ferreira Setas	P	P	P	P	P	A	P	P	P	P	P	P	P	P	P	A	P	P	P	P	P	93
Rui Manuel Rodrigues Lopes Teixeira	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	100

P = Attendance; A= Absence
Total of meetings held in 2016: 43
Average attendance: 95%

Annex IV

Positions held by the members of the Executive Board of Directors in other companies belonging or not to the EDP Group:

	António Mexia	Nuno Almeida Alves	João Manso Neto	António Martins da Costa	João Marques da Cruz	Miguel Stilwell Andrade	Miguel Setas	Rui Teixeira
Balwerk - Consultadoria Económica e Participações, S.U, Lda.	-	M	-	-	-	-	-	-
Bandeirante Energia S.A.	-	-	-	-	-	-	CBD	-
CNET – Centre for New Energy Technologies, S.A.	-	-	-	-	CBD	-	-	-
EDP - Ásia Soluções Energéticas Lda.	-	-	-	-	CBD	-	-	-
EDP - Energías de Portugal Sociedad Anónima, Sucursal en España	PR	PR	PR	PR	-	PR	-	-
EDP - Estudos e Consultoria, S.A.	-	-	-	-	-	-	CBD	-
EDP - Gestão da Produção de Energia, S.A.	-	-	-	-	-	-	-	CBD
EDP - Soluções Comerciais, S.A.	-	-	-	-	-	CBD	-	-
EDP Comercial - Comercialização de Energia, S.A.	-	-	-	-	-	CBD	-	-
EDP Comercializadora de Último Recurso S.A.	-	-	-	-	-	CBD	-	-
EDP Empresa de Servicios Energéticos S.L.	-	-	-	-	-	CBD	-	-
EDP Energía Gas S.L.	-	-	D	-	-	-	-	-
EDP Energía Gas SL	-	-	D	-	-	-	-	-
EDP Energía Ibérica S.A.	-	-	D	-	-	-	-	-
EDP Energias do Brasil, S.A.	CBD	D	-	-	D	-	VP	-
EDP Finance BV	R	R	R	R	R	R	-	-
EDP Gás, SGPS, S.A.	-	-	-	CBD	-	D	-	-
EDP Gás.Com - Comércio de Gás Natural, S.A.	-	-	CBD	-	-	D	-	-
EDP Imobiliária e Participações, S.A.	-	CBD	-	-	-	-	-	-
EDP Internacional, S.A.	-	-	-	-	CBD	-	-	-
EDP International Investments and Services SL	-	-	-	-	CBD	-	-	-
EDP Pequenas Centrais Hidroelétricas S.A.	-	-	-	-	-	-	CBD	-
EDP Renewables Europe SL	-	-	CBD	-	-	-	-	-
EDP Renováveis Brasil, S.A.	-	-	CBD	-	-	-	-	-
EDP Renováveis Servicios Financieros S.L.	-	-	CBD	-	-	-	-	-
EDP Renováveis, S.A.	CBD/CD	CD	VP/CD	-	-	-	-	-
EDP Soluciones Comerciales, S.A.	-	-	-	-	-	CBD	-	-
EDP Valor - Gestão Integrada de Serviços, S.A.	-	-	-	CBD	-	-	-	-
Empresa Hidroeléctrica do Guadiana, S.A.	-	-	-	-	-	-	-	CBD
Enagás – S.G.P.S., S.A.	-	-	-	CBD	-	-	-	-
ENERGEST S.A.	-	-	-	-	-	-	CBD	-
Energia Ásia Consultoria, Lda.	-	-	-	-	CBD	-	-	-
Energia RE, S.A.	-	CBD	-	-	-	-	-	-
ESCELSA - Espírito Santo Centrais Elétricas S.A.	-	-	-	-	-	-	CBD	-
Hidrocantábrico Energía, S.A.U.	-	-	-	-	-	CBD	-	-
Hidroeléctrica del Cantábrico, S.A.	-	D	D	D	-	D	-	-
Hydro Global Investment Limited	-	-	-	-	CBD	-	-	-
INVESTCO S.A.	-	-	-	-	-	-	CBD	-
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	-	-	-	-	CBD	-	-	-
Lajeado Energia S.A.	-	-	-	-	-	-	CBD	-
Naturgás Energía Grupo, S.A.	-	-	D	D	-	VP	-	-
Naturgas Energia Servicios S.A.U.	-	-	-	-	-	CBD	-	-
Pecém Operação e Manutenção de Unidades de Geração Elétrica S.A.	-	-	-	-	-	-	CBD	-
Porto do Pecém Geração de Energia S.A.	-	-	-	-	-	-	CBD	-
Sávida - Medicina Apoiada, S.A.	-	CBD	-	-	-	-	-	-
SCS - Serviços Complementares de Saúde, S.A.	-	CBD	-	-	-	-	-	-
Companhia de Electricidade de Macau - CEM, S.A.	-	-	-	-	CBD	-	-	-
Banco Comercial Português, S.A.	D	-	-	-	-	-	-	-
EURELECTRIC Union de l'Industrie Electrique	CBD	-	-	-	-	-	-	-
Operador del Mercado Ibérico de Energía, Polo Español, S.A. (OMEL)	-	-	R	-	-	-	-	-
OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A.	-	-	R	-	-	-	-	-

M - Manager
 CD - Counselor-Delegate
 VP/CD – Vice-President and Counselor-Delegate
 D - Director
 RP – Permanent Representative
 R – Representative
 VP – Vice-President

Annex V

Meetings of the Financial Matters Committee/Audit Committee and each member's attendance:

Name	21-Jan	11-Feb	25-Feb	7-Apr	28-Apr	2-Jun	23-Jun	25-Jul	12/13 Set	27-Oct	24-Nov	15-Dec	%
António Samento Gomes Mota (Presidente)	P	P	P	P	P	P	P	P	P	P	P	P	100
João Carvalho das Neves (Vice- Presidente)	P	P	P	P	P	P	P	P	A	A	P	P	83
Alberto Joaquim Milheiro Barbosa	P	P	P	P	P	P	P	P	P	P	P	P	100
Maria Celeste Ferreira Lopes Cardona	P	P	P	P	P	P	P	P	P	P	P	P	100
Maria del Carmen Fernandez Rozado	P	P	P	P	P	P	P	P	P	P	P	P	100

P = Attendance; A = Absence; R = Represented

Total of meetings held in 2016: 12

Participation average: 97%

Annex VI

In 2016, the members of the Executive Board of Directors performed the following operations with EDP shares:

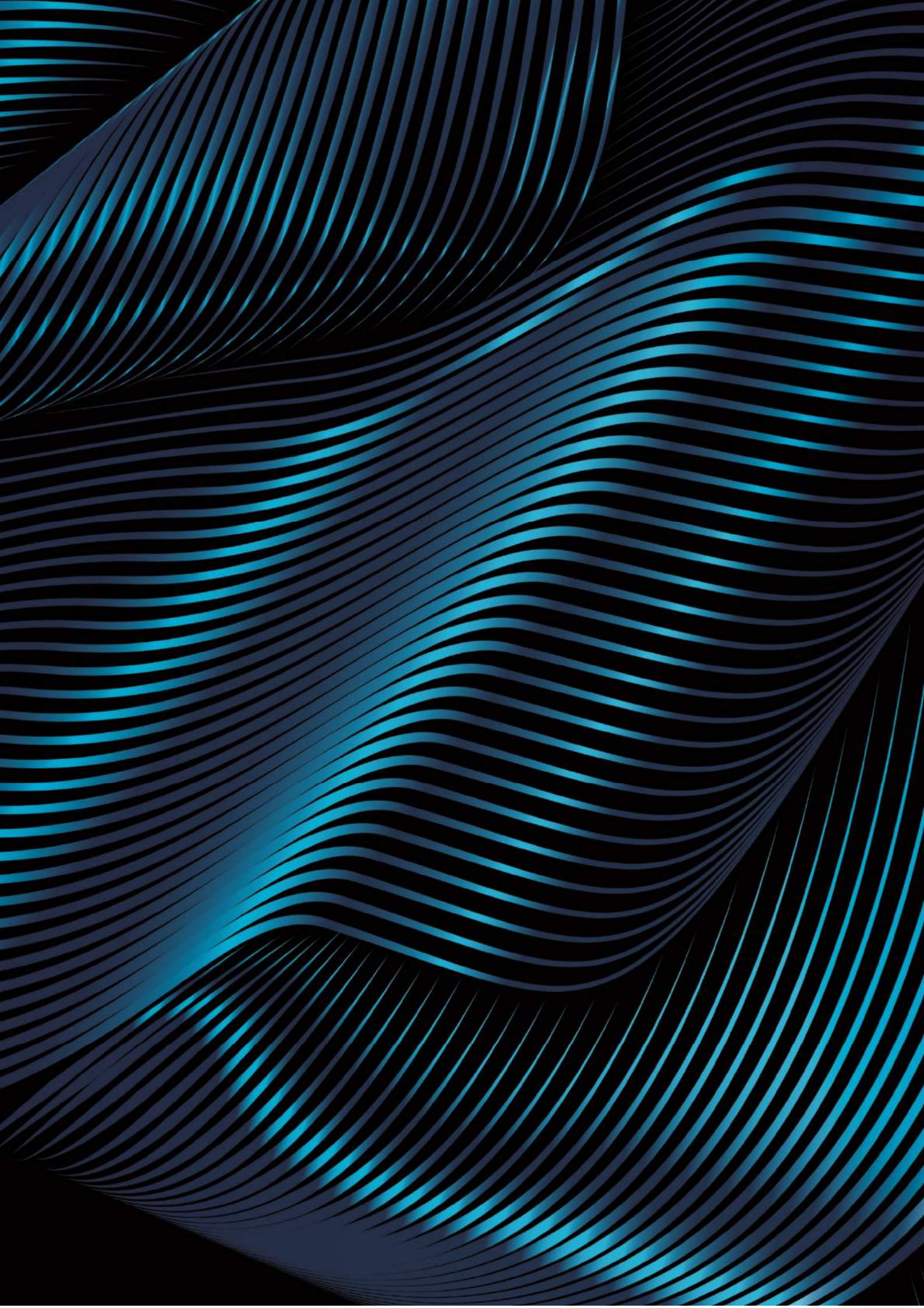
Member of Corporate Body	Company	Security	Date	Quantity	Operation	Avg. Purchase Price (euros)
Miguel Stilwell de Andrade	EDP - Energias de Portugal, S.A.	Shares	04/03/2016	13.424	Purchase	2,9400
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Shares	04/03/2016	10.000	Purchase	2,8700
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Shares	04/03/2016	10.000	Purchase	2,8730
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Shares	04/03/2016	10.000	Purchase	2,8840
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Shares	09/05/2016	9.370	Purchase	3,1770
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Shares	09/05/2016	630	Purchase	3,1780
Rui Manuel Rodrigues Lopes Teixeira	EDP - Energias de Portugal, S.A.	Shares	20/05/2016	820	Purchase	2,9360
João Manuel Veríssimo Marques da Cruz	EDP - Energias de Portugal, S.A.	Shares	14/06/2016	37.500	Purchase	2,8000
Miguel Nuno Simões Nunes Ferreira Setas	EDP - Energias do Brasil, S.A.	Shares	28/09/2016	6.000	Purchase	14,8700
Nuno Maria Pestana de Almeida Alves	EDP - Energias de Portugal, S.A.	Shares	30/09/2016	12.500	Purchase	2,9450
Rui Manuel Rodrigues Lopes Teixeira(1)	EDP - Energias de Portugal, S.A.	Shares	03/10/2016	670	Purchase	2,9470
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Shares	10/11/2016	10.000	Purchase	2,7890
Rui Manuel Rodrigues Lopes Teixeira	EDP - Energias de Portugal, S.A.	Shares	11/11/2016	500	Purchase	2,7230
Rui Manuel Rodrigues Lopes Teixeira	EDP - Energias de Portugal, S.A.	Shares	11/11/2016	500	Purchase	2,6950
João Manuel Veríssimo Marques da Cruz	EDP - Energias de Portugal, S.A.	Shares	11/11/2016	40	Purchase	2,7270
Nuno Maria Pestana de Almeida Alves	EDP - Energias de Portugal, S.A.	Shares	16/11/2016	12.500	Purchase	2,6800
António Fernando Melo Martins da Costa	EDP - Energias de Portugal, S.A.	Shares	22/11/2016	20	Purchase	2,7350

In 2016, the members of the General and Supervisory Board performed the following operations with EDP shares:

Member of Corporate Body	Company	Security	Date	Quantity	Operation	Avg. Purchase Price (euros)
Fernando Maria Masaveu Herrero	EDP - Energias de Portugal, S.A.	Shares	11/02/2016	339.580	Purchase	2,7643
João Carlos Carvalho das Neves	EDP Renováveis, S.A.	Shares	21/09/2016	3.200	Purchase	6,9200
Fernando Maria Masaveu Herrero	EDP - Energias de Portugal, S.A.	Shares	14/11/2016	15.000	Purchase	2,6610
Fernando Maria Masaveu Herrero	EDP - Energias de Portugal, S.A.	Shares	14/11/2016	500	Purchase	2,6630
Fernando Maria Masaveu Herrero	EDP - Energias de Portugal, S.A.	Shares	14/11/2016	500	Purchase	2,6630
Fernando Maria Masaveu Herrero	EDP - Energias de Portugal, S.A.	Shares	14/11/2016	500	Purchase	2,6610

ENERGY AS THE *NEW* ART

05
Financial Statements and Notes





WATER
AS THE NEWART

ENERGY
AS
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ART

**Financial Statements
31 December 2016**

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EDP - Energias de Portugal

Consolidated Income Statement
as at 31 December 2016 and 2015

Thousand Euros	Notes	2016	2015
Revenues from energy sales and services and other	6	14,595,164	15,516,799
Cost of energy sales and other	6	-8,857,132	-10,062,093
		5,738,032	5,454,706
Other income	7	427,314	848,783
Supplies and services	8	-947,874	-920,608
Personnel costs and employee benefits	9	-660,616	-652,979
Other expenses	10	-797,549	-805,944
		-1,978,725	-1,530,748
		3,759,307	3,923,958
Provisions	11	15,076	-16,056
Amortisation and impairment	12	-1,510,304	-1,464,523
		2,264,079	2,443,379
Financial income	13	899,323	936,221
Financial expenses	13	-1,790,803	-1,768,736
Share of net profit in joint ventures and associates	21	-22,062	-23,899
Profit before income tax and CESE		1,350,537	1,586,965
Income tax expense	14	-88,796	-277,769
Extraordinary contribution to the energy sector (CESE)	15	-61,630	-62,054
		-150,426	-339,823
Net profit for the period		1,200,111	1,247,142
Attributable to:			
Equity holders of EDP		960,561	912,703
Non-controlling Interests	33	239,550	334,439
Net profit for the period		1,200,111	1,247,142
Earnings per share (Basic and Diluted) - Euros	30	0.26	0.25

LISBON, 2 MARCH 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Consolidated Statement of Comprehensive Income
 as at 31 December 2016 and 2015

Thousand Euros	2016		2015	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	960,561	239,550	912,703	334,439
Items that will never be reclassified to profit or loss (i)				
Actuarial gains/(losses)	-48,533	-23,224	-46,223	-15,536
Tax effect from the actuarial gains/(losses)	15,091	7,888	13,217	5,282
	-33,442	-15,336	-33,006	-10,254
Items that are or may be reclassified to profit or loss (i)				
Exchange differences arising on consolidation	235,662	351,294	-249,688	-310,119
Fair value reserve (cash flow hedge)	113,123	3,279	-31,591	3,513
Tax effect from the fair value reserve (cash flow hedge)	-30,764	-278	8,545	-1,156
Fair value reserve (available for sale investments)	-9,469	546	13,546	122
Tax effect from the fair value reserve (available for sale investments)	188	-	-3,085	-
Share of other comprehensive income of joint ventures and associates, net of taxes	-872	-2,342	10,638	-2,173
	307,868	352,499	-251,635	-309,813
Other comprehensive income for the period, net of income tax	274,426	337,163	-284,641	-320,067
Total comprehensive income for the period	1,234,987	576,713	628,062	14,372

(i) See Consolidated Statement of Changes in Equity

LISBON, 2 MARCH 2017

 THE CERTIFIED ACCOUNTANT
 N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Financial Position
as at 31 December 2016 and 2015

Thousand Euros	Notes	2016	2015
Assets			
Property, plant and equipment	16	24,193,736	22,773,716
Intangible assets	17	5,128,544	5,524,634
Goodwill	18	3,414,852	3,388,588
Investments in joint ventures and associates	21	820,565	664,011
Available for sale investments	22	165,044	200,206
Investment property	23	31,219	36,465
Deferred tax assets	24	904,412	272,498
Debtors and other assets from commercial activities	26	2,448,442	3,312,318
Other debtors and other assets	27	469,269	444,257
Collateral deposits associated to financial debt	35	31,936	66,855
Total Non-Current Assets		37,608,019	36,683,548
Inventories	25	316,577	204,206
Debtors and other assets from commercial activities	26	3,207,613	3,468,900
Other debtors and other assets	27	354,316	443,118
Current tax assets	28	494,504	314,867
Financial assets at fair value through profit or loss	52	9,567	9,288
Collateral deposits associated to financial debt	35	20,095	13,060
Cash and cash equivalents	29	1,521,253	1,245,449
Assets held for sale	42	551,802	154,529
Total Current Assets		6,475,727	5,853,417
Total Assets		44,083,746	42,536,965
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-63,528	-62,691
Share premium	30	503,923	503,923
Reserves and retained earnings	32	4,348,793	3,659,302
Consolidated net profit attributable to equity holders of EDP		960,561	912,703
Total Equity attributable to equity holders of EDP		9,406,287	8,669,775
Non-controlling Interests	33	4,330,085	3,451,718
Total Equity		13,736,372	12,121,493
Liabilities			
Financial debt	35	15,550,273	15,653,876
Employee benefits	36	1,410,136	1,647,730
Provisions	37	637,613	481,439
Deferred tax liabilities	24	722,401	794,983
Institutional partnerships in USA	38	2,339,425	1,956,217
Trade and other payables from commercial activities	39	1,293,133	1,237,274
Other liabilities and other payables	40	829,257	548,136
Total Non-Current Liabilities		22,782,238	22,319,655
Financial debt	35	2,476,403	3,616,664
Employee benefits	36	316,709	175,763
Provisions	37	33,879	24,633
Hydrological correction account	34	1,574	11,417
Trade and other payables from commercial activities	39	3,362,421	3,380,358
Other liabilities and other payables	40	345,032	311,574
Current tax liabilities	41	953,264	517,380
Liabilities held for sale	42	75,854	58,028
Total Current Liabilities		7,565,136	8,095,817
Total Liabilities		30,347,374	30,415,472
Total Equity and Liabilities		44,083,746	42,536,965

LISBON, 2 MARCH 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
**Consolidated Income Statement
 for the three-month period from 1 October to 31 December 2016 and 2015**

Thousand Euros	2016	2015
Revenues from energy sales and services and other	4,010,594	3,912,022
Cost of energy sales and other	-2,535,980	-2,517,729
	1,474,614	1,394,293
Other income	76,653	165,721
Supplies and services	-273,458	-262,644
Personnel costs and employee benefits	-173,822	-181,250
Other expenses	-237,219	-183,257
	-607,846	-461,430
	866,768	932,863
Provisions	36	-7,020
Amortisation and impairment	-395,173	-406,149
	471,631	519,694
Financial income	213,416	212,591
Financial expenses	-469,947	-419,351
Share of net profit in joint ventures and associates	-19,261	1,310
Profit before income tax	195,839	314,244
Income tax expense	211,066	-41,898
Extraordinary contribution to the energy sector (CESE)	-1,069	-1,191
	209,997	-43,089
Net profit for the period	405,836	271,155
Attributable to:		
Equity holders of EDP	345,533	176,784
Non-controlling Interests	60,303	94,371
Net profit for the period	405,836	271,155
Earnings per share (Basic and Diluted) - Euros	0.10	0.05

LISBON, 2 MARCH 2017

 THE CERTIFIED ACCOUNTANT
 N.º 17.713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income
for the three-month period from 1 October to 31 December 2016 and 2015

Thousand Euros	2016		2015	
	Equity holders of EDP	ntrolling Interests	Equity holders of EDP	ntrolling Interests
Net profit for the period	345,533	60,303	176,784	94,371
Items that will never be reclassified to profit or loss				
Actuarial gains/(losses)	-22,816	-18,079	-81,993	-12,298
Tax effect from the actuarial gains/(losses)	7,463	6,138	19,531	4,181
	-15,353	-11,941	-62,462	-8,117
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	71,455	128,022	11,469	75,606
Fair value reserve (cash flow hedge)	27,049	3,097	2,334	477
Tax effect from the fair value reserve (cash flow hedge)	-7,244	-704	-1,499	-315
Fair value reserve (available for sale investments)	5,789	546	10,157	122
Tax effect from the fair value reserve (available for sale investments)	-2,250	-	-2,258	-
Share of other comprehensive income of joint ventures and associates, net of taxes	669	-2,576	1,264	803
	95,468	128,385	21,467	76,693
Other comprehensive income for the period (net of income tax)	80,115	116,444	-40,995	68,576
Total comprehensive income for the period	425,648	176,747	135,789	162,947

LISBON, 2 MARCH 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Consolidated Statement of Changes in Equity as at
31 December 2016 and 2015

Thousand Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings	Fair value reserve (Cash flow hedge) (ii)	Fair value reserve (AFS investments) (ii)	Exchange differences (ii)	Treasury stock (iii)	Equity attributable to equity holders of EDP	Non-controlling interests (iv)
Balance as at 31 December 2014	11,969,144	3,656,538	503,923	659,613	4,064,527	-47,781	47,876	-133,300	-69,931	8,681,465	3,287,679
Comprehensive income:											
Net profit for the period	1,247,142	-	-	-	912,703	-	-	-	-	912,703	334,439
Changes in the fair value reserve (cash flow hedge) net of taxes	-20,689	-	-	-	-	-23,046	-	-	-	-23,046	2,357
Changes in the fair value reserve (available for sale investments) net of taxes	10,583	-	-	-	-	-	10,461	-	-	10,461	122
Share of other comprehensive income of joint ventures and associates net of taxes	8,465	-	-	-	-	20,165	-	-9,527	-	10,638	-2,173
Actuarial gains/(losses) net of taxes	-43,260	-	-	-	-33,006	-	-	-	-	-33,006	-10,254
Exchange differences arising on consolidation	-559,807	-	-	-	-	-	-	-249,688	-	-249,688	-310,119
Total comprehensive income for the period	642,434	-	-	-	879,697	-2,881	10,461	-259,215	-	628,062	14,372
Transfer to legal reserve	-	-	-	39,289	-39,289	-	-	-	-	-	-
Dividends paid	-672,308	-	-	-	-672,308	-	-	-	-	-672,308	-
Dividends attributable to non-controlling interests	-146,553	-	-	-	-	-	-	-	-	-	-146,553
Purchase and sale of treasury stock	6,223	-	-	-	484	-	-	-	5,739	6,223	-
Share-based payments	1,501	-	-	-	-	-	-	-	1,501	1,501	-
Sale without loss of control of windfarms in the USA	304,372	-	-	-	-9,475	-1,141	-	-4,189	-	-14,805	319,177
Sale without loss of control of solar farms in the USA	25,546	-	-	-	407	-	-	-737	-	-330	25,876
Sale without loss of control of windfarms in Brazil	61,280	-	-	-	4,993	-	-	5,344	-	10,337	50,943
Changes resulting from acquisitions/sales and equity increases/decreases	-69,301	-	-	-	33,257	-4,501	1,042	-	-	29,798	-99,099
Other reserves arising on consolidation	-845	-	-	-	-168	-	-	-	-	-168	-677
Balance as at 31 December 2015	12,121,493	3,656,538	503,923	698,902	4,262,125	-56,304	59,379	-392,097	-62,691	8,669,775	3,451,718
Comprehensive income:											
Net profit for the period	1,200,111	-	-	-	960,561	-	-	-	-	960,561	239,550
Changes in the fair value reserve (cash flow hedge) net of taxes	85,360	-	-	-	-	82,359	-	-	-	82,359	3,001
Changes in the fair value reserve (available for sale investments) net of taxes	-8,735	-	-	-	-	-	-9,281	-	-	-9,281	546
Share of other comprehensive income of joint ventures and associates net of taxes	-3,214	-	-	-	-	886	-	-1,758	-	-872	-2,342
Actuarial gains/(losses) net of taxes	-48,778	-	-	-	-33,442	-	-	-	-	-33,442	-15,336
Exchange differences arising on consolidation	586,956	-	-	-	-	-	-	235,662	-	235,662	351,294
Total comprehensive income for the period	1,811,700	-	-	-	927,119	83,245	-9,281	233,904	-	1,234,987	576,713
Transfer to legal reserve	-	-	-	40,122	-40,122	-	-	-	-	-	-
Dividends paid	-672,537	-	-	-	-672,537	-	-	-	-	-672,537	-
Dividends attributable to non-controlling interests	-170,602	-	-	-	-	-	-	-	-	-	-170,602
Purchase and sale of treasury stock	-2,878	-	-	-	-751	-	-	-	-2,127	-2,878	-
Share-based payments	1,290	-	-	-	-	-	-	-	1,290	1,290	-
Sale without loss of control of windfarms in the USA	262,848	-	-	-	15,399	-1,037	-	3,845	-	18,207	244,641
Sale without loss of control of windfarms in Europe	414,925	-	-	-	97,212	3,429	-	5,246	-	105,887	309,038
Changes resulting from acquisitions/sales and equity increases/decreases and other	-29,867	-	-	-	47,119	153	-	4,284	-	51,556	-81,423
Balance as at 31 December 2016	13,736,372	3,656,538	503,923	739,024	4,635,564	29,486	50,098	-144,818	-63,528	9,406,287	4,330,085

(i) See note 30
 (ii) See note 32
 (iii) See note 31
 (iv) See note 33

LISBON, 2 MARCH 2017

THE CERTIFIED ACCOUNTANT
 N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Consolidated and Company Statement of Cash Flows
as at 31 December 2016 and 2015

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Operating activities				
Cash receipts from customers	13,369,454	14,357,283	2,591,628	2,775,960
Proceeds from tariff adjustments sales	2,286,944	903,070	-	-
Payments to suppliers	-9,475,160	-10,512,735	-2,479,093	-2,846,916
Payments to personnel	-902,430	-781,382	-62,872	-35,349
Concession rents paid	-278,310	-277,627	-	-
Other receipts/(payments) relating to operating activities	-330,525	-462,695	24,694	-47,976
Net cash flows from operations	4,669,973	3,225,914	74,357	-154,281
Income tax received/(paid)	-628,153	-141,780	-77,725	78,986
Net cash flows from operating activities	4,041,820	3,084,134	-3,368	-75,295
Investing activities				
Cash receipts relating to:				
Sale of assets/subsidiaries with loss of control (i)	95,434	242,985	-	-
Other financial assets and investments (ii)	34,956	33,498	139	16,726
Changes in cash resulting from consolidation perimeter variations	-	101,389	-	-
Property, plant and equipment and intangible assets	18,058	11,596	3,436	19,772
Other receipts relating to tangible fixed assets	10,782	16,308	155	-
Interest and similar income	89,240	84,922	415,836	434,541
Dividends	19,888	34,359	800,207	762,260
Loans to related parties	49,586	4,482	702,120	645,720
	317,944	529,539	1,921,893	1,879,019
Cash payments relating to:				
Acquisition of assets/subsidiaries (iii)	-139,607	-207,971	-18,641	-936,822
Other financial assets and investments (iv)	-140,531	-78,014	-	-
Held to maturity financial investments (v)	-	-	-500,624	-
Changes in cash resulting from consolidation perimeter variations (vi)	-7,051	-	-	-
Property, plant and equipment and intangible assets	-2,090,617	-1,835,636	-29,868	-57,900
Loans to related parties	-74,605	-40,583	-891,593	-967,085
	-2,452,411	-2,162,204	-1,440,726	-1,961,807
Net cash flows from investing activities	-2,134,467	-1,632,665	481,167	-82,788
Financing activities				
Receipts/(payments) relating to loans	-1,183,196	-1,458,838	336,498	437,373
Interest and similar costs including hedge derivatives	-926,797	-920,577	-426,116	-399,474
Share capital increases/(decreases) by non-controlling	86,229	-46,168	-	-
Receipts/(payments) relating to derivative financial	-23,520	-22,808	59,850	-36,757
Dividends paid to equity holders of EDP (vii)	-672,537	-672,308	-672,817	-672,588
Dividends paid to non-controlling interests	-175,355	-128,971	-	-
Treasury stock sold/(purchased) (vii)	-2,878	6,223	-1,588	7,724
Sale of assets/subsidiaries without loss of control (viii)	697,881	394,904	-	-
Receipts/(payments) from institutional partnerships - USA	451,788	68,474	-	-
Net cash flows from financing activities	-1,748,385	-2,780,069	-704,173	-663,722
Changes in cash and cash equivalents	158,968	-1,328,600	-226,374	-821,805
Effect of exchange rate fluctuations on cash held	116,836	-39,946	20,859	344
Cash and cash equivalents at the beginning of the period	1,245,449	2,613,995	523,270	1,344,731
Cash and cash equivalents at the end of the period *	1,521,253	1,245,449	317,755	523,270

- (i) On a consolidated basis, refers to the sale of the assets of the business of electricity generation of Pantanal and J&Z (transactions included in the notes 5, 7 and 42);
- (ii) On a consolidated basis, includes the sale of the business of electricity generation of Tejo Energia and Inch Cape (transactions included in the notes 5, 13 and 42);
- (iii) On a consolidated basis, mainly refers to payments for the acquisition of the companies disclosed in the note 5;
- (iv) On a consolidated basis, includes the capital increase of Empresa de Energia São Manoel, S.A. referred in the note 21;
- (v) On a company basis, corresponds to the acquisition of 500,000 thousand US Dollars of nominal debt related to a couple of bonds issued by EDP Finance B.V. in a market operation as referred in the note 20;
- (vi) On a consolidated basis, corresponds essentially to the transfer of cash and cash equivalents to assets held for sale of the gas distribution companies in Portugal (transaction included in the note 42);
- (vii) See Consolidated and Company Statement of Changes in Equity;
- (viii) On a consolidated basis, includes: the sale without loss of control by EDPR NA of part of shareholding in several american companies; and by EDPR EU of part of shareholding in several spanish, portuguese, belgian, french, polish and italian companies as disclosed in the note 5;
- (ix) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in the note 38).

* See details of Cash and cash equivalents in note 29 of the Financial Statements.

LISBON, 2 MARCH 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
**Company Income Statement
 as at 31 December 2016 and 2015**

Thousand Euros	Notes	2016	2015
Revenues from energy sales and services and other	6	2,608,187	2,916,655
Cost of energy sales and other	6	-2,362,389	-2,733,592
		245,798	183,063
Other income		15,398	11,657
Supplies and services	8	-166,462	-172,484
Personnel costs and employee benefits	9	-65,780	-47,137
Other expenses		-18,521	-20,775
		-235,365	-228,739
		10,433	-45,676
Provisions	11	-414	9,882
Amortisation and impairment	12	-20,092	-14,430
		-10,073	-50,224
Financial income	13	2,331,796	2,061,812
Financial expenses	13	-1,563,981	-1,219,754
Profit before income tax		757,742	791,834
Income tax expense	14	289	10,612
Net profit for the period		758,031	802,446

LISBON, 2 MARCH 2017

 THE CERTIFIED ACCOUNTANT
 N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statement of Comprehensive Income
as at 31 December 2016 and 2015

Thousand Euros	2016	2015
Net profit for the period	758,031	802,446
Items that will never be reclassified to profit or loss (i)		
Actuarial gains/(losses)	-1,642	-194
Tax effect from the actuarial gains/(losses)	487	49
	-1,155	-145
Items that are or may be reclassified to profit or loss (i)		
Fair value reserve (cash flow hedge)	62,433	8,941
Tax effect from the fair value reserve (cash flow hedge)	-18,418	-2,635
Fair value reserve (available for sale investments)	-1,572	6,979
Tax effect from the fair value reserve (available for sale investments)	458	-2,055
	42,901	11,230
Other comprehensive income for the period (net of income tax)	41,746	11,085
Total comprehensive income for the period	799,777	813,531

(i) See Company Statement of Changes in Equity

LISBON, 2 MARCH 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
**Company Statement of Financial Position
as at 31 December 2016 and 2015**

Thousand Euros	Notes	2016	2015
Assets			
Property, plant and equipment	16	191,959	206,054
Intangible assets		2,074	2,371
Investments in subsidiaries	19	11,190,176	10,965,580
Held to maturity financial investments	20	477,018	-
Investments in joint ventures and associates	21	6,597	6,597
Available for sale investments	22	52,134	53,679
Investment property	23	52,579	32,522
Deferred tax assets	24	45,115	35,140
Debtors and other assets from commercial activities		748	1,659
Other debtors and other assets	27	6,863,324	7,799,328
Total Non-Current Assets		18,881,724	19,102,930
Held to maturity financial investments	20	29,985	-
Debtors and other assets from commercial activities	26	551,098	594,710
Other debtors and other assets	27	2,975,295	2,126,996
Current tax assets	28	40,011	89,603
Cash and cash equivalents	29	317,755	523,270
Total Current Assets		3,914,144	3,334,579
Total Assets		22,795,868	22,437,509
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-57,433	-56,596
Share premium	30	503,923	503,923
Reserves and retained earnings	32	2,563,948	2,393,324
Net profit for the period		758,031	802,446
Total Equity		7,425,007	7,299,635
Liabilities			
Financial debt	35	9,426,907	9,540,894
Employee benefits	36	4,655	22,828
Provisions	37	7,599	12,207
Trade and other payables from commercial activities		2,578	4,037
Other liabilities and other payables	40	2,761,843	2,739,715
Total Non-Current Liabilities		12,203,582	12,319,681
Financial debt	35	1,766,359	1,803,482
Employee benefits	36	291	346
Provisions	37	724	1,262
Hydrological correction account	34	1,574	11,417
Trade and other payables from commercial activities	39	586,792	550,616
Other liabilities and other payables	40	543,538	396,852
Current tax liabilities	41	268,001	54,218
Total Current Liabilities		3,167,279	2,818,193
Total Liabilities		15,370,861	15,137,874
Total Equity and Liabilities		22,795,868	22,437,509

LISBON, 2 MARCH 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three-month period from 1 October to 31 December 2016 and 2015

Thousand Euros	2016	2015
Revenues from energy sales and services and other	799,459	808,256
Cost of energy sales and other	-755,339	-763,601
	44,120	44,655
Other income	7,447	2,461
Supplies and services	-52,046	-45,029
Personnel costs and employee benefits	-17,085	-15,175
Other expenses	-7,124	-4,970
	-68,808	-62,713
	-24,688	-18,058
Provisions	-506	10,989
Amortisation and impairment	-4,812	-3,955
	-30,006	-11,024
Financial income	723,425	628,178
Financial expenses	-335,069	-316,702
Profit before income tax	358,350	300,452
Income tax expense	-19,853	-10,201
Net profit for the period	338,497	290,251

LISBON, 2 MARCH 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
**Company Statement of Comprehensive Income
 for the three-month period from 1 October to 31 December 2016 and 2015**

Thousand Euros	2016	2015
Net profit for the period	338,497	290,251
Items that will never be reclassified to profit or loss		
Actuarial gains/(losses)	-1,814	-194
Tax effect from the actuarial gains/(losses)	487	49
	-1,327	-145
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	48,880	-4,559
Tax effect from the fair value reserve (cash flow hedge)	-14,420	1,344
Fair value reserve (available for sale investments)	1,720	2,093
Tax effect from the fair value reserve (available for sale investments)	-507	-616
	35,673	-1,738
Other comprehensive income for the period (net of income tax)	34,346	-1,883
Total comprehensive income for the period	372,843	288,368

LISBON, 2 MARCH 2017

 THE CERTIFIED ACCOUNTANT
 N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statement of Changes in Equity as at
31 December 2016 and 2015

Thousand Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings	Fair value reserve (Cash flow hedge) (ii)	Fair value reserve (AFS investments) (ii)	Treasury stock (iii)
Balance as at 31 December 2014	7,150,968	3,656,538	503,923	659,613	2,387,747	-12,138	19,121	-63,836
Comprehensive income:								
Net profit for the period	802,446	-	-	-	802,446	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	6,306	-	-	-	-	6,306	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	4,924	-	-	-	-	-	4,924	-
Actuarial gains / (losses) net of taxes	-145	-	-	-	-145	-	-	-
Total comprehensive income for the period	813,531	-	-	-	802,301	6,306	4,924	-
Transfer to legal reserve	-	-	-	39,289	-39,289	-	-	-
Dividends paid	-672,588	-	-	-	-672,588	-	-	-
Purchase and sale of treasury stock	6,223	-	-	-	484	-	-	5,739
Share-based payments	1,501	-	-	-	-	-	-	1,501
Balance as at 31 December 2015	7,299,635	3,656,538	503,923	698,902	2,478,655	-5,832	24,045	-56,596
Comprehensive income:								
Net profit for the period	758,031	-	-	-	758,031	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	44,015	-	-	-	-	44,015	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-1,114	-	-	-	-	-	-1,114	-
Actuarial gains / (losses) net of taxes	-1,155	-	-	-	-1,155	-	-	-
Total comprehensive income for the period	799,777	-	-	-	756,876	44,015	-1,114	-
Transfer to legal reserve	-	-	-	40,122	-40,122	-	-	-
Dividends paid	-672,817	-	-	-	-672,817	-	-	-
Purchase and sale of treasury stock	-2,878	-	-	-	-751	-	-	-2,127
Share-based payments	1,290	-	-	-	-	-	-	1,290
Balance as at 31 December 2016	7,425,007	3,656,538	503,923	739,024	2,521,841	38,183	22,931	-57,433

(i) See note 30

(ii) See note 32

(iii) See note 31

LISBON, 2 MARCH 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

Notes to the Consolidated and Company Financial Statements

1. Economic activity of EDP Group	281
2. Accounting policies	298
3. Critical accounting estimates and judgements in preparing the financial statements	312
4. Financial risk management policies	317
5. Consolidation perimeter	322
6. Revenues from energy sales and services and other	325
7. Other income	326
8. Supplies and services	327
9. Personnel costs and employee benefits	327
10. Other expenses	328
11. Provisions	328
12. Amortisation and impairment	329
13. Financial income and expenses	330
14. Income tax	331
15. Extraordinary contribution to the energy sector (CESE)	334
16. Property, plant and equipment	335
17. Intangible assets	339
18. Goodwill	341
19. Investments in subsidiaries (Company basis)	344
20. Held to maturity financial investments	345
21. Investments in joint ventures and associates	346
22. Available for sale investments	351
23. Investment property	352
24. Deferred tax assets and liabilities	353
25. Inventories	354
26. Debtors and other assets from commercial activities	355
27. Other debtors and other assets	359
28. Current tax assets	359
29. Cash and cash equivalents	360
30. Share capital and share premium	360
31. Treasury stock	361
32. Reserves and retained earnings	362
33. Non-controlling interests	363
34. Hydrological account	364
35. Financial debt	365
36. Employee benefits	369
37. Provisions for liabilities and charges	379
38. Institutional partnerships in USA	383
39. Trade and other payables from commercial activities	384
40. Other liabilities and other payables	386
41. Current tax liabilities	387
42. Assets and liabilities held for sale	387
43. Derivative financial instruments	388
44. Commitments	391
45. Related parties	394
46. Fair value of financial assets and liabilities	399
47. CO2 licences	401
48. Relevant or subsequent events	401
49. Recent accounting standards and interpretations issued	402
50. EDP Branch in Spain	404
51. Environmental matters	406
52. Transfers of financial assets - Tariff adjustments	407
53. Operating segments report	408
54. Explanation added for translation	410
Annex I - EDP Group operating segments report	411
Annex II - Companies in the Consolidation perimeter	415

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

1. Economic Activity of EDP Group

The Group's parent company, EDP - Energias de Portugal, S.A. (EDP, S.A.), was incorporated in 1976 as a result of the nationalisation and merger of the major Portuguese companies in the electricity sector operating in mainland Portugal. EDP S.A.'s head office is located in Lisbon at Avenida 24 de Julho, 12. During 1994, as established by Decree-laws 7/91 and 131/94, the EDP Group (EDP Group or Group) was set up following the split of EDP, S.A., which led to a number of directly or indirectly wholly owned subsidiaries of EDP, S.A.

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

The EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors.

Activity in the energy sector in Portugal

Electricity - Portugal

The National Electricity System (SEN) basis of organization and operation, as well as the general basis applicable to the production, transportation, distribution, supply activities of electricity, change of supplier logistics operation, and organisation of organised electricity markets, are established by the Decree-Law (DL) 29/2006 of 15 February, this DL was developed by the DL 172/2006 of 23 August. The DL 29/2006 and 172/2006 were updated by the DL 215-A/2012 and B/2012 of 8 October, incorporating essentially the principles of the European Parliament and Council's Directive 2009/72/CE of 13 July 2009, establishing common rules for the electricity internal market.

The National Electricity System includes the activities of generation and supply of electricity under free market competition conditions (through licensing in generation and through prior registration in supply), and the activities of transmission and distribution provided through exclusive public service concessions. The management activity exercise of organised electricity markets is free, subject to authorization. The activity of logistic operation to change the electricity supplier must be independent of the other SEN entities - the Entidade Reguladora dos Serviços Energéticos - ERSE (Energy Sector Regulator) determined that, until it is developed the logistic and the legislation for this activity, it should be performed by the distribution operator of medium and high voltage, currently EDP Distribuição.

The transmission, distribution and supply of electricity (including last resort activities and market facilitator), as well as the logistics of changes of supplier and organized markets management are subject to regulation by ERSE, which is responsible for the preparation, issuance and enforcement of regulations and for establishing the tariffs and prices related to network usage - access tariffs - and electricity supply for clients in the regulated market - electricity tariffs charged by the Supplier of Last Resort.

For transmission, distribution and supply of last resort activities, the law establishes a remuneration right fixed by ERSE, under the tariff regulations, to ensure economic and financial balance under an efficient management.

Electricity transmission is ensured by the National Transportation Network (RNT) and is carried out under public service concessions, exclusively by REN - Redes Energéticas Nacionais, SGPS, S.A., for a period of 50 years.

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

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

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

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

The CESE system has been extended for the years 2015, 2016 and 2017 by the Law 82-B/2014, of 31 December, Law of the State Budget 2015 ("Lei do Orçamento de Estado 2015"), Law 159-C/2015 of 30 December and Law 42/2016 of 28 December. Note that, the Stability Programme 2016-2020, published in April 2016 by the Portuguese Government does not make references to CESE. The Public Finance Board (CFP) following several contacts with the Ministry of Finance, was informed that there is the assumption that CESE will continue until 2020, being reduced from 2017 to about 60% of the predicted value for 2016.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Generation

The generation of electricity covers generation under ordinary and special regimes. Under the ordinary regime, where EDP Group is represented by EDP Gestão da Produção, S.A., electricity is generated and sold under free market conditions, in organised markets or through bilateral agreements, being subject only to licensing.

The special regime (PRE) allows producers to deliver electricity to the network, through bilateral agreements with the Supplier of Last Resort (CUR), being subject to specific legislation, namely to promote the use of endogenous renewable resources, cogeneration or micro generation. With the publication of Decree-Law No. 215-A/2012, of 8 October, the PRE begins to integrate beside the production subject to special legal regime the entire generation of electricity from indigenous, renewable and non-renewable resources, even if not covered by a special legal regime, or even not having guaranteed remuneration, it can be remunerated by the market. The EDP Group is present in this segment through its subsidiaries EDP Gestão da Produção, S.A. and EDP Renováveis Portugal, S.A., among others.

Following the publication of Decree-Law 240/2004 of 27 December, which established the creation of a compensation mechanism to maintain the contractual balance (CMEC), in January 2005 the EDP Group signed the early termination of contracts for the Power Purchase Agreements (PPAs) related to the binding electricity production plants of the EDP Group, effective as of 1 July 2007, date of the launch of the Iberian Electricity Market (MIBEL).

With the publication of Decree-Law 199/2007, of 18 May, the Portuguese Government confirmed its decision to early terminate the PPAs and implement the CMEC mechanism and defined the rules to calculate the compensations due to the power generators for such early termination, which essentially consisted in an adjustment of the reference market price of electricity used to calculate the CMEC initial compensation amount. On 15 June 2007, EDP and REN agreed on the early termination of the PPAs, effective as of 1 July 2007. The CMEC regulation sets the compensation due at 833,467 thousand Euros, which in accordance with the legislation can be subject to securitisation.

In June 2007, Decree-Law 226-A/2007 of 31 May, which approves the new legal regime for using hydric resources under the terms of the new Water Law (Lei da Água), came into force. This Decree-Law in article 91, foresees the transfer of concession rights of public hydric resources of RTN to the companies holding the rights, and being subject to the payment of an economic and financial equilibrium value. The article 92 defines the calculation formula for the economic and financial equilibrium value, which was determined based on the value identified in two assessments conducted by highly reputed independent entities: Caixa - Banco de Investimento, S.A. and Credit Suisse First Boston. On that basis, the Government (INAG), REN and EDP Produção signed on 8 March 2008, several service concession arrangements related to the ex- SEP plants for which EDP Produção paid approximately 759 million Euros (corresponding to the contractual compensation following the Dispatch 16982/07) for the extension of the period to operate the public hydric domain for an additional average period of 26 years.

On 20 August 2012, the Administrative Order 251/2012 was published. This regulation replaces the previous mechanisms and establishes a new incentive scheme to energy generators. Capacity payments should contribute decisively and rationally to maintain the production capacity of electricity (availability incentive) and to perform future investment in new production capacity (investment incentive), and therefore, to ensure security supply levels that are not guaranteed by the operation of the normal market mechanisms. The availability incentive is applicable to thermoelectric power plants until the end of the operating license, beginning in the calendar year following the date of termination of the PAF ("Programa de Apoio Financeiro"). This incentive corresponds to an annual compensation of 6,000 Euro/MW/year. Investment incentive is applicable to new hydroelectric power plants and power enhancement projects, during the first 10 years after the formal recognition of their eligibility to receive the incentive.

On 27 February 2013, the Administrative Order 85-A/2013 was published, approving the nominal tariff applicable to the tariff repercussion of the yearly fixed amount of the costs for maintenance of the Contractual Stability Compensation (CMEC), setting the rate at 4.72%. This rate is applicable between 1 January 2013 and 31 December 2027 and reflects a costs reduction for the system of approximately 13 million Euros per year, which corresponds to a present value of 120 million Euros. This adjustment results from the application of the calculating mechanism of the interest rate related with the fixed portion set out in Decree-Law 240/2004, of 27 December, amended by Decree-Law 32/2013, of 26 February (point iv) of paragraph b) n.4 of article 5.º).

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013, that modifies the remuneration applicable to the production of electricity by mini hydro plants (PCH). Establishes that the PCH that were framed by a remuneration scheme prior to Decree-Law 33-A/2005, of 16 February, benefit from that remuneration scheme for a period of 25 years from the grant date of the exploration license or until the expiration date of their water use license, whichever occurs first. After this 25-year period and as long as the above mentioned license remains valid, electricity produced by these plants will be sold at market prices.

Following the publication of Law 74/2013 of 4 June, which established a regulatory scheme in order to ensure the balance of competition in the wholesale electricity market, determining that the costs of general economic interest (CIEG) of the global use of the system tariff (UGS) should also be supported by the producers under the ordinary regime and other producers not included in the guaranteed return system, the Dispatch 12955-A/2013, of 10 October fixed the payment per MWh injected into the network, for each one of the power plants covered, in 3€ for on-peak hours and 2€ for off-peak, during the period from 11 October to 31 December 2013. Directive 26/2013 of 27 December, established the terms and conditions of the business relationship between those electricity producers covered by Decree-Law 74/2013 and the operator of the transmission network.

On 30 July 2015, the Administrative Order 225/2015 was published, which change the Law 74/2013 implementing rules. The impact of the designated "extra market rules" being now determined by Order of the Government member responsible for the energy.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

On 15 October 2015, the Office of the Secretary of State for Energy (SEE) published the Order 11566-A / 2015, with the valuation of the parameters for calculation of the formula in Article 3 of Ordinance 288/2013, of 20 September, as amended by Decree 225/2015 of 30 July.

On 14 September 2016, ERSE published in the Official Gazette 177, 2nd series, the Directive 15/2016 on the competitive balance scheme of the wholesale market, which determines the information that producers must send to ERSE in order to allow it to calculate the values associated with non-market events occurred in the Portuguese market, as well as the values of installed capacity contained in the operating licenses or production for the determination of the social tariff cost to be supported by each power-generating plant. This Directive also defines the treatment to be given either in billing for the concept of net production of pumping or the billing related to the natural gas combined cycle plants for which it is provided that the application of the net power will only be made from the moment it reaches the operating threshold defined in Ordinance 225/2015 of 30 July.

In 2016, the criteria of social tariff attribution was amended by Law 7-A/2016 of 30 March, "Law on State Budget 2016". This amendment allows the extension of the current number of effective beneficiaries, pursuant to Decree-Law 138-A/2010 of 28 December, as amended by Decree-Law 172/2014, of 14 November, and Decree-Law 102/2011, of 30 September, without reducing the applicable current discount.

The existing social discounts, until the entry into force of this regulatory change, comprise the regime of extraordinary social support to the energy consumer (ASECE) and social tariff of 13.8% and 20% of the invoice, respectively. On 8 April 2016, Order 5138-A/2016 repeal ASECE and approved that the social tariff started to include this component. Therefore, the social discount rate supported by the social tariff was 33.8 % of the invoice from 1 July 2016. On 24 June, it was published in the Official Gazette 120, series 2, the Directive 12/2016 of ERSE that approves the social tariff in force from 1 July to 31 December 2016. Order 11946-A/2016, of 17 October, maintains the application of the social discount amount supported by the social tariff discount of 33.8% of the invoice for 2017. The social tariff is supported by the electricity suppliers under the ordinary regime and by the hydroelectric plants with capacity greater than 10MW, in proportion of the installed capacity in each electric power plant.

On 8 March 2016, ERSE Directive 6/2016 was published in the Official Gazette 47, series 2, concerning the booking and reporting of power transactions by market participants in specific remuneration schemes. Such measure establishes that the producers of electricity covered by CMEC in accordance with the Commercial Relations Regulation ("Regulamento das Relações Comerciais" (RRC)) and the Tariff Regulation ("Regulamento tarifário") shall to send to ERSE information on trading transactions and orders.

Following the Order 4694/2014, it was published on 5 September 2016, in the Official Gazette 170, series 2, the Order 10840/2016 of the State Energy Secretary's Office, with the audit conclusions on the determination of an overcompensation risk in the CMEC revisibility calculation in relation to the power plants covered by this mechanism in the system services market. Given the audit conclusions, this Order determines the following:

- i) Maintain, until the end of the annual revisibility mechanism of CMEC, the mechanism for the calculation of the system services prices and the proportion of energy generated by CMEC power plants, established in articles 2 and 3 of the Order 4694/2014 of 21 February, from the State Energy Secretary;
- ii) Forward the audit report and the Monitoring Committee's opinion to ERSE for monitoring purposes regarding the above mentioned prices and, if appropriate given the results obtained in these reports, find the best regulatory and punitive ways to treat them;
- iii) Forward the audit report and the Monitoring Committee's opinion to the Portuguese Authority of Energy and Geology (DGEG).

The Order 12378-A/2016, of 13 October, launches the review process of the remuneration model of power guarantee in order to create a market mechanism that exclusively remunerates the availability services provided by electric power producers, in line with the guidelines given by the European Commission in 2016 for capacity compensation mechanisms.

The Article 169 of the Law 42/2016 of 28 December, which approves the State Budget for 2017, suspends as from 1 January 2017, the capacity payments in the modality of incentive to availability by creating a mechanism which remunerates exclusively the availability services provided by electricity generators. In addition the article 170, of the above mentioned law, determines that the final adjustment of CMEC will be determined and based on a study prepared and presented by ERSE, until the end of the first half of 2017. The value of the adjustment shall be determined in accordance with Decree-Law 240/2004, of 27 December, as amended by Decree-Law 199/2007, of 18 May, 264/2007 of 24 July, and by 32/2013 of 26 February.

Distribution

Electricity distribution is carried out through the National Distribution Network (RND) and consists of a medium and high-tension network and a low-tension distribution network, exclusively under public service concessions.

The distribution of electricity in medium and high-tension has been concessioned to EDP Distribuição by the Portuguese Government pursuant to article 70 of Decree-Law no. 29/2006, as a result of converting the licence held by EDP Distribuição under the former regime into a concession agreement, which was signed on 25 February 2009, for a period of 35 years. The terms of the concession are set forth in Decree-Law no. 172/2006.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

In accordance with specific legislation (Decree-law 344-B/82, with the amendments set out in Decree-law 297/86 of 19 September, Decree-law 341/90 of 30 October and Decree-law 17/92 of 5 February), the right to distribute low-tension electricity in Portugal is attributed to the municipalities (local authorities). However, Service Concession Arrangements were celebrated generally with a 20 year term between each of mainland Portugal municipalities and EDP Distribuição. These concessions are in return for payment of a rent to the respective municipalities, determined in accordance with Decree-Law 230/2008 of 27 November. The low-voltage concessions of the 278 municipalities end between 2016 and 2026, with the majority expected to end in 2021 and 2022. Although the existing concession agreements were maintained pursuant to Decree-Law 172/2006, the terms for the new concessions will be established after a competition process to be implemented by the relevant municipalities.

Order 268-A/2016, of 13 October, establishes that during 2016 the current model of interruptibility of the SEN should be reviewed and replaced by a competitive mechanism.

Supply

The Electricity supply market is open to competition, subject only to a licensing regime. Suppliers have the right of access to the national transmission and distribution networks upon payment of the access charges set by ERSE. The activity of free supply, in EDP Group, is developed by EDP Comercial, S.A. The activity of supply of last resort (CUR), including universal public service obligations, is subject of license and is guaranteed by EDP Serviço Universal, S.A., a company wholly owned by EDP Distribuição S.A.

Electric Energy Price Regime

In the non-regulated market, electricity tariffs are defined by an agreement between each supplier and its customers. In the regulated market the tariffs charged by the supply of last resort are defined by ERSE. ERSE also establishes social tariffs for sales to final customers to be applied by the last resort suppliers to the economically vulnerable customers, pursuant to Decree-Law 138-A/2010 of 28 December, amended by Decree-Law 172/2014 of 14 November and by Law 7-A/2016 of 30 March. The procedures, model and the conditions for the application of the social tariff were established by Decree 178-B/2016 from 1 July.

The Decree-Law 104/2010 of 29 September (amended by Decree-Law n.º 78/2011, of 20 June, 75/2012 of 26 March, 256/2012 of 29 November and 13/2014, of 22 January), establishes the end of customers regulated tariffs for very high, high, medium and low-tension from 1 January 2011. The DL 13/2014 has established that the suppliers of last resort shall, until the date to be set by ordinance, and by applying transitional rates continue to supply electricity to customers who have not hired on the open market their supply. Ordinance n.º 27/2014 has defined as the termination date of the transitional rates for this type of supplies on 31 December 2014.

At 30 March 2015, Ordinance 97/2015 defined a new termination date of the transitional rates for this type of supplies on 31 December 2017.

For the low-voltage segment, the Decree-Law 75/2012 of 26 March, establishes the extinction of the regulated tariffs for sales to final customers with contracted power higher or equal to 10.35 kVA from 1 July 2012, and from 1 January 2013, for customers with contracted power less than 10.35 kVA. This law also establishes a transitional tariffs system set by ERSE: (i) final customers with contracted power between 10.35 and 41.4 kVA can take advantage of this rate until 31 December 2014 ; (ii) final customers with contracted power lower to 10.35 kVA can take advantage of this rate until 31 December 2015. The Decree-Law 75/2012, also establishes, for the economically vulnerable customers, the right to join the contract on the open market or choose to keep the supply by the supplier of last resort, benefiting, in any case from discounts in the tariff access provided by law.

In order to postpone the extinction of the transitional rules for the supply of natural gas and electricity to final customers with annual consumption lower or equal to 10,000 m³ and in the standard low voltage, was published the Decree-Law 15/2015, of 30 January, which predicts that the date of extinction of the transitional tariff for the standard low voltage would be set by an ordinance. Consequently, Ordinance 97/2015, like happened for the others voltage levels, defined the extinction date for the transitional tariff as 31 December 2017. Law 42/2016, of 28 December, determined that during 2017, the Government will proceed to the extension of the deadline for the termination of these tariffs to 31 December 2020.

Public Domain Assets

In Portugal some fixed assets relating to electricity generation and distribution in the regulated market are subject to the public domain regime. These assets are directly related with the Group's activity, which can freely manage them, but cannot dispose of them for private commercial purposes while they are related with the public domain regime.

Gas - Portugal

The National Natural Gas System (SNGN) basis of organization and operation, were established by the Decree-law 30/2006 of 15 February. This DL was developed by the DL 140/2006 of 26 July, that established the general basis applicable to the SNGN activities. The DL 231/2012 of 26 October, proceeds to the third amendment of DL 140/2006, changed by the DL 65/2008 of 9 April and by the DL 66/2010 of 11 June, incorporating essentially the principles of the European Parliament and Council's Directive 2009/73/CE of 13 July, establishing common rules for the natural gas internal market.

In the distribution activity for natural gas, EDP Group develops its activity in Portugal through its subsidiary EDP Gás Distribuição, S.A. EDP Group is present in the commercialization of natural gas, both in the regulated market (EDP Gás Serviço Universal) and the free market (EDP Comercial). Additionally, the Group develops the supply business of propane gas, through EDP Gás GPL, S.A.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Since 1 January 2013 the retail rates published by ERSE have a transitory character, being susceptible to quarterly reviews, according to DL 74/2012, of 26 March. This transitional period ends: (i) at 30 June 2014, for customers with annual consumption over 10,000 m³; (ii) 31 December 2014, for customers with annual consumption over 500 m³ and less than or equal to 10,000 m³; and (iii) 31 December 2015 for customers with annual consumption of less than or equal to 500 m³.

Decree-Law 15/2015, of 30 January, amending Decree-Laws 74/2012, of 26 March, 66/2010, of 11 June, and 104/2010 of 29 September, in order to change the way of fixing the period of application of transitional tariffs for natural gas supplies to final customers with annual consumption lower or equal to 10,000 m³. The date for the tariffs application shall be set by a governmental order of the office responsible for the energy sector, after ERSE been heard.

Therefore, according with Ordinance 97/2015 of 30 March, the extinction of the transitional tariffs for the natural gas supply to final customers with annual consumption lower or up to 10 000 m³ was set at 31 December 2017. This ordinance, also proceeds to the alteration of the extinction date of the transitional tariffs for the natural gas supply to final customers with annual consumption over to 10 000 m³, from 30 June 2015 to 31 December 2017 (amending the Ordinance 127/2014 of 25 June).

On 15 June 2016, the tariffs set by ERSE were published for the years 2016-2017 and the parameters for the regulatory period 2016-2019. The income allowed for EDP Gás Distribuição, S.A. include the initial revaluation of its assets (with reference to 31 December 2007), approved by the Finance Ministry.

The Resolution of the Council of Ministers 33-A/2016 published in Official Gazette 111/2016, 1st Supplement, Series I of 9 July 2016, creates the conditions for the automatic application of the social tariff on electricity and natural gas, determining the exchange of information between the competent services of the Public Administration. As of 1 July 2016, the social tariff is automatically applied by the suppliers.

Activity in the energy sector in Spain

Electricity - Spain

In Spain, Hidroeléctrica del Cantábrico (HC Energia) is the parent company of an industrial group, EDP-España, that operates in the electricity and gas sectors. In the electricity sector, HC Energia generates, distributes and supplies electricity. Production is based essentially on traditional coal thermal power plants and, on a smaller scale, on hydroelectric and nuclear power plants.

Electric Sector Regulation

On 27 November 1997 the Electric Sector's Law 54/1997 was approved, which (i) implements the principles included in the Protocol signed on 11 December 1996 between the Ministry of Industry and the major electric power companies regarding greater liberalization and competition in the electricity sector and (ii) incorporates into Spanish law the provisions contained in Directive 96/92/EC on common rules for the internal electricity market. Additionally, on 6 July 2007 the Law 17/2007 of 4 July came into force, amending the Law 54/1997, to adapt it to the Directive 2003/54/EC of the European Council and Parliament of 26 June 2003 on common rules for the internal market of electricity. Law 54/1997 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles of the European Parliament and Council's Directive 2009/72/CE of 13 July that revokes the Directive 2003/54/CE. On 27 December 2013, was published in the Official State Gazette the Law 24/2013 which replaces Law 54/1997 maintaining the principles established in previous legislation but with particular emphasis on economic and financial sustainability of the electricity sector.

Generation

Since 1 January 1998 electricity generation operates on a free market competition basis, which covers the purchase and sale of energy and other services related to the supply of electricity.

The market structure for electricity generation has been widened by Law 17/2007 of 4 July, in order to include the forward market and the intraday market, as well as technical issues, complementary services, deviations management and non-organised markets. The organisation and regulation of the market for electric power generation is defined by Royal Decree 2019/1997 of 26 December, and its implementing standards.

Electricity is paid at the system's marginal price plus a component for the adjustment services necessary to ensure an adequate supply. Additionally, the Order ITC/2794/2007 of 27 September, which revised the electricity tariffs from 1 October 2007, replaced the concept of "power availability" remuneration of electricity generation by the concept of "capacity payments" stated in article 14.5 of the Law 24/2013, which sets a remuneration of the availability service - for the procurement of capacity in the medium term developed on the Order ITC/3127/2011 - and the incentive to invest in long-term capacity.

The set-up of new generation units is liberalised, subject to obtaining the necessary permits.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Producers have the right to use primary energy sources in their generation units as deemed most appropriate, with the applicable environmental restrictions. As at 1 October 2010, the Royal Decree Law 1221/2010 was approved (which changed the Royal Decree Law 134/2010 of 12 February) that establishes the procedure for guarantee supply restrictions, as a protective measure to promote the consumption of local coal. As at 23 December of the same year entered into force the Royal Decree Law 14/2010, which obliges the producers to pay for the use of the transmission and distribution grids. On 27 January 2012, the promulgation of the Law 1/2012, temporarily suspended the new facilities' right to benefit from the specific remuneration regime of the facilities which use renewable energy sources, waste or cogeneration (applicable to the facilities that, since 28 January 2012, do not fulfil the administrative requirements referred in this standard). From 1 January 2013, the amounts of the premiums applicable to the remuneration of all facilities of the special regime were also eliminated, leaving only the tariff option or market price (Royal Decree-Law 2/2013).

The Royal Decree-Law 9/2013 and the Law 24/2013, change the remuneration scheme for facilities that use cogeneration, renewable energy sources and waste (former special regime) and, in addition of the price market sale, can be charged a specific fee to cover the costs not recovered in the market, calculated based on the efficient company criteria. This scheme does not exceed the minimum necessary to cover the costs that allow equal competition between facilities and other technologies on the market generating a return, before tax, equal to the rate of the 10-year Spanish state bonds, plus a spread. This spread, since July 2013, is 300 basis points. The above mentioned Royal Decree-Law was developed in: (i) the Royal Decree 413/2014, which replaced the previous rules governing the remuneration model used mainly contained in Royal Decree 661/2007; and (ii) the Order 1045/2014, approving the remuneration parameters applicable to the plants which are using renewable energy sources, waste or cogeneration.

Transmission

Red Eléctrica de España, S.A. performs the activities of Transmission Manager and System Operator, being responsible for its technical management, to ensure the continuity of supply and efficient management of the generation and transmission systems. The responsibility for the economic management of the system is guaranteed by OMI - Polo Español, S.A.

The entities and qualified consumers have free access to the transmission and supply grids, setting out a system of "tariffs" for traffic. The remuneration for the transmission and distribution activities is set by the regulatory entity.

The Royal Decree 325/2008 of 29 February, established a new fee regime applicable to electricity transportation facilities, that entered into service from 1 January 2009. However, since the adoption of the Royal Decree 9/2013, the retribution will be calculated based on the Spanish Government ten year bond yield, plus 200 basis points. These assumptions were developed in Royal Decree 1047/2013, repealing the Royal Decree 325/2008.

According to the Law 24/2013 the transmission activity is performed by a single entity. There is also a distinction made between the primary transmission system (facilities > 380 kV with international networks and with extra-peninsular and insular systems) and the secondary transmission system (facilities <220 kV other than primary transmission systems and the one below with transmission functions).

Distribution

Law 54/1997 established that the remuneration for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the electricity distribution activity and modified the system of "Acometidas" (system that regulates the installation that connects the distribution grid to the point of delivery of energy to the customers). This remuneration system is based on investments and increased demand of each distributor. On 1 April 2012, came into force the Royal Decree 13/2012, amending the remuneration criteria of the distribution activity related to the assets in use that are not amortised, taking as basis for their financial retribution their net amount. Additionally, the return on assets in use in the year t shall be initiated at 1 January t+2. However, since the adoption of the Royal Decree 9/2013, the distribution activity remuneration will be calculated based on the Spanish Government ten year bond yield, plus 100 basis points. during the second quarter of 2013 and 200 b.p. from 2014 forward. These principles were embodied in the new Law 24/2013 and developed in Royal Decree 1048/2013, repealing the Royal Decree 222/2008.

The application of the new methodology adopted in the Royal Decree 1048/2013 was conditioned by the approval of the standard facilities list and unit investment values and operation and maintenance, which occurred with the publication of the Order IET/2660/2015 of 11 December.

On 10 June 2016, the Spanish Government has published the Ministerial Order IET/980/2016, that has set the final compensation amount from HC's electricity distribution business for 2016. In addition, new regulation has set the regulatory average remaining life of HC's existing assets as at 31 December 2014 at 25.13 years. Consequently, HC evaluated the accounting criteria of the regulated activity, starting to recognise income according to the amortisation pace of its assets, considering the limit of 25.13 years.

Supply

Law 54/1997 established a progressive liberalisation of electricity supply and the introduction of supply activities to enable customers to progressively choose their suppliers and liberalising the supply market from 1 January 2003. Additionally, since 1 July 2009, distributors can no longer act as suppliers (sell electricity) acting strictly as grid operators. Law 24/2013 determines that certain consumers are entitled to be provided with voluntary prices for small consumers and last resort tariffs for reference traders. The reference traders are determined according to the criteria established in Royal Decree 216/2014.

**EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015**

Electricity Tariffs Regime

The electrical system costs are described in Article 13.3 of Law 24/2013. These costs will be financed through the revenue from the electrical system, including access fees (which are intended to cover the remuneration of the transmission and distribution), charges for the payment of the cost of other items that are not covered by other income, may be compensated for any financial mechanism legally established, including the state budget.

Access fees, equal in all the Spanish territory, must be determined with the methodologies defined by the National Markets and Competence Commission (CNMC) considering the costs of the system as defined in the Law 24/2013. Charges applicable to consumers and producers are determined by calculation methods adopted by the Government and CNMC that will serve to cover certain costs of the system, without prejudice of what is in force for the access fees of the transport and distribution networks.

Temporarily, and while these methodologies are not approved, fees and charges are defined by the Ministry of Industry, Energy and Tourism.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to the liberalised market. However, the Royal Decree 485/2009 of 3 April, provided that the consumers of low-tension, with contract capacity not exceeding 10 kW, were eligible for last resort tariff, which determines the maximum price of supply. These tariffs will be applicable by the suppliers of last resort, where EDP Comercializadora Último Recurso, S.A. is included.

Law 24/2013 replaces the concept of "last resort tariff" by "voluntary price for the small consumer" and the concept of "CUR" by "reference supplier", leaving the term tariff of last resort reserved for reducing the rate to be applied to vulnerable consumers or rate disincentive for consumers who are temporarily without supplier. The Royal Decree 216/2014 sets out the methodology for the calculation of the voluntary price for small consumer and their legal framework of contracting.

Vulnerable Consumers

Royal Decree 13/2012 and Law 24/2013 define vulnerable consumers as individuals who meet certain social characteristics of consumption and consumer purchasing power determined by the Ministry of Industry. Until the Ministry of Industry defines new criteria, these customers must apply the criteria defined by Royal Decree 6/2009 of 30 April on the social allowance, which is a subsidy covering the difference between the value of the Tariff of Last Resort (TUR) and the reference value.

The Royal Decree-Law 9/2013 establishes that social allowance will be financed by vertically integrated companies that perform simultaneously the activities of generation, distribution and sale of electricity. Law 24/2013 maintains the established by Royal Decree-Law 9/2013 and determines that the social allowance will cover the difference between the voluntary price for small consumer and a baseline, called tariff of last resort and will be applied by the correspondent reference supplier in the invoices of the covered consumers. Since Royal Decree 216/2014, the discount is a reduction of 25% of the value of the voluntary price for the small consumer.

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

Gas - Spain

NG Energia, a subsidiary of HC Energia Group which operates in the natural gas distribution and supply, owns all the EDP Group's gas assets in Spain. The transport and distribution of natural gas in Spain is a regulated activity.

Law 34/1998, approved on 7 October 1998, amended by Law 12/2007 of 2 July 2007, transposed to Spanish legislation the provisions of Directive 2003/55/EC of the European Parliament and Council of 26 June 2003 related with common rules for the natural gas internal market. Law 34/1998 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles set by the European Parliament and Council's Directive 2009/72/CE of 13 July which came to revoke the Directive 2003/55/CE.

The above mentioned legislation identifies the following operators in the context of the supply of natural gas by pipeline:

- § Gas transport companies, owners of facilities for regasification of liquefied natural gas, transport or storage of natural gas. After the publication of Royal Decree 13/2012, companies that hold the equipment from the main grid of transport must operate and manage their own grids or hand over their management to an independent operator, in the cases referred by legislation;
- § Distribution companies, owners of distribution facilities, whose function is to distribute natural gas by pipeline, as well as to build, maintain and operate such facilities in order to bring natural gas to the consumption points;
- § Suppliers, companies that have access to the facilities owned by third parties, which purchase natural gas for sale to consumers or other suppliers for the purpose of international exchanges;
- § Final consumers, who purchase natural gas for own consumption and direct consumers in the market, who have direct access to third party facilities.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The Royal Decree 6/2000 of 23 June, also creates the figure of Technical Manager of the System, which is responsible for the technical management of the basic gas and secondary transmission grids, attributed to ENAGÁS, S.A.

Law 34/1998 of the hydrocarbons sector was amended by Law 8/2015 of 21 May, with the aim of creating an organised gas market and providing greater flexibility and lower costs for traders in the management of security minimum stocks.

The Hydrocarbons Law is developed mainly by Royal Decree 949/2001 which regulates the third party access to the gas sector facilities and the economic regime of the gas system, and by the Royal Decree 1434/2002 which develops aspects related to the activity of agents and installation authorisation procedures, hiring, switching, billing, metering, fraud and suspension. In addition, Royal Decree 984/2015 organised the regulated gas market as well all operations in the free market of short-term gas purchase and sale with physical delivery at the virtual balance sheet point, and established a system of joint management of guarantees for hiring capacity.

The system of provisioning and supplying based on tariffs for natural gas distribution companies expired on 1 July 2008. Since then, new last resort tariffs have been set, that can benefit consumers who are covered by the regulation (from July 2009 defined as those consuming less than 50,000 kWh/year), and which will be implemented by the suppliers that, in accordance with Article 82 of Law 34/1998, have an obligation as suppliers of last resort. EDP Comercializadora Último Recurso, S.A. is one of the trading companies designated by the Ministry.

For suppliers of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (EDP Comercializadora de Último Recurso, S.A. currently covers suppliers obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff (TUR) became the only tariff from 1 January 2010 on, denying to suppliers of last resort the application of discounts over customers with TUR.

Law 15/2012, of 27 December, of Fiscal measures for the Energetic Sustainability, modifies the type of taxes applied to hydrocarbons of natural gas that until this date was 0% with the exception of vehicles gas, and establishes three types of taxes depending on the natural gas use, and the tax payer becomes the supplier rather than the distributor.

On 4 July 2014, the Spanish Government approved the Royal Decree-Law 8/2014, subsequently amended by Law 18/2014, of 15 October. Thus, urgent measures were approved for growth, competitiveness and efficiency in the energy sector, in accordance with european directives. For the gas sector, the objective of this reform is to design an economical stable system, minimizing costs to consumers and eliminating the structural tariff deficit.

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

Order ETU/1977/2016, of 23 December, recognises the definitive deficit figures for the regulated activities of the gas sector for the years 2014 and 2015. The 2014 deficit recognised for all the system's financing agents is 1,025 million Euros, which will be recovered through rates and regulated prices until 2031, from which Naturgas Energia Distribuição has a 5.45% participation. On the other hand, the recognised deficit for the year 2015 is 27 million Euros, which will be recovered until 2021, and from which Naturgas Energia Distribution has a 6.38% participation.

Law 2/2015 of 30 March, on the indexation of the Spanish economy, aims to establish a new index system, in order to monetary values of regulated prices do not be amended as a result of price index or formulas, affecting the determination of price updates related to the hire of meters, royalties, and periodic inspections. Until the approval of the Royal-Decree that will detail how these updates will be revised, the reference prices as the industrial index price and the consumer index price will be zero.

Law 8/2015 of 21 May, which among other modifies the Law 34/1998 of 7 October, liberalize the periodic inspection service in the hydrocarbon sector, that until now was performed exclusively by the distributor, considers the connections of transport-distribution as distribution' assets and enables the Corporation of Strategic Reserves of Oil Products (CORES) to constitute strategic reserves of natural gas and promote the development of the organised market. These aspects are regulated in more detail in Royal Decree 984/2015 of 30 October.

Additionally, Royal Decree 984/2015 amends the Royal Decree 949/2001 in relation to third party access regime to the natural gas system facilities allowing independent procurement of inputs and outputs for the transmission and distribution system that allows users to change the gas introduced without any restriction, which is essential for the development of the organized market of natural gas.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The regulation of the natural gas organised market is complete with the Resolution of 4 December 2015, of the Secretary of State for Energy, approving: (i) the market rules that determine the technical and economic management of the organized market; (ii) the accession agreement that the agents have to subscribe to operate in the market; and (iii) the resolutions relating to the operation of the market.

Royal Decree 56/2016, of 12 February, transposes the Directive 2012/27 / EU of the European Parliament and Council of 25 October 2012 on energy efficiency relating to the energy audits, service providers' accreditation, energy auditors and the promotion of power supply efficiency.

The Ministerial Order IET/359/2016, of 17 March, establishes the obligation of the National Energy Efficiency Fund contribution for 2016.

The Ministerial Order IET/2736/2015, of 17 December (corrected by Ministerial Order IET/274/2016, of 29 February), established the tariffs and the revenues related with the access to the gas sector installations by third parties and the remuneration of regulated activities for the year 2016. The update of the retribution will be calculated according to Law 18/2014. Order ETU/1977/2016, of 23 December, established the tariffs and revenues associated with access to the gas sector installations by third parties and the remuneration of regulated activities for 2017, maintaining in general the values that have existed so far.

Activity in the energy sector in Brazil

Electricity - Brazil

In Brazil, the EDP Group generates, distributes and supplies electric energy through its subsidiary EDP Energias do Brasil, S.A. (EDP Energias do Brasil).

In early 90s, the Brazilian electricity sector has undergone major structural and institutional changes, having migrated from a monopoly run by the State to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the liberalised system.

Regulated System

The Regulated Contracting Environment is for the sale of electricity between generators, energy importers or retailers, selling energy to distributors who in turn, acquire energy to ensure supply to consumers.

Since 2004, the main form of contracting by a distributor concessionaire is through the realization of public auctions regulated by National Electricity Agency (ANEEL). The rules of these auctions are designed so that the winner is the one with the lowest price.

The distribution companies must estimate the amount of electricity to contract in auctions and they are obliged to purchase 100% of their needs respecting the condition that, market increases must be met by energy from new ventures, contracted 3 years (Auction A-3) or 5 years (Auction A-5) in advance. Failure to comply with the supply of energy to its markets may result in severe fines.

Liberalised system

In the liberalised market, electricity is traded among production concessionaires, independent power producers, auto-producers, agents and free consumers. In this market, the contractual conditions, such as price, duration and amount of the contract are traded freely and negotiated between the parties (Decree No. 5,163/04). Free consumers can return to the regulated system under certain conditions.

Regulatory changes

The Federal Government has defined changes in the electric sector through Provisional Measures. The Provisional Measure 577, published on 31 August 2012, addresses the termination of public service concessions of electricity and the temporary service, and the intervention for the suitability of the public service of electricity. This measure results in the Law 12,767 of 27 December 2012.

Several significant changes in regulation regarding the electric sector occurred during 2012, such as the Provisional Measure 579/2012, in which the Federal Government presented measures to reduce electric energy bill to the consumer. The expected average reduction for Brazil amounted to 20.2% due to government actions: Concession Renewals (13%) and changes of Sector charges (7%). This measure results in the Law 12,783 of 11 January 2013.

Regarding concessions renewal, the generation concessionaires in which contracts expire between 2015 and 2017 may anticipate the renewal of their concessions and shall make available their physical energy guarantee for the quotas system to be distributed proportionally to the market share of each distributor, affecting the energy acquisition contracts. The transmission concessionaires in which contracts expire between 2015 and 2017 may renew their concessions and, considering that the assets bounded to the electricity transmission service are totally depreciated, only the operation and maintenance costs will be considered for the annual allowed revenues calculation.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Some concessions attributed to distribution companies have been anticipated, so they had to enter into a new contract. Others, including EDP Bandeirante and EDP Escelsa, regardless of the maturity of the contracts, may join the amendment proposed by ANEEL, using the methodology that is being evaluated in the Public Hearing 58/2016. This amendment brings changes in the calculation of portions A and B, namely: i) calculation of portion B shall be determined by the market of the test-year and by the tariff prevailing in the last tariff process, ceasing to be obtained by the difference between the verified revenue and portion A; ii) unrecoverable revenues, demand surplus, exceeding demand and other income are now part of Portion A; iii) ONS becomes part of portion B; iv) DIT losses will be allocated to the technical losses; and v) neutral energy and transportation.

The hydro concessions held by EDP Group - Energias do Brasil have been granted after February 1995, corresponding to the date of the entry into force of Law 8,987, thus they are not covered by the regulatory changes introduced. Still, these changes will influence the rules that will be applied on the renewal of these concessions in the future, in the following conditions:

§ Each hydro plant should be remunerated by a tariff calculated by the ANEEL;

§ Power selling (Physic guarantees) defined through production quotas dedicated exclusively to the regulated sector, that is to the distributors;

§ Compliance with the quality service standards determined by ANEEL.

On 24 January 2013, ANEEL approved the Extraordinary Tariff Review - ETR specific for the adjustment of energy costs, transmission costs and sectorial charges, from all energy distributors. Thus, the unmanageable costs and supply tariffs will be reduced, with no impact in the distributors margin. These effects were noticeable by consumers, from the end of January 2013.

On 23 January 2013, it was published the Provisional Measure 605, whose objective was to increase the scope of application of the resources of the CDE (Energy Development Account), which began promoting resources to cover the discounts applied to the tariffs and involuntary exposure of distributors resulting from the non-adherence to the extension of part of the generation concessions. This measure amended the Law 10,438/2002 which established the application of CDE resources.

The Decree 7,891, of 23 January 2013, establishes more options for the implementation of CDE resources, which can be used to compensate the discount on the electricity tariffs established by law, such as the social tariff of low income, rural, water, sewage and sanitation, among others. Thus, the difference the revenue due to the discounts no longer will be reimbursed through the tariffs of other consumers. This decree was amended on 7 March 2013, by the Decree 9,745, which increased the costs that can be incurred with funds from the Energy Development Account - CDE.

Eletrobrás, the managing company of the sector funds, among them the CDE, is responsible for monthly transferring to the distribution utilities of the costs related to: generation allocated under the Energy Relocation Mechanism - ERM (Hydrological Risk Quotas); replacement amount not covered by quotas (Involuntary Exposure) and the additional cost of the thermal power plants activation outside the order of merit (ESS - Energy Security), occurred from January to December 2013 and the annual amounts approved by ANEEL to cover, entirely or partially, the positive balances in "Conta de Compensação de Variação de Valores de Itens da Parcela A - CVA", arising from the cost of purchasing electricity and System Services Charge - ESS.

Following the tariff readjustment process of EDP Escelsa, on 30 July 2013, Resolution 1,576/13 approved the amount of 90,670 thousand Reais. For EDP Bandeirante this process occurred on 23 October 2013 and Resolution 1,641/13 approved the amount of 237,874 thousand Reais. These values were transferred by Eletrobrás, as a lump sum to cover the positive balances of CVAs corresponding to the acquisition of electricity and the ESS, as established in Decree 7,891, with redaction of the Decree 7,945.

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

On 7 March 2014, the Decree 8,203/2014 was published, which authorizes the transfer of funds from CDE to pay the exposure costs to the spot market in the Electricity Trading Chamber - CCEE in January 2014. 1.2 million Reais were allocated to Brazilian distribution companies, according to ANEEL's calculations published in Order No. 515/2014.

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

These measures were implemented by Decree 8,221/2014, of 2 April 2014 related with the cover of the extra costs for 2014, with retroactive effects to February, which defines the financing method and the subsequent effect on electricity tariffs. This is a non-refundable contribution cost.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

On 25 April 2014, CCEE signed contracts with some banks to finance 11.2 billion Reais for the ACR-Account to cover the disbursements of the electricity distributors with exposure to the spot market and the energy power stations dispatch. The Energy Development Account - CDE was in charge for the funds for the loan payment, present in the energy tariffs and the reimbursement will be made starting on November 2015. The ACR-Account resources obtained through bank loans sold out in April 2014. Therefore, in August 2014 a new loan of 6.5 billion Reais was approved. EDP Escelsa received 596 million Reais until November, related with the months of February to October 2014, while, for the same period EDP Bandeirante received 309 million Reais. The value of the Account-ACR was insufficient to cover the November and December deficit, forcing ANEEL to defer payment for 2015. In March 2015, CCEE signed a new loan of 3.4 billion Reais. Thus, EDP Escelsa and EDP Bandeirante received 104.2 million Reais and 64.4 million Reais, respectively, to cover the deficits of November and December 2014. The amounts received by the ACR-Account to cover the 2014 deficit will be considered in the energy tariffs from the 2015 ordinary tariff processes.

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

Following the tariff readjustment process of EDP Escelsa, which occurred on 6 August 2014, Resolution 1,768/14 approved an index of 26.54% which 19.61% is from economic adjustment and 6.93% from the financial components adjustment. For EDP Bandeirante the tariff adjustment process took place on 22 October 2014, and was approved by Resolution 1,809/14 an index of 22.34% rate, being 15.05% the economic adjustment and 7.29% the financial components adjustment.

Through Normative Resolution 613/2014 of May of 2014, ANEEL establishes the criteria for the allocation of the exceeding funds of the Reserve Energy Account - CONER, which has been allocated to distributors in order to reduce the tariff deficit.

From January 2015, entered into force the Flags Tariff System. This system signals to consumers the real costs of electricity generation, and consists on three flags: green, yellow and red. The green flag indicates that the cost of energy production is lower and, therefore no changes are applied to the energy tariffs. The yellow and red flags represent the increase in energy production cost, and is added an additional amount to the energy tariff. Only consumers classified as low income residential subcategory will have discount on the additional amount applied by the yellow and red flags. On a monthly basis, the operating system conditions are reassessed by the National Electric System Operator - ONS, which defines the best strategy for power generation over demand.

On 4 February 2015, the Tariff Flag Resource Account was established, through the Decree 8,401. Distributors should collect the proceeds from the application of this system to this account, managed by the CCEE. Proceeds are allocated to cover the costs that are not included in the distribution tariff, such as: Energy Security of the System Service Charge - ESS, thermal dispatch, Itaipu hydrological risk and quotas, exposure to spot market and the Power Reserve Account - CONER surplus.

ANEEL should approve on a monthly basis, the transfers to the distribution companies. Any costs not covered by revenue will be considered in the next tariff process.

On 27 February 2015, through Ratifying Resolution 1,859, ANEEL established the new criteria for the additional tariff and the operation of the Flags Tariff System:

- a) Green Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is less than the amount of 200 R\$/MWh;
- b) Yellow Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than 200 R\$/MWh and lower than the maximum value of the Differences Settlement Price - PLD, currently at 388.48 R\$/MWh. For the period of 1 January to 1 March 2015, the consumption proportional increase is 1.5 R\$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 2.5 R\$ per 100 KWh;
- c) Red Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than the maximum value of the PLD. For the period from 1 January to 1 March 2015, the consumption proportional increase is 3 R\$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 5.5 R\$ per 100 KWh. After 1 September 2015, as determined by ANEEL Ratifying Resolution 1,945 of 28 August 2015, occurred the approval of the red flag amount reduction to 4,5 R\$ per 100 KWh.

At the same time, ANEEL accepted the request of Extraordinary Tariff Review - RTE from the distributors and defined the applicable methodology. The results of the RTEs Dealers of Electricity Distribution were approved, through the Resolution 1,858. For EDP Bandeirante the application of new tariffs, from 2 March, resulted in an average increase in its customers of 25.12% and for EDP Escelsa the effect was 26.83%.

As at 26 January 2016, ANEEL approved the division of the red flag in two price levels, into force from 1 February. The first level will have a value of 3 R\$ per 100 kWh consumed and will be used when the CVU of the most expensive plant to be dispatched is between 422.56 R\$/MWh and 610 R\$/MWh; the second level will continue to be 4.50 R\$ per 100 kWh consumed and will be used when the CVU of the most expensive plant to be dispatched exceeds 610 R\$/MWh.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

On 28 April 2015, through the Normative Resolution 660, ANEEL approved changes in the methodology applicable to the Periodic Tariff Review processes for distributors valid for the processes performed from 6 May 2015. The changes occurred on the following aspects: (i) general procedures; (ii) operating costs; (iii) X factor (productivity gains); (iv) non-technical losses; (v) unrecoverable revenues and (vi) other income, among with:

- a) Extinction of the tariff cycle concept, starting to be used methodologies and parameters prevailing at the time of the tariff review. The update of the parameters will occur in periods of 2/4 years while the updating of the methodologies in periods of 4/8 years;
- b) The weighted average cost of capital (WACC) increased from 7.5% to 8.09% (after taxes). The points considered in the update were: (i) standardization of series; (ii) use of average credit risk of companies in the debt capital of third parties; and (iii) recalculation of the cost of capital every 3 years, with methodology review in every 6 years;
- c) Remuneration for the risk associated with investment operations carried out with third-party funds (subsidies);
- d) For the definition of efficient operating costs, were considered the "quality index" and "losses";
- e) To define the level of non-technical losses, it was included the variable "low-income" and the database updated based on 3 statistical models;
- f) The level of unrecoverable revenues (%) shall be calculated based on past 60 months of non-compliance of the reference distributors;
- g) The percentage share of other revenue has been changed to 30% in the following services: (i) efficiency of energy consumption; (ii) qualified cogeneration facility; and (iii) data communication services. For the other services the share percentage was set at 60%; and
- h) The calculation of the X Factor now regards commercial quality.

These changes, which represent an increase in future income, will only impact the tariff review of Bandeirante, that occurred at 23 October 2015, and Escelsa, that occurred at 7 August 2016.

On 4 August 2015, ANEEL approves the Annual Tariff Adjustment of EDP Escelsa, through Resolution 1,928. The rates were increased on average by 2.04% and 1.68% for high voltage consumers and 2.29% for low voltage consumers.

On 20 October 2015, ANEEL approved the result of the 4th Periodic Tariff Review of EDP Bandeirante. The average effect for consumers was 16.14%, being 17.09% for high voltage consumers and 15.37% for low voltage consumers. The portion B, designed to cover the costs of the electricity distribution business, was set at 823 million Reais, which deducted from the Other Revenue sharing results in 791 million Reais. For 2016 to 2019, the annual Productivity component (Pd) of factor X was set at 1.14%, while the transition component (T) of the same factor X was set at -0.23%. Technical losses were set at 4.59% and non-technical losses were fixed in a downward trajectory that starts at 9.83% in 2016 and ends at 8.45% in 2019.

On 23 November 2015, ANEEL approved, through Normative Resolution 686/2015, changes to the tariff revision methodology on Regulatory Remuneration Base (BRR). The main changes are the following: (i) the exchange of BRR monetary adjustment index, from IGP-M (General Market Price Index), from FGV (Getulio Vargas Foundation), to the IPCA (Price Index Broad consumer), from IBGE (Brazilian Institute of Geography and Statistics); (ii) the assessment of hand labor costs and smaller components of investment through pre-approved regulatory values by type of equipment; and (iii) update of tariff transfer of systems, vehicles, and rentals.

On 28 March 2016, was published Normative Resolution No. 703, of 15 March 2016, through which ANEEL changed some regulatory procedures affecting the calculation of sectorial assets and liabilities relating to: (i) Variation Compensation Account of the A items amounts (CVA); (ii) Energy over contracting and Short Term Market Exposure (MCP); (iii) Other financial components; and (iv) Limits of the Power Purchase Costs Transfer.

The main changes with impact for the distribution companies are: (i) "glosa" calculation of the outstanding balance for power purchase CVA; (ii) exclusion of hydrological risk for the composition of contracts price in the "glosa" calculation, except for availability contracts; (iii) use of the carrying amounts of energy contracts and short-term market performance for the calculation of the outstanding balance of the power purchase CVA and for the System Service Charge (ESS) and the Reserve Energy Charge (EER); and (iv) calculation of the short-term market results through specific financial component.

On 7 August 2016, ANEEL approved the result of the 7th Periodic Tariff Review of EDP Escelsa. The average effect for consumers was -2.80% and -6.18% for high voltage consumers and -0.67% for low voltage consumers. Portion B, designed to cover the costs of the electricity distribution activities was set at 862 million Brazilian Reais, which deducted from Other shared revenues results in 846 million Brazilian Reais. From 2017 to 2019, the annual Productivity component (Pd) of factor X was set at 1.15%, while the transition component (T) of the same factor X has become zero. Technical losses were set at 7.14% under the injected energy and non-technical losses were fixed at 11.45% for low voltage.

On 19 September 2016, ANEEL approved, through Normative Resolution 733/2016, the conditions for the application of a new tariff, the White Tariff.

**EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015**

The White Tariff is a new option that indicates to consumers the variation of the energy value according to the day and time of consumption. This tariff is offered to low voltage consumers, known as group B. With this rate, the consumer will be able to pay different amounts depending on the time and day of the week.

On weekdays, the value of the White Tariff varies depending on three periods: peak, intermediate and off-peak. The peak, intermediate and off-peak periods are approved by ANEEL in the periodic revisions of each distributor. To adhere to the White Tariff, consumers need to formalize their choice with their distributor. Who does not opt for this system, will continue to be charged according with the Conventional Tariffs.

The adherence to this new system can be made since January 2018, as follows: (i) immediately for new connections and for consumers with average annual consumption exceeding 500 kWh/month; (ii) up to 12 months for consumers with average annual consumption exceeding 250 kWh/month; and (iii) up to 24 months for the remaining consumers. Consumers may return to the Conventional Tariff.

The Provisional Measure 735/16, converted in Law 13,360 published on 18 November 2016, restructures the management of the sector funds: Energy Development Account - CDE, Global Reversion Reserve - RGR and Fuel Consumption Account - CCC, whose values today are approximately of 20 billion Brazilian Reais, transferring this management from Eletrobrás to the Electric Energy Trading Chamber - CCEE, until 1 May 2017.

This Law indicates a reduction of the sector charges to determine that the Granting Authority shall submit a Structural Reduction Expenditure Plan for CDE until 31 December 2017 and also limits the fuel reimbursement for the Northern Region distributors to 3.5 billion Brazilian Reais until 2017, which are subject to budgetary and financial availability. From 2030, the cost distribution of the CDE between concessionaires and licensees will be proportional to their markets. The transition between the current allocation, which overloads the regions S/SE/MW, and the markets' proportional allocation, will happen between 2017 and 2030. Additionally, it creates favourable conditions for the transfer of the shareholder's control of concessions, simplifying the bidding process and the terms of the payment to the Union. Finally, it authorizes the transfer of the Union debts to Itaipu for the end-consumers tariffs and it revokes the possibility of concessions extension for companies whose start of operations has been postponed, even if it recognizes the exclusion of the company's responsibility.

In Order 2,777, of 18 October 2016, ANEEL granted the litigation review of the non-technical losses of EDP Bandeirante by altering the values corresponding to the measured market, adding to it the consumption related to occurrences of fixed invoices and irregularities. So, a financial component, in distributor favor, of 2 million of Brazilian Reais was considered in the adjustment to be applied from 23 October 2016.

In the Normative Resolution 2,158, of 18 October 2016, ANEEL approved the 2016 Annual Tariff Adjustment of EDP Bandeirante. The tariffs were readjusted by -23.53%, corresponding to the average tariff effect that will be perceived by consumers as of 23 October, 2016.

Generation

The generation market is based predominantly on the existence of Power Purchase Agreements (PPA) between generators and distributors, with tenders to supply long-term demand, the adjustment of medium and short term and daily market for deviations, or spot market.

Electricity generation in Brazil relies mostly on hydroelectric technology. Power generation plants are the object of concession, permit or registration, according to the type of plant, the power capacity to be installed and the destination of the energy. Depending on the destination of energy, power generation plants can be classified as:

- § Generation companies, producing electricity for public service distribution;
- § Independent producers (which assume the risk of the sale of electricity with distributors or directly with free consumers);
- § Auto-producers (energy generation for own consumption, the excess of which can be sold through an authorisation).

The capacity payments of a generation plant defined by the Ministry of Mines and Energy and set out in the concession agreement or authorization act, correspond to the maximum amount of energy that can be used for commercialization through contracts, in accordance with Decree 5,163 of 2004.

An unfavourable hydrological scenario could damage revenues and the results of hydroelectric production due to the lack of capacity to produce the necessary energy in order to fulfill the contractual obligations.

The systemic production deficit, by national hydroelectric plants related to the Energy Reallocation Mechanism (MRE), cause the reduction of capacity of all hydropower plants in the country, through the factor known as Generation Scaling Factor - GSF. This decrease compels those companies to buy energy in the free market to comply with the agreements with the consequent of a negative exposure in the spot market.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

On 18 August 2015, the Federal Government published the Provisional Measure 688 (converted into Law 13,203 at 8 December 2015) on the renegotiation of the production hydrological risk, in order to allow the hydrological risk renegotiation by hydroelectric producers participating in the MRE. The regulation of the renegotiation hydrological risk was carried out by ANEEL, through Normative Resolution REN 684 on 11 December 2015, with retroactive application to January 2015, the access to this system requires regulatory approval.

For producers operating in the regulated system (ACR), it is planned the transfer the of GSF losses for the Tariff Flag account upon a payment of a premium risk. Thus, producers will be reimbursed for losses from 2015 GSF through the exemption from the premium risk from January 2016 until the full compensation of the 2015 losses as ANEEL approval.

For producers operating in the liberalised system (ACL), will also be subject to a premium risk payment, due to the acquisition of the system backup power. The compensation of losses from the 2015 GSF will be made by the extension of the concession contract of the production company that adhere to the agreement in ACL. From 2016 the renegotiation does not exempt the producer of the GSF cost, allows only the mitigation of part of the hydrological risk through the purchase of new energy which will be available in the electrical system.

On 18 December 2015, the companies Lajeado, Investco, Pantanal and the jointly controlled company ECE Participações (Jari) filed the request for the renegotiation of the hydrological risk approval in the regulated system to ANEEL, with effect from 1 January 2015. EDP Brasil failed the renegotiation of the hydrological risk in the liberalised system. Also note that on 29 January 2016, the orders have been published that approved the renegotiation of the hydrological risk in the regulated system for other plants that were upon evaluation of EDP Brasil, namely, Santa Fé and Energest (regarding with Mascarenhas hydro plant). Enerpeixe and part of the energy related to Mascarenhas hydro plant did not had their requests approved for the energy acquired in the Energy Auction A-1. For these cases, Energest and Enerpeixe appealed against the ANEEL decision of 29 March 2016 on Macarenhas, denying the request. On 17 May, ANEEL denied the administrative appeal of Enerpeixe.

On 23 September 2016, Empresa de Energia Cachoeira Caldeirão and ECE Participações filed the request for the renegotiation of the hydrological risk in the regulated system to ANEEL for approval, with effect from 1 January 2017. For the last one, the request was for the additional 20 average MW sold in the 15th New Energy Auction. During November and December 2016, the order that approved the renegotiation of the hydrological risk of the power plants was published, in the requested terms, as well as the renegotiation terms, which formalised the adhesion of the producer to the hydrological risk renegotiation.

Distribution

The public service concession arrangements for electricity distribution are allocated by tender and establish rules regarding price, regularity, continuity, safety, timeliness and quality of services and supplies provided to consumers and users. These arrangements also define penalties for possible irregularities.

With the publication of the Decree 8,461, of 2 June 2015, the extension of the electricity distribution concessions encompassed in the Law 12,783, of 11 January 2013, may be extended for thirty years, once meet the following criteria: (i) relative efficiency to the service quality; (ii) economic and financial management efficiency; (iii) operating and economic rationality; and (iv) moderate tariffs.

The distribution concessions held by EDP - Energias do Brasil, which were granted after February 1995, date of entry into force of Law 8,987, are not covered by the regulatory changes. Still, these changes are likely to influence the rules that will be applied in the renewal of these concessions.

In most states, mainly in the North and Northeast, the concession area corresponds to the state boundaries. However, mainly in São Paulo and Rio Grande do Sul, the concessions for distribution may cover areas smaller than the state itself. In some cases, the concession area is extended beyond the geographical limits of the state where the distribution company is located.

The distribution activity operates in a regulated environment, with tariffs determined in the context of incentive regulation ("price cap") with a remuneration on the basis of the assets used in the distribution energy service (BRR). The tariff also includes a portion to cover the operating costs established from a standard company, the reference company (with costs that would be charged by an efficient operator at the concession area). The regulatory EBITDA has two parts: (i) regulatory depreciation of BRR assets and (ii) return on capital prudently invested multiplied by the regulatory WACC. Finally, the tariffs also consider the costs of acquiring energy, hiring the use of transmission and sector-based charges as costs to be included in the tariff. The tariff portion that includes the regulatory remuneration, the depreciation charge and the value of the operating costs is called portion B. The costs of buying energy, hiring of basic network and charges, set up the portion A of the tariffs as set out in the concession contracts for distribution companies.

Tariffs are adjusted annually based on changes in portion A costs and in the monetary correction of portion B costs, by the Market prices index (IGPM), discounted of productivity gains (factor X). The adjustment index is calculated in such a way to pass the non-controlling cost variations of the portion A and the corrected portion B. Periodically (on average every 4 years), a Periodic Tariff Review occurs, generating the recalculation of all costs, the definition of a new BRR and a new reference company, capturing productivity gains occurred in the period between revisions. At the beginning of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs. On 25 November 2014, ANEEL made addendums to the concession contracts with Brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities and, as a consequence, to qualify them to be recognised in the financial statements. After the addendums, it was considered that the conditions are met to recognise regulatory assets/liabilities as assets and liabilities. Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement with ANEEL.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The Decree 8,828/2016 of 4 August 2016, eliminated the obligation of contracting the installed capacity of the plants that correspond to the maximum load demand ("Lastro de potência") and the penalties associated with their eventual failure. In addition, it removed the limitation of transfer costs to the tariff, when it needs to recontract energy, which volume is less than 96% of the Replacement Amount, for cases when there is an excess of contracts on the supply load measured in year A-1 (Existing Energy). The exclusion of the transfer limit on over contracting situations will bring more flexibility to the distributors, making them able to mitigate - in a very limited way though - the effects of reducing the existing volume of energy in their portfolios.

Additionally, the withdrawal of the mandatory "monómia" tariff for low voltage consumers, allowed the proposal of implementation of the "binómia"(energy and demand) tariff, seeking to encourage the efficient use of the distribution' networks and ensure the expansion and the sustainability of the incentive program for renewable energy and localized production.

As one of the mitigation measures for the problem of the electricity overcontracting felt by the most distributors throughout 2016, ANEEL published some normative resolutions. Normative Resolution 711/2016 allowed distributors, in agreement with the production agents: to reduce, postpone or cancel energy trading agreements in the ACR (CCEARs). There is a charge or receipt of bonuses by the distributor for 3 years, depending on the contract price, in relation to the average purchase price of the distributor.

In addition, there was a large number of customers that went to the ACL market, especially due to the high costs of thermoelectric generation that occurred between 2014 and 2015, with a significant impact on the over-contracting of the distributors. In this context, Normative Resolution 726/2016 was published, which made it possible the contracts devolution when the customers are in new energy trading agreements in the ACR.

Normative Resolution 727/2016, in turn, and within the package of measures adopted by ANEEL regarding overcontracting, has improved the use of the New Energy Deficits and Deficit Compensation Mechanism (MCSD), with the possibility of contractual reduction by producers. The reductions will occur from the most expensive contract to the cheapest, without mechanism of charges and bonuses.

With the publication of Normative Resolution 728/2016 in June 2016, the regulation of the phenomena of Voltage Imbalance, Harmonic Distortions, Voltage Fluctuations and Short-Term Voltage Variations were reviewed, with the addition of obligations that will allow the improvement of quality of the product supplied by the distributors, such as the definition of limits and reference values for the indicators, the obligation of quality studies for the energy distribution network access.

In 2016, ANEEL initiated a new methodology for the supervision of electricity distribution services, focused on preventive actions, using analytical intelligence and evidence-based inspection techniques in a context of Responsive Regulation. The objective is the development of Improvement Plans, which will be monitored by the regulator.

Supply

The electricity suppliers that do not own electric assets, are authorised to act exclusively in the free market (ACL), selling or buying energy in quantity, conditions and prices freely negotiated. The commercialization of energy with a distributor is only possible through participation in the "Auction set by the distributors", with the negotiation of contracts, for a maximum of two years, and commencement of energy delivery within a period not exceeding two years.

Public Domain Assets

In Brazil, fixed assets used in the distribution and the supply activities are bound to these services and cannot be removed, sold, transferred or mortgaged without the prior and express consent of the regulator (ANEEL).

Activity in the Renewable Energies Sector

In December 2007 the EDP Group incorporated EDP Renováveis, S.L. in Spain so as to concentrate the Group's subsidiaries in the renewable energies sector. On 18 March 2008, EDP Renováveis was converted into a public limited company.

On 4 June 2008, a share capital increase of EDP Renováveis was made through an Initial Public Offering (IPO) of 196,024,306 shares. This share capital increase was not subscribed by the EDP Group, resulting in a dilution of the interest held in EDP Renováveis from 100% to 77.53%. The share capital increase amounted to 1,566,726 thousand Euros, of which 980,121 thousand Euros relates to the capital increase and 586,605 thousand Euros relates to the share premium.

Electricity - Renewable

Generation

EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital of EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energías del Occidente, S.L.), EDP Renewables North America, LLC. (EDPR NA, previous designated as Horizon Wind Energy, LLC.) and EDP Renováveis Brasil, S.A., operating respectively in Europe, in the United States of America and in Brazil.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and United Kingdom. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, EDP Renewables España, EDP Renewables France, EDP Renewables Belgium, EDP Renewables Polska, EDP Renewables Romania, EDP Renewables Italia and EDPR UK Limited. As at 31 December 2016, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

In July 2007 the EDP Group acquired from Goldman Sachs, 100% of the share capital of EDPR NA, which develops, manages and operates wind farms in the United States of America. EDPR NA holds a series of wind farms in operation and a pipeline of projects under development for the construction of wind farms.

Regulatory framework for the activities in Spain

On 12 July 2013 the Spanish Council of Ministers approved a comprehensive reform of the energy sector. This energy reform was afterwards implemented by means of a new "Energy Sector Act", a Decree-Law, eight Royal Decrees and three Ministerial Orders.

As a part of this Energy Reform, Royal Decree-Law 9/2013 was approved in July 2013. The purpose of this Royal Decree-Law was to adopt a series of measures to ensure the sustainability of the electricity system, affecting mainly the electricity transport, distribution and renewable sectors. Prior to Royal Decree-Law 9/2013, renewable generators benefited from a feed-in tariff regime in which renewable electricity could be sold at a regulated feed-in tariff or at the Spanish wholesale market price plus a variable premium.

According to the 2013 regulatory framework, renewable energy facilities are entitled to sell the electricity they generate into the Spanish wholesale market and, during their respective regulatory lives, receive additional payments per installed MW from the Spanish electricity system through the "Comisión Nacional de los Mercados y la Competencia (CNMC)" body. This regulatory system is intended to allow each standard wind farm to achieve a pre-tax rate of return (fixed at 7,398% until 2019 YE) over its regulatory life. This reasonable return was determined by reference to the 10-year Spanish government bond plus a spread of 300 basis points.

Regarding the wind sector, Decree Law 413/2014 confirmed that wind farms in operation in 2003 (or before) would not receive any further incentive, while the incentive for the rest of the wind farms would be calculated in order to reach the 7,398% return before taxes. More than 1,300 possible types of renewables installation ("standard facilities") are included in the Decree Law, 23 of them corresponding to wind farms of more than 5 MW classified by the year of first operation (from 1994 to 2016).

In October 2015, the Government approved Royal Decree 947/2015 and a Ministerial Order aimed at allowing the installation of new renewable capacity through competitive tenders.

On 14 January 2016, the first auction of renewables' capacity was held. The auction was designed to provide a similar remuneration scheme that the one that applies to current installations (RD 413/2014). Following this framework, auction participants were requested to bid on the "initial investment" (CAPEX) parameter which would then, by being plugged in the formula set by RD 413/2014 determine the "Rinv" (investment premium) that would eventually be awarded.

Developers were bidding to build 500 MW of wind energy and 200 MW of biomass plants. The auction was very competitive, around 5 times oversubscribed for onshore wind. EDPR was awarded 93 MW of wind energy (see note 49).

In 2016 the Spanish Government announced it would carry out a new renewables capacity auction in the first months of 2017, after submitting to the CNMC a draft legislation package to articulate the process.

Although the auction rules will be in line with the previous ones, there will be some differences. For example, the auction will be technologically neutral, meaning that projects based on different renewable energy technologies, such as wind, solar and biomass, will be able to compete for contracts. The auction will also include control mechanisms and guarantee requirements to ensure the execution and completion of the winning projects. Projects will need to be completed by December 2019, in order to contribute to the fulfillment of the Spanish 2020 target (20% of its energy coming from renewable sources).

Regulatory framework for the activities in Portugal

The Portuguese legal provisions applicable to the generation of power from renewable sources are currently established by Decree-Law 189/88 dated 27 May, (subsequently amended by Decree-Law 168/99 of 18 May, Decree-Law 312/2001 of 10 December and Decree-Law 339-C/2001 of 29 December). Also relevant is Decree-Law 33-A/2005, of 16 February 2005 ("DL 33-A/2005"), which establishes the feed-in tariff remuneration applicable to energy produced by renewable sources.

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013 that maintains the legal stability of the current feed-in tariff contracts (following Decree-Law 33-A/2005) and protects the value of the investments made by wind energy producers. However, this Decree Law granted the possibility to adhere to voluntary changes of the existing feed-in tariff. Indeed, wind generators could extend the support scheme (generally 5 or 7 years) in exchange of upfront payments or discounts on existing tariffs. EDPR chose a 7 year extension of the tariff defined as the average market price of previous twelve months, with a floor of 74€/MWh and a cap of 98€/MWh (values updated with inflation from 2021 onwards) in exchange for yearly payments from 2013 to 2020.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Regulatory framework for the activities in the United States of America

The United States federal government and various state governments have been implementing policies to promote the growth of renewable energy, particularly wind power. The main federal renewable energy incentive program is the Production Tax Credit (PTC), which was created by the US Congress as part of 1992 EPACT. Additionally, several states have passed legislation, mainly in the form of renewable portfolio standards (RPS), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

American Recovery and Reinvestment Act of 2009 includes a number of energy measures related to tax and policy provisions to benefit the development of wind energy generation, namely (i) a three year extension of the PTC until 2012 and (ii) an option to elect a 30% Investment Tax Credit (ITC) that could replace the PTC through the duration of the extension. This ITC allows the companies to receive 30% of the cash invested in projects placed in service or with the beginning of construction in 2009 and 2010. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and includes an one year of ITC extension, which allow the companies to receive 30% of the cash invested in projects with beginning of construction until December 2011 as long as placed in service until December 2012.

On 1 January 2013, the US Congress approved "The American Taxpayer Relief Act" that includes an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set 31 December 2013 as the new expiration date of these benefits and changed the qualification criteria (projects will only qualify as long as they are under construction by year-end 2013). The legislation also includes a depreciation bonus on new equipment placed in service which allows the depreciation of a higher percentage of the cost of the project (less 50% of the Investment Tax Credit) in the year that it is placed in service. This bonus depreciation was 100% in 2011 and 50% for 2012.

On 16 December 2014, the US Congress approved the "Tax Increase Prevention Act of 2014" that included an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set a new expiration date of 31 December 2014 and kept the qualification criteria (projects can qualify as long as they are under construction by year-end 2014).

On 15 December 2015, the US Congress approved the "Consolidated Appropriations Act of 2016" that included an extension of the PTC for wind energy, as well as the possibility of a 30% Investment Tax Credit instead of the PTC. Developers had until the end of 2016 to start construction of new wind farms to qualify for 10 years of production tax credits at the full level. Congress introduced a phase out for projects that start construction after 2016 and before 2020. These projects will still qualify for production tax credits, but at reduced levels. The levels are 80% for projects starting construction in 2017; 60% in 2018; and 40% in 2019. Developers of projects that start construction before 2020 may choose to claim 30% investment tax credits instead of production tax credits, subject to a similar phase out. The phase out reduces the value of the 30% investment tax credit to 24% in 2017; 18% in 2018; and 12% in 2019. Neither production tax credits nor investment tax credits are allowed for wind projects that start construction in 2020 or later.

The aforementioned "Consolidated Appropriations Act, 2016" also extended the Investment Tax Credit (ITC) for solar projects. Solar projects that are under construction by the end of 2019 will now qualify for the 30% ITC. The credit is reduced to 26% for projects starting construction in 2020 and to 22% for projects starting construction in 2021. The credit drops to a permanent 10% level for projects that begin construction in 2022 or later or that begin construction before 2022, but are placed in service in 2024 or later. Projects must be placed in service by the end of 2023 to qualify for a credit above 10%.

On 9 February 2016, the US Supreme Court stayed implementation of the Clean Power Plan (CPP) announced by the United States' Environmental Protection Agency (EPA) on 3 August 2015, a rule to cut carbon pollution from existing power plants, which is pending judicial review. As of year-end 2016, the judicial review process is ongoing with the DC Circuit Court.

Additionally, on 5 May 2016, the US Internal Revenue Service issued guidance that wind farms have 4 years from their start of construction to be placed in service and qualify for the PTC. As a result, projects that start construction prior to year-end 2019 and are placed in service prior to year-end 2023 will be eligible for the PTC. The IRS ruling also includes a provision that allows developers to secure the PTC if 5% of a project's capital components by dollar value are safe harbored in a given year and construction is complete within 4 years. Thus, if a developer safe harbors 5% of project Capex in 2016, will be qualified for 100% of the PTC if the construction is concluded until 2020.

Regulatory framework for the activities in Poland

On 19 February 2016 the PiS MPs party proposed a draft law on wind investments covering localization, realizations and operation of wind farms, the so-called Wind Turbine Investment Act. After a long approval process in which the renewable sector succeeded in introducing some amendments to the original draft the law was finally approved and published in the Polish Official Gazette in June 2016. The main measures of this new law include minimum distance restrictions for new wind farms and increased real estate tax burden.

On the other hand, and following the delay of implementation of the RES Act Chapter 4 introduced in late December 2015, PiS' government has introduced to Polish parliament a more comprehensive amendment proposal to the RES Act in early May 2016. After having gone through Poland's parliamentary appreciation process the amendments were finally approved and published in late June, in line with the intentions to have the Chapter 4 in force since 1 July 2016. While keeping the core of the new auction system introduced by the new 2015 RES Act these new amendments have also introduced some modifications (namely introducing technology baskets for future tenders and improving the treatment of biomass, biogas and cofiring technologies).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

In October 2016 the Polish Government published the Ordinance detailing the amount and value of energy to be auctioned in 2016. Wind energy was not included among the technologies allowed to participate (except for facilities below 1 MW). The auction was held in 30 December 2016.

On 23 November 2016, the Polish Government disclosed a draft ordinance detailing the amount and value of energy planned to be auctioned in 2017. The draft highlights that baseload renewables (dedicated biomass and biogas) remain key to the government as they will be allocated around 50% of the total 2017's auction budget. The new draft proposes the budget to be allocated to the pot in which new onshore wind could compete. This amount could amount up to 150 MW. It is also likely that wind and PV will compete for the same budget.

Regulatory framework for the activities in France

On 15 April 2016, the French council of State published a decision ordering the government to start recovering the interests that the feed-in tariff received from 2008 to 2014 would have generated. This decision was based on the grounds that the French Government failed to notify the European Commission of the Ministerial Order approving the feed-in tariff.

A Contract-for-difference (CfD) scheme replacing the feed-in tariff scheme was released in December 2016 for wind farms having requested a PPA in 2016. According to the decree, the strike price would be equal to the value of the current feed-in tariff (similar tenure, indexation and adjustment after year 10), plus a management fee to compensate balancing costs (2.8 €/MWh). The market reference price will be the production weighted average pool price, using a representative production profile of the wind industry in France. The settlement would be done on a monthly basis.

The French Government also disclosed a draft decree for the 2017 CfDs for wind farms below 6 wind turbines. According to the draft, the CfD tenure will be extended to 20 years (instead of 15 years), being the strike price 72€/MWh (plus the management fee). The draft also includes a limitation of the amount of energy to be remunerated under the CfD strike price. Larger wind farms will be awarded CfDs through competitive tenders.

Additionally, on 24 April 2016 the French Government enacted the so-called "Programmation pluriannuelle des Investissements" (PPI) which objective is to set different renewables' capacity targets by technology, in order to achieve the objectives of the "Loi de Transition Énergétique" (decree-law meant to define the long term energetic and climate politic in France, official approved in August 2015). The PPI provides short-term (2018) and medium-term (2023) renewables' capacity targets and also includes a provisional timetable of the next renewable tenders to be launched between 2017 and 2019.

2. Accounting Policies

a) Basis of presentation

The accompanying consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its joint ventures and associated companies, for the years ended at 31 December 2016 and 2015.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as "financial statements") on 2 March 2017. The financial statements are presented in thousand Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company financial statements for the years ended 31 December 2016 and 2015 were prepared in accordance with IFRS as adopted by the E.U. until 31 December 2016.

As described in note 49, the Group adopted in the preparation of consolidated financial statements as at 31 December 2016, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2016. The accounting policies used by the Group in preparing the consolidated financial statements described in this note were adopted in accordance. The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 49.

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

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

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

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements.

Change in line item on the Consolidated Statement of Financial Position

As at 31 December 2016, EDP Group included in "Debtors and other assets from commercial activities", the previous line item "Trade receivables". For comparison purposes, it was changed this line item also for the comparative period.

b) Basis of consolidation

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

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

Controlled entities

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

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

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

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

Jointly controlled entities

EDP Group classifies an arrangement as a joint arrangement when the jointly control is contractually established. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

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

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement, so this investment is included in the consolidated financial statements under the equity method.

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Entities over which the Group has significant influence

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

The existence of significant influence by the Group is usually evidenced by one or more of the following:

- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel; and
- Provision of essential technical information.

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

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

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

Goodwill

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

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

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

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

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

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

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

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Purchases of non-controlling interests and dilution

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

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

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

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

Business combinations achieved in stages

In a business combination achieved in stages, on the date of obtaining control, the excess of the aggregate of (i) the consideration transferred, (ii) the amount of any non-controlling interest recognized in the acquiree (iii) the fair value of the previously held equity interest in the acquired business; over the net of amounts of the identifiable assets acquired and liabilities assumed, is recognised as goodwill.

If applicable, the negative difference, after evaluating the consideration transferred, of the amount of any non-controlling interest recognised in the acquiree, the fair value of the previously held equity interest in the acquired business; over the net value of the identifiable assets acquired and liabilities assumed, is recognised in the income statement. The Group recognises the difference between the fair value of the previously held equity interest in the acquired business and the carrying value in consolidated results in Other income. Additionally, the Group reclassifies the deferred amounts in other comprehensive income relating to the previously held equity interest to the income statement or consolidated reserves, according to their nature.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

The fair value of derivative financial instruments corresponds to their market value, if available, or to quotes indicated by external entities through the use of valuation techniques, which are compared in each date of report to fair values available in common financial information platforms.

Hedge accounting

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

Hedging derivatives are recorded at fair value, being the gains and losses recognised in accordance with the hedge accounting model applied by the Group. Hedge relationship exist when:

- (i) At the inception of the hedge there is formal documentation of the hedge;
- (ii) The hedge is expected to be highly effective;
- (iii) The effectiveness of the hedge can be reliably measured;
- (iv) The hedge is revalued on an on-going basis and is considered to be highly effective throughout the reporting period;
- (v) The forecast transaction being hedged must be highly probable and must be exposed to changes in cash flows that could ultimately affect profit or loss.

Fair value hedge

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

Cash flow hedge

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

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

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

Net investment hedge

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

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

**EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015**

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group intends and has the ability to hold to maturity.

Initial recognition, measurement and derecognition

Purchases and sales of financial assets, are recognised on the trade date, which is the date on which the Group commits to purchase or sell these financial assets.

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

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

Subsequent measurement

After initial recognition, financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value recognised in the income statement in the period in which they arise.

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

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

After initial recognition, held to maturity investments are measured at amortised cost using the effective interest method.

The remaining financial assets whose fair value cannot be reliably measured are stated at cost, with any subsequent impairment loss being booked against the income statement.

Reclassifications between categories

The Group does not transfer financial instruments into or out of fair value through profit or loss.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Impairment

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

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

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

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

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

f) Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for the issuer to liquidate capital and/or interests, through delivering cash or other financial asset, regardless of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method. All financial liabilities are booked at amortised cost, with the exception of the financial liabilities hedged at fair value hedge, which are stated at fair value on risk component that is being hedged.

g) Equity instruments

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

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

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

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

h) Property, plant and equipment

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

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

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

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

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

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
- Hydroelectric generation	30 to 75
- Thermoelectric generation	25 to 45
- Renewable generation	30
- Electricity distribution	10 to 40
- Other plant and machinery	4 to 25
Transport equipment	4 to 25
Office equipment and tools	2 to 16
Other property, plant and equipment	3 to 50

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

At the end of December 2016 EDP Group has changed the useful life of the renewable assets from 25 to 30 years (see note 3).

Capitalisation of borrowing costs and other directly attributable costs

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

Government grants

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

Transfers of assets from customers

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

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

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

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

i) Intangible assets

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

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

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

Concession rights to use the public hydric domain

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

The accounting policy related to intangible assets assigned to concessions in the scope of IFRIC 12 is described in note 2aa), Group concession activities.

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

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

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

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

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

**EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015**

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

Investment property is amortised on a straight-line basis over the estimated useful life of the assets (between 8 and 50 years).

l) Inventories

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

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

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

m) Accounts receivable

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

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

n) Employee benefits

Pensions

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

Defined benefit plans

In Portugal, the defined benefit plan is assured by (i) a closed pension fund managed by an external entity, covering responsibilities with benefits that are complementary to those provided under the Social Security System (namely retirement and early retirement pensions), and (ii) by a complementary specific provision, recognised in EDP Group company's statement of financial position. Benefits are generally determined and assigned through the combination of one or more factors, such as age, years of service and the relevant base retribution (pensionable salary).

In Brazil, Bandeirante and Escelsa have defined benefit plans managed by a closed complementary welfare entity, external to EDP Group, covering responsibilities associated with retirement and early retirement pensions, according to factors such as age, years of service and the relevant base retribution.

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

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

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

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

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

Defined contribution plans

In Portugal, Spain and Brazil, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan. These contributions represent a percentage of the fixed and variable remuneration of the employees included in this plan and are accounted for as cost for the period in which they are due.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Other benefits granted*Medical benefits*

Some EDP Group companies provide medical benefits under which employees and immediate eligible family members have favourable conditions in medical assistance and health care services, namely:

- Concerning EDP Group companies in Portugal, through the provision of medical assistance that is complementary to the one provided under the National Health System, provided using infrastructures owned and managed internally;
- Concerning EDP Group companies in Brazil, through the share of costs in eligible medical and health expenses, in an external agreed network.

The medical benefits plans are classified as defined benefit plans.

In Portugal, the medical benefit plan is assured by (i) a closed fund managed by an external entity, created in December 2016, and (ii) a complementary specific provision, recognised in EDP Group company's statement of financial position.

In Brazil, the liability being covered by provisions booked in EDP Group company's statement of financial position.

Measurement and recognition of the medical benefits liabilities are similar to the defined benefit pension plans liabilities, explained above.

Other benefits

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, death benefits, survival benefits, life insurance, antiquity and retirement benefits, power and gas tariff discounts, among others.

Benefits included in each Plan for Portugal and Brazil are detailed in EDP's Collective Labor Agreement, published in the Labor Bulletin of 8 October 2014 and in the website of the Plan management entity Enerprev (www.enerprev.com.br), respectively.

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

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

Considering that, at the end of December 2016, EDP Group changed the useful life of its wind farms from 25 to 30 years (see note 2 h and 3), the capitalisation rate (number of years) of the dismantling and decommissioning provisions has changed to 30 years with effects from December 2016.

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

p) Recognition of costs and revenues

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

Revenue in EDP Group arises essentially from electricity generation and energy (electricity and gas) distribution and supply activities.

Revenue related to the sale of energy and access tariffs to energy distribution network is measured at fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after elimination of intra-group sales.

Revenue recognition occurs when the significant risks and rewards of ownership are transferred to the buyer, the entity retains neither continuing managerial involvement to the extent usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

The moment when an entity has transferred the significant risks and rewards of ownership to the buyer varies depending on the activities carried out by the Group companies.

**EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015**

Regarding the **electricity generation**, this transfer occurs when the energy is generated and injected into the transport/distribution grids. The electricity generated is sold under free market conditions or through the establishment of medium/long term power purchase agreements.

The **energy distribution** is a regulated activity, which is remunerated through tariffs set by each country Regulatory Body (ERSE in Portugal, CNE in Spain and ANEEL in Brazil).

In Portugal and Spain, revenue arises mainly from the sale of access tariffs, as well as from the recovery, from the commercialisation entities, of the costs related to the global management activity of the system. In Brazil, revenue results from the electricity sales to final consumers, in the regulated market, based on the tariffs determined by ANEEL, which are included the use of the distribution and transport system tariff, among other components. In Portugal and Brazil, these activities are subject to public service concession arrangements (see aa)).

The **energy supply** is carried out in regulated and non-regulated markets. In non-regulated market, revenue is recognised based on commercial agreements. In regulated market, revenue is recognised according to the tariffs determined by each country Regulatory Body.

Revenue recognition includes two components: (i) energy sales already invoiced, based on actual consumption readings and/or in estimated consumption based on the historical data of each consumer; and (ii) estimates of energy supplied and not yet invoiced (energy into energy meter). Differences between estimated and actual amounts are recorded in subsequent periods.

Additionally, it should be noted that, in energy distribution and supply activities, there is a tariff adjustment mechanism through which gains or losses of a certain year are recognised in the period to which they relate and recovered in the future years tariffs – Tariff Adjustments (see x)).

The revenue recognition related with **services rendered** is based on the percentage of completion of the transaction at the reporting date. This occurs when the amount of revenue can be reliably measured, when it is probable the existence of economic benefits associated with the transaction to the entity who sells, when the percentage of completion of the transaction at the reporting date can be reliably measured and the costs incurred with the transaction and the costs to be incurred to complete the transaction can be reliably measured. Whenever it is not possible to reliably measure the completion of a transaction involving services rendered, revenue is only recognised to the extent of the expenses recognised as recoverable.

q) Financial results

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

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

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

r) Income tax

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

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

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

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

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The Group offsets, as established in IAS 12, the deferred tax assets and liabilities if, and only if:

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

s) Earnings per share

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

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

t) Share based payments

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

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

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

Shareholders of EDP Brasil structured and implemented a Share based Compensation Policy, which began in June 2016. The referred policy comprises two types of programs to be assigned to certain employees (incentive and retention programs), being the eligible beneficiaries and assignment requirements subject to the conditions established.

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

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

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

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

v) Cash and cash equivalents

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

w) Operating segments

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

In accordance with IFRS 8, an operating segment is a Group component:

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

x) Tariff adjustments

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

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

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

y) CO2 licences and greenhouse gas emissions

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

The licences held by the Group for trading purposes are booked under Inventories at acquisition cost and measured at fair value, at each balance sheet date. Gains and losses resulting from these measurement are recognised in the income statement of the period.

z) Statement of Cash Flow

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

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

aa) Group concession activities in the scope of IFRIC 12

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

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. IFRIC 12, was applied prospectively since it was impracticable to apply it retrospectively.

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

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

Financial Asset Model

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

Intangible Asset Model

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Mixed Model

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

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

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

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

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

The concession contracts that exist currently in EDP Group are based in the mixed model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil.

ab) Institutional partnerships in USA

The Group has entered in several partnerships with institutional investors in the United States, through limited liability Company operating agreements that apportion the cash flows generated by the wind farms between the investors and the Company and allocates the tax benefits, which include Production Tax Credits (PTCs), Investment Tax Credits (ITC) and accelerated depreciation, largely to the investor.

The institutional investors purchase their minority partnership interests for an upfront cash payment with an agreed targeted internal rate of return over the period that the tax credits are generated. This anticipated return is computed based on the total anticipated benefit that the institutional investors will receive and includes the value of PTC's / ITC's, allocated taxable income or loss and cash distributions received.

The control and management of these wind farms are a responsibility of EDPR Group and they are fully consolidated in these financial statements.

The upfront cash payment received is recognised under Institutional partnerships in USA and subsequently measured at amortised cost.

This liability is reduced by the value of tax benefits provided and cash distributions made to the institutional investors during the contracted period. The value of the tax benefits delivered, primarily accelerated depreciation and ITC are recognised as Income from institutional partnerships on a pro-rata basis over the useful life of the underlying projects (see note 7). The value of the PTC's delivered are recorded as generated. This liability is increased by an interest accrual that is based on the outstanding liability balance and the targeted internal rate of return agreed.

After the flip date, the institutional investor retains a non-significant interest for the duration of the structure. This non-controlling interest is entitled to distributions ranging from 2.5% to 6% and taxable income allocations ranging from 5% to 17%. EDPR NA has an option to purchase the institutional investor's residual interest at fair market value during a defined period following the flip date. The financial instruments held by the institutional investors issued by the partnerships represent compound financial instruments as they contain characteristics of both financial liabilities and equity. Post flip non-controlling interests is the portion of equity that is ascribed to the institutional investor in the institutional equity partnership at flip date. This amount is reclassified from the total equity attributable to the Parent to non-controlling interests caption in the period in which the flip date takes place.

3. Critical Accounting Estimates and Judgements in Preparing the Financial Statements

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

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

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

**EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015**

Impairment

Impairment of available-for-sale investments

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

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

Alternative methodologies and the use of different assumptions and estimates could result in different impairment losses recognised with a consequent impact in results.

Impairment of long term assets and Goodwill

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

On an annual basis, the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The investments in subsidiaries, on a company basis, and in associates are reviewed when circumstances indicate the existence of impairment.

Considering the uncertainties regarding the recoverable amount of property, plant and equipment, intangible assets and goodwill as they are based on the best information available, changes in the assumptions could result in changes on the determination of the amount of impairment and, consequently, in results.

Impairment of receivables

Impairment losses related to doubtful debts are estimated by EDP based on the estimated recoverable amounts, the date of default, debt write offs and other factors. Certain circumstances and facts may change the estimated impairment losses of doubtful debts, namely changes in the economic environment, economic sector trends, client's credit risk and increases in the rate of defaults. Changes in the estimates and judgement could change the impairment test results, thereby affecting results.

Fair value and classification of financial instruments

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

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

Additionally, financial instruments' classification as debt or equity requires judgement in the interpretation of contractual clauses and in the evaluation of the existence of a contractual obligation to deliver cash or other financial assets.

Contractual Stability Compensation - CMEC

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

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

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Contractual Stability Compensation - Revisable mechanism

The period I of the revisable mechanism consists in correcting on an annual basis, during a 10-year period after the termination of the PPAs, the positive and negative deviations between the estimates made for the initial stability compensation calculation and the actual amounts occurred in the market for each period. This mechanism gives rise to a compensation resulting from the correction of the estimate referred to as CMEC revisable mechanism. In each period, EDP Group calculates the CMEC considering market prices and the actual quantities sold, using the assumptions defined in the "Valor água" model, as established in the Decree-Law 240/2004. Later, Order 4694/2014 was published to define the guidelines of the revisability calculation in what concerns the revenues from the system services market, regarding power plants under CMEC.

Consequently, the use of different methodologies and assumptions from the used model, could give rise to different financial results from those considered.

These Order has determined the performance of an audit to evaluate the potential risk of overcompensation in the CMEC revisability calculation in relation to the power plants covered by this mechanism in the system services market. In September 2016, the Order 10840/2016 was published with the audit conclusions and the audit reports were sent by the Energy State Secretary to the sector and competition Authorities. EDP Group, which is not aware of the conclusions, is not foreseeing any significant impact, once it has always complied with the legal and regulatory frameworks.

Review of the useful life of the assets

The Group reviews annually the reasonableness of the assets' useful lives that are used to determine the depreciation rates of assets assigned to the activity, and prospectively changes the depreciation charge of the year based on such review.

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

In the third quarter of 2013, the Group reviewed and extended the useful life of the combined cycle plants from 25 to 35 years based on a technical study conducted by an independent entity that considered the technical availability for an additional period of 10 years. This study covered the combined cycle plants in Portugal (Lares and Ribatejo) and Spain (Castejon 1 and 3, Grupo 4 and Soto 5).

At the end of December 2016, EDPR Group changed the useful life of its wind farms from 25 to 30 years. The redefinition of the useful life of the wind generation assets was based on technical, financial and economic studies (performed internally and by an independent expert) and in other considerations such as contractual or regulatory constraints. Based on these studies, it is judged reasonable and accurate to use the standard of 30 years for the entire fleet, although useful life may have some level of discrete asset variation depending on the specific site specificities.

Useful lives of generation assets - Hydro independent generator in Brazil

The hydro generation assets in Brazil for Independent generators are amortised during their estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements. This includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by ANEEL, the respective contractual residual indemnification values at the end of each concession period, as well as related technical and legal opinions. The remaining period of amortisation and the indemnification values at the end of the concessions may be influenced by changes in the regulatory legal framework in Brazil.

Tariff adjustments*Portugal*

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

Decree-Law 237-B/2006 of 19 December, and Decree-Law 165/2008 of 21 August, recognised an unconditional right of the operators of the electricity sector to recover the tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations. Additionally, the legislation allows the transfer to third parties of the right to receive tariff adjustments. Therefore, under this legislation, regulated companies may provide to third parties, in whole or in part, the right to receive the tariff adjustments through the electricity and gas tariffs. In accordance with the accounting policy in force, the EDP Group books under the caption Revenues from energy sales and services and other - Electricity and network access, the effects of the recognition of tariff adjustments in the electricity sector, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

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

Spain

Royal Decree Law 6/2009, published on 7 May 2009, established, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electricity sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013 access tariffs would be sufficient to cover the cost of regulated activities, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, Royal Decree Law 6/2009 also provided for the passage of some costs included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO₂ costs in market prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs associated with the management and treatment of radioactive waste from nuclear power plants and fuels consumed. However, Royal Decree Law 29/2012, endorsed on 28 December, abolished the regulatory requirement mentioned in paragraph (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

In 2010, Royal Decree Law 14/2010 addressed the correction of the tariff deficit of the electricity sector. Under this decree, the temporal mismatch of the settlements for 2010 tariff deficits came to be considered as a revenue deficit of the electricity system and a set of measures was established so that the various industry players contribute to the reduction of the tariff deficit. These measures included the establishment of generation rates, financing plans energy efficiency savings by the generation companies and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012, two decrees were adopted to reduce the tariff deficit in order to reach the limit set by Royal Decree Law 14/2010: (i) Royal Decree Law 1/2012, which temporarily suspended the inclusion of new facilities in the "pre-asignación" registrations maintained by the Minister of Industry, Energy and Tourism before the power plant is entitled to make use of the Spanish special regime; and (ii) Royal Decree Law 13/2012, which provided for reductions in the remuneration for distribution activity and an extraordinary decrease on other regulated activities.

In 2014, Royal Decree Law 1054/2014, establishes the procedures for the transfer of the right to receive the deficit of 2013 from the Spanish system, as well as, the methodology to define the interest rate applicable to this deficit, which main guidelines are:

- (i) definition of a 15 years time frame during which the deficit amount will cumulate interest. This time frame consists in two periods: the first, which began in 1 January 2014 ending on the date of the additional liquidation of the provisional liquidation 14 of the year 2013; and the final period, from which the additional liquidation of the provisional liquidation 14 of the year 2013, is made, until 31 December 2028; and
- (ii) the rights to receive (base amount plus interests) are expressly recognised, with their respective taxes and will be considered as system costs. These rights can be total or partially assigned, transferred, transmitted, discounted pledged to third parties, if properly communicated to CNMC ("Comisión Nacional de los Mercados y la Competencia").

Brazil

On 25 November 2014, ANEEL made addendums to the concession contracts with Brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities that existed since 2010, when the IFRS were adopted in Brazil. As a consequence, the CPC issued on 28 November 2014, the OCPC 08 (Recognition of Certain Assets and Liabilities in Accounting and Financial Reports of Electric Distribution) which determines how to treat these regulatory assets/liabilities in the financial statements.

Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement, where it was established that, in the case of concession termination, the outstanding balances of any failure of payment or reimbursement by the tariff (assets and liabilities), will be considered on the indemnity calculation, based on the regulator pre-established regulations.

EDP Group considers, based on the issued legislation (Portugal, Spain and Brazil), that the requirements for the recognition of tariff deficits as receivables and payables against the income statement have been satisfied.

Revenue recognition

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

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Income taxes

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

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

In Portugal, the tax authorities are entitled to review EDP, S.A. and its subsidiaries' determination of their annual taxable earnings for a period of four years. In case of tax losses carried forward, this period is twelve years for annual periods starting from 2014, five years for 2013 and 2012, four years for 2011 and 2010 and six years for previous annual periods. In Spain the period is four years and in Brazil it is five years. In the United States of America, in general, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity, the period is three years from the date that the income tax return is filed by the taxpayer. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the EDP Group and its subsidiaries do not anticipate any significant changes to the income tax booked in the financial statements.

Pensions and other employee benefits

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

Provisions for dismantling and decommissioning of power generation units

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

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

Measurement criteria of the concession financial receivables under IFRIC 12

In 2012, the Provisional Measure 579/12 was published in Brazil, meanwhile converted into Law 12,783/13, which determines the amount of the indenisation payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indenisation amount (financial asset IFRIC 12) of Bandeirante and Escelsa, booked under IFRIC 12 terms. The indenisation amount variation is booked against Revenues from energy sales and services and other. This amount corresponds to the difference between the new replacement value versus the historical cost.

Entities included in the consolidation perimeter

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

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

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

Business combination

Under IFRS 3 (Business Combination) in a business combination, the acquirer shall recognise and measure in the consolidated financial statements the assets acquired and liabilities assumed at fair value at the acquisition date. The difference between the purchase price and the fair value of the assets and liabilities acquired leads to the recognition of goodwill or a gain from a purchase at a low price (bargain purchase).

The fair value determination of the assets acquired and liabilities assumed is carried out internally or by independent external evaluators, using the discounted cash flows method, using the replacement cost or other fair value determination techniques, which rely on the use of assumptions and estimates including macroeconomic indicators such as inflation rates, interest rates, exchange rates, discount rates, sale and purchase prices of energy, cost of raw materials, production estimates and business projections. Consequently, the determination of the fair value and goodwill or gain from a purchase at a low price is subject to numerous estimates and judgments and therefore changes in assumptions could result in different impacts on results.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Fair value measurement of contingent consideration

The contingent consideration, from a business combination or a sale of a financial investment is measured at fair value at the acquisition date as part of the business combination or at the date of the sale in the event of a sale of a financial investment. The contingent consideration is subsequently remeasured at fair value at balance sheet date. Fair value is based on discounted cash flows. The main assumptions consider the probability of achieving each objective and the discount factor, corresponding to the best estimates of management at each balance sheet date. Changes in assumptions could have significant impact on the values of contingent assets and liabilities recognised in the financial statements.

4. Financial Risk Management Policies

Financial risk management

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

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

As for the subsidiaries in Brazil, the management of the financial risks inherent to the variation of interest rates and exchange rates is carried out locally, according with the principles set by rules of EDP - Energias do Brasil's Management and aligned with the principles/policies set by the EDP Group for this geographical area.

Exchange-rate risk management

EDP, S.A.'s Financial Department is responsible for managing exchange rate risk exposure resulting from foreign currency financial debt, entered into with the aim of funding the EDP Group's investments in the currency of its respective cash flows. Seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the EDP Group companies and, consequently, on the consolidated results, the Group resorts to exchange rate derivative financial instruments and/or other hedging structures.

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

EDP Group is exposed to exchange rate risk in US Dollars (USD), Brazilian Reals (BRL), Romanian Leu (RON), Polish Zloty (PLN) and Canadian Dollars (CAD). Currently, the exposure to USD/EUR, PLN/EUR, RON/EUR and CAD/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland, Romania and Canada, respectively. The majority of these investments were financed with debt contracted in the respective local currency which allows to mitigate the exchange rate risk related to these assets.

The Brazilian subsidiaries exposed to the USD/BRL exchange rate risk as a result of their USD debt, use derivative financial instruments to hedge this risk. Additionally, investments in the Brazilian subsidiaries of EDP Energias do Brasil, whose net assets expressed in BRL are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate. Regarding investments in wind farms of EDP Renováveis in Brazil, the Group also contracted financial derivatives to partial cover exchange rate exposure of these assets.

The exchange rate and interest rate risk on the GBP, CHF and JPY bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments has been hedged as from their issuing date.

Sensitivity analysis - exchange rate

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currency, as at 31 December 2016 and 2015, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

Thousand Euros	Dec 2016			
	Profit or loss		Equity	
	+ 10 %	- 10 %	+ 10 %	- 10 %
USD	11,162	-13,642	-31,468	38,461
	11,162	-13,642	-31,468	38,461

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Thousand Euros	Dec 2015			
	Profit or loss		Equity	
	+ 10 %	-10 %	+ 10 %	-10 %
USD	54,120	-66,146	-32,238	39,402
	54,120	-66,146	-32,238	39,402

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

Interest rate risk management

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

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

Long-term loans engaged at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments designed to level them to current and expected market conditions.

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

The EDP Group has a portfolio of interest rate derivatives with maturities up to 12 years. The Group's Financial Departments undertake sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. As at 31 December 2016, after the hedging effect of the derivatives 48% of the Group's liabilities are at fixed rate.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Based on the debt portfolio engaged by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 31 December 2016 and 2015 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

Thousand Euros	Dec 2016			
	Profit or loss		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-16,421	16,421	-	-
Unhedged debt	-20,046	20,046	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	11,665	-12,170
Trading derivatives (accounting perspective)	-171	-6,720	-	-
	-36,638	29,747	11,665	-12,170

Thousand Euros	Dec 2015			
	Profit or loss		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-16,421	16,421	-	-
Unhedged debt	-19,232	19,232	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	19,356	-20,275
Trading derivatives (accounting perspective)	319	-4,548	-	-
	-35,334	31,105	19,356	-20,275

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

Brazil - Interest rate and exchange rate risk management

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

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

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

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

Thousand Euros	VaR	
	Dec 2016	Dec 2015
Exchange rate risk	27	202
Interest rate risk	10,392	4,870
Diversification effect	-39	-240
	10,380	4,832

Counterparty credit risk management

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

EDP Group has documented its financial operations in accordance with international standards. Derivative financial instruments are mainly contracted under ISDA Master Agreements.

The amount receivable from customers is mainly generated by operations in Portugal, Spain and Brazil, with a diversified customer base, both geographically and in terms of segments (business clients, private and public sector) and size (Supply companies, Business to Business and Business to Consumer). EDP is present in 14 countries and has more than 9.8 million customers in the electricity sector and 1.5 million customers in the gas sector, and usually the contractual relationship with the counterparty tends to be long-lasting.

The maximum exposure to customer credit risk by counterparty type is detailed as follows:

Thousand Euros	Dec 2016	Dec 2015
Corporate and private sector:		
Supply companies	128,203	262,247
B2B	467,224	337,163
B2C	379,706	382,298
Other	43,428	78,026
	1,018,561	1,059,734
Public sector:		
Debt with payment agreement	66,646	105,209
Debt without payment agreement	163,613	71,426
	230,259	176,635
	1,248,820	1,236,369

Trade receivables by geographical market for the Group EDP, is as follows:

Thousand Euros	Dec 2016					
	Portugal	Spain	Brazil	USA	Other	Group
Corporate and private sector	531,421	70,608	380,560	10,056	25,916	1,018,561
Public sector	122,596	53,171	54,492	-	-	230,259
	654,017	123,779	435,052	10,056	25,916	1,248,820

Thousand Euros	Dec 2015					
	Portugal	Spain	Brazil	USA	Other	Group
Corporate and private sector	513,300	122,224	384,522	4,239	35,449	1,059,734
Public sector	120,827	17,408	38,400	-	-	176,635
	634,127	139,632	422,922	4,239	35,449	1,236,369

The amounts receivable from supply companies are concentrated mainly in Portugal, Brazil and EDP Renováveis Group, as follows:

- In Portugal, these counterparties present a significantly reduced days sales outstanding, about 20 days, and these entities are subject to the sector regulation that establishes collaterals to reduce credit risk. The collateral provided is updated based on the average of the last quarter monthly sales, which reinforces a low risk profile;
- In Brazil, it refers mainly to: (i) the amounts from sale of electricity to wholesale dealers and trading companies, (ii) accounts receivable relating to energy traded in the Electric Energy Trading Chamber - CCEE; and (iii) charges for the electricity network access;
- In EDPR EU, main customers are operators and distributors in the energy market of their respective countries. Credit risk is not significant due to the limited days sales outstanding and to the quality of its debtors. Counterparty risk comes from the countries that have renewable energy incentives, and is usually seen as a regulatory risk;

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

- In EDPR NA, main customers are regulated utilities and regional market agents in the USA. As it occurs in Europe, credit risk is not significant due to the limited days sales outstanding and to the quality of the debtors. However, the exposure to customers in long term contracts also arises from the mark-to-market of these contracts. This exposure is managed by a detailed assessment of the counterparty before signing any long term agreement and by a requirement of collaterals depending on the exposure and on the rating.

Regarding the remaining receivables from companies and individual customers, resulting from the current activity of EDP Group, the credit risk is essentially the result of customers defaults, whose exposure is limited to the supply made until the possible date of supply disruption. A very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

Amounts receivable from public sector customers include amounts receivable from renegotiated debt with payment agreements, which, as the counterparty is a public entity and has already recognised the debt through payment protocols, present a lower risk. These amounts also include debt without payment agreements arising from the normal power supply activity similar to that described for the corporate and individual sector.

Regarding the ageing, Trade receivables, is analysed as follow:

Thousand Euros	Dec 2016	Dec 2015
Past due but not impaired trade receivables:		
Less than 3 months	208,335	158,745
More than 3 months	61,536	18,582
	<u>269,871</u>	<u>177,327</u>
Impaired trade receivables	394,168	338,179
Not past due and not impaired trade receivables	978,949	1,059,042
	<u>1,642,988</u>	<u>1,574,548</u>

Past due but not impaired trade receivables includes debt with payment agreement.

The age of trade receivables that are past due but not impaired may vary significantly depending on the type of costumer (Corporate and private sector or public sector). EDP Group recognises impairment losses based on a economic case by case analysis, according with the characteristics of the costumers.

Regarding third-party receivables generated by the Group's day-to-day business, the credit risk arises essentially from customers default, whose exposure is limited to the energy supplied until the supply interruption occurs. The very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

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

Liquidity risk management

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions as well as term deposits, allowing immediate access to funds. These credit lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see notes 30 and 35).

Energy market risk management

In its operations in the non-regulated Iberian electricity market, EDP Group purchases fuel to generate electric energy and sells the electric energy generated by its plants in the organised market (OMIE and OMIP) as well as to third parties. The Group is exposed to energy market risks namely in its operations in the non-regulated market. Some electricity generating plants despite operating in the market, are subject to the CMEC legislation, and the changes in the operating margins are determined essentially by the difference between the prices in the market and the reference indexes defined in the contracts.

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

The activity of energy management is subject to a series of variables which are identified and classified based on their common uncertainty characteristics (or risk). Such risks include market price evolution risk (electricity and fuel) and hydroelectric production volume risk (price and volume risk), as well as credit risk of the counterparties.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Monitoring the price, volume and credit risks includes their quantification in terms of positions at risk which can be adjusted through market operations. This quantification is made by using specific models that value positions so as to determine the maximum loss that can be incurred, with a given probability and a determined time frame.

Risks are managed in accordance with the strategies defined by the Executive Board of Directors, which are subject to a periodic review based on the evolution of the operations, in order to change the profile of the positions and adjust them to the established management objectives.

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

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

Thousand Euros	P@R Distribution by risk factor	
	Dec 2016	Dec 2015
Risk factor		
Negotiation	9,000	2,000
Fuel	50,000	20,000
CO2	8,000	10,000
Electricity	66,000	47,000
Hydrological	97,000	123,000
Diversification effect	-134,000	-119,000
	96,000	83,000

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

	Dec 2016	Dec 2015
Credit risk rating (S&P)		
AAA to AA-	0.00%	15.32%
A+ to A-	50.29%	60.38%
BBB+ to BBB-	38.31%	14.04%
BB+ to B-	0.17%	0.24%
No rating assigned	11.23%	10.02%
	100.00%	100.00%

Capital management

EDP is not an entity subject to regulation in terms of capital or solvency ratios. Therefore, capital management is carried out within the financial management process of the entity.

Additionally, management describes this aspect of its strategic objectives in the chapters "Strategic Agenda" and "Value Creation to Shareholders".

The Group's goal in managing equity is to safeguard the Group's capacity to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimum capital structure to reduce equity cost.

In conformity with other groups operating in this sector, the Group controls its financing structure based on several control mechanisms and ratios.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

5. Consolidation Perimeter

During 2016, the following changes occurred in the EDP Group consolidation perimeter:

Companies acquired:

- EDP Renovables España, S.L. acquired 15% of the share capital of Eólica La Brújula, S.A.;
- EDPR UK, S.L. acquired 33% of the share capital of Moray Offshore Renewables Limited with a subsequent increase to 100% of share interest in: MacColl Offshore Windfarm Ltd., Stevenson Offshore Windfarm Ltd. and Telford Offshore Windfarm Ltd.;
- EDP Gás - SGPS, S.A. acquired 28% of the share capital of EDP Gás Distribuição, S.A. (new designation of former Portgás - Sociedade de Produção e Distribuição de Gás, S.A.) increasing to 100% its share interest in the company, with a subsequent increasing of the share interests in the following companies: EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, S.A. and EDP Gás Serviço Universal, S.A.;
- EDP Renewables Polska, Sp. z o.o. acquired 35% of the share capital of Molen Wind II, Sp. z o.o. holding 100% of the share capital, and 100% of the share capital of Miramit Investments, Sp. z o.o. and EDP Renewables Polska HoldCo, S.A.;
- The acquisition by EDP Renováveis Brasil, S.A. of 100% of the companies Central Eólica Babilônia I S.A., Central Eólica Babilônia II S.A., Central Eólica Babilônia III S.A., Central Eólica Babilônia IV S.A. and Central Eólica Babilônia V S.A. from Casa dos Ventos Energias Renováveis, S.A. and Salus Fundo de Investimento em Participações, was classified as an asset purchase, out of the scope of IFRS 3 – Business Combinations, due to the substance of the transaction, the type of assets acquired and the very early stage of the projects;
- The acquisition by EDP Renewables, SGPS, S.A. of 100% of the companies Parque Eólico do Cabeço Norte, S.A., Parque Eólico do Pinhal do Oeste, S.A., Parque Eólico do Planalto, S.A., Parque Eólico da Serra do Oeste, S.A. and Parque Eólico de Torrinhelas, S.A. from Ventinveste S.A., was classified as an asset purchase, out of the scope of IFRS 3 – Business Combinations, due to the substance of the transaction, the type of assets acquired and the very early stage of the projects;
- EDP Renewables Europe, S.L. acquired 15% of the share capital of EDP Renewables România, S.r.l., increasing to 100% its share interest in the company;
- EDP France Holding, S.A.S. acquired 100% of the share capital of the Parc Éolien Champagne Berrichonne, S.A.R.L.;
- EDP Renewables Italia Holding, S.r.l. acquired 100% of the share capital of Tivano, S.r.l., San Mauro, S.r.l., Conza Energia, S.r.l., AW 2, S.r.l., Lucus Power, S.r.l., VRG Wind 149, S.r.l., T Power, S.p.A. and VRG Wind 127, S.r.l. and, acquired 51% of the share capital of Sarve, S.r.l. These operations were classified as asset purchases, out of the scope of IFRS 3 – Business Combinations, due to the substance of these transactions, the type of assets acquired and the very early stage of the projects;
- EDP Gas Iberia, S.L. exercised the call option on 5% of the share capital of Naturgás Energía Grupo, S.A. increasing to 100% its share interest in the company, with a subsequent increasing of the share interests in the following companies:
 - EDP Comercializadora de Ultimo Recurso, S.A.;
 - EDP Empresa de Servicios Energeticos, S.L.;
 - EDP Soluciones Comerciales, S.A.;
 - Inkolan, A.I.E.;
 - Kosorkuntza, A.I.E.;
 - EDP Comercializadora, S.A.;
 - Naturgás Energía Distribución, S.A.U.;
 - Naturgás Energía Servicios, S.A.;
 - Tolosa Gasa, S.A.

This transaction was treated as an acquisition of non-controlling interests and therefore the positive difference between the book value and the fair value of the non-controlling interests acquired, totalling 70,625 thousand Euros, was booked against reserves under the corresponding accounting policy.

- EDP Renewables Italia, S.r.l. acquired 100% of the share capital of the company Parco Eolico Banzi, S.r.l.

Disposal of non-controlling interests without loss of control:

- In the first quarter of 2016, EDP Renewables North America LLC concluded the sale to Axiom Infrastructure LLC, by 277,398 thousand Euros that equals 307,034 thousand US Dollar (which corresponds to a sale price of 307,500 thousand US Dollar deducted from transaction costs of 466 thousand US Dollar), of:
 - (i) 49% of its interests in the following companies:
 - Waverly Wind Farm LLC;
 - Arbuckle Mountain Wind Farm LLC;
 - Rising Tree Wind Farm III LLC;
 - 2015 Vento XIII LLC;
 - 2015 Vento XIV LLC;
 - EDPR Wind Ventures XIII LLC;
 - EDPR Wind Ventures XIV LLC;
 - (ii) 24% of its interests in the following companies:
 - Cloud County Wind Farm LLC;
 - Pioneer Prairie Wind Farm I LLC;
 - Arlington Wind Power Project LLC;
 - 2008 Vento III LLC;
 - Horizon Wind Ventures IC LLC.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 18,207 thousand Euros, was booked against reserves under the corresponding accounting policy;

**EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015**

- In the second quarter of 2016, EDP Renewables Europe, S.L. concluded the sale to Vortex Energy Investments II S.à r.l. by 272,880 thousand Euros, equivalent to 550,000 thousand Euros deducted from loans totalling 272,740 thousand Euros and from transaction costs in the amount of 4,380 thousand Euros, of 49% of its interests in the following companies:
 - EDPR Participaciones, S.L.U.;
 - Parc Éolien de Dammarie, S.A.S.;
 - Eólica Don Quijote, S.L.U.;
 - Eólica Dulcinea, S.L.U.;
 - Eólica Alfoz, S.L.U.;
 - Eólica do Cachopo, S.A.;
 - Eólica do Castelo, S.A.;
 - Eólica da Lajeira, S.A.;
 - Eólica do Velão, S.A.;
 - Parc Éolien d'Escardes, S.A.S.;
 - Parc Éolien de Francourville, S.A.S.;
 - Green Wind S.A.;
 - Eólica La Navica, S.L.U.;
 - Parc Éolien de Montagne Fayel, S.A.S.;
 - Parc Éolien de Preuseville, S.A.S.;
 - Eólica de Radona, S.L.U.;
 - Bon Vent de L'Ebre, S.L.U.;
 - Bon Vent de Vilalba, S.L.U.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 81,563 thousand Euros, was booked against reserves under the corresponding accounting policy.

- In the fourth quarter of 2016, EDP Renewables Europe, S.L. concluded the sale to ACE Italy S.A.R.L. by 45,666 thousand Euros, equivalent to 135,168 thousand Euros deducted from loans totalling 89,162 thousand Euros and from transaction costs in the amount of 340 thousand Euros, of 49% of its interests in the following companies:
 - EDP Renewables Italia, S.r.l.;
 - Pietragalla Eolico, S.r.l.;
 - Villa Castelli Wind, S.r.l.;
 - Parco Eolico Banzi, S.r.l.;

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 12,865 thousand Euros, was booked against reserves under the corresponding accounting policy.

- In the fourth quarter of 2016, EDP Renewables Polska, Sp. z o.o. concluded the sale to ACE Poland S.A.R.L. by 100,668 thousand Euros, equivalent to 439,197 thousand Zlotys (which corresponds to a sale price of 983,149 thousand Zlotys deducted from loans totalling 540,013 thousand Zlotys and from transaction costs in the amount of 3,939 thousand Zlotys), of 49% of its interests in the following companies:
 - EDP Renewables Polska HoldCo, S.A.;
 - Elektrownia Wiatrowa Kresy I, Sp. z o.o.;
 - Korsze Wind Farm, Sp. z o.o.;
 - Molen Wind II, Sp. z o.o.;
 - Radziejów Wind Farm, Sp. z o.o.;
 - Relax Wind Park I, Sp. z o.o.;
 - Relax Wind Park III, Sp. z o.o.;

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 11,459 thousand Euros, was booked against reserves under the corresponding accounting policy.

Companies sold and liquidated:

- EDPR UK, S.L. sold 49% of Inch-Cape Offshore Ltd. by 15,802 thousand Euros and generated a gain of 2,324 thousand Euros (see note 13);
- EDP Renewables Polska, Sp. z o.o. sold 60% of J&Z Wind Farms, Sp. z o.o. by 12,891 thousand Euros and generated a gain of 6,958 thousand Euros (see note 7);
- EDP - Energias do Brasil, S.A. sold 100% of Pantanal Energética, Lda. by 90,661 thousand Euros and generated a gain of 60,916 thousand Euros (see note 7);
- EDP Renewables South Africa, Proprietary Limited sold 43% of Modderfontein Wind Energy Project, Ltd.;
- EDP MOP - Operações de Pontos de Carregamento de Mobilidade Elétrica, S.A. liquidated IME - IE Mobil Electrica, ACE;
- EDP Gas Iberia, S.L. liquidated Cogeneración Bergara, A.I.E. and Cogeneración Montjuic, S.L.U.;
- EDP Renovables España, S.L. liquidated Cultivos Energéticos de Castilla S.A.;
- EDP Transmissão S.A. liquidated Couto Magalhães Energia, S.A.;
- Hidroelétrica Cantábrego, S.A. liquidated Cogeneración y Mantenimiento, A.I.E.;
- EDP Renewables Europe, S.L. liquidated EDPR RO Trading, S.r.l.;
- EDP Renewables North America LLC liquidated Verde Wind Power LLC, Pioneer Prairie Wind Farm II LLC and Pioneer Prairie Interconnection LLC.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Companies merged:

- The following companies were merged into Hidroelétrica Cantábrico, S.A.:
 - EDP Cogeneración, S.L.;
 - Naturgás Energía Grupo, S.A.;
 - EDP Energía Gas, S.L.;
 - Naturgás Energía Servicios, S.A.;
- EDP Renewables România, S.r.l. was merged into Ialomita Power, S.r.l.

Companies incorporated:

- EDPR Vento IV Holding LLC;
- Redbed Plains Wind Farm LLC;
- 2016 Vento XV LLC;
- 2016 Vento XVI LLC;
- EDPR Wind Ventures XV LLC;
- EDPR Wind Ventures XVI LLC;
- Parc Éolien de Citernes, S.A.S.;
- Parc Éolien de Flavin, S.A.S.;
- Parc Éolien de Louvières, S.A.S.;
- Parc Éolien de Prouville, S.A.S.;
- EDPR Participaciones, S.L.U.;
- Moray Offshore Renewable Power Limited;
- Meadow Lake Wind Farm VI LLC *;
- EDP Ventures - Sociedade de capital de risco, S.A.;
- Horse Mountain Wind Farm LLC *;
- Hidalgo Wind Farm II LLC *;
- Blue Marmot I LLC *;
- Blue Marmot II LLC *;
- Blue Marmot III LLC *;
- Blue Marmot IV LLC *;
- Blue Marmot V LLC *;
- Blue Marmot VI LLC *;
- Blue Marmot VII LLC *;
- Blue Marmot VIII LLC *;
- Blue Marmot IX LLC *;
- Blue Marmot X LLC *;
- Blue Marmot XI LLC *;
- Paulding Wind Farm V LLC *;
- Headwaters Wind Farm II LLC *;
- Moran Wind Farm LLC *;
- Waverly Wind Farm II LLC *;
- Spruce Ridge Wind Farm LLC *;
- Reloj del Sol Wind Farm LLC *;
- Meadow Lake Wind Farm VII LLC *;
- Riverstart Solar Park LLC *;
- Riverstart Solar Park II LLC *;
- Moray Offshore Windfarm (West) Limited;
- EDP España Distribución Gas, S.A.;
- Naturgas Suministro GLP, S.A.U.

* EDP Group holds, through EDP Renováveis and its subsidiaries EDPR NA, a set of subsidiaries legally established in the United States without share capital and that, as at 31 December 2016, do not have any assets, liabilities, or any operating activity.

Other changes:

- EDPR Renewables Italia, S.r.l. increased its interest in the company Re Plus, S.r.l. from 80% to 100% through the dilution of the shareholding interest of the other shareholder in the company;
- EDP Renewables Europe, S.L. diluted its financial interest in Eólica de Coahuila, S.A. de C.V. from 99.99% to 51% due to a share capital increase fully subscribed by other shareholders.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

6. Revenues from Energy Sales and Services and Other

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

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Electricity and network access	12,992,189	13,731,633	2,302,619	2,457,118
Gas and network access	992,883	1,302,037	35,460	210,346
Sales of CO2 licences	-	7,887	108,556	103,902
Revenue from assets assigned to concessions	398,059	372,953	-	-
Other	212,033	102,289	161,552	145,289
	14,595,164	15,516,799	2,608,187	2,916,655

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

Thousand Euros	Dec 2016					Group
	Portugal	Spain	Brazil	USA	Other	
Electricity and network access	7,138,372	2,848,984	2,205,295	521,242	278,296	12,992,189
Gas and network access	246,608	746,275	-	-	-	992,883
Revenue from assets assigned to concessions	273,471	-	124,588	-	-	398,059
Other	47,282	29,017	133,921	32	1,781	212,033
	7,705,733	3,624,276	2,463,804	521,274	280,077	14,595,164

Thousand Euros	Dec 2015					Group
	Portugal	Spain	Brazil	USA	Other	
Electricity and network access	7,141,916	3,148,231	2,654,400	503,088	283,998	13,731,633
Gas and network access	278,554	1,023,483	-	-	-	1,302,037
Sales of CO2 licences	7,887	-	-	-	-	7,887
Revenue from assets assigned to concessions	286,520	-	86,433	-	-	372,953
Other	63,211	24,927	13,786	199	166	102,289
	7,778,088	4,196,641	2,754,619	503,287	284,164	15,516,799

In 2016, the caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 1,266.310 thousand Euros (income in 31 December 2015: 1,377,259 thousand Euros) regarding the tariff adjustments of the period (see notes 26 and 39), as described under accounting policy 2 x). This caption also includes a net cost of 186,949 thousand Euros related to recognition of tariff adjustments for the period in Brazil, booked as Debtors and other assets from commercial activities and Trade and other payables from commercial activities (31 December 2015: net profit of 136,145 thousand Euros).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 215,589 thousand Euros (31 December 2015: 205,627 thousand Euros) related to the contractual stability compensation (CMEC) as a result of the power purchase agreements (PPA) termination.

In 2016, the caption Other in Brazil includes, on a consolidated basis, the effect of the re-measurement of IFRIC 12 indemnisation in the amount of 50,354 thousand Euros (see note 26).

In 2016, the caption Electricity and network access, on a company basis, includes 973,073 thousand Euros (31 December 2015: 977,912 thousand Euros) related with energy sales under the purchase and sale agreement of evolutive energy between EDP, S.A. and EDP Comercial.

The breakdown of Revenues from energy sales and services and other by segment is presented in the Operating segments report (see Annex I).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Cost of energy sales and other are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Cost of electricity	6,825,649	7,634,223	2,218,361	2,416,596
Cost of gas	811,493	933,216	-	-
Expenditure with assets assigned to concessions	398,059	372,953	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	449,551	567,021	-	-
Gas	120,048	286,966	35,460	210,346
CO2 licences	95,312	140,603	108,543	106,634
Own work capitalised	-99,873	-77,474	-	-
Other	256,893	204,585	25	16
	821,931	1,121,701	144,028	316,996
	8,857,132	10,062,093	2,362,389	2,733,592

On a company basis, Cost of electricity includes costs of 1,137,688 thousand Euros (31 December 2015: 1,145,082 thousand Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

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

Thousand Euros	Group	
	Dec 2016	Dec 2015
Revenue from assets assigned to concessions	398,059	372,953
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-300,525	-276,188
Personnel costs capitalised (see note 9)	-88,866	-88,530
Capitalised borrowing costs (see note 13)	-8,668	-8,235
	-398,059	-372,953
	-	-

7. Other Income

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

Thousand Euros	Group	
	Dec 2016	Dec 2015
Income arising from institutional partnerships - EDPR NA	197,544	197,442
Gains related with business combinations	3,890	419,688
Gains on disposals - electricity and gas business assets	67,874	88,916
Gains from contractual indemnities and insurance companies	35,106	15,977
Other	122,900	126,760
	427,314	848,783

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC), mostly from accelerated tax depreciations regarding Vento I to XVI, Sol I and Blue Canyon I projects, in wind farms and solar plants in USA (see note 38).

Gains related with business combinations mainly include the profit resulting from the acquisition of the Italian company Parco Eolico Banzi S.r.l. amounting to 3,040 thousand Euros by EDP Renewables Italy, S.r.l. (see note 5).

On 9 December 2014, EDP Brasil entered into an agreement for the acquisition of the 50% of Porto do Pecém share capital, owned by Eneva, S.A., starting to hold full control of this company. This transaction was subject to approval and authorisation of the competition authority, of ANEEL, of the funding banks of Porto do Pecém and Eneva (BNDES and Banco Interamericano de Desenvolvimento - BID) and other creditors of Eneva. Additionally, the transaction conclusion was dependent on other measures of corporate and contractual nature, in particular, the approval of the Eneva's recovery plan. This transaction was concluded in May 2015 and occurred in two stages, the first through the debt capitalisation of Porto do Pecém with Eneva, resulting in a reduction of EDP's original shareholding of 50% to 41.27% and the second with the acquisition, by 300,000 thousand Brazilian Reais, of 58.73% of Porto do Pecém by EDP. The gross gain, in the amount of 294,938 thousand Euros, recognised in Gains related with business combinations, includes the following effects: i) dilution effect in the capital increase by Eneva; ii) gain on the revaluation of the previously held interest; and iii) bargain purchase.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Additionally, in September 2015, the ENEOP consortium members reached an agreement on the consortium's assets split which had been created for a wind power tender launched by the Portuguese Government in 2005-2006. Under this agreement, EDP Group gained the exclusive control of the following wind farm portfolio: Eólica do Alto da Lagoa, S.A., Eólica da Serra das Beiras, S.A., Eólica do Cachopo, S.A., Eólica do Castelo, S.A., Eólica da Coutada, S.A., Eólica do Espigão, S.A., Eólica da Lajeira, S.A., Eólica Alto do Mourisco, S.A., Eólica dos Altos de Salgueiros-Guilhado, S.A., Eólica Alto da Teixosa, S.A., Eólica da Terra do Mato, S.A. and Eólica do Velão, S.A. This transaction was treated as a business combination achieved in stages and generated a gain on the revaluation of the previously held interest and of the acquired assets fair value in the total amount of 124,750 thousand Euros.

Gains on disposals - electricity and gas business assets are related with: (i) the gain on the sale of 100% of Pantanal Energética, Ltda to Cachoeira Escura Energética, S.A. in the amount of 60,916 thousand Euros; and (ii) the gain on the sale of 60% of J&Z Wind Farms, Sp. z o.o. to Geo Renewables Limited in the amount of 6,958 thousand Euros (see notes 5 and 42). On 31 December 2015, this caption is related with the gain on the sale of the assets allocated to gas transmission business in Murcia as well as in other Spanish regions (mainly in Extremadura and Gerona) to Redexis Gas, S.A.

Other includes gains on fixed assets, recovery of bad debts and gains on the reinsurance activity.

8. Supplies and Services

Supplies and services are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Consumables and communications	51,138	53,534	8,192	8,589
Rents and leases	124,159	115,825	46,253	45,137
Maintenance and repairs	364,492	329,512	26,055	19,664
Specialised works:				
- Commercial activity	180,938	171,528	9,822	8,410
- IT services, legal and advisory fees	54,649	72,681	19,963	23,552
- Other services	50,139	54,997	21,779	18,751
Provided personnel	-	-	14,771	29,068
Other supplies and services	122,359	122,531	19,627	19,313
	947,874	920,608	166,462	172,484

9. Personnel Costs and Employee Benefits

Personnel costs and employee benefits are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Personnel costs				
Board of Directors remuneration	16,018	14,995	6,597	5,798
Employees' remuneration	493,734	488,579	32,936	20,752
Social charges on remuneration	121,131	119,422	8,398	5,200
Performance, assiduity and seniority bonus	77,976	76,099	12,934	11,745
Other costs	24,177	28,042	369	168
Own work capitalised:				
- Assigned to concessions (see note 6)	-88,866	-88,530	-	-
- Other (see note 16)	-55,327	-62,942	-	-
	588,843	575,665	61,234	43,663
Employee benefits				
Pension plans costs	29,215	26,121	1,518	1,050
Medical plans costs and other benefits	8,319	10,916	676	650
Past service cost (Curtailment/Plan amendments)	13,387	-	-	-
Other	20,852	40,277	2,352	1,774
	71,773	77,314	4,546	3,474
	660,616	652,979	65,780	47,137

The variation in EDP, S.A. is explained by the employee reallocation into the companies where they actually provide services, occurred at the end of 2015.

Pension plans costs include 13,676 thousand Euros (31 December 2015: 10,895 thousand Euros) related to defined benefit plans (see note 36) and 15,539 thousand Euros (31 December 2015: 15,226 thousand Euros) related with defined contribution plans. Medical plans costs and other employee benefits is related to the charge of the period (see note 36).

Past service cost (Curtailment/Plan amendments) is related to the increase in liabilities under the permanent employees reduction program that covered 46 Portugal employees (see note 36).

During 2016, EDP Group distributed treasury stocks to employees (429,962 shares) totalling 1,290 thousand Euros.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The breakdown by management positions and category of professional staff is as follows:

	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Executive Board of Directors	8	8	8	8
Senior management	733	700	83	96
Managers	806	782	32	40
Specialists	3,996	3,896	348	262
Support, Operational and Administrative Technicians	6,450	6,698	87	89
	11,992	12,084	558	495

10. Other Expenses

Other expenses are analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Concession rents paid to local authorities and others	277,018	273,546
Direct and indirect taxes	285,455	304,547
Irrecoverable debts	28,097	27,370
Donations	31,953	40,086
Impairment losses:		
- Trade receivables (see note 26)	75,270	29,610
- Debtors (see note 26)	588	-2,007
Write-off of tangible assets - EDP Renováveis Group	5,457	68,134
Other	93,711	64,658
	797,549	805,944

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

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

As at 31 December 2015, the caption Write-off of tangible assets - EDP Renováveis Group includes the write-off of assets under construction (see note 16), which mainly refers to: (i) 41,423 thousand Euros related to the abandonment of ongoing projects in EDPR NA subgroup, which were considered to be economically unviable under current market conditions, due to the recent publication of new legislation - the final version of Clean Power Plan and Renewable Portfolio Standards; (ii) 20,638 thousand Euros related to the abandonment of ongoing projects in EDPR EU subgroup, following the reduced probability of their future development; and (iii) 5,395 thousand Euros, due to damage in the measurement tower in the offshore wind park Moray Offshore Renewables Limited (held by EDPR UK Limited).

11. Provisions

Provisions are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Charge for the period	36,158	50,097	1,522	2,225
Write-back for the period	-51,234	-34,041	-1,108	-12,107
	-15,076	16,056	414	-9,882

Provisions for the period, at 31 December 2016, include essentially a net increase in provisions for: labour, legal and other contingencies in Brazil in the amount of 7.6 million Euros (31 December 2015: net increase of 9.4 million Euros); net decrease in provisions for contractual, legal and other liabilities in Portugal of 2.5 million Euros (31 December 2015: 3.7 million Euros) and in Spain of 20.2 million Euros (31 December 2015: net increase of 3 million Euros), which are classified as probable contingencies (see note 37).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

12. Amortisation and Impairment

Amortisation and impairment are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Property, plant and equipment				
Buildings and other constructions	15,016	11,152	3,844	135
Plant and machinery	1,068,498	977,335	13	44
Other tangible assets	63,784	65,505	16,203	13,072
Impairment loss	284	24,043	-	-
	1,147,582	1,078,035	20,060	13,251
Intangible assets				
Concession rights and impairment	80,128	81,888	-	-
Intangible assets assigned to concessions - IFRIC 12	297,911	302,554	-	-
Other intangibles	6,046	3,283	296	2
Impairment loss	-	14,780	-	-
	384,085	402,505	296	2
Investment property				
Amortisation	509	754	1,072	2,067
Impairment loss (see note 23)	7,558	-	-	-
	8,067	754	1,072	2,067
	1,539,734	1,481,294	21,428	15,320
Compensation of amortisation and depreciation				
Partially-funded property, plant and equipment	-31,247	-28,896	-1,336	-890
Impairment of Goodwill				
	1,817	12,125	-	-
	1,510,304	1,464,523	20,092	14,430

In 2015, property, plant and equipment amortisations reflects the useful life extension of some coal plants in Spain, leading to an amortisation reduction of 16 million Euros.

During 2015, and taking into consideration the increasing uncertainty on the Romanian market, EDPR Romania has downgraded their future estimates namely the price of green certificates. Following this analysis it was recognised an impairment loss on property, plant and equipment of 26,491 thousand Euros (see note 16).

Taking into consideration the fair value of investment in Escelsa - Espírito Santo Centrais Elétricas, S.A. as a result of the impairment test carried out as at 30 September 2015, an impairment loss was booked in the concession rights and goodwill of 14,780 thousand Euros and 11,955 thousand Euros, respectively, essentially related with the Brazilian Real devaluation during 2015 (see notes 17 and 18).

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

13. Financial Income and Expenses

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

Thousand Euros	Group	
	Dec 2016	Dec 2015
Financial income		
Interest income from bank deposits and other investments	63,120	37,816
Interest income from loans to joint ventures and associates	5,344	21,284
Interest from derivative financial instruments	20,295	158,200
Derivative financial instruments	443,134	376,543
Other interest income	53,539	47,557
Foreign exchange gains	109,341	77,244
CMEC	38,520	45,777
Gains on the sale of financial investments	13,819	1,249
Other financial income	152,211	170,551
	899,323	936,221
Financial expenses		
Interest expense on financial debt	844,971	958,579
Capitalised borrowing costs:		
- Assigned to concessions (see note 6)	-8,668	-8,235
- Other (see note 16)	-49,103	-75,356
Interest from derivative financial instruments	-710	130,456
Derivative financial instruments	513,138	294,586
Other interest expense	31,047	23,507
Impairment of available-for-sale investments	31,821	21,996
Foreign exchange losses	57,092	194,441
CMEC	13,426	15,595
Unwinding of discounted liabilities	131,067	120,595
Net interest on the net pensions plan liability (see note 36)	13,736	16,746
Net interest on the medical liabilities and other benefits (see note 36)	30,725	27,188
Other financial expenses	182,261	48,638
	1,790,803	1,768,736
Financial income / (expenses)	-891,480	-832,515

The caption Financial income - CMEC is related essentially to interest on the initial CMEC included in the annuity for 2016 of 25,501 thousand Euros (31 December 2015: 30,453 thousand Euros) and the financial effect considered in the calculation of the initial CMEC of 13,158 thousand Euros (31 December 2015: 15,218 thousand Euros).

In 2016, the caption Gains on the sale of financial investments includes the gain on the sale of 49% of Inch-Cape Offshore Limited in the amount of 2,324 thousand Euros and the gain on the sale of the shareholding of 11.11% in Tejo Energia, S.A., in the amount of 10,434 thousand Euros (see note 42).

Capitalised borrowing costs includes the interest capitalised in assets under construction according to the accounting policy described in paragraph 2 h). Regarding the rate applicable to borrowing costs related with tangible/intangible assets under construction that is used in the determination of the amount of borrowing costs eligible for capitalisation (see notes 16 and 17), it varies depending on the country and currency, since EDP Group incorporates in its scope of consolidation (see Annex II) a significant number of subsidiaries in several geographies with different currencies. Therefore, for the most representative geographies, the weighted average funding rates, in use in 2016, ranged from 3.0% to 6.3% in Portugal, from 5.0% to 7.0% in Spain, from 0.4% to 8.3% in the United States of America and 12.1% in Brazil, depending on related assets under construction and related financing.

The caption Impairment of available for sale investments includes 31,386 thousand Euros (31 December 2015: 21,987 thousand Euros) related to the increase of impairment of the investment held in Banco Comercial Português, S.A. as a result of the devaluation of the market value of this shares (see note 22).

Financial expenses - CMEC is related mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 39).

The Unwinding of discounted value liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 7,650 thousand Euros (31 December 2015: 7,145 thousand Euros) (see note 37), (ii) the implied financial return in institutional partnership in USA of 90,337 thousand Euros (31 December 2015: 78,953 thousand Euros) (see note 38), and (iii) the financial expenses related to the discount of the debt associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe of 20,654 thousand Euros (31 December 2015: 23,577 thousand Euros).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The captions Other financial income and Other financial expenses include essentially 39,909 thousand Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (31 December 2015: 71,526 thousand Euros) and 9,174 thousand Euros related with interest income on tariff deficit in Brazil (31 December 2015: 14,860 thousand Euros) (see notes 26 and 39). Also includes 27,484 thousand Euros related to net gains, on the sale of part of the electricity tariff deficit related to the over cost with the acquisition of electricity from Special Regime Generators in Portugal of 2014, 2015 and 2016 (31 December 2015: 55,600 thousand Euros) (see note 26).

The caption Other financial expenses also includes 26,715 thousand Euros related to early cancellation and optimisation of certain project finance in Europe and 49,655 thousand Euros of premiums paid in the Euro and Dollar bonds buyback (see note 35).

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

Thousand Euros	Company	
	Dec 2016	Dec 2015
Financial income		
Interest income from loans to subsidiaries and related parties	409,225	421,051
Interest from derivative financial instruments	174,650	170,506
Derivative financial instruments	907,148	646,049
Income from equity investments	800,207	762,260
Gains on the sale of financial investments	112	42,387
Other financial income	40,454	19,559
	2,331,796	2,061,812
Financial expenses		
Interest expense on financial debt	453,361	438,163
Interest from derivative financial instruments	139,772	150,572
Derivative financial instruments	927,063	591,187
Other financial expenses	43,785	39,832
	1,563,981	1,219,754
Financial income / (expenses)	767,815	842,058

In the context of the corporate restructuring of the gas activity in Iberia, carried out during the second quarter of 2014, in 22 December 2014, EDP, S.A. sold to EDP Gas Iberia, S.L. 100% of the share capital of EDP Gás - SGPS, S.A. for the amount of 462,591 thousand Euros, of which 285,422 thousand Euros correspond to the sale value of equity shares and 177,169 thousand Euros correspond to supplementary capital and loans. As at 31 December 2014, this transaction was recognised in accordance with the fair value model, under the company's accounting policy, and a gain in the amount of 282,352 thousand Euros was booked on a company basis. The final amount of the transaction was subject to price adjustments under the purchase agreement, whereby in 2015 was recognised an additional gain of 38,968 thousand Euros on a company basis in the caption Gains on the sale of financial investments. This price adjustment includes the fair value of a contingent price in the amount of 28,429 thousand Euros related to a litigation that is still ongoing. These intra-group transactions were performed using market values, as if they were independent entities, and with the individual gains being eliminated on the consolidation process of EDP Group.

The caption Other financial expenses includes 27,180 thousand Euros related to premiums paid in the Euro bonds buyback (see note 35).

14. Income Tax

Main features of the tax systems of the countries in which EDP Group operates

The statutory corporate income tax rates applicable in the main countries in which EDP Group operates are as follows:

	Dec 2016	Dec 2015
Europe:		
Portugal	21% - 29.5%	21% - 29.5%
Spain	25% - 28%	25% - 28%
Netherlands	25%	25%
America:		
Brazil	34%	34%
United States of America	38.2%	38.2%

The EDP Group companies are taxed, whenever possible, on a Group consolidated basis as allowed by the tax legislation of the respective countries.

As per the applicable legislation, in general terms, tax periods may be subject to review and reassessment by the various tax authorities during a limited number of years. Statutes of limitation differ from country to country, as follows: Portugal 4 years or, if tax losses or credits have been used, the number of years that such tax losses or credits may be carried forward; Spain: 4 years; USA and the Netherlands: 3 years; Brazil: 5 years.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Tax losses generated in each year are also subject to tax authorities review and reassessment and may be used to offset yearly taxable income assessed in the subsequent periods, as follows: in Portugal 5 years (for tax losses of 2012, 2013 and 2017), and 12 years (for tax losses of 2014, 2015 and 2016), 9 years in the Netherlands, 20 years in the USA and without term in Brazil and Spain. Moreover, in the Netherlands the tax losses of a given year may be used to recover current tax of the previous year and in the USA of the 2 previous years. However, the deduction of tax losses in Portugal, Spain and Brazil may be limited to a percentage of the taxable income of each period.

EDP Group companies may, in accordance with the law, benefit from certain tax benefits or incentives in specific conditions, namely the Production Tax Credits in the USA, which are the dominant form of wind remuneration in this country, and represent an extra source of revenue per unit of electricity (\$23/MWh in 2016 and 2015), over the first 10 years of the asset's life.

EDP Group's transfer pricing policy follows the rules, guidelines and international best practices applicable in the geographies where the Group operates, in due compliance with the spirit and letter of the applicable Law.

Changes in the law with relevance to the EDP Group in 2016

In Portugal, the Budget Law for 2016 (Law 7-A/2016, of 30 March) has reduced the tax losses carry-forward period from 12 to 5 years, for tax losses assessed in tax years beginning on or after 1 January 2017.

The statutory CIT rate applicable in Spain (in particular, in the so called "Common Territory") was reduced from 28% to 25%, with effect from 1 January 2016 onwards, according to Law 27/2014, of 27 November. Moreover, the Royal Decree-Law 3/2016, of 2 December, introduced restrictions on the utilization of carried forward tax losses affecting companies with a turnover equal or higher than 20 million Euros in the 12 months prior to the beginning of the relevant fiscal year, as follows:

- Companies with turnover from 20 million Euros and lower than 60 million Euros: carried forward tax losses utilisation is limited to 50% of the tax base;
- Companies with turnover equal or higher than 60 million Euros: carried forward tax losses utilisation is limited to 25% of the tax base.

Corporate income tax provision

Income tax expense is analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Current tax	-824,341	-280,024	-21,413	-5,200
Deferred tax	735,545	2,255	21,702	15,812
	-88,796	-277,769	289	10,612

Reconciliation between the theoretical and the effective income tax expense

The effective income tax rate is analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Profit before tax	1,350,537	1,586,965	757,742	791,834
Income tax expense	-88,796	-277,769	289	10,612
Effective income tax rate	6.6%	17.5%	0.0%	-1.3%

The difference between the theoretical and the effective income tax expense results from the application of the law provisions in the determination of the taxable base, as demonstrated below.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The reconciliation between the theoretical and the effective income tax expense for the Group, as at December 2016, is analysed as follows:

Thousand Euros	Dec 2016
Profit before income tax and CESE	1,350,537
Nominal income tax rate (*)	29.5%
Theoretical income tax expense	398,408
Different tax rates (includes state surcharge)	32,646
Tax losses and tax credits	-25,909
Tax benefits	-19,074
Differences between accounting and fiscal provisions / depreciations	-23,370
Fiscal revaluations	-173,904
Exceptional regime for regularisation of debts from fiscal and contributing nature to social security - "PERES" (see note 37)	57,342
Accounting / fiscal temporary differences on the recognition / derecognition of assets	-121,472
Other adjustments and changes in estimates	-35,871
Effective income tax expense as per the Consolidated Income Statement	88,796

* Statutory Corporate Income Tax rate applicable in Portugal (21%), municipal surcharge (1.5%) and the state surcharge (7%)

The caption Fiscal revaluations includes essentially the net effect of the fiscal revaluation of certain eligible EDP assets held in Portugal, in accordance with the Decree-Law 66/2016 of 3 November, which led to an increase in those assets' tax base of 1,185 million Euros. As a consequence, the EDP Group recognised deferred tax assets of 339 million Euros that will be recovered through the tax deduction of the underlying revalued assets, to be amortised in 8 years starting in 2018. The fiscal revaluation reserve was taxed in 2016 at a 14% flat rate (payable in 3 equal instalments, the first having been paid in 20 December 2016 and the remaining two will be due in 15 December 2017 and 15 December 2018) and recognised the corresponding current income tax amount of 165 million Euros (see notes 40 and 41). Consequently, the net effect of this revaluation in the net income for the period is of approximately 174 million Euros.

The caption Accounting / fiscal temporary differences on the recognition / derecognition of assets includes the impact of the differential between the accounting and tax bases of certain gas distribution assets in Spain, following the need for an intragroup restructuring of those assets in December 2016. Additionally, includes the effect of the EDP Serviço Universal tariff adjustments sales.

The reconciliation between the theoretical and the effective income tax expense for the Group, as at December 2015, is analysed as follows:

Thousand Euros	Dec 2015
Profit before income tax and CESE	1,586,965
Nominal income tax rate (*)	22.5%
Theoretical income tax expense	357,067
Different tax rates (includes state surcharge)	133,517
Tax losses and tax credits	-41,944
Dividends	-13,726
Tax benefits	-21,034
Accounting / fiscal temporary differences on the recognition / derecognition of assets	-122,191
Other adjustments and changes in estimates	-13,920
Effective income tax expense as per the Consolidated Income Statement	277,769

* Statutory Corporate Income Tax rate applicable in Portugal (21%) and municipal surcharge (1.5%)

The difference between the theoretical and the effective income tax expense is mainly due to the non-taxation of capital gain generated on the sale of gas distribution assets in Spain, non-taxation of the gain generated with the revaluation of the previously held investment in ENEOP consortium and with the non-taxation of the partial gain with the control acquisition of Porto do Pecém under the applicable tax law.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The reconciliation between the theoretical and the effective income tax expense for the Company, at 2016, is analysed as follows:

Thousand Euros	Dec 2016
Profit before income tax	757,742
Nominal income tax rate (*)	29.5%
Theoretical income tax expense	223,534
Tax losses and tax credits	-18,430
Dividends	-235,118
Differences between accounting and fiscal provisions / depreciations	-14,582
Exceptional regime for regularisation of debts from fiscal and contributing nature to social security - "PERES" (see note 37)	33,753
Other adjustments and changes in estimates	10,554
Effective income tax expense as per the Company Income Statement	-289

* Statutory Corporate Income Tax rate applicable in Portugal (21%), municipal surcharge (1.5%) and the state surcharge (7%)

The reconciliation between the theoretical and the effective income tax expense for the Company, at 2015, is analysed as follows:

Thousand Euros	Dec 2015
Profit before income tax	791,834
Nominal income tax rate (*)	29.5%
Theoretical income tax expense	233,591
Tax losses and tax credits	-28,448
Dividends	-223,924
Accounting / fiscal temporary differences on the recognition / derecognition of assets	-12,479
Other adjustments and changes in estimates	20,648
Effective income tax expense as per the Company Income Statement	-10,612

* Statutory Corporate Income Tax rate applicable in Portugal (21%), municipal surcharge (1.5%) and the state surcharge (7%)

The caption Accounting / fiscal temporary differences on the recognition of the purchase / sale of assets is mainly due to the non-taxation, under current tax law, of the gain related to a price adjustment to the sale transaction of EDP Gás - SGPS, S.A., in the amount of 38,968 thousand Euros (see note 13).

15. Extraordinary Contribution to the Energy Sector (CESE)

The Law no. 83-C/2013, of 31 December (State Budget for 2014), established the Extraordinary Contribution to the Energy Sector (CESE). The application of this Contribution has been extended for the years 2015 and 2016, by Law no. 82-B/2014, of 31 December (State Budget for 2015) and Law no. 159-C/2015, of 30 December (Extension of revenue provided in the State Budget for 2016). The State Budget for 2017 (Law no. 42/2016, of 28 December), determined the extension of this contribution to 2017. It should be noted that the Stability Programme 2016-2020, published in April 2016 by the Portuguese Government had already provided the duration of the CESE until 2020.

This Contribution aims to finance mechanisms that promote the systemic sustainability of the energy sector, through the establishment of a fund that aims to contribute for the reduction of tariff debt and to finance social and environmental policies in the energy sector.

The EDP Group companies that operate in the generation and distribution of electricity and in the distribution of natural gas (EDP - Gestão da Produção de Energia, S.A., Empresa Hidroelétrica do Guadiana, S.A., FISIGEN - Empresa de Cogeração, S.A., EDP Distribuição - Energia, S.A. and EDP Gás Distribuição, S.A.) are subject to CESE.

CESE is calculated based on the assets value with reference to the first day of financial year 2016 (1 January 2016) which respect, cumulatively, to Tangible assets; Intangible assets, with the exception of elements of industrial property; Financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets (i.e the amount recognised by ERSE for the calculation of allowed revenues as at 1 January 2016) if it is higher than the value of the previous referred assets. Given its legal framework, CESE is not considered a deductible expense in determining the taxable income.

Therefore, the Group booked under the caption Extraordinary contribution to the energy sector (CESE) in the Consolidated Income Statement, the amount of 61,630 thousand Euros (31 December 2015: 62,054 thousand Euros) concerning to CESE for the year ended 31 December 2016.

This contribution is also applicable to EDP Gestão da Produção de Energia, S.A. power plants that are subject to the legal regime that establishes the compensation mechanism to maintain the contractual balance, and so this contribution amount was recognised according to the Decree-Law n.º 240/2004 of 27 December.

EDP Group is disputing this tax payment relying on the competent authorities.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

16. Property, Plant and Equipment

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Cost				
Land and natural resources	105,153	99,487	21,388	23,877
Buildings and other constructions	565,919	489,377	112,966	114,411
Plant and machinery:				
- Hydroelectric generation	9,942,783	8,746,274	254	5,912
- Thermoelectric generation	8,714,330	8,569,641	-	-
- Renewable generation	17,009,384	15,171,961	-	-
- Electricity distribution	1,565,655	1,544,519	-	-
- Gas distribution	1,107,336	990,047	-	-
- Other plant and machinery	75,509	72,598	196	196
Other	969,856	980,409	174,160	170,395
Assets under construction	2,338,676	3,212,012	25,013	15,068
	42,394,601	39,876,325	333,977	329,859
Accumulated amortisation and impairment losses				
Amortisation charge of the period	-1,147,298	-1,053,992	-20,060	-13,251
Accumulated amortisation in previous periods	-16,927,645	-15,922,931	-117,176	-105,772
Impairment losses of the period	-284	-24,043	-	-
Impairment losses in previous periods	-125,638	-101,643	-4,782	-4,782
	-18,200,865	-17,102,609	-142,018	-123,805
Carrying amount	24,193,736	22,773,716	191,959	206,054

The movements in Property, plant and equipment, for the Group, for the period ended 31 December 2016 are analysed as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange Differences	Perimeter Variations / Regularisations	Balance at 31 December
Cost							
Land and natural resources	99,487	563	-795	-	10,404	-4,506	105,153
Buildings and other constructions	489,377	1,093	-2,225	21,958	58,318	-2,602	565,919
Plant and machinery	35,095,040	323,515	-215,958	2,346,852	786,492	79,056	38,414,997
Other	980,409	31,316	-50,786	6,093	2,820	4	969,856
Assets under construction	3,212,012	1,496,607	-5,927	-2,392,102	34,103	-6,017	2,338,676
	39,876,325	1,853,094	-275,691	-17,199	892,137	65,935	42,394,601

Thousand Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange Differences	Perimeter Variations / Regularisations	Balance at 31 December
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	133,133	15,016	-1,264	163	14,225	-2,684	158,589
Plant and machinery	16,208,258	1,068,782	-205,863	-2,401	172,137	32,921	17,273,834
Other	757,186	63,784	-50,203	-8,259	2,052	-150	764,410
	17,102,609	1,147,582	-257,330	-10,497	188,414	30,087	18,200,865

Assets under construction are analysed as follows:

Thousand Euros	Dec 2016	Dec 2015
Wind farms in USA	531,100	698,693
Wind farms in Europe	251,304	335,292
Hydric Portugal	1,068,538	1,755,399
Other assets under construction	487,734	422,628
	2,338,676	3,212,012

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The capitalised costs for Property, plant and equipment for the period, except Land and natural resources, are as follows:

Thousand Euros	Dec 2016	Dec 2015
Subcontracts and other materials	1,563,772	1,333,629
Purchase price allocation	7,351	401,155
Lease contract of Porto headquarters	-	31,867
Dismantling and decommissioning costs (see note 37)	176,978	15,966
Personnel costs (see note 9)	55,327	62,942
Borrowing costs (see note 13)	49,103	75,356
	1,852,531	1,920,915

As at 31 December 2016, the expected entry into operation, the accumulated capitalised costs and the commitments in the principal hydroelectric investments, are as follows:

Thousand Euros	Expected entry into operation	Capitalised costs	Commitments
Foz Tua	2st Semester 2017	482,073	22,539
Venda Nova III	1st Semester 2017	435,912	6,080
		917,985	28,619

The entry into operation of hydroelectric investments depends of external factors to EDP Group.

Additions include the investment in wind farms by the subgroups EDPR NA and EDPR EU. In the Portuguese generation activity, the Group is performing hydroelectric investments in the construction of several new power plants and power enhancement projects (Foz Tua and Venda Nova III).

Disposals/Write-offs on Plant and machinery includes 132,249 thousand Euros related to the coal power plant Soto 2 decommissioning.

Transfers refer mainly to wind farms of EDP Renováveis subgroup that become operational in the United States of America, Brazil, Poland and France, and to the entry into operation of the Baixo Sabor upstream hydroelectric plant and the Salamonde II hydroelectric plant. After further analysis, certain items, initially classified as plant and machinery and administrative equipment, were identified as an integrant part of the new headquarters building in Lisbon, and therefore, were transferred to Buildings and other constructions. Additionally, this caption includes the transfer to held for sale of gas distribution assets in Portugal (see note 42) by the net amount of 5,506 thousand Euros.

Perimeter Variations/Regularisations includes the impact of the acquisition of the share capital of Parco Eolico Banzi, S.r.l. (see note 5).

The movement in Exchange differences in the period results mainly from the appreciation of Brazilian Real and of US Dollar, against the Euro.

As at 31 December 2016, the Group has an agreement, which constitutes a financial lease as defined by IFRIC 4, in which the net value of the assets allocated amounts to 18,167 thousand Euros (31 December 2015: 19,562 thousand Euros).

The movements in Property, plant and equipment, for the Group, for the period ended 31 December 2015 are analysed as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange Differences	Perimeter Variations / Regularisations	Balance at 31 December
Cost							
Land and natural resources	129,589	447	-14,855	229	-12,128	-3,795	99,487
Buildings and other constructions	450,017	34,209	-49,918	61,976	-76,480	69,573	489,377
Plant and machinery	31,466,143	606,304	-53,169	1,188,347	100,797	1,786,618	35,095,040
Other	871,444	38,939	-16,255	81,542	3,182	1,557	980,409
Assets under construction	3,436,839	1,241,463	-73,567	-1,442,023	22,287	27,013	3,212,012
	36,354,032	1,921,362	-207,764	-109,929	37,658	1,880,966	39,876,325

Thousand Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange Differences	Perimeter Variations / Regularisations	Balance at 31 December
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	145,987	11,152	-7,285	-5,476	-16,606	5,361	133,133
Plant and machinery	14,977,971	1,001,391	-49,254	-17,517	54,813	240,854	16,208,258
Other	702,942	65,492	-15,104	-129	2,797	1,188	757,186
	15,830,932	1,078,035	-71,643	-23,122	41,004	247,403	17,102,609

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Additions include the investment in wind farms by the subgroups EDPR NA, EDPR EU, EDPR BR and EDPR Poland. In the Portuguese generation activity, the Group was carrying out hydroelectric investments in the construction of several new power plants and power enhancement projects (Baixo Sabor, Foz Tua, Venda Nova III and Salomonde II).

Charge/Impairment losses includes 26,491 thousand Euros related with impairments in wind farms in the subgroup EDPR Romania (see note 12).

Disposals/Write-offs includes 67,456 thousand Euros disaggregated in: (i) 41,423 thousand Euros related to the abandonment of ongoing projects in EDPR NA; (ii) 20,638 thousand Euros related to the abandonment of ongoing projects in EDPR EU; and (iii) 5,395 thousand Euros, due to damage in the met mast of the offshore wind park held by Moray (see note 10).

Transfers includes generation assets which were classified as assets held for sale of Brazil in the amount of 23,656 thousand Euros (88,159 thousand Reais) and of Poland in the amount of 63,151 thousand Euros (264,253 thousand Zlotys) (see note 42). In relation to Transfers from assets under construction into operation, the amount refers mainly to solar and wind farms of EDP Renováveis that become operational in Romania, United States of America, Poland, France, Spain and Italy and to the entry into operation of the Baixo Sabor downstream hydroelectric plant and the Ribeirão-Ermida hydroelectric plant.

Perimeter Variations/Regularisations includes: (i) the impact of the acquisition of 50% of the share capital of Porto do Pecém, in the net amount of 1,042,797 thousand Euros (3,358,535 thousand Reais); (ii) the impact of the consolidation of new wind farms in EDP Group as a result of the ENEOP consortium's deal, in the net amount of 594,492 thousand Euros. Additionally, additions include the effect of the revaluation of these assets of Porto do Pecém amounting to 151,484 thousand Euros (560,275 thousand Reais) and ENEOP of 249,671 thousand Euros.

The movement in Exchange differences in the period results mainly from the net effect of the depreciation of Brazilian Real and the appreciation of US Dollar, against the Euro.

As at 31 December 2016, Property, plant and equipment financed through lease contracts, for the Group, amounts to 15,662 thousand Euros (15,319 thousand Euros as at 31 December 2015), with accumulated depreciation of 7,537 thousand Euros (7,083 thousand Euros as at 31 December 2015) and the respective future lease payments amount to 7,276 thousand Euros (7,734 thousand Euros as at 31 December 2015). Property, plant and equipment financed by leasing contracts is detailed as follows:

Thousand Euros	Dec 2016			Dec 2015		
	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	3,233	128	3,361	3,340	213	3,553
Between one and three years	3,467	75	3,542	3,777	136	3,913
Between three and five years	370	3	373	263	5	268
	7,070	206	7,276	7,380	354	7,734

During 2016, the costs incurred with these assets amounted to 805 thousand Euros and are booked in results under Supplies and services.

The movements in Property, plant and equipment, for the Company, for the period ended 31 December 2016 are analysed as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Regularisations	Balance at 31 December
Cost						
Land and natural resources	23,877	-	-2,489	-	-	21,388
Buildings and other constructions	114,411	-	-1,291	-154	-	112,966
Other	176,503	12,546	-1,059	-13,373	-7	174,610
Assets under construction	15,068	17,405	-	-7,460	-	25,013
	329,859	29,951	-4,839	-20,987	-7	333,977

Thousand Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Regularisations	Balance at 31 December
Accumulated amortisation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	14,940	3,844	-990	163	170	18,127
Other	104,833	16,216	-1,022	-163	-5	119,859
	123,805	20,060	-2,012	-	165	142,018

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

After further analysis during 2016, certain items, initially classified as plant and machinery and administrative equipment, were identified as an integrant part of the new headquarters in Lisbon, and therefore, were transferred to Buildings and other constructions in the amount of 20,772 thousand Euros. Additionally, 20,987 thousand Euros were transfer from Buildings and other constructions to Investment property (see note 23).

The movements in Property, plant and equipment, for the Company, for the period ended 31 December 2015 are analysed as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regulari- sations	Balance at 31 December
Cost						
Land and natural resources	24,130	-	-288	-	35	23,877
Buildings and other constructions	16,536	31,867	-247	66,255	-	114,411
Other	126,942	21,955	-1,473	29,079	-	176,503
Assets under construction	81,910	28,492	-	-95,334	-	15,068
	<u>249,518</u>	<u>82,314</u>	<u>-2,008</u>	<u>-</u>	<u>35</u>	<u>329,859</u>

Thousand Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regulari- sations	Balance at 31 December
Accumulated amortisation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	15,052	135	-247	-	-	14,940
Other	92,942	13,116	-1,225	-	-	104,833
	<u>112,026</u>	<u>13,251</u>	<u>-1,472</u>	<u>-</u>	<u>-</u>	<u>123,805</u>

Additions of Buildings and other constructions regards to the Porto building headquarters, subject to a lease contract for a period of 25 years with the EDP Pension Fund (see note 40).

Additions also include the investment in the new Lisbon building headquarters in the amount of 21,159 thousand Euros. Transfers from assets under constructions to buildings and other construction refer essentially to the new Lisbon building headquarters.

As at 31 December 2016, for the Company, Property, plant and equipment financed by leasing contracts amounts to 4,076 thousand Euros (4,065 thousand Euros at 31 December 2015), with accumulated depreciation of 1,882 thousand Euros (1,841 thousand Euros at 31 December 2015) and the respective future lease payments amount to 1,945 thousand Euros (2,086 thousand Euros at 31 December 2015). Property, plant and equipment financed by leasing contracts is detailed as follows:

Thousand Euros	Dec 2016			Dec 2015		
	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	897	31	928	921	52	973
Between one and three years	895	18	913	999	32	1,031
Between three and five years	103	1	104	81	1	82
	<u>1,895</u>	<u>50</u>	<u>1,945</u>	<u>2,001</u>	<u>85</u>	<u>2,086</u>

During 2016, the costs incurred related to these assets amount to 201 thousand Euros and are booked in results under Supplies and services.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

17. Intangible Assets

This caption is analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Cost		
Concession rights	13,997,403	14,808,407
CO2 licences	98,598	142,509
Other intangibles	293,163	243,879
Intangible assets in progress	600,238	560,553
	14,989,402	15,755,348
Accumulated amortisation and impairment losses		
Amortisation of concession rights of the period	-378,039	-384,442
Amortisation of other intangibles of the period	-6,046	-3,283
Accumulated amortisation in previous periods	-9,436,873	-9,803,051
Impairment losses of the period	-	-14,780
Impairment losses in previous periods	-39,900	-25,158
	-9,860,858	-10,230,714
Carrying amount	5,128,544	5,524,634

The concession rights over the electricity distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straight-line basis over the concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the public hydric domain for hydroelectric generation (EDP Produção and Hidroelétrica do Guadiana), which useful life currently does not exceed 75 years. As at 31 December 2016, the natural gas distribution network (EDP Gás Distribuição) was classified as asset held for sale, being amortised on a straight-line basis over the concession period, until 2047.

The concession rights over electricity production in Brazil, namely for Lajeado Energia and Investco, are amortised over the concession period, until 2032.

The movements in Intangible assets during the period ended 31 December 2016, for the Group, are analysed as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 31 December
Cost							
Concession rights:							
- Distribution and generation Brazil	1,013,392	-	-	-	78,092	-	1,091,484
- Gas Portugal	138,354	-	-	-138,354	-	-	-
- Hydric Portugal	1,419,988	-	-509	319	-	-	1,419,798
CO2 licences	142,509	107,145	-151,056	-	-	-	98,598
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,236,673	766	-875,382	-213,436	363,718	-26,218	11,486,121
- Intangible assets in progress	134,643	397,293	-863	-385,598	12,585	-151	157,909
Other intangibles	243,879	30,264	-1,080	-1,061	7,460	13,701	293,163
Other intangible in progress	425,910	18,340	-181	-2,882	3,407	-2,265	442,329
	15,755,348	553,808	-1,029,071	-741,012	465,262	-14,933	14,989,402

Thousand Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 31 December
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	565,750	34,630	-	-	27,949	-	628,329
- Gas Portugal	37,733	3,144	-	-40,877	-	-	-
- Hydric Portugal	345,202	42,354	-	-	-	-	387,556
Assigned to concessions (IFRIC 12)	9,215,011	297,911	-867,801	-120,507	266,496	-19,037	8,772,073
Other intangibles	67,018	6,046	-1,061	-1,105	2,002	-	72,900
	10,230,714	384,085	-868,862	-162,489	296,447	-19,037	9,860,858

The contracts assigned to concessions (IFRIC 12) that currently exist in EDP Group fall within the Mixed Model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil, as referred to in note 2 aa).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Additions of CO2 Licences include 42,898 thousand Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and Spain and 64,247 thousand Euros of licences purchased in the market for own consumption. The disposals/write-off of CO2 licences correspond to the licences consumed during 2015 and delivered to regulatory authorities.

The caption Other intangible in progress includes the concession rights of hydric projects in Portugal namely Fridão and Foz Tua, in the amount of 287,343 thousand Euros (31 December 2015: 287,343 thousand Euros) and 89,651 thousand Euros (31 December 2015: 87,974 thousand Euros), respectively.

The write-offs includes essentially 785,013 thousand Euros (in cost and accumulated amortisation) of extraordinary write-offs since the maximum technical useful life has been exceeded.

Transfers refer to the net transfers of intangible assets in progress assigned to concessions of 138,860 thousand Euros related to increases of the financial assets under IFRIC 12, transferred to Debtors and other assets from commercial activities (see note 26). Additionally, the remaing relates with gas distribution activity' assets classified as Assets held for sale of 439,663 thousand Euros (see note 42).

The caption Other intangibles includes 114,803 thousand Euros (31 December 2015: 100,987 thousand Euros) related to wind generation licenses of EDPR NA subgroup and 73,123 thousand Euros related with deferred green certificates in Romania (31 December 2015: 55,990 thousand Euros).

The capitalised costs of the period related to construction of intangible assets are included in own work capitalised in notes 6, 9 and 13.

The movements in Intangible assets during the period ended 31 December 2015, for the Group, are analysed as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 31 December
Cost							
Concession rights:							
- Distribution and generation Brazil	1,085,306	28,891	-	-866	-98,968	-971	1,013,392
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,419,622	366	-	-	-	-	1,419,988
CO2 licences	162,389	128,620	-135,475	-13,025	-	-	142,509
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,525,574	373	-40,307	229,790	-479,297	540	12,236,673
- Intangible assets in progress	107,335	372,580	-1,193	-337,487	-6,618	26	134,643
Other intangibles	197,272	21,618	114	300	7,218	17,357	243,879
Other intangible in progress	411,344	10,653	-1,438	-1,724	-4,536	11,611	425,910
	16,047,196	563,101	-178,299	-123,012	-582,201	28,563	15,755,348

Thousand Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter varia Regularisa- tions	Balance at 31 December
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	547,862	51,147	-	-260	-32,921	-78	565,750
- Gas Portugal	34,589	3,144	-	-	-	-	37,733
- Hydric Portugal	302,825	42,377	-	-	-	-	345,202
Assigned to concessions (IFRIC 12):	9,288,159	302,554	-36,579	-	-339,655	532	9,215,011
Other intangibles	60,735	3,283	-16	-126	-303	3,445	67,018
	10,234,170	402,505	-36,595	-386	-372,879	3,899	10,230,714

Additions of CO2 Licences include 125,889 thousand Euros of licences purchased in the market for own consumption and 2,731 thousand Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain. The disposals/write-off of CO2 licences correspond to the licences consumed during 2014 and delivered to regulatory authorities. The amount booked in Transfers is relate to the CO2 licenses transferred to Inventories (trading portfolio), in the amount of 13,025 thousand Euros, as a result of allocation of licenses initially held for consume, in order to cover the need for CO2 licenses arising from consumptions (own use).

Charge/Impairment losses includes an impairment loss of 14,780 thousand Euros in concession rights of Escelsa - Espírito Santo Centrais Electricas, S.A., mainly related with the devaluation of the Brazilian Real during 2015 (see note 12).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

In relation to Transfers from assets under construction into operation, the amount includes the transfers of intangible assets in progress assigned to concessions of 107,697 thousand Euros related to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities. Additionally, includes the transfer of the generation assets which were classified as assets held for sale in Brazil in the amount of 1,904 thousand Euros (6,366 thousand Reais) (see note 42).

Perimeter Variations/Regularisations of Other intangibles includes: (i) the impact of the acquisition of 50% of the share capital of Porto do Pecém, in the net amount of 817 thousand Euros (2,632 thousand Brazilian Reais); and (ii) the effect of ENEOP consortium's asset division decided by the consortium members which resulted in an impact of 22,436 thousand Euros with the introduction of new wind farms in EDP Group. Additionally, additions includes the fair value recognition of the authorisation agreement for energy production of Porto do Pecém thermoelectric power station in the amount of 29,182 thousand Euros (107,933 thousand Brazilian Reais) under the purchase price allocation process at fair value of identifiable assets and liabilities, to be amortised until 2043.

18. Goodwill

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

Thousand Euros	Group	
	Dec 2016	Dec 2015
HC Energia Group	1,940,712	1,940,712
EDP Renováveis Group	1,384,780	1,361,305
EDP Brasil Group	48,842	46,053
Other	40,518	40,518
	3,414,852	3,388,588

The movements in Goodwill, during the period ended 31 December 2016, are analysed as follows:

Thousand Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 31 December
HC Energia Group	1,940,712	-	-	-	-	1,940,712
EDP Renováveis Group	1,361,305	131	-	-	23,344	1,384,780
EDP Brasil Group	46,053	-	-	-1,817	4,606	48,842
Other	40,518	-	-	-	-	40,518
	3,388,588	131	-	-1,817	27,950	3,414,852

The movements in Goodwill, during the period ended 31 December 2015, are analysed as follows:

Thousand Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 31 December
HC Energia Group	1,940,712	-	-	-	-	1,940,712
EDP Renováveis Group	1,287,004	3,346	-2,000	-170	73,125	1,361,305
EDP Brasil Group	53,052	10,495	-723	-11,955	-4,816	46,053
Other	40,518	-	-	-	-	40,518
	3,321,286	13,841	-2,723	-12,125	68,309	3,388,588

HC Energia Group

The goodwill held in HC Energia Group is analysed as follows:

Thousand Euros	HC Energia Group	
	Dec 2016	Dec 2015
Liberalised activities	592,487	592,487
Regulated networks	1,348,225	1,348,225
	1,940,712	1,940,712

EDP Renováveis Group

The goodwill held in EDP Renováveis Group is analysed as follows:

Thousand Euros	EDP Renováveis Group	
	Dec 2016	Dec 2015
Goodwill in EDPR Europe Group	635,442	635,576
Goodwill in EDPR North America Group	748,187	724,813
Other	1,151	916
	1,384,780	1,361,305

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

EDPR Europe Group

There are no significant movements during 2016 except those related to exchange differences.

During 2015, EDPR Europe Group presents a decrease in goodwill movement in the amount of 2,000 thousands of Euros and an increase in the amount of 2,499 thousands of Euros both related with the contingent price revision under the purchase agreements of three projects in EDPR Spain and several projects in EDPR Poland, respectively. These contracts were signed before 1 January 2010, date of the adoption of the revised IFRS 3 as mentioned in the accounting policy 2 b).

During 2015, EDPR Europe Group acquired 100% of Stirlingpower, Unipessoal Lda by 798 thousands of Euros, which generated a goodwill of 797 thousands of Euros.

EDPR North America Group

The goodwill movement in EDPR North America relates with the appreciation of the US Dollar against the Euro.

EDP Brasil Group

During 2016, it was recognised an impairment loss in the amount of 1,817 thousand Euros related to EDP - Soluções em Energia, S.A. (former named "APS - Soluções em Energia, S.A."), due to non-compliance with performance indexes (see note 12).

On 31 December 2015 the goodwill related to the company Pantanal Energética Ltda was reclassified to non-current assets held for sale in the amount of 723 thousand Euros (see note 42). Additionally, EDP GRID Gestão de Redes Inteligentes de Distribuição S.A. acquired 100% of EDP - Soluções em Energia S.A. (see note 5) by 11,995 thousand Euros, from which 3,784 thousand Euros were received on 7 December 2015 and the remaining 8,211 thousand Euros will be received in the next five years, if all clauses established under the sell and purchase agreement are met. This acquisition generated a goodwill of 10,495 thousand Euros.

In the context of impairment tests, an impairment of goodwill of Escelsa - Espírito Santo Centrais Electricas S.A., essentially relates to the depreciation of the Brazilian Real during the year of 2015 (see the Goodwill impairment test analysis – EDP Group and note 12).

Goodwill impairment test analysis – EDP Group

The recoverable amount of the goodwill in subsidiaries is assessed annually, as at 30 September, independently of the existence of any indicators of impairment. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

The EDP Group is composed by a significant number of subsidiaries in several locations, as mentioned in its consolidation perimeter. Therefore, the impairment tests at subgroup level are carried out for each cash generating unit (CGU) identified in each country where the EDP Group develops its activities, namely:

- HC Energia - Distribution, Generation & Supply of electricity;
- HC Energia (including NG Energia Group) - Distribution & Supply of gas;
- EDPR Europe – Renewable generation;
- EDPR North America and EDPR Brasil - Renewable generation;
- EDP Brasil - Generation, Distribution and Supply of electricity.

At EDP Group level, these cash generating units are subsequently aggregated by business units, ensuring however that goodwill impairment analysis does not exceed a business segment.

For the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of the main investments by each cash generating unit, being presented by aggregation in each business units after the impairment tests carried out at each subgroup/cash generating unit.

Goodwill impairment test analysis – HC Energia Group (including NG Energia)

The discount rates after taxes used by the Group in the impairment test analysis range between 4.0% and 5.1% (2015: between 4.5% and 5.5% respectively).

Regarding to generation business, the evaluation of the assets (power plants) considers a portfolio logic based in the future cash flow projection of the remaining useful life. In the electricity and gas distribution business the cash flow projection period considers the perpetuity of the business as assets are operating under a license with no foreseen end date.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The main assumptions on which impairment tests are based are as follows:

- In the generation business, the estimated energy produced by the power plants: consider the best estimate of future market demand and total installed capacity;
- Prices of electricity, gas and coal were defined considering the market expectations regarding future price curves and considering the regulation in force. For gas and coal prices were also used the contracted prices for future long term purchases, namely the acquisition contracts for gas;
- Investment costs: the best available estimates of the future investments were used in order to guarantee a regular use of existing assets, as well as the estimates that resulted from legislative changes;
- Operating costs: operating costs were projected consistent with the company's historical experience and internal models;
- In the regulated business, namely distribution of electricity and gas, officially approved asset remuneration was used, considering the regulated mechanisms for the annual remuneration updates. In generation, the elimination of generation taxes has been considered from 2021 onwards and capacity payments have been considered from 2023 onwards;
- The projections for the generation and electricity distribution businesses are based on the long-term estimates of the various assumptions used in the analysis. Regarding the supply of electricity and gas businesses, long-term projections were extrapolated using growth rates that evolve at inflation rate;
- Discount rate: the discount rates used reflect EDP Group's best estimate regarding the specific risks associated to each CGU.

The Group has performed a series of sensitivity analyses to the results of impairment tests in some key variables, such as (i) cost of fuel and respective impact on pool price, (ii) alternative case with a less favourable regulatory context and (iii) discount rates. The sensitivity analysis results show that (i) a decrease of 5% in the cost of fuel accompanied by the expected impact in the pool prices and operation hours of the generation assets or (ii) alternative case with a less favourable regulatory context or (iii) an increase of 100 bps on the discount rate do not result in any impairment indicators.

Goodwill impairment test analysis – EDP Renováveis

The future cash flows projection used is the useful life of the assets (at the end of December 2016 EDPR Group has changed the useful life of the renewable assets from 25 to 30 years (see note 3)) which is consistent with the current depreciation method. This projection also incorporate the long-term energy sale contracts in place and long-term estimates of energy prices, for the assets with market exposure.

The main assumptions used for the impairment tests are as follows:

- Power produced: net capacity factors used for each CGU utilize the wind studies carried out, which takes into account the long-term predictability of wind output and that wind generation is supported in nearly all countries by regulatory mechanisms that allow for production and priority dispatching whenever weather conditions permit;
- Electricity remuneration: regulated or contracted remuneration has been applied where available, as for the CGUs that benefit from regulated remuneration or that have signed contracts to sell their output during all or part of their useful life; where this is not available, prices were derived using price curves projected by the company based on its experience, internal models and using external data references;
- New capacity: tests were based on the best information available on the wind farms expected to be built in coming years, adjusted by probability of success and by the growth prospects of the company based on the Business Plan Targets, its historical growth and market size projections. The tests considered the contracted and expected prices to buy turbines from various suppliers;
- Operating costs: established contracts for land leases and maintenance agreements were used. Other operating costs were projected consistent with the company's experience and internal models;
- Terminal value: considered as a 15% of the initial investment in each wind farm, considering inflation; and
- Discount rate: the discount rates used are post-tax, reflect EDPR Group's best estimate of the risks specific to each CGU and range as follows:

	2016	2015
Europe	3.3% - 5.6%	3.8% - 6.0%
United States of America	4.7% - 6.7%	4.5% - 6.6%
Brazil	10.4%-12.8%	9.6% - 11.7%

Impairment tests were performed taking into account the regulation changes in each country, disclosed in note 1.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

A series of sensitivity analysis were performed on the results of impairment tests namely in some of the key variables, such as:

- 5% reduction of Merchant Prices used in the base case. This sensitivity analyses performed for this assumption independently would not suppose any impairment for the goodwill allocated to each country;
- 100 basis points increase of the discount rate used in base case. This sensitivity analyses performed for this assumption independently would not suppose any impairment for the goodwill allocated to each country.

Goodwill impairment test analysis – EDP Brasil Group

For EDP Brasil, the cash flows were determined based on the production and consumption volume and estimated tariffs and installed capacity and tariff evolution prospects in the different markets/power purchase agreements. The period considered for the cash flows corresponds to the useful life of the plant & machinery and other relevant equipments or until the end of the concession contracts, if lower than the useful life.

The discount rates used reflect the specific risks for each activities: 9.5% to 9.7% in generation, 10.0% in distribution and 10.9% in supply (2015: 8.9%, 9.8% and 10.3% respectively).

The terminal value of the generation business corresponds to the present value of the assets at the end of the concession period (Regulatory Asset Base). In the supply business, it is considered the perpetuity of the business.

An impairment of goodwill of EDP - Soluções em Energia, S.A. (former APS - Soluções em Energia, S.A) was booked of 1,817 thousand Euros due to non-compliance with performance indicators.

A sensitivity analysis increasing 100 basis points in the discount rate used has not determined the existence of impairment indicators for goodwill and concession rights in any other subsidiary of EDP Brasil.

For generation companies, the following sensitivity analysis have been performed: (i) a GSF increase of 100 basis points; (ii) a PLD change of 10 Brazilian Reais; (iii) an increase of 100 basis points in inflation rate; and (iv) 100 basis points increase over the discount rate used in base case. These sensitivity analysis have not determined any existence of impairment in goodwill or concession rights.

For distribution companies, the following sensitivity analysis have also been performed: (i) an increase of 3% in the operating costs component ("glosa") of the remuneration base for all forecast periods; (ii) 100 basis points decrease over expected market growth; and (iii) 100 basis points increase over the discount rate used in the base case. These sensitivity analysis have not determined any existence of impairment in goodwill.

19. Investments in Subsidiaries (Company Basis)

This caption is analysed as follows:

Thousand Euros	Company	
	Dec 2016	Dec 2015
Acquisition cost	12,199,194	11,982,481
Effect of equity method (transition to IFRS)	-785,593	-785,593
Equity investments in subsidiaries	11,413,601	11,196,888
Impairment losses on equity investments in subsidiaries	-223,425	-231,308
	11,190,176	10,965,580

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

Investments in subsidiaries are analysed as follows:

Thousand Euros	Company	
	Dec 2016	Dec 2015
Equity investments in subsidiaries:	Net amount	Net amount
EDP Renováveis, S.A.	3,854,811	3,854,811
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
Hidroeléctrica del Cantábrico, S.A.	2,105,002	2,105,002
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Servicios Financieros España, S.A.	482,695	482,695
EDP Comercial, S.A.	299,073	299,073
EDP International Investments and Services, S.L.	281,854	281,854
Other	324,542	99,946
	11,190,176	10,965,580

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The variation in the caption Investments in subsidiaries, on a company basis, results mainly from the conversion of loans to share capital in EDP IS - Investimentos e Serviços, Lda (ex-Balwerk) (140,305 thousand Euros) and the conversion of loans to cover negative retained earnings (57,808 thousand Euros), included in Other.

In the context of impairment tests carried out at EDP Group, the financial investments held by EDP, S.A. in subsidiaries are reviewed, based on the higher of the value in use and the fair value less costs related to the sale. The main assumptions considered in the valuation models of the main financial holdings in Portugal of EDP, S.A. (EDP Produção, EDP Distribuição and EDP Comercial) are analysed as follows:

- The discount rates used reflect the best estimate regarding the specific risks associated to each subsidiary activity within a range between 3.9% and 5.8% (2015: between 4.2% and 6%);
- In regulated business, officially approved asset remuneration was used, considering the regulated mechanisms for the annual remuneration updates, concession renewals if applicable and the best CAPEX estimate;
- Prices of electricity, brent, gas and coal were defined considering the market expectations regarding future price curves and considering the regulation in force. For gas and coal Prices were also used the contracted Prices For future long term purchases, namely the acquisition contracts for gas. Assets from generation business were evaluated from a portfolio perspective;
- In supply business, long-term projections were extrapolated through growth rates that evolve at inflation rate;
- In generation business, estimates were based on an average hydrologic year over the projection period for hydro plants, estimated demand evolution, market share projections and current installed and under construction capacity, as well as the best estimate for declassifying plants in the projection period;
- Operating costs considered were based on extrapolations of current operating costs (knowledge acquired in each activity).

Sensitivity analysis were performed, such as, a 100 basis points increase of the discount rate and a 5% reduction of Merchant prices used in the base case, as well as a reduction of market shares in supply business did not determined the existence of evidence of Financial investments impairment.

The assumptions used in the valuation models of EDP SA's financial holdings in other geographies, as well as the respective sensitivity analyses are described in note 18.

In 2016, EDP, S.A. booked a net impairment reversal of 7,883 thousand Euros under the caption "Other financial costs", which includes a charge for the period of 43,341 thousand Euros, mostly related with the investment held in EDP Imobiliária, following the fair value decrease in the investment held by this company in BCP which was subsequently disposed of in December 2016; and a reversal of 51,224 thousand Euros on financial investment held in EDP IS - Investimentos e Serviços, Lda., which is the current holder of 23% of EDP Brasil, following the appreciation of this investment.

20. Held to maturity financial investments

This caption is analysed as follows:

Thousand Euros	Company	
	Dec 2016	Dec 2015
Held to maturity financial investments - Non-Current	477,018	-
Held to maturity financial investments - Current	29,985	-
	507,003	-

On 6 December 2016, EDP, S.A. has bought an amount of 500,000 thousand Dollars of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 500,624 thousand Euros. This amount includes a premium paid over the nominal debt of 21,101 thousand Euros and accrued interest as at the acquisition date.

For the Company, the caption Held to maturity financial investments comprises the recognition at amortised cost, according to the accounting policy 2 e), of the following above mentioned bonds issued by EDP Finance B.V., acquired in a market operation by EDP, S.A.:

Issuer	Maturity date	Currency	Interest rate	Nominal Value in Currency '000	Acquired in Currency '000
EDP Finance B.V.	02 Feb 2018	USD	6.00%	1,000,000	469,462
EDP Finance B.V.	01 Oct 2019	USD	4.90%	1,000,000	30,538
					500,000

On a consolidated basis, this operation represents a debt extinction, so the premium paid and the respective transaction costs are recognised as costs (see note 13).

As at 31 December 2016, these investments' fair value amounts to 498,201 thousand Euros.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

21. Investments in Joint Ventures and Associates

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Investments in joint ventures	773,682	615,223	6,597	6,597
Investments in associates	46,883	48,788	-	-
	820,565	664,011	6,597	6,597

As at 31 December 2016, for the Group, this caption includes goodwill in investments in joint ventures of 42,226 thousand Euros (31 December 2015: 42,730 thousand Euros) and goodwill in investments in associates of 9,281 thousand Euros (31 December 2015: 9,248 thousand Euros).

The movement in Investments in joint ventures and associates, for the Group, is analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Balance as at 1 January	664,011	872,974
Acquisitions/Entries	-	3,002
Increases/Decreases of share capital	122,750	74,912
Disposals	-1,167	-256,812
Share of profit in joint ventures and associates	-22,062	-23,899
Dividends	-16,250	-21,645
Exchange differences	71,898	11,932
Hedging reserve in joint ventures and associates	1,143	3,863
Other	242	-316
Balance as at 31 December	820,565	664,011

The movement in Investments in joint ventures and associates is mainly explained by capital increases in the amount of 122,750 thousand Euros, namely the capital increase in Empresa de Energia São Manoel, S.A. in the amount of 108,608 thousand Euros.

Share of profit in joint ventures and associates includes the impact of the impairment on São Manoel fixed assets, in result of the impairment tests performed, in the net amount of 26,246 thousand Euros.

As at 31 December 2015, the Disposals line refers to: (i) the change in the consolidation method of Porto do Pecém Geração de Energia S.A. (negative impact in the amount of 163,400 thousand Euros), which began to be fully consolidated after the acquisition of the remaining share capital; (ii) the transfer of the investment in Inch Cape Offshore Limited to assets held for sale in the amount of 14,433 thousand Euros (see note 42); (iii) the end of equity method of the ENEOP consortium in the amount of 44,107 thousand Euros; and (iv) the sale of Setgás - Sociedade de Distribuição de Gás Natural, S.A. and Setgás Comercialização, S.A. in the amount of 37,655 thousand Euros.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The following table resumes the companies' financial information of joint ventures whose investment is included under the equity method in the Group consolidated accounts, as at 31 December 2016:

Thousand Euros	Jari Group	Energia Cachoeira Caldeirão	Energia São Manoel	Flat Rock Windpower II	Flat Rock Windpower
Companies' financial information of joint ventures					
Non-Current Assets	535,790	420,341	770,370	117,915	291,444
Current Assets	29,822	5,084	11,290	795	2,129
Cash and cash equivalents	13,548	2,433	11,142	413	1,043
Total Equity	167,485	164,523	365,950	116,973	289,096
Long term Financial debt	234,658	200,263	380,916	-	-
Non-Current Liabilities	333,229	207,488	395,715	1,534	4,084
Short term Financial debt	52,122	4,507	1,145	-	-
Current Liabilities	64,898	53,414	19,995	203	393
Revenues	59,681	14,695	-	3,681	9,763
Tangible and intangible assets amortisations/impairment	-13,554	-8,270	-119,297	-7,361	-19,051
Other financial expenses	-34,111	-14,351	-6,908	-64	-214
Income tax expense	12,708	6,078	41,514	-	-
Net profit for the period	9,159	-11,889	-80,587	-7,917	-22,893
Amounts proportionally attributed to EDP Group					
Net assets	138,614	82,751	121,986	58,487	158,413
Goodwill	-	-	-	-	-
Dividends paid	-	-	-	-	2,615

Thousand Euros	EDP Asia Group	Compañía Eólica Aragonesa	Bioeléctrica Group	CIDE HC Energía	Eólica de Coahuila S.A. de C.V.	Other
Companies' financial information of joint ventures						
Non-Current Assets	105,331	127,055	116,600	1,516	302,602	74,784
Current Assets	-	5,186	23,024	49,720	40,449	34,295
Cash and cash equivalents	-	3,787	16,737	6,065	12,019	15,543
Total Equity	105,331	104,595	27,334	4,333	8,737	30,886
Long term Financial debt	-	-	52,839	-	239,071	16,290
Non-Current Liabilities	-	24,645	63,554	1,260	262,480	29,639
Short term Financial debt	-	-	9,714	15,482	-	31,867
Current Liabilities	-	3,001	48,736	45,643	71,834	48,554
Revenues	-	13,505	47,865	236,804	205	33,871
Tangible and intangible assets amortisations/impairment	-	-11,051	-9,383	-50	-	-3,077
Other financial expenses	-	-142	-1,228	-292	-306	-1,584
Income tax expense	-	2,328	-1,923	-165	102	-601
Net profit for the period	20,916	-1,938	4,981	3,543	203	-1,280
Amounts proportionally attributed to EDP Group						
Net assets	105,187	57,425	13,667	2,149	14,438	20,565
Goodwill	-	39,558	-	-	-	2,668
Dividends paid	7,091	3,452	-	-	-	92

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The following table resumes the companies' financial information of joint ventures whose investment is included under the equity method in the Group consolidated accounts, as at 31 December 2015:

Thousand Euros	Jari Group	Energia Cachoeira Caldeirão	Energia São Manoel	Flat Rock Windpower II	Flat Rock Windpower
Companies' financial information of joint ventures					
Non-Current Assets	410,550	306,821	356,437	121,644	301,415
Current Assets	35,735	9,286	11,217	393	4,631
Cash and cash equivalents	17,311	9,258	11,100	104	2,557
Total Equity	112,768	141,536	71,738	120,202	301,530
Long term Financial debt	223,213	117,093	-	-	-
Non-Current Liabilities	279,460	119,353	18,506	1,420	3,737
Short term Financial debt	42,353	1,253	258,986	-	-
Current Liabilities	54,057	55,218	277,410	415	779
Revenues	57,712	-	-	5,437	25,791
Tangible and intangible assets amortisations/impairment	-14,136	-	-	-7,339	-21,479
Other financial expenses	-32,876	-2,564	-8,719	-64	-213
Income tax expense	914	1,656	689	-	-
Net profit for the period	-8,892	-3,214	-1,338	-6,116	-8,834
Amounts proportionally attributed to EDP Group					
Net assets	101,600	71,163	23,913	60,101	150,765
Goodwill	-	-	-	-	-
Dividends paid	-	-	-	747	5,293

Thousand Euros	Compañía Eólica Aragonesa	Bioeléctrica Group	CIDE HC Energía	EDP Asia Group	Other
Companies' financial information of joint ventures					
Non-Current Assets	130,283	124,438	1,656	95,219	83,402
Current Assets	6,038	15,015	47,520	-	29,403
Cash and cash equivalents	4,965	8,887	557	-	17,020
Total Equity	105,421	22,353	3,412	95,219	28,075
Long term Financial debt	-	62,431	-	-	19,454
Non-Current Liabilities	27,653	71,705	1,227	-	25,850
Short term Financial debt	-	9,752	4,739	-	31,219
Current Liabilities	3,247	45,395	44,537	-	58,880
Revenues	17,835	49,250	242,182	-	24,273
Tangible and intangible assets amortisations/impairment	-10,306	-9,485	-29	-	-3,078
Other financial expenses	-159	-1,562	-641	-	-2,400
Income tax expense	-95	-1,880	-1,604	-	51
Net profit for the period	379	4,820	3,361	18,409	-1,911
Amounts proportionally attributed to EDP Group					
Net assets	61,846	11,177	1,625	104,154	28,879
Goodwill	39,558	-	-	-	3,172
Dividends paid	5,000	-	1,000	5,670	1,480

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The following table resumes the companies' financial information of associates whose investment is included in the Group consolidated accounts under the equity method, as at 31 December 2016:

Thousand Euros	Mabe Brasil	Les Eoliennes en Mer Noirmoutier	Parque Eólico Belmonte	Parque Eólico Madero	Principle Power Inc.	Other
Companies' financial information of associates						
Non-Current Assets	3,599	25,490	21,231	52,429	18,675	91,809
Current Assets	23,398	9,955	2,517	8,683	277	36,336
Total Equity	-421	15,438	4,590	24,006	16,694	57,326
Non-Current Liabilities	22,657	16,943	15,105	2,455	1,512	56,634
Current Liabilities	4,761	3,064	4,053	34,651	746	14,185
Revenues	161	-	3,592	8,401	2,375	40,045
Net profit for the period	-376	-687	96	475	-2,889	3,935
Amounts proportionally attributed to EDP Group						
Net assets	-	6,638	3,098	10,082	5,219	21,846
Goodwill	-	-	1,726	-	1,051	6,504
Dividends paid	-	-	-	-	-	3,000

Other include companies with financial statements as of 31 December 2016, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2016, since the accounts as at 31 December 2016 were not timely approved.

The following table resumes the companies' financial information of associates whose investment is included in the Group consolidated accounts under the equity method, as at 31 December 2015:

Thousand Euros	D.E. de Canarias	Les Eoliennes en Mer Noirmoutier	Parque Eólico Belmonte	Parque Eólico Madero	Principle Power Inc.	Other
Companies' financial information of associates						
Non-Current Assets	2,860	16,614	21,936	53,199	19,993	86,789
Current Assets	1,571	6,334	1,187	6,874	4,140	53,515
Total Equity	3,855	16,125	4,494	23,531	20,015	58,994
Non-Current Liabilities	314	-	4,544	1,883	3,416	47,932
Current Liabilities	262	6,823	14,086	34,659	702	33,377
Revenues	2,638	-	3,933	10,146	6,941	63,046
Net profit for the period	824	-636	275	1,623	-2,849	-10,637
Amounts proportionally attributed to EDP Group						
Net assets	8,204	6,934	3,069	9,883	6,223	14,475
Goodwill	6,479	-	1,725	-	1,018	26
Dividends paid	191	-	-	-	-	2,263

Other include companies with financial statements as of 31 December 2015, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2015, since the accounts as at 31 December 2015 were not timely approved.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

As at 31 December 2016, the significant companies' financial information of joint ventures and associates presents the following fair value reconciliation of net assets proportionally attributed to EDP Group:

Thousand Euros	Equity	% EM	Fair Value Adjustments	Goodwill	Other	Net Assets
Companhia Energética do Jari	167,485	50.00%	54,871	-	-	138,614
Empresa de Energia Cachoeira Caldeirão S.A.	164,523	50.00%	489	-	-	82,751
Empresa de Energia São Manoel S.A.	365,950	33.33%	-	-	-	121,986
Flat Rock Windpower II LLC	116,973	50.00%	-	-	-	58,487
Flat Rock Windpower LLC	289,096	50.00%	-	-	13,865	158,413
Compañía Eólica Aragonesa, S.A.	104,595	50.00%	5,128	-	-	57,425
EDP Produção Bioelétrica, S.A.	27,334	50.00%	-	-	-	13,667
CIDE HC Energia, S.A.	4,333	50.00%	-	-	-18	2,149
EDP ASIA - Investimento e Consultadoria, Lda	105,331	50.00%	52,521	-	-	105,187
Eólica de Coahuila, S. de R.L. de C.V.	8,737	51.00%	9,982	-	-	14,438
Mabe Construções e Administração Projetos, Lda	-421	50.00%	-	-	211	-
Les Eoliennes en Mer Iles d'Yeu Noirmoutier, SAS	15,438	43.00%	-	-	-	6,638
Parque Eólico de Belmonte, S.A.	4,590	29.90%	-	1,726	-	3,098
Parque Eólico Sierra del Madero S.A.	24,006	42.00%	-	-	-	10,082
Principle Power, Inc.	16,694	24.65%	-	1,051	53	5,219

As at 31 December 2015, the significant companies' financial information of joint ventures and associates presents the following fair value reconciliation of net assets proportionally attributed to EDP Group:

Thousand Euros	Equity	% EM	Fair Value Adjustments	Goodwill	Other	Net Assets
Companhia Energética do Jari	112,768	50.00%	45,216	-	-	101,600
Empresa de Energia Cachoeira Caldeirão S.A.	141,536	50.00%	395	-	-	71,163
Empresa de Energia São Manoel S.A.	71,738	33.33%	-	-	-	23,913
Flat Rock Windpower II LLC	120,202	50.00%	-	-	-	60,101
Flat Rock Windpower LLC	301,530	50.00%	-	-	-	150,765
Compañía Eólica Aragonesa, S.A.	105,421	50.00%	9,135	-	-	61,846
EDP Produção Bioelétrica, S.A.	22,353	50.00%	-	-	-	11,177
CIDE HC Energia, S.A.	3,412	50.00%	-	-	-81	1,625
EDP ASIA - Investimento e Consultadoria, Lda	95,219	50.00%	56,544	-	-	104,154
Desarrollos Eolicos de Canarias, S.A.	3,855	44.75%	-	6,479	-	8,204
Les Eoliennes en Mer Iles d'Yeu Noirmoutier, SAS	16,125	43.00%	-	-	-	6,934
Parque Eólico de Belmonte, S.A.	4,494	29.90%	-	1,725	-	3,069
Parque Eólico Sierra del Madero S.A.	23,531	42.00%	-	-	-	9,883
Principle Power, Inc.	20,015	26.00%	-	1,018	-	6,223

Operating and real guarantees granted by joint ventures, included in the Group consolidated accounts under the equity method, are disclosed as follows:

Thousand Euros	Dec 2016	Dec 2015
Operating guarantees		
Companhia Energética do Jari	340	-
Energia Cachoeira Caldeirão S.A.	227	3,474
Energia São Manoel S.A.	7,800	6,206
Other	-	920
	8,367	10,600
Real guarantees	-	-

The commitments relating to short and medium-long term financial debt, future lease payments under operating leases and other purchase obligations of joint ventures included in the Group consolidated accounts under the equity method, as at 31 December 2016 and 2015, are disclosed by maturity as follows:

Thousand Euros	Dec 2016				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (inc. falling due interest)	933,290	92,741	177,389	120,746	542,414
Finance lease commitments	1,172	234	371	211	356
Operating lease commitments	18,493	1,726	2,859	2,490	11,418
Purchase obligations	620,037	178,822	166,149	21,342	253,724
	1,572,992	273,523	346,768	144,789	807,912

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Thousand Euros	Dec 2015				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (inc. falling due interest)	495,070	148,773	92,666	55,619	198,012
Finance lease commitments	1,331	257	387	247	440
Operating lease commitments	20,663	2,289	2,819	2,814	12,741
Purchase obligations	638,286	172,347	253,216	24,400	188,323
	1,155,350	323,666	349,088	83,080	399,516

The variation in short and long term financial debt commitments includes a Project Finance obtained by Eólica de Coahuila S.A. de C.V. during 2016.

The summarised financial information for subsidiaries with material non-controlling interests, namely EDP Brasil and EDP Renováveis, as at 31 December 2016, are disclosed in note 53 and in the Annexes I and II.

22. Available for Sale Investments

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Banco Comercial Português, S.A.	-	53,276	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	50,369	51,920	50,369	51,920
Zephyr Fund (Energia RE portfolio)	72,725	61,277	-	-
Other	41,950	33,733	1,765	1,759
	165,044	200,206	52,134	53,679

As at 31 December 2016, the market value of the financial investment held in BCP has decreased 37,475 thousand Euros, which was booked under fair value reserves (see note 32). During 2016, following the decrease in BCP market value, an impairment loss in the amount of 31,386 thousand Euros was booked under Financial expenses (see note 13). In the last quarter of 2016, the financial investment held in BCP was used as an in-kind contribution to the Pension Fund (see note 36).

During 2016, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., decreased by 1,551 thousand Euros being the decrease booked against fair value reserves (see note 32).

The Zephyr Fund represents the participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During 2016, Energia RE increased this participation in by 10,000 thousand Euros, and had a increased by 1,448 thousand Euros being the increase booked against fair value reserves (see note 32).

Under IFRS 13 (note 46), available for sale investments are classified into three levels of fair value: level 1 includes essentially financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A. since it is indexed to market price; level 2 includes the fund of stocks and bonds held by Energia RE; and level 3 covers all other available for sale investments.

In 2016, the movements in Available-for-sale investments are analysed as follows:

Thousand Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value	Other variations	Balance at 31 December
Banco Comercial Português	53,276	-	-	-31,386	-6,089	-15,801	-
REN - Redes Energéticas Nacionais	51,920	-	-	-	-1,551	-	50,369
Zephyr Fund (Energia RE portfolio)	61,277	10,000	-	-	1,448	-	72,725
Other	33,733	714	-42	-435	8,128	-148	41,950
	200,206	10,714	-42	-31,821	1,936	-15,949	165,044

In 2015, the movements in Available-for-sale investments are analysed as follows:

Thousand Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value	Other variations	Balance at 31 December
Banco Comercial Português	71,434	-	-	-21,987	3,829	-	53,276
REN - Redes Energéticas	44,949	-	-	-	6,971	-	51,920
Tejo Energia	19,700	-	-	-	-2,486	-17,214	-
Zephyr Fund (Energia RE portfolio)	59,584	1,000	-	-	693	-	61,277
Other	28,790	1,231	-905	-9	4,661	-35	33,733
	224,457	2,231	-905	-21,996	13,668	-17,249	200,206

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Available-for-sale investments are booked at fair value being the changes since the date of acquisition, net of impairment losses, recorded against fair value reserves (see note 32). The fair value reserve attributable to the Group is analysed as follows:

Thousand Euros	Dec 2016	Dec 2015
Banco Comercial Português, S.A.	-	6,089
REN - Redes Energéticas Nacionais, SGPS, S.A.	24,549	26,100
Tejo Energia, S.A.	-	10,859
Zephyr Fund (Energia RE portfolio)	8,355	6,907
Other	19,192	11,610
	52,096	61,565

In the first quarter of 2016, EDP Gestão da Produção de Energia, S.A. concluded the sale of 11.11% of share capital in Tejo Energia, S.A. The fair value reserve of 10,859 thousand Euros was then transferred to results (see notes 13 and 42).

23. Investment Property

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Cost	54,679	58,821	62,037	40,127
Accumulated amortisation and impairment losses	-23,460	-22,356	-9,458	-7,605
Carrying amount	31,219	36,465	52,579	32,522

The investment properties are mainly land and buildings held to obtain rents or for capital appreciation and are not materially relevant.

During 2016, the EDP Group booked an impairment of 7,558 thousand Euros related to investment properties in Spain based on an independent evaluation of the fair value of these assets (see note 12). Additionally, the net variation in this caption relates essentially with the sale of a EDP Distribuição building of 4,312 thousand Euros and with the transfer of property, plant and equipment fixed assets to investment property of 1,196 thousand Euros.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

24. Deferred Tax Assets and Liabilities

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

Thousand Euros	Net Deferred tax assets		Net Deferred tax liabilities	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Europe				
Tax losses and tax credits	198,701	217,068	-	-
Provisions for social benefits, bad debts and other risks	518,905	543,823	15,611	15,488
Financial instruments	19,956	76,825	43,371	49,367
Tangible and intangible fixed assets	361,803	169,418	222,756	258,833
Reinvested gains	-	-	6,298	7,622
Financial and available-for-sale investments	3,102	75,153	2,722	1,076
Tariff adjustments and tariff deficit	46,509	46,808	266,113	526,784
Allocation of fair value to assets and liabilities acquired	28,994	24,653	612,692	595,536
Fiscal revaluations	474,568	166,806	75,035	93,214
Deferred income relating to CMEC	-	-	174,935	153,770
Other temporary differences	25,578	19,228	73,420	97,828
Assets/liabilities compensation of deferred taxes	-997,863	-1,170,316	-997,863	-1,170,316
	680,253	169,466	495,090	629,202
Brazil				
Tax losses and tax credits	149,005	106,765	-	-
Provisions for social benefits, bad debts and other risks	132,133	88,858	-	-
Tariff adjustments and tariff deficit	34,767	49,286	-	104,013
Allocation of fair value to assets and liabilities acquired	-	-	158,359	131,321
Use of public property	34,326	24,071	14,697	9,450
Fair value of financial assets	-	-	38,206	15,079
Other temporary differences	23,513	38,654	46,603	37,648
Assets/liabilities compensation of deferred taxes	-150,765	-204,860	-150,765	-204,860
	222,979	102,774	107,100	92,651
United States of America and Canada				
Tax losses and tax credits	943,283	932,689	-	-
Property, plant and equipment	4,982	4,846	435,839	426,059
Allocation of fair value to assets and liabilities acquired	-	-	178,003	154,204
Gains from institutional partnerships in USA wind farms	-	-	456,618	430,304
Other temporary differences	3,968	3,668	804	3,508
Assets/liabilities compensation of deferred taxes	-951,053	-940,945	-951,053	-940,945
	1,180	258	120,211	73,130
	904,412	272,498	722,401	794,983

As at 31 December 2016, the caption Fiscal revaluations includes 326 million Euros of deferred tax assets recognised on the fiscal revaluation reserve that derived from the revaluation of eligible assets held by certain EDP Group companies in Portugal, under Decree-Law 66/2016 of 3 November (see note 14). In addition, EDP Group assessed the amount of 12.6 million Euros related to gas assets which, as at 31 December 2016, were recorded as assets held for sale (see note 42).

As referred under accounting policies - note 2 r), the compensation between deferred tax assets and liabilities is performed at each subsidiary, and therefore the consolidated financial statements reflect in its assets the total of the deferred tax of subsidiaries that have deferred tax assets and in its liabilities the total of the deferred tax of subsidiaries that have deferred tax liabilities.

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

Thousand Euros	Net Deferred tax assets		Net Deferred tax liabilities	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Tax losses and tax credits	69,846	74,147	-	-
Provisions for social benefits, bad debts and other risks	5,482	9,803	-	-
Financial instruments	20	2,443	15,994	-
Financial and available-for-sale investments	3,833	4,937	-	-
Property, plant and equipment	5,087	5,461	-	-
Fiscal revaluations	-	-	278	13,261
Other temporary differences	4,000	3,074	26,881	51,464
Assets/liabilities compensation of deferred taxes	-43,153	-64,725	-43,153	-64,725
	45,115	35,140	-	-

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The deferred tax movement, for the Group and for the Company, in 2016 and 2015 is analysed as follows:

Thousand Euros	Deferred taxes		Deferred taxes	
	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Balance at 1 January	-522,485	-585,997	35,140	27,434
Charges to the profit and loss account	735,545	2,255	21,702	15,812
Charges against reserves	-38,465	22,803	-17,473	-4,641
Exchange differences and other variations	7,416	38,454	5,746	-3,465
Balance at 31 December	182,011	-522,485	45,115	35,140

Taxes recorded against reserves are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Deferred tax				
Financial instruments and fair value	-31,404	7,389	-18,418	-2,635
Sale of non-controlling interests without loss of control	-30,228	-	-	-
Actuarial gains and losses	22,979	18,499	487	49
Changes in fair value of financial assets held for sale	188	-3,085	458	-2,055
	-38,465	22,803	-17,473	-4,641

The caption Financial instruments and fair value includes negative 31,042 thousand Euros of deferred tax related to the variation in EDP Group fair value reserve (cash flow hedge) and negative 362 thousand Euros related to the variation of the deferred tax of cash flow hedge reserve of joint ventures and associate companies.

The Group tax losses carried forward are as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
	Dec 2016	Dec 2015
Expiry date:		
2016	-	322
2017	6,623	10,672
2018	9,019	17,977
2019	15,457	17,337
2020	19,151	13,953
2021	70,581	41,338
2022 a 2036	2,455,833	2,388,161
Without expiry date	1,243,495	1,210,525
	3,820,159	3,700,285

Of the total of EDP Group's tax losses available to carry forward as at 31 December 2016, the amount of 633,362 thousand Euros does not have deferred tax asset, in accordance with the applicable accounting standards since, at the present date, there is still not sufficient visibility about the future period in which such tax losses will be used.

25. Inventories

This caption is analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
	Dec 2016	Dec 2015
Merchandise	27,162	21,993
Finished, intermediate products and sub-products	30,013	21,857
Raw and subsidiary materials and consumables (coal and other fuels)	120,868	77,530
Nuclear fuel	17,891	18,758
CO2 licenses (see note 47)	38,269	-
Other	82,374	64,068
	316,577	204,206

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

26. Debtors and Other Assets from Commercial Activities

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

Thousand Euros	Group	
	Dec 2016	Dec 2015
Trade receivables	139,398	132,071
Accrued income relating to energy sales activity	29,854	-
Amounts receivable from tariff adjustments - Electricity - Portugal	363,130	1,440,282
Amounts receivable from tariff adjustments - Electricity - Brazil	3,702	22,783
Amounts receivable from tariff expenses - Gas - Spain	63,169	69,000
Amounts receivable relating to CMEC	658,197	653,359
Amounts receivable from concessions - IFRIC 12	1,114,941	949,914
Sundry debtors and other operations	144,236	79,108
	2,516,627	3,346,517
Impairment losses on trade receivables	-64,956	-30,984
Impairment losses on debtors	-3,229	-3,215
	-68,185	-34,199
	2,448,442	3,312,318

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

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Trade receivables	1,503,590	1,442,477	182,424	177,046
Accrued income relating to energy sales activity	1,025,872	880,891	269,031	239,052
Amounts receivable from tariff expenses - Electricity - Spain	4,489	1,000	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	538,948	791,662	-	-
Amounts receivable from tariff adjustments - Electricity - Brazil	17,100	154,095	-	-
Receivables relating to other goods and services	25,656	94,537	36,662	47,445
Amounts receivable relating to CMEC	164,705	174,470	-	-
Amounts receivable from concessions - IFRIC 12	54,024	-	-	-
Sundry debtors and other operations	223,851	258,093	73,916	142,063
	3,558,235	3,797,225	562,033	605,606
Impairment losses on trade receivables	-329,212	-307,195	-9,935	-9,957
Impairment losses on debtors	-21,410	-21,130	-1,000	-939
	-350,622	-328,325	-10,935	-10,896
	3,207,613	3,468,900	551,098	594,710

The geographical market Trade receivables' breakdown and the credit risk analysis are disclosed in note 4, under the Counterparty credit risk management.

As at 31 December 2016 and 2015, on a company basis, trade receivables are from Portugal geographical market.

Accrued income relating to energy sales activity - Non-Current is related to the establishment of the pool boundaries adjustment in EDPR EU in Spain, as a result of the publication of Royal Decree-Law 413/2014 and Order IET/1045/2014 (see note 1).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

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

Thousand Euros	Current	Non-Current
Balance as at 1 January 2015	1,063,661	1,341,117
Receipts through the electric energy tariff	-1,033,759	-
Partial sale of 2014 over costs for the special regime generators	-744,234	-
Partial sale of 2015 over costs for the special regime generators	-100,000	-
Tariff adjustment of 2014	55,131	-
Tariff adjustment for the period	429,536	1,142,653
Transfer to/from tariff adjustment payable	4,394	-
Interest income	73,298	147
Transfer from Non-Current to Current	1,043,635	-1,043,635
Balance as at 31 December 2015	791,662	1,440,282
Receipts through the electric energy tariff	-548,746	-
Partial sale of 2014 over costs for the special regime generators	-93,844	-
Partial sale of 2015 over costs for the special regime generators	-920,473	-
Partial sale of 2016 over costs for the special regime generators	-1,222,982	-
Tariff adjustment of 2015	9,369	-
Tariff adjustment for the period	1,361,081	45,681
Transfer to/from tariff adjustment payable	-774	-
Interest income	40,754	68
Transfer from Non-Current to Current	1,122,901	-1,122,901
Balance as at 31 December 2016	538,948	363,130

The partial sale of the overcosts related to the acquisition of electricity from special regime generators, are as follows:

- During the first quarter of 2015, a EDP Serviço Universal, S.A. (EDP SU) sold without recourse to Tagus – Sociedade de Titularização de Créditos, S.A., a portion of the 2014 tariff deficit in the amount of 465,418 thousand Euros, and respective interest. The 2014 tariff deficit resulted from the deferral, for a period of 5 years, of the recovery of the 2014 overcosts (including the adjustments for 2012 and 2013) related to the acquisition of electricity from special regime generators. The sale price amounted to 499,461 thousand Euros and generated a gain net of transaction costs of 31,737 thousand Euros (see notes 13 and 52);

- During the second and fourth quarter of 2015, EDP SU agreed to sell, in two independent operations, a portion of the 2014 tariff deficit, which resulted from the deferral, for a period of 5 years, of the recovery of the 2014 overcosts related to the acquisition of electricity from special regime generators (including the adjustments for 2012 and 2013), in the amount of 278,816 thousand Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 300,000 thousand Euros and generated a gain net of transaction costs of 20,903 thousand Euros (see note 13);

- During the fourth quarter of 2015, EDP SU agreed to sell a portion of the 2015 tariff deficit, which resulted from the deferral, for a period of 5 years, of the recovery of the 2015 overcosts related to the acquisition of electricity from special regime generators (including the adjustments for 2013 and 2014), in the amount of 100,000 thousand Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 103,609 thousand Euros and generated a gain net of transaction costs of 2,960 thousand Euros (see note 13);

- During the first quarter of 2016, EDP SU agreed to sell a portion of the 2014 tariff deficit, which resulted from the deferral, for a period of 5 years, of the recovery of the 2014 overcosts related to the acquisition of electricity from special regime generators (including the adjustments for 2012 and 2013), in the amount of 93,844 thousand Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 100,000 thousand Euros and generated a gain net of transaction costs of 6,141 thousand Euros (see note 13);

- During the second quarter of 2016, EDP SU agreed to sell, in two independent operations, a portion of the tariff deficit, which resulted from the deferral, for a period of 5 years, of the recovery of the 2015 overcosts related to the acquisition of electricity from special regime generators (including the adjustments for 2013 and 2014), in the total amount of 772,527 thousand Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 803,785 thousand Euros and generated a gain net of transactions costs of 27,015 thousand Euros (see note 13);

- During the second quarter of 2016, EDP SU agreed to sell, in two independent operations, a portion of the tariff deficit, which resulted from the deferral, for a period of 5 years, of the recovery of the 2016 overcosts related to the acquisition of electricity from special regime generators, in the total amount of 348,195 thousand Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 350,000 thousand Euros and generated a loss net of transaction costs of 4,491 thousand Euros (see note 13);

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

- During the third quarter of 2016, EDP SU agreed to sell, in two independent operations, 200,000 thousand Euros of the 2015 and 2016 tariff deficit, of the recovery overcosts related to the acquisition of electricity from special regime generators. The 2015 tariff deficit resulted from the deferral, for a period of 5 years, of the recovery of the 2015 overcosts related to the acquisition of electricity from special regime generators (including the adjustments for 2013 and 2014). The 2016 tariff deficit resulted from the deferral, for a period of 5 years, of the recovery of the 2016 overcosts related to the acquisition of electricity from special regime generators. In these sales transactions of assets, EDP SU gave in, fully and without recourse, the right to receive such amounts and interests. The total sale price amounted to 204,491 thousand Euros and generated a gain net of transaction costs of 2,452 thousand Euros (see note 13);

- During the third quarter of 2016, EDP SU sold a portion of the 2016 tariff deficit in the amount of 598,883 thousand Euros. The 2016 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2016 over costs related to the acquisition of electricity from special regime generators. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 599,987 thousand Euros and generated a loss net of transaction costs of 7,417 thousand Euros (see notes 13 and 52);

- During the fourth quarter of 2016, EDP SU sold, in two independent operations, a portion of the 2016 tariff deficit in the amount of 175,904 thousand Euros. The 2016 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2016 over costs related to the acquisition of electricity from special regime generators. In these sale transactions of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 178,681 thousand Euros and generated a gain net of transaction costs of 1,743 thousand Euros (see note 13);

- During the fourth quarter of 2016, EDP SU sold a portion of the 2016 tariff deficit in the amount of 75,904 thousand Euros. The 2016 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2016 over costs related to the acquisition of electricity from special regime generators. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 77,110 thousand Euros and generated a gain net of transaction costs of 758 thousand Euros (see note 13);

- During the fourth quarter of 2016, EDP SU sold a portion of the 2015 tariff deficit in the amount of 47,946 thousand Euros. The 2015 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2015 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2013 and 2014). In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 50,000 thousand Euros and generated a gain net of transaction costs of 2,041 thousand Euros (see note 13).

The following table provides details for the caption Amounts receivable from tariff adjustments - Electricity - Portugal, by nature and year of establishment, as well as presents the amounts of tariff deficit that have been sold during the period ended 31 December 2016:

Thousand Euros	Deficit	Tariff	Sales	Total
Year:				
2013	112,565	-	-	112,565
2014	296,253	12,043	-93,844	214,452
2015	1,227,592	70,187	-920,473	377,306
2016	1,258,388	162,349	-1,222,982	197,755
	2,894,798	244,579	-2,237,299	902,078

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments booked in Bandeirante and Escelsa with the accumulated amount as at 31 December 2016 of 334 thousand Euros (31 December 2015: 115,657 thousand Euros) and 20,468 thousand Euros (31 December 2015: 61,221 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a negative impact of 273,319 thousand Euros (see note 6), transfer from tariff adjustment payable of 71,970 thousand Euros (see note 39), amount received through the electricity tariff of 896 thousand Euros, unwinding in the amount of 23,061 thousand Euros (see note 13) and the exchange differences due to appreciation of Brazilian Real with a positive impact of 23,108 thousand Euros.

The caption Amounts receivable relating to CMEC amounts to 822,902 thousand Euros, and includes 658,197 thousand Euros as non-current and 164,705 thousand Euros as current. The amount receivable relating to the initial CMEC includes 528,625 thousand Euros as non-current and 41,078 thousand Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousand Euros) deducted from the annuities for the years 2007 to 2016. The remaining 129,572 thousand Euros as non-current and 123,627 thousand Euros as current correspond to the receivable amounts through the revisibility calculation from 2014 to 2016.

As referred in the note 2 aa), the concession contracts currently in force in EDP Group are based in the Mixed Model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil. Therefore, the caption Amounts receivable from concessions - IFRIC 12 in the amount of 1,168,965 thousand Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model. The variation in the period includes: (i) the effect of the appreciation of Brazilian Real against Euro in the amount of 86,974 thousand Euros; (ii) transfers from intangible assets assigned to concessions in the amount of 138,860 thousand Euros (see note 17); (iii) the re-measurement of IFRIC 12 indemnisation amount in Brazil concessions of 50,354 thousand Euros (see note 7) and; (iv) transfers to assets held for sale of the business of gas distribution in the amount of 53,631 (see note 42). Additionally, Amounts receivable from concessions - IFRIC 12 - Current refers to concessions in Portugal that will end in 2017.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The caption Receivables relating to other goods and services as at 31 December 2015 includes the recognition, by Hidrocontábrico, of the best estimated amount to be recovered following a court law decision. The Ministerial Order ITC 3315/2007 (MO) determined a reduction of the retribution for the electricity generation activity in 2006, in the amount equivalent to the CO2 emission allowances allocated free of charge by the Spanish State. Hidrocontábrico, as the remaining companies of the sector, contested the figures settled by CNMC (former CNE) in particular with respect to the applicability of this MO to bilateral agreements. In the course of the third quarter of 2015, and following a favourable decision of the Supreme Court in Spain, Hidrocontábrico recorded a gain of 40.6 million Euros, corresponding to the chargeback of the amounts paid to CNMC regarding this process. This amount was received in the first semester of 2016.

The movements in Impairment losses on trade receivables - Non-Current are analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Balance at beginning of the period	30,984	36,636
Charge of the period	33,133	503
Reversal of impairment losses	-2	-5,424
Exchange differences	841	-731
Balance at end of the period	64,956	30,984

The movements in Impairment losses on trade receivables - Current are analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Balance at beginning of the period	307,195	289,376
Charge of the period	130,817	115,774
Reversal of impairment losses	-88,678	-81,243
Charge-off	-28,753	-4,327
Exchange differences	10,946	-12,489
Perimeter variations/Other regularisations	-2,315	104
Balance at end of the period	329,212	307,195

In 2016, the movement, for the Company, in impairment losses on trade receivables refers to reversal of impairment losses for compensation of results of the period.

The movements in Impairment losses on debtors - Non-Current are analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Balance at beginning of the period	3,215	3,245
Charge of the period	5	47
Reversal of impairment losses	-66	-
Exchange differences	75	-77
Balance at end of the period	3,229	3,215

The movements in Impairment losses on debtors - Current are analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Balance at beginning of the period	21,130	24,282
Charge of the period	979	1,239
Reversal of impairment losses	-330	-3,293
Charge-off	-11	-
Perimeter variations/Other regularisations	-358	-1,098
Balance at end of the period	21,410	21,130

In 2016, the movement, for the Company, in impairment losses on debtors refers to charge of the period in the value of 60 thousand Euros for compensation of results of the period (31 December 2015: reversal of impairment losses in the value of 39 thousand Euros).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

27. Other Debtors and Other Assets

Other debtors and other assets are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	6,108,699	7,065,870
Loans to related parties	62,912	8,413	90	90
Guarantees rendered to third parties	53,533	40,862	-	-
Derivative financial instruments	206,482	261,894	723,368	733,209
Excess of the pension fund financing (see note 36)	57,585	58,724	65	159
Sundry debtors and other operations	88,757	74,364	31,102	-
	469,269	444,257	6,863,324	7,799,328
Debtors and other assets - Current				
Loans to subsidiaries	-	-	1,781,401	836,870
Loans to related parties	85,224	65,479	14,783	14,794
Receivables from the State and concessors	33,048	36,165	-	-
Derivative financial instruments	176,471	271,436	343,218	461,786
Subsidiary companies	-	-	819,899	801,842
Sundry debtors and other operations	59,573	70,038	15,994	11,704
	354,316	443,118	2,975,295	2,126,996
	823,585	887,375	9,838,619	9,926,324

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 4,537,627 thousand Euros (31 December 2015: 4,295,300 thousand Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 1,697,252 thousand Euros (31 December 2015: 2,297,781 thousand Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 45). Additionally, this caption includes 1,257,783 thousand Euros (31 December 2015: 893,616 thousand Euros) of loans granted to EDP Servicios Financieros España, S.A. through EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España (see notes 45 and 50).

Loans to related parties - Non-Current and Current, mainly includes loans granted to Empresa de Energia São Manoel S.A., Eólica de Coahuila, S.A. de C.V., Empresa de Energia Cachoeira Caldeirão, S.A., EDP Produção Bioelétrica, S.A., CIDE HC Energía, S.A. and Parque Eólico Sierra del Madero, S.A., which totalize 108,647 thousand Euros (31 December 2015: 56,994 thousand Euros).

Subsidiary Companies - Current, for the Company, mainly includes receivables from the EDP Group's financial system in the amount of 371,808 thousand Euros (31 December 2015: 772,630 thousand Euros) (see note 45).

Derivative financial instruments - Non Current and Current, for the company, include 510,006 and 158,041 thousand Euros, respectively (31 December of 2015: 449,706 and 139,330 thousand Euros, respectively), related to a hedging instrument in USD and EUR with EDP Renováveis, S.A., contracted to hedge the foreign exchange rate risk of the debt in Dollars issued by EDP Finance B.V. and borrowed by EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España (see note 40). This instrument is a Cross Currency Interest Rate Swap (CIRS) revalued at each balance sheet date at its market value, which is a spot foreign exchange rate valuation, resulting in a perfect fair value hedge (revaluation of fair value of the derivative instrument and the hedged liability - see note 43). The remaining derivative financial instruments, assets and liabilities, are essentially related to derivatives contracted with external entities as a pass-through to hedge EDP Group companies business related risks.

28. Current Tax Assets

Current tax assets are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Income tax	175,518	118,240	33,657	34,366
Value added tax (VAT)	285,160	179,805	5,531	51,189
Other taxes	33,826	16,822	823	4,048
	494,504	314,867	40,011	89,603

As at 31 December 2016, for the Group, the caption Value added tax (VAT) includes the VAT receivable by HC Energia Group (including NG Energia), of 197.5 million Euros, associated with the request of refund of the VAT due in the context of an intragroup sale of gas distribution assets occurred in December 2016 (see note 41).

On an individual basis, the decrease in Value Added Tax (VAT), relates to the receipt in 2016 of VAT refunds, submitted by EDP S.A. in 2015.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

29. Cash and Cash Equivalents

Cash and cash equivalents are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Cash	120	59	14	8
Bank deposits				
Current deposits	540,977	395,639	147,741	15,937
Term deposits	859,222	811,691	85,000	397,325
Specific demand deposits in relation to institutional partnerships	120,921	38,048	-	-
Other deposits	13	12	-	-
	1,521,133	1,245,390	232,741	413,262
Operations pending cash settlement				
Current deposits	-	-	85,000	110,000
	1,521,253	1,245,449	317,755	523,270

Specific demand deposits in relation to institutional partnerships corresponds to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 38), under the accounting policy 2 v).

As at 31 December 2016, in company basis, the caption Operations pending cash settlement represents commercial paper issued by EDP, S.A., which is booked as financial debt at the issuance trade date, under the Group accounting policy. This caption of 85,000 thousand Euros (31 December 2015: 110,000 thousand Euros) refers to commercial paper issued on 30 December 2016, acquired by EDP Finance B.V., which settlement date occurred on 3 January 2017.

30. Share Capital and Share Premium

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

On 11 May 2012, regarding EDP's eighth reprivatisation phase, the Portuguese State sold to China Three Gorges (Europe), S.A. (former - CWEI (Europe), S.A.), the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP, S.A.

On 21 February 2013, Parpública - Participações Públicas (SGPS) S.A. (Parpública) notified EDP that, on 19 February 2013, it sold 151,517,000 shares, which correspond to 4.14% of EDP's share capital.

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

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

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2016 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
CNIC	110,435,491	3.02%	3.02%
Capital Group Companies, Inc.	515,075,524	14.09%	14.09%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
BlackRock, Inc.	182,733,180	5.00%	5.00%
Senfora, BV	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	89,342,093	2.44%	2.44%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
Norges Bank	73,355,208	2.01%	2.01%
EDP (Treasury stock)	22,056,438	0.60%	-
Remaining shareholders	1,301,551,018	35.59%	-
	3,656,537,715	100.00%	

This breakdown should be read together with note 48 – Relevant or subsequent events, where the changes occurred in the shareholder structure after 31 December 2016 are disclosed.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Share capital and Share premium are analysed as follows:

Thousand Euros	Group and Company	
	Share capital	Share premium
Balance as at 1 January	3,656,538	503,923
Movements during the period	-	-
Balance as at 31 December	3,656,538	503,923

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

	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Net profit attributable to the equity holders of EDP (in Euros)	960,561,006	912,702,744	758,031,089	802,446,376
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	960,561,006	912,702,744		
Weighted average number of ordinary shares outstanding	3,634,971,187	3,634,400,494	3,636,484,187	3,635,913,494
Weighted average number of diluted ordinary shares outstanding	3,634,971,187	3,634,400,494	3,636,484,187	3,635,913,494
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.26	0.25		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.26	0.25		
Basic earnings per share from continuing operations (in Euros)	0.26	0.25		
Diluted earnings per share from continuing operations (in Euros)	0.26	0.25		

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

The average number of shares was determined as follows:

	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-21,566,528	-22,137,221	-20,053,528	-20,624,221
Average number of shares during the period	3,634,971,187	3,634,400,494	3,636,484,187	3,635,913,494
Effect of stock options	-	-	-	-
Diluted average number of shares during the period	3,634,971,187	3,634,400,494	3,636,484,187	3,635,913,494

31. Treasury Stock

This caption is analysed as follows:

	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Book value of EDP, S.A.'s treasury stock (thousand Euros)	63,528	62,691	57,433	56,596
Number of shares	22,056,438	21,424,972	20,543,438	19,911,972
Market value per share (in Euros)	2.894	3.321	2.894	3.321
Market value of EDP, S.A.'s treasury stock (thousand Euros)	63,831	71,152	59,453	66,128

Shares' transactions occurred between 1 January and 31 December 2016:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	2,745,908	-
Average purchase price (in Euros)	2.904	-
Total purchases (thousand Euros)	7,974	-
Volume sold (number of shares)	-2,114,442	-
Average selling price (in Euros)	3.024	-
Total sales (thousand Euros)	6,394	-
Final position (number of shares)	20,543,438	1,513,000
Highest market price (in Euros)	3.267	-
Lowest market price (in Euros)	2.568	-
Average market price (in Euros)	2.949	-

The treasury stock held by EDP, S.A. is within the limits established by the Company's articles of association and by the "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code). Treasury stock is recognised at acquisition cost.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

32. Reserves and Retained Earnings

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Legal reserve	739,024	698,902	739,024	698,902
Fair value reserve (cash flow hedge)	43,235	-73,866	54,217	-8,216
Tax effect of fair value reserve (cash flow hedge)	-13,749	17,562	-16,034	2,384
Fair value reserve (available for sale investments)	52,096	61,565	20,190	21,762
Tax effect of fair value reserve (available for sale investments)	-1,998	-2,186	2,741	2,283
Exchange differences arising on consolidation	-144,818	-392,097	-	-
Treasury stock reserve (EDP, S.A.)	57,433	56,596	57,433	56,596
Other reserves and retained earnings	3,617,570	3,292,826	1,706,377	1,619,613
	4,348,793	3,659,302	2,563,948	2,393,324

Legal reserve

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

Fair value reserve (cash flow hedge)

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

During 2015, with the acquisition of full control of Porto do Pecém and the 12 companies from ENEOP, the amounts previously recognised under fair value reserve (cash flow hedge), regarding the shareholding previously held, were recognised in results.

Fair value reserve (available for sale investments)

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

Thousand Euros	Group	
	Increases	Decreases
Balance as at 1 January 2015	545,152	-498,175
Changes in fair value	18,663	-26,908
Changes in perimeter	1,042	-
Transfer of impairment to profit or loss	21,996	-
Transfer of reserves from assets sold to profit or loss	-	-205
Balance as at 31 December 2015	586,853	-525,288
Changes in fair value	10,358	-40,789
Transfer of impairment to profit or loss	31,821	-
Transfer of reserves from assets sold to profit or loss	-	-10,859
Balance as at 31 December 2016	629,032	-576,936

Changes in fair value reserve attributable to the EDP Group during the period ended 31 December 2016 are analysed as follows:

Thousand Euros	Increases	Decreases
Banco Comercial Português, S.A.	-	-37,475
Zephyr Fund (Energia RE portfolio)	1,448	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-1,551
Other	8,910	-1,763
	10,358	-40,789

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Exchange differences on consolidation

Exchange differences on consolidation include the amounts resulting from changes in the value of net assets of subsidiaries, joint ventures and associated companies resulting from changes in exchange rates. The exchange rates used in the preparation of the financial statements are as follows:

Currency		Exchange rates at Dec 2016		Exchange rates at Dec 2015	
		Closing rates	Average exchange rate	Closing rates	Average exchange rate
US Dollar	USD	1.054	1.107	1.089	1.110
Brazilian Real	BRL	3.431	3.858	4.312	3.699
Macao Pataca	MOP	8.420	8.848	8.691	8.862
Canadian Dollar	CAD	1.419	1.466	1.512	1.419
Polish Zloty	PLN	4.410	4.363	4.264	4.184
Romanian Leu	RON	4.539	4.491	4.524	4.446
Pound Sterling	GBP	0.856	0.819	0.734	0.726
South African Rand	ZAR	14.457	16.267	16.953	14.172
Mexican Peso	MXN	21.772	20.661	18.915	17.617
Chinese Yuan	CNY	7.320	7.351	7.061	7.039

During 2015, with full control of Porto do Pecém, the amount previously recognised under exchange differences, regarding the shareholding previously held, were recognised in results.

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324º of "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code), EDP, S.A. has created an unavailable reserve with an amount equal to the book value amount of treasury stock held in the company statements.

Dividends

On 19 April 2016, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2015 in the amount of 676,459 thousand Euros, corresponding to a dividend of 0.185 Euros per share (including the treasury stock dividend owned by EDP, S.A. and Energia RE in the amount of 3,643 thousand Euros and 280 thousand Euros, respectively). This distribution occurred on 18 May 2016.

33. Non-Controlling Interests

This caption is analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Non-controlling interests in income statement	239,550	334,439
Non-controlling interests in equity and reserves	4,090,535	3,117,279
	4,330,085	3,451,718

Non-controlling interests, by subgroup, are analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
EDP Renováveis Group	2,819,335	2,203,157
EDP Brasil Group	1,548,514	1,107,100
Other	-37,764	141,461
	4,330,085	3,451,718

The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits attributable to non-controlling interests of 125,226 thousand Euros; (ii) a negative impact of 52,363 thousand Euros related to dividends attributable to non-controlling interests; (iii) a positive impact of 43,565 thousand Euros resulting from exchange differences; (iv) a negative impact resulting from share capital increases/decreases and other acquisitions/sales without change of control of 73,846 thousand Euros; (v) sale without change of control of EDPR EU subsidiaries attributable to non-controlling interests with a positive impact of 309,038 thousand Euros (see note 5); and (vi) sale without loss of control of EDPR NA subsidiaries attributable to non-controlling interests with a positive effect of 244,641 thousand Euros (see note 5).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 116,863 thousand Euros of profits attributable to non-controlling interests; (ii) an increase of 305,130 thousand Euros resulting from exchange differences; (iii) a negative impact of 108,616 thousand Euros related to dividends attributable to non-controlling interests; (iv) a negative impact of 15,335 thousand Euros from recognised actuarial losses (net of taxes); (v) a negative impact resulting from share capital decreases of 36,065 thousand Euros; and (vi) a positive impact of 178,927 thousand Euros through the exercise of the pre-emption right in the subscription of 62,640,292 new ordinary shares of the capital increase of EDP - Energias do Brasil, S.A.

The movement in non-controlling interests of Other is mainly related to acquisitions without change of control, of 28.03% of EDP Gás Distribuição, S.A. with a negative impact of 58,599 thousand Euros and of 5.00% of Naturgás Energía Grupo, S.A. with a negative impact of 108,618 thousand Euros (see note 5).

34. Hydrological Account

The movements in the Hydrological account are analysed as follows:

Thousand Euros	Group and Company	
	Dec 2016	Dec 2015
Balance at the beginning of the period	11,417	1,010
Amounts received/(paid) during the period	-10,142	10,142
Financial charges	299	265
Balance at the end of the period	1,574	11,417

The hydrological account was established by Decree-Law 23/89, of 19 January, and reflects the accounting movements resulting from the application of the hydrological correction mechanism established by the mentioned Decree-Law. This legal mechanism is designed to match a sharp interannual irregularity of production costs with a tariff stability policy, which, as a rule, affects consumers by the average of the hydrological conditions.

Given the evolution of the national electricity sector, in particular with the liberalised market, the legislature sought to adapt the mechanism of hydrological correction account to the market conditions, and for such, issued Decree-Law 110/2010 of 14 October, which provides the termination of this mechanism by 31 December 2016 and establishes a transitional regime applicable until that date. Under the terms of this Decree-Law, the differential of hydrological adjustment should be reflected in the tariff calculation applicable to all energy consumers, to cover the variation risk of tariff costs and revenues associated to the hydrological variability in Portugal.

The positive differentials of the hydrological correction account must be delivered by EDP - Energias de Portugal, SA (EDP, S.A.) to the RND concessionaire, against the hydrological correction account, in benefit of the overall system usage tariff or another tariff applicable to all electricity consumers. Thus, the negative differentials must be recovered in favor of the hydrological correction account through the same tariff and delivered by the RND concessionaire to EDP S.A.

The financial charges or income that have always been associated with the accumulated balance of this account are booked against results.

This Decree-Law establishes that the hydrological correction account, which has always been applied to the accounts of the EDP Group, should be evidenced in EDP, S.A.'s financial position statement and the corresponding annual movements explained in the notes to the financial statements.

As at December 2015, ERSE published the document "Tariffs and prices for the electricity and other services", that integrates the annex "Income and adjustments allowed for 2016 of regulated electricity companies", which determines that the differential of the hydrological correction to consider in the system usage tariff of 2016 amounts to 10,142 thousand Euros. This document also refers following the DL 110/2010 of 14 October, that the hydrological correction account mechanism ceases in the end of 2016. As at 31 December 2016, the amount is exclusively related to financial charges.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

35. Financial Debt

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	350,570	413,002	350,570	422,115
- EDP Finance B.V.	2,359,360	2,336,111	-	-
- EDP Brasil Group	588,845	766,476	-	-
- EDP Renováveis Group	686,276	935,218	-	-
- EDP Produção	73,688	82,906	-	-
- EDP Gás Distribuição	-	21,329	-	-
	4,058,739	4,555,042	350,570	422,115
Non-convertible bond loans:				
- EDP, S.A.	50,000	300,000	7,900,000	8,150,000
- EDP Finance B.V.	9,394,007	9,202,141	-	-
- EDP Brasil Group	696,122	432,452	-	-
	10,140,129	9,934,593	7,900,000	8,150,000
Hybrid bond:				
- EDP, S.A.	739,168	739,147	739,168	739,147
	739,168	739,147	739,168	739,147
Commercial paper:				
- EDP, S.A.	437,169	229,632	437,169	229,632
	437,169	229,632	437,169	229,632
Other loans	21,681	20,669	-	-
	15,396,886	15,479,083	9,426,907	9,540,894
Accrued interest	-	3,033	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	153,387	171,760	-	-
Total Debt and borrowings	15,550,273	15,653,876	9,426,907	9,540,894
Collateral Deposits - Non-current *	-31,936	-66,855	-	-
	15,518,337	15,587,021	9,426,907	9,540,894

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	65,129	69,770	74,199	69,770
- EDP Finance B.V.	199,482	199,789	-	-
- EDP Brasil Group	90,234	83,241	-	-
- EDP Renováveis Group	99,185	134,728	-	-
- Others	5,696	9,955	-	-
	459,726	497,483	74,199	69,770
Non-convertible bond loans:				
- EDP Finance B.V.	1,062,764	2,248,970	-	-
- EDP Brasil Group	178,671	108,036	-	-
	1,241,435	2,357,006	-	-
Commercial paper:				
- EDP, S.A.	556,000	418,352	1,575,846	1,633,352
	556,000	418,352	1,575,846	1,633,352
Other loans	7,664	14,669	-	-
	2,264,825	3,287,510	1,650,045	1,703,122
Accrued interest	292,064	329,154	116,314	100,360
Other liabilities:				
- Fair value of the issued debt hedged risk	-80,486	-	-	-
Total Debt and borrowings	2,476,403	3,616,664	1,766,359	1,803,482
Collateral Deposits - Current *	-20,095	-13,060	-	-
	2,456,308	3,603,604	1,766,359	1,803,482

* Deposits constituted as collateral for financial guarantee

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Commercial Paper non-current refers to a Commercial Paper programs with a firm underwriting commitment for a period of over one year, in the amounts of 250,000 thousand US Dollars and 200,000 thousand Euros.

Main events of the period:

In March 2016, EDP issued a Eurobond of 600,000 thousand Euros maturing in March 2023.

In August 2016, EDP issued a Eurobond of 1,000,000 thousand Euros maturing in February 2024.

In November 2016, following a proposal submitted by an investor, EDP, S.A. agreed to purchase Note Entitlements in the amount of 250,000 thousand Euros and 2,500 Make-whole Entitlements EDP issued in 2008 in the entitled "EUR 300,000,000 Floating Rate Notes due 2018". Such titles have been canceled.

In December 2016, EDP, S.A. concluded a "Tender Offer" over the issues "6,000% NOTES DUE FEBRUARY 2, 2018" and "4,900% NOTES DUE OCTOBER 1, 2019", limited to a total value of 500,000 thousand US Dollars. As a result of the offer, EDP, S.A. acquired 469,462 thousand US Dollars of the "6,000% NOTES DUE FEBRUARY 2, 2018" and 30,538 thousand US Dollars of the "4,900% NOTES DUE OCTOBER 1, 2019" (see note 20).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The nominal value of outstanding Bond loans placed with external counterparts, as at 31 December 2016, is analysed as follows:

Issuer	Issue date	Interest rate	Type of hedge	Conditions / Redemption	Nominal Value in Million Currency	thousand Euros	
						Group	Company
Issued by EDP S.A.							
EDP, S.A. (ii)	May-08	Variable rate (iii)	n.a.	May-18	50 EUR	50,000	50,000
						50,000	50,000
Hybrid by EDP S.A.							
EDP, S.A. (iv)	Sep-15	Fixed rate EUR 5.375% (v)	n.a.	Sep-75	750 EUR	750,000	750,000
						750,000	750,000
Issued under the Euro Medium Term Notes program							
EDP Finance B.V.(i)	Aug-02	Fixed rate GBP 6.625%	Fair Value	Aug-17	200 GBP	320,000	-
EDP Finance B.V.	Dec-02	Fixed rate EUR (iii)	n.a.	Dec-22	93 EUR	93,357	-
EDP Finance B.V.(i)	Jun-05	Fixed rate EUR 4.125%	n.a.	Jun-20	300 EUR	300,000	-
EDP Finance B.V.(vi)	Nov-07	Fixed rate USD 6.00%	Net Investment	Feb-18	531 USD	503,309	-
EDP Finance B.V.(i)	Nov-08	Fixed rate GBP 8.625%	Fair Value	Jan-24	325 GBP	410,314	-
EDP Finance B.V.	Nov-08	Zero coupon EUR (iii)	n.a.	Nov-23	160 EUR	160,000	-
EDP Finance B.V.(i)	Jun-09	Fixed rate JPY (iii)	n.a.	Jun-19	10,000 JPY	99,203	-
EDP Finance B.V.(vi)	Sep-09	Fixed rate USD 4.90%	Net Investment	Oct-19	969 USD	919,706	-
EDP Finance B.V.	Sep-12	Fixed rate EUR 5.75%	n.a.	Sep-17	750 EUR	750,000	-
			Fair Value/ Cash Flow				
EDP Finance B.V.(i)	Nov-12	Fixed rate CHF 4.00%	Cash Flow	Nov-18	125 CHF	103,922	-
EDP Finance B.V.(i)	Sep-13	Fixed rate EUR 4.875%	Fair Value	Sep-20	750 EUR	750,000	-
EDP Finance B.V.(i)	Nov-13	Fixed rate EUR 4.125%	Fair Value	Jan-21	600 EUR	600,000	-
EDP Finance B.V.	Jan-14	Fixed rate USD 5.25%	Net Investment	Jan-21	750 USD	711,507	-
EDP Finance B.V.(i)	Apr-14	Fixed rate EUR 2.625%	Fair Value	Apr-19	650 EUR	650,000	-
EDP Finance B.V.	Jun-14	Variable rate (iii)	Net Investment	Jun-19	100 USD	94,868	-
EDP Finance B.V.(i)	Sep-14	Fixed rate EUR 2.625%	Fair Value	Jan-22	1,000 EUR	1,000,000	-
EDP Finance B.V.(i)	Nov-14	Fixed rate USD 4.125%	Net Investment	Jan-20	750 USD	711,507	-
EDP Finance B.V.(i)	Apr-15	Fixed rate EUR 2.00%	Fair Value	Apr-25	750 EUR	750,000	-
EDP Finance B.V.	Mar-16	Fixed rate EUR 2.375%	n.a.	Mar-23	600 EUR	600,000	-
EDP Finance B.V.(i)	Aug-16	Fixed rate EUR 1.125%	n.a.	Feb-24	1,000 EUR	1,000,000	-
						10,527,693	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market							
Energest	Apr-12	CDI + 0.98%	n.a.	Apr-17	60 BRL	17,490	-
Lajeado Energia	Nov-13	CDI + 1.20%	n.a.	Nov-19	450 BRL	131,176	-
Bandeirante	Apr-14	CDI + 1.39%	n.a.	Apr-19	180 BRL	52,470	-
Escelsa	Aug-14	CDI + 1.50%	n.a.	Aug-20	177 BRL	51,538	-
Energias do Brasil	Oct-15	IPCA + 8.3201%	n.a.	Sep-21	196 BRL	57,133	-
Energias do Brasil	Oct-15	CDI + 1.74%	n.a.	Sep-18	664 BRL	193,632	-
Energias do Brasil	Oct-15	IPCA + 8.2608%	n.a.	Sep-24	52 BRL	15,266	-
Bandeirante	Feb-16	CDI + 2.30%	n.a.	Feb-20	100 BRL	29,150	-
Escelsa	Feb-16	CDI + 2.30%	n.a.	Feb-20	120 BRL	34,980	-
Energias do Brasil	Apr-16	IPCA + 8.3479%	n.a.	Apr-22	258 BRL	75,254	-
Energest	Apr-16	CDI + 2.25%	n.a.	Apr-18	54 BRL	15,741	-
Energest	Apr-16	CDI + 2.265%	n.a.	Apr-20	36 BRL	10,494	-
Enerpeixe	Nov-16	114.50% * CDI	n.a.	Nov-19	350 BRL	102,026	-
Pecém	Dec-16	CDI + 2.95%	n.a.	Nov-21	330 BRL	96,196	-
						882,546	-
						12,210,239	800,000

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

(ii) Fixed in each year, varies over the useful life of the loan.

(iii) These issues correspond to private placements.

(iv) There is a call option exercisable at par by EDP at March 2021, March 2026 and subsequently on each date of interest payment.

(v) Fixed rate in the first 5.5 years, subsequently updated every 5 years.

(vi) Consolidated nominal value after the repurchase of securities by EDP - Energias de Portugal, S.A. (see note 20).

EDP Group has various credit facilities it uses for liquidity management. EDP Group has short-term credit facilities of 231,000 thousand Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, which as at 31 December 2016 are totally available. Also EDP Group has Commercial Paper programs of 100,000 thousand Euros with guaranteed placement, which as at 31 December 2016 are available in 40,000 thousand Euros. EDP Group has a medium term Revolving Credit Facility (RCF) of 3,150 million Euros, with a firm underwriting commitment and maturing in 2019, which as at 31 December 2016 is totally available, and a RCF of 500,000 thousand Euros, with a firm underwriting commitment and maturing in 2020, which as at 31 December 2016 are available in 300,000 thousand Euros.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

As at 31 December 2016, future debt and borrowing payments and interest by type of loan and currency are analysed as follows:

Thousand Euros	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Following years	Total
Bank loans:							
Euro	336,123	293,992	106,735	1,960,216	94,363	370,144	3,161,573
Brazilian Real	117,289	144,751	164,726	71,869	64,645	263,485	826,765
US Dollar	6,274	-	331,559	-	-	-	337,833
Other	22,076	20,332	21,954	23,444	25,800	100,947	214,553
	481,762	459,075	624,974	2,055,529	184,808	734,576	4,540,724
Bond loans:							
Euro	1,137,754	168,500	654,094	1,078,826	594,951	4,093,404	7,727,529
Brazilian Real	202,283	268,441	174,740	102,680	104,773	45,488	898,405
US Dollar	54,760	502,534	1,092,120	708,027	704,715	-	3,062,156
	1,394,797	939,475	1,920,954	1,889,533	1,404,439	4,138,892	11,688,090
Hybrid Bond:							
Euro	32,140	-	-	-	-	739,168	771,308
	32,140	-	-	-	-	739,168	771,308
Commercial paper:							
Euro	556,722	-	-	-	200,000	-	756,722
US Dollar	2,842	-	237,169	-	-	-	240,011
	559,564	-	237,169	-	200,000	-	996,733
Other loans:							
Euro	1,819	70	50	-	-	-	1,939
Brazilian Real	6,321	2,538	2,109	956	497	15,461	27,882
	8,140	2,608	2,159	956	497	15,461	29,821
	2,476,403	1,401,158	2,785,256	3,946,018	1,789,744	5,628,097	18,026,676

As at 31 December 2015, future debt and borrowing payments and interest by type of loan and currency are analysed as follows:

Thousand Euros	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Following years	Total
Bank loans:							
Euro	392,938	333,317	316,389	122,639	1,614,446	584,466	3,364,195
Brazilian Real	77,537	117,088	156,781	108,396	72,016	279,978	811,796
US Dollar	3,303	-	-	481,046	-	-	484,349
Other	43,911	39,451	37,634	38,392	37,264	218,950	415,602
	517,689	489,856	510,804	750,473	1,723,726	1,083,394	5,075,942
Bond loans:							
Euro	2,462,908	1,031,632	417,185	652,675	1,078,639	2,828,942	8,471,981
Brazilian Real	124,920	153,562	147,847	79,275	30,563	21,206	557,373
US Dollar	64,057	-	917,129	1,082,114	684,508	980,898	3,728,706
	2,651,885	1,185,194	1,482,161	1,814,064	1,793,710	3,831,046	12,758,060
Hybrid Bond:							
Euro	11,785	-	-	-	-	739,147	750,932
	11,785	-	-	-	-	739,147	750,932
Commercial paper:							
Euro	420,636	-	-	-	-	-	420,636
US Dollar	-	-	-	229,632	-	-	229,632
	420,636	-	-	229,632	-	-	650,268
Other loans:							
Euro	9,191	1,221	-	-	-	-	10,412
Brazilian Real	5,478	2,710	1,985	1,644	727	12,382	24,926
	14,669	3,931	1,985	1,644	727	12,382	35,338
	3,616,664	1,678,981	1,994,950	2,795,813	3,518,163	5,665,969	19,270,540

Some of the loans contracted by the EDP Group, mainly debt issued under the EMTN programme, include some usual clauses in this type of operations, namely, "change-of-control", "negative pledge", "pari-passu" and "cross-default" clauses, each one only applicable under a restricted set of circumstances.

The Group has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2016 and 31 December 2015 these loans amounted to 1,100,951 thousand Euros and 1,609,375 thousand Euros, respectively (see note 44).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

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

Thousand Euros	Dec 2016		Dec 2015	
	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Non-Current	15,550,273	16,355,711	15,653,876	16,291,289
Debt and borrowings - Current	2,476,403	2,242,288	3,616,664	3,397,597
	18,026,676	18,597,999	19,270,540	19,688,886

In accordance with accounting policies - note 2 d) and f), the financial liabilities whose risks are being hedged by derivative financial instruments and that comply with hedge accounting requirements of IAS 39, are accounted at fair value. The financial liabilities are booked at amortised cost.

For fair value of debt purposes, the Hybrid bond was valued considering the maturity of the first call date (March 2021).

36. Employee Benefits

Employee benefits are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Provisions for social liabilities and benefits	815,264	883,447	3,088	13,303
Provisions for medical liabilities and other benefits	911,581	940,046	1,858	9,871
	1,726,845	1,823,493	4,946	23,174

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Non-Current	1,410,136	1,647,730	4,655	22,828
Current	316,709	175,763	291	346
	1,726,845	1,823,493	4,946	23,174

As at 31 December 2015, Provisions for social liabilities and benefits include 882,269 thousand Euros related to retirement pension defined benefit plans and 1,178 thousand Euros related to the estimated cost of services rendered by third parties under the human resources rationalisation program. As at 31 December 2016, Provisions for social liabilities and benefits relate to retirement pension defined benefit plans.

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

Thousand Euros	Group	
	Dec 2016	Dec 2015
Balance at the beginning of the period	883,447	930,291
Charge for the period	27,412	27,641
Past service cost (Curtailment/Plan amendments)	12,824	-
Actuarial (gains)/losses	48,960	35,569
Charge-off	-155,759	-166,908
Surplus/(Deficit) pension funding (see note 27)	-1,139	58,724
Transfers, reclassifications and exchange differences	-481	-1,870
Balance at the end of the period	815,264	883,447

The breakdown of actuarial gains and losses is analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Actuarial gains and losses arising from:		
- changes in demographic assumptions	-3,325	1,072
- changes in financial assumptions	85	21,924
- experience adjustments	60,627	19,173
Actuarial gains and losses arising from return on plan assets	-28,711	-6,560
Actuarial gains and losses of asset ceiling	20,284	-40
	48,960	35,569

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

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

Thousand Euros	Group	
	Dec 2016	Dec 2015
Balance at the beginning of the period	940,046	949,982
Charge for the period	39,044	38,104
Past service cost (Curtailment/Plan amendments)	563	-
Actuarial (gains)/losses	22,796	26,190
Charge-off	-45,052	-44,967
Fund contributions	-81,940	-
Transfers, reclassifications and exchange differences	36,124	-29,263
Balance at the end of the period	911,581	940,046

The breakdown of actuarial gains and losses is analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Actuarial gains and losses arising from:		
- changes in financial assumptions	10,727	2,444
- experience adjustments	12,061	23,746
Actuarial gains and losses arising from return on plan assets	8	-
	22,796	26,190

In accordance with accounting policies - note 2 n), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefits plans. The impact in reserves at 31 December 2004 amounted to 1,162,000 thousand Euros. In the following periods, actuarial gains and losses were recognised directly in reserves. As at 31 December 2016 losses of 71,756 thousand Euros (31 December 2015: 61,759 thousand Euros) were recognised in reserves.

During 2016, under the employees' reduction program, EDP Group entered into early retirement and anticipation of retirement agreements with 46 portuguese employees that will cease their services in 2017. This increase in liabilities with employee benefits was measured and recognised in the income statement in the amount of 13,387 thousand Euros (see note 9).

The weighted average duration of the defined benefit liabilities in Portugal is 11 years.

In December 2016, following the decision and implementation of the autonomisation of the Medical Plan and Death Subsidy Plan, was made a first contribution of 81,940 thousand Euros, in line with the financing plan approved by Insurance and Pension Funds Supervisory Authority (ASF). In 2017, EDP Group estimates to make a contribution of 163,900 thousand Euros, as defined in the financing plan.

Employee benefit plans

Some EDP Group companies grant post-retirement benefits to employees, under defined benefit and defined contribution plans, namely pension plans that pay retirement complements of age, disability and surviving pensions, as well as early retirement pensions. In some cases healthcare is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

The following is a summary of the nature of the plans and the companies covered, as well as financial and economic data of the plans:

I. Defined benefit pension plans

The EDP Group companies in Portugal resulting from the EDP spin-off in 1994 have a social benefits plan funded by a closed Pension Fund, complemented by a specific provision. The EDP Pension Fund is managed by an external entity as well as the management of its assets is subcontracted to external asset management entities.

This Pension Fund covers the liability for retirement pension complementary benefits for age. The responsibilities for early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

In Spain, following the revision of the collective labour agreement ("Convenio Colectivo") signed in December 2007, HC Energia Group companies implemented an early retirement program.

Bandeirante in Brazil has two defined benefit plans managed by a closed complementary welfare entity, sponsored by companies of EDP Brasil, in order to manage a set of benefit plans for employees and ex-employees of Bandeirante:

- DB Plan in force up to 31 March 1998, a Balanced Benefit Plan that grants Balanced Proportional Supplementary Benefits (BSPS) in the form of an annuity payable to participants enrolled until 31 March 1998, of an amount defined in proportion to accumulated past service up to that date, based on compliance with the regulatory granting requirements. The company is fully liable to fund this plan;

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

- DB plan in force after 31 March 1998, grants an annuity in proportion to the accumulated past services after 31 March 1998, on the basis of 70% of the average actual monthly wage for the last 36 months in service. In the event of death or disability caused by a labour accident, the benefits incorporate all the past service (including that accumulated up to 31 March 1998), and not only past service accumulated after 31 March 1998. The Company and the participants are equally responsible for funding the Plan.

Escelsa, Bandeirante and Energest have Defined Benefit Plans that grant complementary pensions for retirement and early retirement.

In the pension plans in Portugal, and according with the Pension Funds regulation, the surplus amount of the assets fund, under certain conditions, can be reimbursed to the company.

In the pension plans in Brazil, the surplus amount of the assets fund generally can not be reimbursed to the company, since there are very strict rules on the amount that can be recovered, therefore the asset amount to be recognised is greatly reduced.

The number of participants covered by the pension plans and similar obligations was as follows:

	2016			2015		
	Portugal	Spain	Brazil	Portugal	Spain	Brazil
Number of participants:						
Retirees and pensioners	17,780	1,368	1,608	17,791	1,331	1,840
Active workers	4,599	1,408	1,005	4,939	1,415	1,178
	22,379	2,776	2,613	22,730	2,746	3,018

The following financial and actuarial assumptions were used to calculate the liability of the EDP Group pension plans and similar obligations:

	Dec 2016				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Discount rate	1.7%	1.75%	12.00%	12.00%	12.00%
Salary increase rate	1.50% until 2019 // 1.80% after 2020	3.00%	6.06%	6.06%	6.06%
Pension increase rate	1.30%	not applicable	5.50%	5.50%	5.50%
Social Security salary appreciation	2017 - 0.80% // After 2017 - 1.20%	not applicable	5.50%	5.50%	5.50%
Inflation rate	1.3%	1.50%	5.50%	5.50%	5.50%
Mortality table	Born< 1950 - TV99/01 (+1) // Born>= 1950 -- TV99/01	PERM/F-2000P	AT-2000	AT-2000 / RP 2000 Generational	AT-2000 / RP 2000 Generational
Disability table	50%EKV 80	not applicable	Light Forte	Muller / Wyatt 1985	Muller / Wyatt 1985
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

	Dec 2015				
	Portugal	Spain	Bandeirante	Brazil Escelsa	Energest
Assumptions					
Discount rate	1.90%	2.00%	12.75%	12.75%	12.75%
Salary increase rate	2.30%	3.00%	7.82%	7.82%	7.82%
Pension increase rate	1.50%	not applicable	5.50%	5.50%	5.50%
Social Security salary appreciation	2016 - 0% // After 2016 - 1.4%	not applicable	5.50%	5.50%	5.50%
Inflation rate	1.50%	1.75%	5.50%	5.50%	5.50%
Mortality table	Born< 1950 - - TV99/01 (+1) // Born>= 1950 -- TV99/01	PERM/F- 2000P	AT-2000	AT-2000	AT-2000
Disability table	50%EKV 80	not applicable	Light Forte	Muller	Muller
Expected % of eligible employees accepting early retirement	(b)	not applicable	not applicable	not applicable	not applicable

(a) 45% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).

(b) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).

The assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2016.

The liability for retirement pensions and related coverage for the Group is analysed as follows:

Thousand Euros	Dec 2016			
	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the period	1,586,902	87,815	274,074	1,948,791
Fair value of plan assets at the end of the period	-917,393	-	-330,624	-1,248,017
Surplus/(Deficit) pension funding (see note 27)	57,585	-	-	57,585
Asset ceiling	-	-	56,905	56,905
Provision at the end of the period	727,094	87,815	355	815,264

Thousand Euros	Dec 2015			
	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the period	1,693,576	94,172	191,663	1,979,411
Fair value of plan assets at the end of the period	-964,620	-	-218,359	-1,182,979
Surplus/(Deficit) pension funding (see note 27)	58,724	-	-	58,724
Asset ceiling	-	-	27,113	27,113
Provision at the end of the period	787,680	94,172	417	882,269

The caption Asset ceiling refers to the unrecognised assets in the respective accounting periods. The reconciliation between the opening balance and the closing balance is analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Asset ceiling at the beginning of the period	27,113	36,344
Effect of changes in restricted net assets of benefits to the asset ceiling	20,284	-40
Exchange differences	9,508	-9,191
Asset ceiling at the end of the period	56,905	27,113

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The evolution of the present value of the plan liability and fair value of the plan assets of the related funds is analysed as follows:

Thousand Euros	2016	2015	2014	2013	2012
Provision for Pension Plans					
Liability at the end of the period	1,948,791	1,979,411	2,162,044	2,171,716	2,181,366
Fair value of plan assets at the end of the period	-1,248,017	-1,182,979	-1,271,247	-1,250,007	-1,281,773
Surplus / (Deficit) pension funding	57,585	58,724	-	-	-
Asset ceiling	56,905	27,113	36,344	33,490	32,601
Provision at the end of the period	815,264	882,269	927,141	955,199	932,194

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Pension Funds are analysed as follows:

Thousand Euros	2016	2015	2014	2013	2012
Experience adjustments for the Plan liabilities	-51,686	-16,902	11,260	-25,100	-25,009
Experience adjustments for the Plan assets	-2,061	16,025	34,347	64,074	32,511

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Pension Funds are analysed as follows:

Thousand Euros	2016	2015	2014	2013	2012
Experience adjustments for the Plan liabilities	-8,941	-2,271	-11,923	308	3,469
Experience adjustments for the Plan assets	30,772	-9,465	5,524	-36,750	21,032

The past service liability of the pension plans for the Group is as follows:

Thousand Euros	Dec 2016			
	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the period	1,693,576	94,172	191,663	1,979,411
Current service cost	9,296	4,584	-204	13,676
Net interest on the pensions plan liability	30,497	1,597	26,307	58,401
Benefits paid	-197,999	-9,345	-19,213	-226,557
Past service cost (Curtailment/Plan amendments)	12,824	-	-	12,824
Actuarial losses and gains	38,497	-3,325	22,215	57,387
Currency fluctuation	-	-	52,909	52,909
Other	211	132	397	740
Liability at the end of the period	1,586,902	87,815	274,074	1,948,791

Thousand Euros	Dec 2015			
	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the period	1,805,677	104,810	251,557	2,162,044
Current service cost	9,702	1,586	-393	10,895
Net interest on the pensions plan liability	32,590	1,682	25,996	60,268
Benefits paid	-199,697	-14,905	-17,622	-232,224
Actuarial losses and gains	46,000	1,072	-4,903	42,169
Currency fluctuation	-	-	-64,274	-64,274
Other	-696	-73	1,302	533
Liability at the end of the period	1,693,576	94,172	191,663	1,979,411

The components of the consolidated net cost of this pension plans recognised during the period are as follows:

Thousand Euros	Dec 2016			
	Portugal	Spain	Brazil	Group
Current service cost	9,296	4,584	-204	13,676
Past service cost (Curtailment/Plan amendments)	12,824	-	-	12,824
Operational component (see note 9)	22,120	4,584	-204	26,500
Net interest on the net pensions plan liability	12,805	1,597	-666	13,736
Financial component (see note 13)	12,805	1,597	-666	13,736
	34,925	6,181	-870	40,236

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Thousand Euros	Dec 2015			
	Portugal	Spain	Brazil	Group
Current service cost	9,702	1,586	-393	10,895
Operational component (see note 9)	9,702	1,586	-393	10,895
Net interest on the net pensions plan liability	14,354	1,682	710	16,746
Financial component (see note 13)	14,354	1,682	710	16,746
	24,056	3,268	317	27,641

The evolution of the consolidated assets of the Pension Funds is analysed as follows:

Thousand Euros	Dec 2016			
	Portugal	Spain	Brazil	Group
Pension funds				
Assets value at the beginning of the period	964,620	-	218,359	1,182,979
Group contribution	-	-	10,072	10,072
Plan participants contributions	-	-	976	976
Benefits paid	-62,828	-	-19,018	-81,846
Interest on the pensions plan assets	17,692	-	26,973	44,665
Actuarial gains/(losses)	-2,061	-	30,772	28,711
Currency fluctuation	-	-	62,294	62,294
Other variations	-30	-	196	166
Assets value at the end of the period	917,393	-	330,624	1,248,017

The actuarial gains/losses in Brazil include the positive amount of 20,284 thousand Euros (78,253 thousand Reais) related to actuarial gains and losses of the asset ceiling not recognised in reserves (2015: negative in 40 thousand Euros).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 56,905 thousand Euros (195,158 thousand Reais). As at 31 December 2015 the value of the asset ceiling was 27,113 thousand Euros (116,905 thousand Reais).

Thousand Euros	Dec 2015			
	Portugal	Spain	Brazil	Group
Pension funds				
Assets value at the beginning of the period	992,501	-	278,746	1,271,247
Group contribution	-	-	12,108	12,108
Plan participants contributions	-	-	847	847
Benefits paid	-61,991	-	-17,405	-79,396
Interest on the pensions plan assets	18,236	-	25,286	43,522
Actuarial gains/(losses)	16,025	-	-9,465	6,560
Currency fluctuation	-	-	-72,212	-72,212
Other variations	-151	-	454	303
Assets value at the end of the period	964,620	-	218,359	1,182,979

The assets of the pension fund in Portugal are analysed as follows:

Thousand Euros	Fund assets by nature					
	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2016	19,945	401,788	326,169	88,928	80,563	917,393
31 December 2015	17,766	440,453	323,501	96,120	86,780	964,620

%	Fund assets by nature					
	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2016	2.17%	43.80%	35.55%	9.69%	8.79%	100.00%
31 December 2015	1.84%	45.66%	33.54%	9.96%	9.00%	100.00%

The assets of the medical care and death subsidy fund in Portugal are analysed as follows:

Thousand Euros	Fund assets by nature					
	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2016	1,781	35,880	29,128	7,941	7,195	81,925

%	Fund assets by nature					
	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2016	2.17%	43.80%	35.55%	9.69%	8.79%	100.00%

The portfolio shares and bonds have a quoted market price in an active market.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Properties included in the fund, that are being used by the Group amount to 68,430 thousand Euros as at 31 December 2016 (31 December 2015: 68,473 thousand Euros). Bonds include 6,983 thousand Euros (31 December 2015: 9,159 thousand Euros) relating to bonds issued by EDP Finance B.V. and EDP, S.A.

Shares include securities issued by Group companies that are analysed as follows:

Thousand Euros	2016	2015
Shares:		
EDP Renováveis	9,119	10,744
EDP S.A.	250	-
	9,369	10,744

Pension fund assets in Brazil are analysed as follows:

Thousand Euros	Fund assets by nature					Total
	Liquidity	Bonds	Shares	Property	Other	
31 December 2016	-	281,254	45,410	1,134	2,826	330,624
31 December 2015	-	185,953	28,861	866	2,679	218,359

%	Fund assets by nature					Total
	Liquidity	Bonds	Shares	Property	Other	
31 December 2016	0.00%	85.07%	13.73%	0.34%	0.85%	100.00%
31 December 2015	0.00%	85.16%	13.22%	0.40%	1.22%	100.00%

Assumptions regarding the discount rate

The discount rates used for the EDP Group pension plan were selected based on an analysis of the rates of return available on the date for the high quality corporate bonds. Bonds with maturities and ratings considered appropriate were selected considering the amount and the periods that the benefits are expected to be paid.

The real return rate on assets of the pension fund in 2016 was positive in 2.02% (2015: positive in 3.51%).

As at 31 December 2016 the amount of future benefits expected to be paid, related to the activity in Portugal, Spain and Brazil, is analysed as follows:

Expected future benefits to be paid			
Portugal	Pensions	Medical plan and other benefits	Total
2017	188,208	33,972	222,180
2018	174,617	33,984	208,601
2019	161,156	34,153	195,309
2020	147,167	34,781	181,948
2021	133,016	34,442	167,458
2022	116,236	34,636	150,872
2023	102,253	34,822	137,075
2024	88,321	34,853	123,174
2025	76,336	34,905	111,241
2026	65,525	34,730	100,255

In 2016, the pensions paid by the funds in Portugal amounted 62,828 thousand Euros (31 December 2015: 61,991 thousand Euros).

Expected future benefits to be paid	
Spain	Other Benefits
2017	8,346
2018	5,061
2019	5,313
2020	5,454
2021	4,543
2022	4,330
2023	4,306
2024	4,277
2025	4,251
2026	4,230

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

In 2016, the pensions paid by the Funds in Spain amounted 9,345 thousand Euros (31 December 2015: 14,905 thousand Euros).

The amount of 87,815 thousand Euros related to HC Energia Group, included in provisions for social welfare and benefits, includes 78,884 thousand Euros (31 December 2015: 84,001 thousand Euros) related with provisions for the revision of the collective labour agreement and 8,931 thousand Euros (31 December 2015: 10,171 thousand Euros) related with responsibilities with pre-retirement before 31 December 2007.

Expected future benefits to be paid			
		Medical Plans and Other Benefits	
Brazil	Pensions		Total
2017	19,282	9,523	28,805
2018	20,282	10,535	30,817
2019	21,641	11,620	33,261
2020	22,975	12,793	35,768
2021	24,448	14,115	38,563
2022 to 2026	144,043	92,998	237,041

The contributions made to the Pension funds in 2016 amounted to 10,072 thousand Euros (31 December 2015: 12,108 thousand Euros) and were fully paid in cash.

The pensions paid by the Funds in 2016 in Brazil amounted 19,018 thousand Euros (31 December 2015: 17,405 thousand Euros).

The sensitivity analysis for the Pension Plan in Portugal is analysed as follows:

Thousand Euros	Liabilities at the end of the period	
	Increase	Decrease
Discount rate (0.5% movement)	-56,011	60,474
Pension increase (0.5% movement)	349,251	-152,446
Social Security Pension increase (0.5% movement)	-102,622	223,464
Mortality (increase of 1 year in expected lifetime of plan participants)	46,446	

The sensitivity analysis for the Pension Plan in Brazil is analysed as follows:

Thousand Euros	Liabilities at the end of the period	
	Increase	Decrease
Discount rate (0.5% movement)	-13,248	14,511
Mortality (increase of 1 year in expected lifetime of plan participants)	3,449	

II. Defined contribution pension plan

EDPR Europe and HC Energia in Spain, Bandeirante in Brazil and several subsidiaries in Portugal, have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type

The EDP Group companies in Portugal resulting from the EDP spin-off in 1994 have a Medical Care and Death Subsidy Plans partially funded by a closed Pension Fund, complemented by a specific provision. The responsibilities regarding the remaining defined benefit plans are fully covered by a provision.

In Brazil, Escelsa, Energest and Investco in Brazil also have Medical and other benefits plans for retired employees which are also fully covered by provisions.

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, survival benefits, life insurance, antiquity and retirement benefits, power and gas tariff discounts, among others.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The actuarial assumptions used to calculate the liability for Medical Care Plans are as follows:

	Dec 2016		Dec 2015	
	Portugal	Brazil	Portugal	Brazil
Assumptions				
Discount rate	1.70%	12.00%	1.90%	12.75%
Annual increase rate of medical service costs	2.50%	11,50% (c)	3.50%	11.50% (b)
Estimated administrative expenses per beneficiary per year (Euros)	242 € / year	not applicable	238€ / year	not applicable
Mortality table	Nasc.<1950 - - TV99/01 (+1) //	RP-2000 Geracional	Born<1950 -- TV99/01 (+1) //	RP-2000 Geracional
	Nasc.>=1950 0 -- TV99/01		Born>=1950 -- TV99/01	
Disability table	50%EKV 80	Wyatt 85 Class 1	50%EKV 80	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(d)	not applicable	(a)	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).

(b) 11.50% in the first year, decreasing to 7% in 10 years.

(c) 11.50% in the first year, decreasing to 7.50% in 10 years.

(d) 45% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).

The number of participants covered by the Medical and other benefits plans is as follows:

	Dec 2016		Dec 2015	
	Portugal	Brazil	Portugal	Brazil
Number of participants				
Retirees and pensioners	17,762	1,280	17,782	2,459
Current employees	6,557	628	6,638	1,091
	24,319	1,908	24,420	3,550

The liability for medical care and other benefits and related coverage for the Group is analysed as follows:

Thousand Euros	Dec 2016		
	Portugal	Brazil	Group
Provision for medical care			
Liability at the end of the period	809,319	184,187	993,506
Fair value of plan assets at the end of the period	-81,925	-	-81,925
Provision at the end of the period	727,394	184,187	911,581

Thousand Euros	Dec 2015		
	Portugal	Brazil	Group
Provision for medical care			
Liability at the end of the period	832,041	108,005	940,046
Provision at the end of the period	832,041	108,005	940,046

The evolution of the present value of the liability for Medical and other benefits for the Group is as follows:

Thousand Euros	2016	2015	2014	2013	2012
Provision for medical care					
Liability at the end of the period	993,506	940,046	949,982	974,179	994,026
Fair value of plan assets at the end of the period	-81,925	-	-	-	-
Provision at the end of the period	911,581	940,046	949,982	974,179	994,026

The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Portugal Medical Care Liabilities are analysed as follows:

Thousand Euros	2016	2015	2014	2013	2012
Experience adjustments for the Medical Plan liabilities	-5,816	1,087	5,828	48,685	36,991
Experience adjustments for the Plan assets	-8	-	-	-	-

The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Brazil Medical Care Liabilities are analysed as follows:

Thousand Euros	2016	2015	2014	2013	2012
Experience adjustments for the Medical Plan liabilities	-6,245	-24,833	44,054	-42,551	-39,238

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The change of the consolidated past service liability for medical and other benefits for the Group is as follows:

Thousand Euros	Dec 2016			Dec 2015		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Evolution of the liability						
Liability at the beginning of the period	832,041	108,005	940,046	841,407	108,575	949,982
Current service cost	7,678	641	8,319	10,391	525	10,916
Net interest on the net medical liabilities and other benefits	15,649	15,076	30,725	15,833	11,355	27,188
Benefits paid	-36,525	-8,527	-45,052	-37,174	-7,793	-44,967
Past service cost (Curtailment/Plan amendments)	563	-	563	-	-	-
Actuarial gains and losses	-13,165	35,953	22,788	-1,088	27,278	26,190
Currency fluctuation	-	33,110	33,110	-	-31,935	-31,935
Other and "mútua"	3,078	-71	3,007	2,672	-	2,672
Liability at end of the period	809,319	184,187	993,506	832,041	108,005	940,046
Provision at end of the period	809,319	184,187	993,506	832,041	108,005	940,046

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

Thousand Euros	Dec 2016			Dec 2015		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	7,678	641	8,319	10,391	525	10,916
Past service cost (Curtailment/Plan amendments)	563	-	563	-	-	-
Operational component (see note 9)	8,241	641	8,882	10,391	525	10,916
Net interest on the net medical liabilities and other benefits	15,649	15,076	30,725	15,833	11,355	27,188
Financial component (see note 13)	15,649	15,076	30,725	15,833	11,355	27,188
Net cost for the period	23,890	15,717	39,607	26,224	11,880	38,104

The evolution of the consolidated assets of the Medical care and Death subsidy Funds is analysed as follows:

Thousand Euros	Dec 2016
	Portugal
Pension funds	
Assets value at the beginning of the period	-
Group contribution	81,940
Actuarial gains/(losses)	-8
Other variations	-7
Assets value at the end of the period	81,925

The sensitivity analysis for the Medical Care Plan in Portugal is analysed as follows:

Thousand Euros	Liabilities at the end of the period	
	Increase	Decrease
Discount rate (0.5% movement)	-55,898	62,738
Health care cost trend (0.5% movement)	15,716	-14,365
Mortality (increase of 1 year in expected lifetime of plan participants)	17,873	

The sensitivity analysis for the Medical Care Plan in Brazil is analysed as follows:

Thousand Euros	Liabilities at the end of the period	
	Increase	Decrease
Discount rate (0.5% movement)	-10,445	11,523
Mortality (increase of 1 year in expected lifetime of plan participants)	6,326	

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

37. Provisions for Liabilities and Charges

Provisions for liabilities and charges are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Provision for legal and labour matters and other contingencies	98,574	75,991	20	-
Provision for customer guarantees under current operations	10,435	3,295	-	-
Provision for dismantling and decommissioning	462,887	276,072	-	-
Provision for other liabilities and charges	99,596	150,714	8,303	13,469
	671,492	506,072	8,323	13,469

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Non-Current	637,613	481,439	7,599	12,207
Current	33,879	24,633	724	1,262
	671,492	506,072	8,323	13,469

The changes in the Provisions for legal and labour matters and other contingencies are analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Balance at the beginning of the period	75,991	69,817
Charge for the period	19,882	25,872
Reversals	-8,015	-10,100
Charge-off for the period	-13,332	-10,976
Other and exchange differences	24,048	1,378
Balance at the end of the period	98,574	75,991

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

Provision for legal and labour matters and other contingencies includes provisions for litigation in progress and other labour contingencies, which are related essentially with:

- i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa in the amount of 13,443 thousand Euros (31 December 2015: 9,363 thousand Euros). These requests result from the application of Administrative Orders DNAEE no. 38 of 27 February 1986 and no. 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;
- ii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousand Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, at 31 December 2016, the estimated liability amounts to 5,836 thousand Euros, corresponding to the indemnity discounted amount. This process is in a foreclosure stage and an appeal was filed by EDP Produção;
- iii) During April 2015, ERSE has notified EDP Comercial on its decision regarding the opening of an administrative infraction proceeding, within the framework of the Energy Sector Sanctions Regime (RSSE), requesting several information. In July 2015, ERSE sent a statement of objection to EDP Comercial whose response with defense arguments was prepared and submitted within the deadlines set by law. On 10 December 2015, ERSE issued a decision condemning EDP Comercial to a fine of 7,500 thousand Euros. It was decided to appeal the decision within the legal deadline set for this purpose, and a provision in the above mentioned amount has been recognised;
- iv) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

In accordance with IFRS 3, in the course of an acquisition, the acquiring company must recognise, at the acquisition date, a contingent liability for the present obligations resulting from past events which fair value can be reliably measured. Within the process of acquisition of control of Porto do Pecém, the Board of Directors identified a contingency, which estimated responsibility amounts to 6,339 thousand Euros (21,745 thousand Brazilian Reals) as at 31 December 2016.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The movement in Provision for customer guarantees under current operations is analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Balance at the beginning of the period	3,295	3,837
Charge-off for the period	-2,491	-2,214
Other and exchange differences	9,631	1,672
Balance at the end of the period	10,435	3,295

Provisions for customer guarantees under current operations include essentially provisions for commercial losses.

The movement in Provision for dismantling and decommissioning is analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Balance at the beginning of the period	276,072	240,630
Changes in the perimeter	48	8,946
Unwinding (see note 13)	7,650	7,145
Charge for the period	657	290
Increase of the responsibility (see note 16)	176,978	15,973
Decrease of the responsibility	-	-7
Reversals	-833	-1,746
Other and exchange differences	2,315	4,841
Balance at the end of the period	462,887	276,072

As at 31 December 2016, Provision for dismantling and decommissioning includes the following situations:

- i) The Group has recognised a provision of 43,865 thousand Euros (31 December 2015: 35,471 thousand Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. The assumptions used in the calculation of the provision include an inflation rate of 2% and discount rates between 0.35% and 0.42%. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;
- ii) Provisions for dismantling of wind farms of 268,191 thousand Euros (31 December 2015: 117,228 thousand Euros) to cover the costs of bringing the sites to their original conditions, of which 103,638 thousand Euros refer to the wind farms of the EDPR NA Group, 162,413 thousand Euros refer to the wind farms of the EDPR EU Group, 1,504 thousand Euros refer to the wind farms of the EDPR Brasil Group and 636 thousand Euros refer to the wind farms of the EDPR Canada Group. The variation relates essentially with the net effect of: i) the extension of the useful life of the renewable assets from 25 to 30 years (see note 2 h and 3); ii) the aforementioned cost to be incurred that has been revised according to an in-deep analysis performed by the EDPR's technical department; and iii) the update of the discount rates.

The assumptions used when computing these provisions, are the following:

	Dec 2016		Dec 2015	
	Europe	North America	Europe	North America
Average cost per MW (Euros):				
Wind (steel structure)	25,873	26,715	14,000	21 618
Wind (concrete structure)	33,954	-	14,000	-
Salvage value per MW (Euros):				
Wind (steel structure)	35,603	33,942	41,000	29 724
Wind (concrete structure)	19,787	-	41,000	-
Discount rate:				
Euro	[0.00% - 1.77%]	-	[1.90% - 2.50%]	-
USD	-	[0.72% - 2.94%]	-	[3.85% - 5.00%]
Inflation rate:				
Euro Zone	[1.01% - 2.35%]	-	[1.75% - 1.85%]	-
USA	-	[2.00% - 2.30%]	-	2.5%
Capitalisation (number of years)	30	30	25	25

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the Group recognises provisions to cover the costs with the decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 31 December 2016, the provision amounts to 90,183 thousand Euros (31 December 2015: 79,455 thousand Euros) and 58,210 thousand Euros (31 December 2015: 42,100 thousand Euros) for the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the future liability and are accounted against an increase in property, plant and equipment and are depreciated on a straight line basis over the average useful life of the assets. The calculation of these provisions was based on an inflation rate between 1.38% and 2% and discount rates between 0% and 1.48%.

The movement in Provision for other liabilities and charges for is analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Balance at the beginning of the period	150,714	171,255	13,469	22,811
Charge for the period	15,619	23,935	1,502	2,207
Reversals	-42,386	-22,195	-1,109	-12,088
Charge-off for the period	-22,918	-8,234	-5,669	-414
Other and exchange differences	-1,433	-14,047	110	953
Balance at the end of the period	99,596	150,714	8,303	13,469

As at 31 December 2016, the caption Provision for other liabilities and charges includes a provision related with an agreement between EDM - Eletricidade de Moçambique E.P and EDP. As part of the institutional collaboration, it was agreed in 2012 the rehabilitation and the conversion of 2 gas turbines of 16 MW decommissioned from Tunes Thermoelectric plant to be installed in Chokwé - Mozambique in open cycle mode. In 2014, EDM requested the transfer of the project to the Nacala area, where the turbines now need to be adapted to work on diesel. It is estimated that from this conversion a negative impact of 8,006 thousand Euros will arise (31 December 2015: 8,006 thousand Euros).

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

The processes whose losses were considered as possible, do not require the recognition of provisions and are periodically reassessed. The detail of possible contingencies is analysed as follows:

Thousand Euros	Dec 2016			
	Subsidiaries based in Portugal	Subsidiaries based in Spain	Subsidiaries based in Brazil	Total
Administrative and Civil	47,810	5,732	267,253	320,795
Fiscal	14,663	7,856	361,905	384,424
Other	13,688	2,089	27,927	43,704
	76,161	15,677	657,085	748,923

Thousand Euros	Dec 2015			
	Subsidiaries based in Portugal	Subsidiaries based in Spain	Subsidiaries based in Brazil	Total
Administrative and Civil	53,881	3,954	191,700	249,535
Fiscal	93,020	1,413	249,838	344,271
Other	15,905	314	22,464	38,683
	162,806	5,681	464,002	632,489

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The possible contingencies more relevant in Portugal, are as follows:

- i) EDP Produção, EDP Distribuição, EDP Comercial and EDP Serviço Universal have several lawsuits of civil nature associated with claims for property and non-property damage in the amount of 12,830 thousand Euros (31 December 2015: 11,586 thousand Euros);
- ii) Within EDP Distribuição there is a contingency regarding the liability for the costs of the works for the installation and supply of electricity distribution grids, including public illumination, with respect to the urbanistic reconversion and intervention area in Parque Expo 98. In this context, Parque Expo 98 argues that, between 1996 and 2014, it has supported the costs, in the amount of 26,519 thousand Euros, being such responsibility of EDP Distribuição. In November 2015, Parque Expo 98 addressed EDP Distribuição a separate judicial notice, in order to interrupt the limitation period (which would occur 20 years from the date of the referred agreement);
- iii) There is a civil judicial proceeding in Empresa Hidroeléctrica do Guadiana resulting from inconsistencies of interpretation of the exploration agreement of hydroelectric plant of Alqueva and Pedrógão, entered into with EDIA. In particular, regarding the determining of the investment made with the construction of power increase of Alqueva for the effects of adjustment of the annual financial compensation foreseen in the agreement. As at 31 December 2016, the contingency amounts approximately to 7,779 thousand Euros (31 December 2015: 7,000 thousand Euros);
- iv) During April 2015, ERSE has notified EDP Distribuição about the resolution regarding the opening of the administrative infraction proceedings, within the framework of the Energy Sector Sanctions Regime (RSSE) requesting several information (without further developments until the present moment). As at 31 December 2016, legal advisers and the Board recognise that this contingency seems to be possible, notwithstanding, in view of the investigation phase of the proceedings and the lack of case law in this matter, at this date the respective risk value is uncertain;
- v) On 29 July 2016, the Portuguese Competition Authority has notified EDP, S.A. and EDP Comercial, S.A. with a notice for alleged violation of competition laws, regarding the process about the commercial campaign done in partnership with Modelo Continente, designated as "Plano EDP Continente". This was an occasional campaign, limited to two years, which was one of several campaigns of this kind, very common in Portugal, usually performed by several other market agents. EDP Group is convinced that this campaign has clearly benefited consumers and competition in both sectors. As at 31 December 2016, EDP Group and its legal advisors believe this is a possible contingency. However, considering the defense arguments presented and the lack of jurisprudence in this matter, the respective risk value can still not be determined;
- vi) Decree-Law 67/2016, of 3 November, approved an exceptional regime for regularisation of debts from fiscal and contributing nature to social security. Adherence to this regime implies a full payment of debts that allows, among other benefits, the waiver of compensatory and default interests. On the other hand, it is clear that adherence to this regime does not legally imply the acceptance of the legitimacy of the tax debt by the taxable person, nor does it prejudice the maintenance of the tax litigation, which will follow its normal course. After a detailed analysis, the EDP Group opted to adhere to this exceptional regime, through the payment of approximately 57,342 thousand Euros, which implied a reduction in tax contingencies classified as possible in the amount of 76,727 thousand Euros (which included compensatory and default interests).

The possible contingencies more relevant in Brazil, are as follows:

- i) Bandeirante is involved in a lawsuit with the client White Martins, S.A., on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tariff charged between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that the customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints. In June 2015, the decision was favourable to Bandeirante. In December 2015, White Martins, S.A. was entitled to appeal against this decision, which did not occurred during the first semester of 2016. Therefore, the favourable decision to Bandeirante became effective, thus the process was closed (31 December 2015: 30,020 thousand Euros);
- ii) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 26,536 thousand Euros (31 December 2015: 26,093 thousand Euros);
- iii) There is a public civil action filed against Bandeirante and Escelsa by ADIC – Associação de Defesa dos Interesses Coletivos, claiming a compensation arising from a tariff readjustment on part A from 43 concessionaires. The estimated value attributable to Bandeirante and Escelsa amounts to 44,047 thousand Euros (31 December 2015: 28,981 thousand Euros);
- iv) Bandeirante is a party to a lawsuit related to the COFINS (Contribution for social security financing) from 1993 to 1995 in joinder with AES Eletropaulo, where is discussed the application of the tax amnesty introduced by the Provisional Measures paragraphs 1858-6 and 1858-8, granted to taxpayers who did not collect COFINS, considering it improper. In the trial of 2nd Instance, was partially confirmed the right to amnesty, and applied the Decree-Law 1,025/69, which established the payment of procedural costs in favor of the National Treasury. From that decision, was presented an appeal which holds trial. The adjusted amount as at 31 December 2016 is 21,186 thousand Euros (31 December 2015: 16,355 thousand Euros);

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

v) Bandeirante and Escelsa have administrative and judicial tax actions regarding compensations which were not approved by the Brazilian Tax Authorities, which: (i) are supported by judicially recognised credits (IRPJ - Corporate tax income and CSLL - Social Contribution on net profits) and (ii) resulted of tax contributions in 2001 of IRPJ, CSLL, PIS (Social integration programme) and COFINS considered excessive as a consequence of the application of "Parecer COSIT 26/2002" (Extraordinary Tariff Adjustment - RTE) published by the Brazilian fiscal authorities. According with this opinion, the updating of rates derived from the RTE should be recognised since 2002. As at 31 December 2016, the estimated value amounts to 96,828 thousand Euros (31 December 2015: 69,717 thousand Euros);

vi) Lajeado has a judicial tax action initiated by the Brazilian Tax Authorities in 2014 aimed at collecting tax contributions (IRPJ and CSLL) resulting from the disallowance of expenses regarding goodwill arising from a business combination (acquisition). As at 31 December 2016, this contingency amounts to 24,950 thousand Euros (31 December 2015: 19,064 thousand Euros);

vii) Porto do Pecém was subject to a tax execution procedure in the amount of 21,225 thousand Euros, related to an alleged non-taxation under Corporate Income Tax (CIT) and Social Contribution on Net Profits (CSLL) of prior years' financial income and exchange rate gains (31 December 2015: 16,237 thousand Euros).

Finally, it should identify relevant litigation and contingencies that although the EDP Group classify their risk as remote, namely:

i) On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 December 2016, the amount of this tax contingency totals 264 million Euros (31 December 2015: 255 million Euros).

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

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

ii) Bandeirante through the Union of Power Industry of the State of São Paulo - SindiEnergia, filed two claims against the Department of Finance of the State of São Paulo, seeking the suspension of the effects of Decrees 55,421/2010 and 55,867/2010. Both claims are concerned with VAT incidence on energy technical losses (theft, deviation or fraud) and obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts, however, given that the higher courts jurisprudence supports the thesis discussed in this process, the EDP Group classifies as remote the risk of losing this action. The estimated value at 31 December 2016 amounts to 115,195 thousand Euros (31 December 2015: 72,300 thousand Euros).

38. Institutional Partnerships in USA

The caption Institutional partnerships in USA is analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Deferred income related to benefits provided	819,199	791,444
Liabilities arising from institutional partnerships in USA	1,520,226	1,164,773
	2,339,425	1,956,217

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

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The movements in Institutional partnerships in USA wind farms are analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Balance at the beginning of the period	1,956,217	1,801,963
Proceeds received from institutional investors	628,381	249,274
Cash paid for deferred transaction costs	-4,541	-7,457
Cash paid to institutional investors	-172,052	-173,343
Income (see note 7)	-197,544	-197,442
Unwinding (see note 13)	90,337	78,953
Exchange differences	79,411	206,537
Other	-40,784	-2,268
Balance at the end of the period	2,339,425	1,956,217

During 2016, EDPR NA has secured and received proceeds amounting to 310 million Euros related to institutional equity financing with Bank of America Merrill Lynch and Bank of New York Mellon, in exchange for an interest in the Vento XV portfolio, and 103 million Euros related to institutional equity financing from MUFG and another institutional investor, in exchange for an interest in the Vento XVI portfolio. Additionally, the Group has received proceeds amounting to 215 million Euros related to institutional equity financing from an affiliate of Google Inc., secured in 2015, in exchange for an interest in the Vento XIV portfolio.

In 2015, EDPR NA has secured 210 million Euros of institutional equity financing from MUFG Union Bank N.A. and another institutional investor in exchange for an interest in the Vento XIII portfolio. Additionally, the Group received proceeds amounting to 39 million Euros corresponding to the last tranche of institutional equity financing from MUFG Union Bank N.A., secured in 2014, in exchange for an interest in the Vento XII portfolio.

39. Trade and Other Payables from Commercial Activities

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

Thousand Euros	Group	
	Dec 2016	Dec 2015
Investment government grants	595,201	612,438
Amounts payable for tariff adjustments - Electricity - Portugal	76,611	18,269
Amounts payable for tariff adjustments - Electricity - Brazil	31,900	6,447
Energy sales contracts - EDPR NA	19,857	24,223
Deferred income - CMEC	226,521	260,233
Amounts payable for concessions	226,012	208,823
Other creditors and sundry operations	117,031	106,841
	1,293,133	1,237,274

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

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Suppliers	1,020,684	979,482	255,888	263,102
Accrued costs related with supplies	478,797	451,891	288,274	252,424
Property, plant and equipment suppliers and accruals	800,429	768,159	1,459	2,489
Holiday pay, bonus and other charges with employees	164,407	165,133	27,256	27,198
CO2 emission licences	84,474	124,354	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	81,045	196,662	-	-
Amounts payable for tariff adjustments - Electricity - Brazil	103,054	-	-	-
Deferred income - CMEC	33,712	45,921	-	-
Other creditors and sundry operations	595,819	648,756	13,915	5,403
	3,362,421	3,380,358	586,792	550,616

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

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

Thousand Euros	Current	Non-Current
Balance as at 1 January 2015	214,227	15,409
Payment through the electricity tariff	-216,971	-
Tariff adjustment of 2014	1,023	-
Tariff adjustment of the period	176,662	18,268
Interest expense	1,919	-
Transfer to/from tariff adjustment receivable	4,394	-
Transfer from Non-Current to Current	15,408	-15,408
Balance as at 31 December 2015	196,662	18,269
Payment through the electricity tariff	-197,866	-
Tariff adjustment of the period	63,841	76,611
Interest expense	913	-
Transfer to/from tariff adjustment receivable	-774	-
Transfer from Non-Current to Current	18,269	-18,269
Balance as at 31 December 2016	81,045	76,611

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments booked in Bandeirante and Escelsa in the accumulated amount of 119,156 thousand Euros (31 December 2015: 6,447 thousand Euros) and 15,798 thousand Euros, respectively. The variation occurred includes the tariff deficit for the period with a negative impact of 86,370 thousand Euros (see note 6), transfer to tariff adjustment receivable of 71,970 thousand Euros (see note 26), unwinding in the amount of 13,887 thousand Euros (see note 13), increase in the amount received through the electricity tariff of 113,312 thousand Euros and the exchange differences due to appreciation of Brazilian Real with a positive impact of 15,708 thousand Euros.

Investment government grants are depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 12). This caption includes grants received by EDPR NA subgroup under the American Recovery and Reinvestment Act promoted by the United States of America Government.

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

Deferred income - CMEC Current and Non-Current in the amount of 260,233 thousand Euros (31 December 2015: 306,154 thousand Euros) refers to the initial CMEC amount (833,467 thousand Euros) net of the amortisation of initial CMEC during the years 2007 to 2016 and including unwinding (see note 13).

Amounts payable for concessions includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 142,248 thousand Euros (31 December 2015: 144,490 thousand Euros) and the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 83,066 thousand Euros (31 December 2015: 63,513 thousand Euros).

The caption CO2 emission licenses includes the CO2 consumptions during 2016 in Portugal and Spain of 51,752 thousand Euros and 32,722 thousand Euros, respectively. The licenses related with the consumption of a certain year are delivered to the regulatory authorities until April of the following year. Therefore, the variation is related with the delivery in 2016 of the 2015 licences consumption, being the licenses consumption of 2016 returned until April of 2017.

In the energy distribution activity, the subsidiaries of EDP Group in Portugal and Spain recover the deficits and tariff adjustments assets through the tariffs charged to their customers. The caption Other creditors and sundry operations - Current, includes the amounts payable to entities that have acquired the right to receive these assets in securitization or direct sales operations in Portugal and settlements to be made to the regulatory entity in Spain. As at 31 December 2016, under the transfer to these entities of assets recovered through the tariffs, these payables amount to 112,900 thousand Euros and 35,209 thousand Euros in Portugal and Spain, respectively (31 December 2015: 88,682 thousand Euros and 117,317 thousand Euros). Additionally, this caption includes 14,317 thousand Euros related to tariff adjustment payable (31 December 2015: 14,317 thousand Euros).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

40. Other Liabilities and Other Payables

Other liabilities and other payables are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	563,862	208,082	-	-
Put options over non-controlling interest liabilities	2,299	27	-	-
Derivative financial instruments	138,642	267,354	155,453	209,096
Group companies	-	-	2,577,517	2,497,923
Amounts payable for acquisitions and success fees	17,796	15,978	-	-
Lease contract with EDP Pension Fund	28,873	29,383	28,873	29,383
Tax liabilities	68,156	15,859	-	-
Other creditors and sundry operations	9,629	11,453	-	3,313
	829,257	548,136	2,761,843	2,739,715
Other liabilities and other payables - Current				
Loans from non-controlling interests	121,902	87,057	-	-
Dividends attributed to related companies	68,300	63,422	-	-
Derivative financial instruments	133,214	122,131	182,202	260,859
Group companies	-	-	214,382	102,603
Put options over non-controlling interest liabilities	-	3,690	-	-
Amounts payable for acquisitions and success fees	10,409	3,557	-	-
Lease contract with EDP Pension Fund	2,484	2,484	2,484	2,484
Other creditors and sundry operations	8,723	29,233	144,470	30,906
	345,032	311,574	543,538	396,852
	1,174,289	859,710	3,305,381	3,136,567

The caption Loans from non-controlling interests Current and Non-Current mainly includes:

i) loans granted by Vortex Energy Investments II due to the sale in 2016 of 49% of shareholding in EDPR Participaciones S.L. and subsidiaries (see note 5) for a total amount of 245,981 thousand Euros, including accrued interests, bearing interest at a fixed rate of a range between 3.3% and 7.55%;

ii) loans granted by CTG due to the sale in 2016 of 49% of shareholding in EDP Renewables Polska HoldCo, S.A. and subsidiaries (see note 5) for a total amount of 120,390 thousand Euros including accrued interests, bearing interest at a fixed rate of a range between 1.7% and 7.23% (see note 45);

iii) loans granted by CTG due to the sale in 2016 of 49% of shareholding in EDP Renewables Italia, S.R.L. and subsidiaries (see note 5) for a total amount of 83,618 thousand Euros including accrued interests, bearing interest at a fixed rate of 4.5% (see note 45);

iv) loans granted by CTG due to the sale in 2013 of 49% of shareholding in EDP Renováveis Portugal, S.A. for a total amount of 71,501 thousand Euros including accrued interests (31 December 2015: 81,315 thousand Euros). The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% (see note 45);

v) loans granted by Vortex Energy Investments I due to the sale in 2014 of 49% of shareholding in EDPR France and subsidiaries for a total amount of 66,264 thousand Euros, including accrued interests (31 December 2015: 76,990 thousand Euros), bearing interest at a fixed rate of a range between 3.1% and 7.18%;

vi) loans from Sonatrach to Central Térmica Ciclo Combinado Grupo 4 in the amount of 58,220 thousand Euros, from which 4,664 thousand Euros are classified as Non-Current and 53,556 thousand Euros as Current.

The Amounts payable for acquisitions and success fees comprises the amounts related to the contingent prices payable for the acquisition of several European (mainly in Poland, Romania and Italy) and Brazilian projects.

As at 31 December 2016, the caption Tax liabilities Non-Current includes 52,965 thousand Euros of special autonomous taxation on revaluations as a result of the fiscal revaluation of certain eligible EDP assets held in Portugal (see note 14).

The caption Group companies Non-Current, on a Company basis, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group (see notes 45 and 50).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The caption Group companies Current, on a Company basis, includes 37,752 thousand Euros (31 December 2015: 36,705 thousand Euros) related to the debt financing obtained by EDP S.A. Sucursal en España through EDP Finance B.V. (see note 49). Additionally, this caption includes the amounts to be paid under the EDP Group's financial system (see note 45).

The caption Lease Contract with EDP Pension Fund corresponds to the lease contract regarding the building units of Porto headquarters acquired by EDP Pension Fund in December 2015. Given the substance of this lease contract, the underlying assets corresponding to the building component were booked as an asset of EDP, S.A. in Property, Plant and Equipment - Buildings and other constructions and Investment Properties, at the present value of the minimum lease payments. The lease contract is for a period of 25 years, with a monthly income of 270 thousand Euros and an implicit rate of 6.42%. As at 31 December 2016, it amounts to 31,357 thousand Euros (31 December 2015: 31,867 thousand Euros) (see note 45).

41. Current Tax Liabilities

Current tax liabilities are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Income tax	326,951	140,723	263,313	50,753
Withholding tax	74,066	55,860	993	1,098
Value Added Tax (VAT)	289,807	96,103	2,809	1,558
Turnover tax (Brazil)	50,631	51,185	-	-
Social tax (Brazil)	23,652	40,900	-	-
Other taxes	188,157	132,609	886	809
	953,264	517,380	268,001	54,218

As at 31 December 2016, for the Group, the caption Value added tax (VAT) includes essentially the VAT due by HC Energia Group (including NG Energia), in the amount of 197.5 million Euros, in the context of an intragroup sale of gas distribution assets occurred in December 2016, which is expected to be reimbursed following the presentation of a request of refund of such VAT (see note 28).

As at 31 December 2016, for the Group, the caption Other taxes includes taxes regarding HC Energia Group (include NG Energia) of 96,409 thousand Euros (31 December 2015: 99,080 thousand Euros). Additionally, includes 52,965 thousand Euros of special autonomous taxation on revaluations as a result of the fiscal revaluation of certain eligible EDP assets held in Portugal (see note 14).

42. Assets and Liabilities Held for Sale

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

This caption is analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Assets held for sale		
Assets of the business of electricity generation - Pantanal	-	27,624
Assets of the business of electricity generation - Tejo Energia	-	17,214
Assets of the business of electricity generation - Inch Cape	-	40,164
Assets of the business of electricity generation - J&Z	-	69,527
Assets of the business of gas distribution - EDP Gás Portugal	551,802	-
	551,802	154,529
Liabilities held for sale		
Liabilities of the business of electricity generation - Pantanal	-	-2,622
Liabilities of the business of electricity generation - J&Z	-	-55,406
Liabilities of the business of gas distribution - EDP Gás Portugal	-75,854	-
	-75,854	-58,028
	475,948	96,501

During the last quarter of 2016, the EDP Group began the selling process of the business of gas distribution in Portugal.

As at 31 December 2016, the assets and liabilities related to this transaction were presented as non-current assets and liabilities held for sale, being the major reclassification related to intangible assets (439.663 thousand Euros), amounts receivable from concessions - IFRIC 12 (53,631 thousand Euros), deferred tax assets (12,593 thousand Euros), related with project finance loans and amounts payable for acquisitions and success fees of the remaining shares of EDP Gás Distribuição, S.A. (13,652 and 13,891 thousand Euros, respectively). These reclassifications were made only for financial statement presentation purposes, without changing the measurement criteria of these assets and liabilities, as it is expected that the fair value less costs to sell is higher than the book value of these assets and liabilities in accordance with IFRS 5.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

On 15 July 2015, EDP – Energias do Brasil S.A. (EDP Brasil), 51% controlled by EDP, signed a sale and purchase agreement with Cachoeira Escura Energética S.A. for the sale of 100% of Pantanal Energética Ltda (Pantanal). The conclusion of the transaction occurred in 29 January 2016 after the necessary regulatory approvals with a sale price of 90,661 thousand Euros, generating a gain of 60,916 thousand Euros (see notes 5 and 7). At the transaction date, Pantanal held 3,449 thousand Euros in the caption Cash and cash equivalents.

On 20 July 2015, EDPR UK Limited signed a sale and purchase agreement with Repsol Nuevas Energías S.A. for the sale of 49% of Inch Cape Offshore Limited. The conclusion of the transaction was subject of the approval of the "The Crown Estate" and other regulatory approvals, being concluded at March 2016. The sale price of this financial interest amounted to 15,802 thousand Euros, generating a gain of 2,324 thousand Euros, see notes 5 and 13.

In October 2015, EDPR Group committed to a plan to do a cross sale of two wind farms in Poland. EDPR Group would be acquiring the remaining 35% in the Company Molen Wind II, Sp. z o.o. and would sell 60% of Company J&Z Wind Farms Sp. z o.o. At March 2016, the EDPR Group concluded the operation with Geo Renewables Limited with a sale price of 12,891 thousand Euros, generating a gain of 6,958 thousand Euros, see notes 5 and 7. At the transaction date, J&Z had no Cash and cash equivalents.

On 6 November 2015, EDP Gestão da Produção de Energia, S.A. reached an agreement with Trust Energy, B.V. for the sale of its 11.11% share capital in Tejo Energia, S.A. On 8 January 2016, it has completed the sale of 6.2% to Trust Energy, B.V. The conclusion of the sale of the remaining share capital occurred on 30 March 2016 to Endesa Generación, S.A., which had preemptive rights. The sale price amounted to 16,789 thousand Euros, generating a gain of 10,434 thousand Euros, as referred in note 13.

43. Derivative Financial Instruments

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

In 2016, the fair value and the maturity of the derivative financial instruments are analysed as follows:

Thousand Euros	Fair value		Notional			Total
	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	
Net Investment hedge						
Cross-currency interest rate swaps	10,641	-22,779	74,669	109,573	500,000	684,242
	10,641	-22,779	74,669	109,573	500,000	684,242
Fair value hedge						
Interest rate swaps	128,860	-138	-	850,000	1,600,000	2,450,000
Cross-currency interest rate swaps	94,881	-81,646	320,000	103,922	410,314	834,236
	223,741	-81,784	320,000	953,922	2,010,314	3,284,236
Cash flow hedge						
Commodities swaps	76,413	-38,977	703,794	403,655	-	1,107,449
Interest rate swaps	7	-53,337	105,240	425,077	433,765	964,082
Currency forwards	19,832	-12,115	365,499	42,448	-	407,947
	96,252	-104,429	1,174,533	871,180	433,765	2,479,478
Trading						
Commodities swaps	24,615	-29,530	299,537	84,906	-	384,443
Interest rate swaps	16,065	-3,562	1,203	602,355	304,152	907,710
Cross-currency interest rate swaps	3,789	-27,439	22,732	195,566	-	218,298
Currency forwards	6,229	-2,333	209,425	7,492	-	216,917
Options purchased and sold	1,621	-	-	3,745	-	3,745
	52,319	-62,864	532,897	894,064	304,152	1,731,113
	382,953	-271,856	2,102,099	2,828,739	3,248,231	8,179,069

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

In 2015, the fair value and the maturity of the derivative financial instruments are analysed as follows:

Thousand Euros	Fair value		Notional			
	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	Total
Net Investment hedge						
Cross-currency interest rate swaps	14,998	-71,614	93,615	69,985	300,000	463,600
Currency forwards	554	-	15,812	-	-	15,812
	15,552	-71,614	109,427	69,985	300,000	479,412
Fair value hedge						
Interest rate swaps	96,410	-9,006	-	850,000	1,600,000	2,450,000
Cross-currency interest rate swaps	171,935	-28,493	-	423,922	410,314	834,236
	268,345	-37,499	-	1,273,922	2,010,314	3,284,236
Cash flow hedge						
Commodities swaps	48,858	-40,806	433,475	283,595	-	717,070
Interest rate swaps	-	-86,464	111,011	509,370	588,407	1,208,788
Currency forwards	8,547	-227	231,889	144,596	-	376,485
	57,405	-127,497	776,375	937,561	588,407	2,302,343
Trading						
Commodities swaps	92,276	-64,503	973,002	39,771	-	1,012,773
Interest rate swaps	19,552	-38,070	35,370	669,519	310,655	1,015,544
Cross-currency interest rate swaps	2,015	-23,710	-	192,172	-	192,172
Currency forwards	76,726	-23,501	705,080	35,225	-	740,305
Commodities forwards	1,459	-	80,553	17,205	-	97,758
Options purchased and sold	-	-3,091	4,292	-	-	4,292
	192,028	-152,875	1,798,297	953,892	310,655	3,062,844
	533,330	-389,485	2,684,099	3,235,360	3,209,376	9,128,835

The fair value of derivative financial instruments is booked in Other debtors and other assets (see note 27) and Other liabilities and other payables (see note 40), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities, which are compared in each date of report to fair values available in common financial information platforms. Therefore, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of level 2 (see note 46) and no changes of level were made during this period. These entities use generally accepted discounted cash flow techniques and data from public markets.

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

The changes in the fair value, including accrued interest, of hedging instruments and risks being hedged are as follows:

Thousand Euros	Hedging instrument	Hedged risk	2016		2015	
			Changes in fair value		Changes in fair value	
			Instrument	Risk	Instrument	Risk
Net investment	Cross-curr. int. rate swaps	Subsidiaries in PLN, BRL, USD and CAD	44,478	-36,343	-43,651	36,754
Net investment	Currency forwards	Subsidiaries in CAD	-554	554	554	-807
Fair value	Interest rate swap	Interest rate	41,318	-41,062	-23,837	22,494
Fair value	Cross-curr. int. rate swaps	Exchange and interest rate	-130,207	141,342	39,514	-51,371
Cash flow	Interest rate swap	Interest rate	33,134	-	-4,965	-
Cash flow	Currency forwards	Exchange rate	-603	-	2,151	-
Cash flow	Commodities swaps	Commodity prices	29,384	-	-19,871	-
			16,950	64,491	-50,105	7,070

During 2016 and 2015 the following market inputs were considered for the fair value calculation:

Instrument	Market input
Cross-curr. int. rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Libor 3M, Libor 6M, Daily CDI and Wibor 3M; and exchange rates: EUR/CHF, EUR/GBP, EUR/BRL, EUR/PLN, EUR/CAD, USD/BRL, USD/JPY and EUR/USD.
Interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Wibor 6M, US Libor 6M and CAD Libor 3M.
Currency forwards	Fair value indexed to the following exchange rates: EUR/USD, EUR/RON, EUR/PLN, EUR/BRL, EUR/CAD and USD/BRL.
Commodities swaps	Fair value indexed to the market quotes of the following commodities: Brent, NBP Natural Gas, Electricity, Henry Hub, TTF, Coal and CO ₂ .

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The changes in the fair value reserve related to cash flow hedges in 2016 and 2015 were as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Balance at the beginning of the period	-73,866	-62,953	-8,216	-17,157
Fair value changes	80,363	-15,020	-12,423	8,941
Transfers to results from hedging of financial liabilities and commodity prices	32,760	-16,571	74,856	-
Comprehensive Income changes in associates	1,248	27,836	-	-
Changes resulting from acquisitions/sales without control changes	2,730	-7,158	-	-
Balance at the end of the period	43,235	-73,866	54,217	-8,216

On a Company basis, the derivative financial instruments classified as cash flow hedges are related to swaps and futures on energy prices in the Iberian market to hedge the price risk associated to future energy purchases to sell them to EDP Comercial in 2017.

The gains and losses on the financial instruments portfolio, excluding accrued interest, booked in the income statement in 2016 and 2015 are as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Derivatives held for trading	-83,931	91,583	-19,931	54,862
Net investment hedge - ineffectiveness	12,521	-7,150	-	-
Fair value hedges:				
-Derivatives	-88,889	15,677	78,971	248,495
-Hedged liabilities	100,280	-28,877	-78,971	-248,495
Cash flow hedges:				
-Transfer to results from hedging of financial liabilities	-12,397	11,000	-	-
-Transfer to results from hedging of commodity prices	-20,363	5,571	-74,856	-
-Ineffectiveness	2,412	-276	16	-
	-90,367	87,528	-94,771	54,862

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2016 are as follows:

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	4,281,711	EUR	[4.45% - -0.84%]	[4.88% - -0.84%]
Interest rate swaps	19,742	PLN	[2.78% - 2.48%]	1.81%
Interest rate swaps	20,339	CAD	2.59%	0.91%
Currency and interest rate contracts				
CIRS (currency interest rate swaps)	730,314	EUR/GBP	[3.69% - 1.32%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	81,037	USD/JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	198,031	EUR/PLN	[2.12% - 1.33%]	[-0.31% - -0.32%]
CIRS (currency interest rate swaps)	39,939	EUR/BRL	[12.69% - 11.04%]	-0.30%
CIRS (currency interest rate swaps)	65,588	BRL/USD	[17.32% - 16.52%]	[3.82% - 2.84%]
CIRS (currency interest rate swaps)	103,922	EUR/CHF	[3.98% - 3.82%]	4.01%
CIRS (currency interest rate swaps)	17,946	EUR/CAD	[1.33% - 1.23%]	-0.32%
CIRS (currency interest rate swaps)	500,000	USD/EUR	[3.27% - 3.20%]	1.13%

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2015 were as follows:

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	4,490,169	EUR	[4.45% - -0.65%]	[4.88% - -0.65%]
Interest rate swaps	112,722	USD	[5.82% - 5.79%]	[4.11% - 3.61%]
Interest rate swaps	50,067	PLN	[5.41% - 2.48%]	[1.88% - 1.77%]
Interest rate swaps	21,374	CAD	2.59%	0.84%
Currency and interest rate contracts				
CIRS (currency interest rate swaps)	730,314	EUR/GBP	[3.95% - 1.55%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	76,296	USD/JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	222,142	EUR/PLN	[2.11% - 1.32%]	[-0.07% - -0.13%]
CIRS (currency interest rate swaps)	39,939	EUR/BRL	[13.16% - 11.45%]	[-0.04% - -0.13%]
CIRS (currency interest rate swaps)	17,395	BRL/USD	15.34%	2.45%
CIRS (currency interest rate swaps)	103,922	EUR/CHF	[4.18% - 4.02%]	4.01%
CIRS (currency interest rate swaps)	300,000	USD/EUR	[5.36% - 5.33%]	4.13%

44. Commitments

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 31 December 2016 and 2015, are analysed as follows:

Thousand Euros	Group		Company	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Financial guarantees				
EDP, S.A.	-	35,970	-	35,970
EDP Brasil Group	1,510,507	1,209,612	-	-
Other	21,039	16,066	-	-
	1,531,546	1,261,648	-	35,970
Operating guarantees				
EDP, S.A.	501,334	507,591	501,334	507,591
HC Energia Group	257,773	262,579	-	-
EDP Brasil Group	463,704	408,345	-	-
EDP Renováveis Group	2,367,120	2,276,476	-	-
Other	4,323	7,183	-	-
	3,594,254	3,462,174	501,334	507,591
Total	5,125,800	4,723,822	501,334	543,561
Real guarantees	4,137	28,521	-	-

The financial guarantees contracted as at 31 December 2016 and 2015 include 1,110,133 thousand Euros and 947,145 thousand Euros, respectively, related with loans obtained by Group companies and are already included in the consolidated debt.

The operating guarantees contracted as at 31 December 2016 and 2015, in the amounts of 495,692 thousand Euros and 552,146 thousand Euros, respectively, refer to corporate guarantees provided by EDP Renováveis relating to EDPR Renováveis Group commercial commitments already reflected in the Statement of Financial Position. Additionally, EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 31 December 2016 and 2015, 325,674 thousand Euros and 299,982 thousand Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

In addition to the information disclosed above:

i) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, willful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 31 December 2016 and 2015, EDPR's obligations under the tax equity agreements, in the amount of 1,428,275 thousand Euros and 1,165,270 thousand Euros, respectively, are already reflected under the Institutional Partnerships in USA;

ii) The Group has also project finance loans and deposits constituted as collateral for financial guarantee, which are disclosed in note 35.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

In the Group, the commitments relating to future lease payments under operating leases and purchase obligations are disclosed by maturity, as follows:

Dec 2016					
Capital outstanding by maturity					
		Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Thousand Euros	Total				
Operating lease commitments	1,415,286	78,217	130,808	104,359	1,101,902
Purchase obligations	22,477,372	4,182,581	5,097,182	3,313,522	9,884,087
	23,892,658	4,260,798	5,227,990	3,417,881	10,985,989

Dec 2015					
Capital outstanding by maturity					
		Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Thousand Euros	Total				
Operating lease commitments	1,128,896	52,282	97,521	90,268	888,825
Purchase obligations	20,445,948	4,231,498	4,540,816	3,282,775	8,390,859
	21,574,844	4,283,780	4,638,337	3,373,043	9,279,684

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

Purchase obligations include 15,088,520 thousand Euros essentially related with very long-term contracts for energy acquisition in the Brazilian market (by regulatory imposition) which are updated with the respective projected rates and discounted at present value by a rate that represents the weighted average cost of capital (WACC) of the EDP Brasil Group, as follows:

thousand Euros	Dec 2016	Dec 2015
Purchase obligation - Present value	15,088,520	11,893,858
Purchase obligation - Notional value	20,286,380	16,690,140

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

The nature of purchase obligations breaks down as follows:

thousand Euros	Dec 2016	Dec 2015
Fuel acquisitions	4,273,355	5,224,697
Electricity acquisition	14,382,677	11,235,011
O&M contracts	1,257,234	1,274,937
Fixed assets, equipment and miscellaneous materials acquisition	802,169	1,705,345
Work contracts	774,832	547,057
Other supplies and services	987,105	458,901
	22,477,372	20,445,948

The increase of purchase obligations of electricity results mainly from the appreciation of Brazilian Real against the Euro.

The commitments for fuels and electricity acquisition are disclosed, by maturity, as follows:

Dec 2016					
Capital outstanding by maturity					
		Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Thousand Euros	Total				
Fuel acquisitions	4,273,355	1,051,949	1,283,423	914,063	1,023,920
Electricity acquisition	14,382,677	1,509,932	2,631,299	2,159,492	8,081,954
	18,656,032	2,561,881	3,914,722	3,073,555	9,105,874

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Thousand Euros	Dec 2015				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Fuel acquisitions	5,224,697	1,043,572	1,393,116	1,306,895	1,481,114
Electricity acquisition	11,235,011	1,087,575	1,965,927	1,714,876	6,466,633
	<u>16,459,708</u>	<u>2,131,147</u>	<u>3,359,043</u>	<u>3,021,771</u>	<u>7,947,747</u>

As at 31 December 2016, purchase obligations of fixed assets, equipment and miscellaneous materials acquisition corresponds to: (i) 611,092 thousand Euros relating to property, plant and equipment acquisition; (ii) 65,760 thousand Euros relating to intangible assets acquisition; and (iii) 125,317 thousand Euros relating to equipment and miscellaneous materials acquisition.

The commitments relating to future lease payments under finance leases and to short and medium-long term financial debt are disclosed in notes 16 and 35, respectively. The commitments relating to pension and medical plans and other benefits are disclosed in note 36. The commitments related to the joint ventures are disclosed in note 21.

As at 31 December 2016, the EDP Group has the following liabilities arising from put options on investments, held by third parties:

- Put option related to 25% of the share capital of Tivano S.r.l., exercisable under certain conditions, between 2016 and 2020. The exercise price is 450 thousand Euros, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 31 December 2016 the put option amounts to 1,575 thousand Euros (see note 40);
- Put option related to 25% of the share capital of San Mauro S.r.l., exercisable under certain conditions, between 2017 and 2022. The exercise price shall be 25% of the final purchase price of the company when obtaining control, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 31 December 2016 the put option amounts to 341 thousand Euros (see note 40);
- Put option related to 25% of the share capital of AW 2 S.r.l., exercisable under certain conditions, between 2017 and 2022. The exercise price shall be 25% of the final purchase price of the company when obtaining control, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 31 December 2016 the put option amounts to 383 thousand Euros (see note 40).

Some of the disposal of non-controlling interests transactions retaining control, carried out in 2016 and in previous years, incorporate contingent assets and liabilities according to the terms of the corresponding agreements.

At Company level, the commitments relating to future lease payments under operating leases and purchase obligations are disclosed, by maturity, as follows:

Thousand Euros	Dec 2016				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	87,575	6,239	11,615	6,647	63,074
Purchase obligations	166,085	64,387	75,270	26,428	-
	<u>253,660</u>	<u>70,626</u>	<u>86,885</u>	<u>33,075</u>	<u>63,074</u>

Thousand Euros	Dec 2015				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	125,878	7,154	25,947	26,436	66,341
Purchase obligations	946,074	218,722	411,544	315,808	-
	<u>1,071,952</u>	<u>225,876</u>	<u>437,491</u>	<u>342,244</u>	<u>66,341</u>

As at December 2015, the caption Purchase obligations includes mainly the gas purchase obligation under the contract signed with Galp, in the amount of 789,520 thousand Euros. As at 31 de December 2016, the decrease in this caption mainly results of the contractual position transfer of the above mentioned gas purchase contract from EDP, S.A. to Gás.Com. As at December 2016, this caption relates to O&M contracts.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

45. Related Parties

Shares held by company officers

The number of shares of EDP S.A. held or attributable to company officers as at 31 December 2016 and 2015 are as follows:

	2016	2015
	Nr. of shares	Nr. of shares
General and Supervisory Board		
China Three Gorges Corporation (represented by Eduardo de Almeida Catroga)	780,633,782	780,633,782
China Three Gorges (Europe), S.A. (represented by Dingming Zhang)	780,633,782	780,633,782
Fernando Maria Masaveu Herrero	265,065,136	264,709,056
Senfora B.V. (ex- Senfora S.A.R.L., represented by Mohamed Al Fahim)	148,431,999	148,431,999
Sonatrach (represented by Ferhat Ounoughi)	87,007,433	87,007,433
Vasco Joaquim Rocha Vieira	3,203	3,203
Banco Comercial Português, S.A. (represented by Nuno Manuel da Silva Amado)	89,342,093	89,139,594
João Carvalho das Neves	7,429	7,429
Executive Board of Directors		
António Luís Guerra Nunes Mexia	91,000	41,000
António Fernando Melo Martins da Costa	54,299	34,299
João Manuel Manso Neto	1,268	1,268
João Manuel Veríssimo Marques da Cruz	81,378	3,878
Nuno Maria Pestana de Almeida Alves	150,000	125,000
Miguel Nuno Simões Nunes Ferreira Setas	7,382	7,382
Miguel Stilwell de Andrade	140,000	126,576
Rui Manuel Rodrigues Lopes Teixeira	8,333	5,843

The EDP, S.A bonds and the number of shares of other EDP group companies held or attributable to company officers are disclosed in part I - Ownership structure of chapter 4 - Corporate governance.

Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remunerations Committee appointed by the Shareholders' General Meeting, except for the remuneration of the members of the Executive Board of Directors (EBD), which is set by a Remunerations Committee appointed by the General and Supervisory Board (GSB).

Short-term employee benefits

During 2016, the annual fixed and variable remuneration cost accounted for the members of the EBD and the fixed remuneration of the GSB, was as follows:

Thousand Euros	EBD	GSB
President	1,492	515
Members	5,683	1,389
	7,175	1,904

The remuneration costs accounted with the EBD includes the amount of 2,419 thousand Euros related to the annual variable remuneration. This amount was calculated considering the best estimation of the variable remuneration for the year of 2016, in accordance with Remunerations Committee policy of the GSB, deducted from the correction of the accrual from the previous year compared with the amount paid.

Additionally, the Remunerations Committee policy of the GSB foresees, in certain circumstances, a variable multi-annual remuneration to the EBD members, corresponding to the current mandate (2015-2017). On this basis, an estimated amount of 10,611 thousand Euros was accrued (31 December 2015: 11,050 thousand Euros). In 2016, has paid 3,386 thousand Euros regarding to the year 2013.

During 2016, the remuneration costs of the members of the Remunerations Committee of the General Assembly and Sustainability Committee amounted to 35,000 Euros and 10,500 thousand Euros, respectively.

Post-employment benefits

EDP has no specific retirement benefits system in place for its directors. The remuneration fixed by the Remuneration Committee of the General and Supervisory Board provides for a retirement savings plan-type standard financial product for the members of the Executive Board of Directors, who contribute 10% (ten percent) of their net fixed annual remuneration. It was granted by decision of the General Meeting of 19 April 2016 as part of the remuneration policy statement. This financial product does not entail any cost to EDP in the future, as it is merely a subscription to a financial product while the members of the managing body hold their positions and is not covered by Article 402 (1) of the Company Code.

**EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015**

Audit and non audit fees

In 2016, KPMG fees relating to external audit and statutory audit of all subsidiaries of EDP Group, except Group EDP Brasil, amounted to 5,699,154 Euros. Additionally, the total fees charged by KPMG for other assurance services, tax advisory services and other non audit services amounted to 1,230,008 Euros, 6,791 Euros and 126,290 Euros, respectively.

In 2016, KPMG Portugal fees relating to external audit and statutory audit of all subsidiaries of EDP Group in Portugal, amounted to 2,147,956 Euros. Additionally, the total fees charged by KPMG Portugal for other assurance services and other non audit services amounted to 887,713 Euros and 73,290 Euros, respectively.

Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP

In the course of its activity and regardless their relevance, EDP concludes business and operations under normal market conditions for similar transactions with different entities, namely financial institutions, including holders of qualified shareholdings in EDP's share capital and those related parties.

On 11 May 2012, after the strategic partnership agreement concluded with China Three Gorges Corporation (CTG) came into effect in December 2011, this company (and three other group companies) became part of EDP's General and Supervisory Board.

Under the strategic partnership with China Three Gorges Corporation, on 28 June 2013 EDP Renováveis, S.A. sold for a total final price of 368 million Euros to a CTG Group company (CITIC CWEI Renewables S.C.A.) a 49% shareholding in EDP Renováveis Portugal and 25% of the shareholder loans capital and supplementary capital contributions under the applicable rules for additional contributions granted to this company.

Also under this partnership, on 6 December 2013, EDP Brasil signed a memorandum of understanding with CWE Investment Corporation (CWEI), currently designated as China Three Gorges Corporation, a wholly owned subsidiary of CTG, setting out the main guidelines for a future partnership in joint investments between EDP Brasil and CWEI and that governs parties' participation in joint projects in Brazil. These investments by CWEI Brasil will be considered for purposes of fulfilment of the strategic partnership agreement in relation to the total investment of 2 billion Euros to be made by CTG up to 2015 (including co-funding of operating investments) in ready-to-build and operational renewable energy generation projects.

On 27 October 2016, the transaction relating with the sale of the minority interest in the wind generation assets of EDP Renováveis in Italy and Poland to CTG with purchase and sale agreement was signed on 28 December 2015. CTG, through ACE Poland S.A.R.L. and ACE Italy S.A.R.L., both owned in 100% by ACE Investment Fund LP, an entity owned by China Three Gorges Hong Kong Ltd, subsidiary of CTG, formalised the payment of approximately 363 million Euros corresponding to the final price agreed between the parties.

Balances and transactions with companies of China Three Gorges Group

In June 2013, in accordance with the EDP/CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control, of 49% equity shareholding in EDP Renováveis Portugal, S.A. As a result, the Group recognised non-controlling interests of 111,231 thousand Euros and an impact in reserves attributable to Group of 112,566 thousand Euros. Following the conclusion of the sale, CTG became holder of a loan over EDPR Group in the amount of 111 million Euros. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and interests are paid half-yearly. At 31 December 2016, this loan amounts to 71,501 thousand Euros (31 December 2015: 81,315 thousand Euros) (see note 40) also were booked interests in the amount of 4,337 thousand Euros (31 December 2015: 4,855 thousand Euros).

In the second quarter of 2016, EDPR Portugal paid dividends to CTG in the amount of 24,790 thousand Euros.

Following the sale in 2016, of 49% of the shareholding in EDP Renewables Polska HoldCo, S.A. and its subsidiaries, CTG provided a loan of 120,390 thousand Euros, bearing interest at a fixed rate of a range between 1.7% and 7.23% (see note 40) also were booked interests in the amount of 128 thousand Euros.

Additionally, following the sale in 2016 of 49% of the shareholding in EDP Renewables Italia, S.r.l. and its subsidiaries, CTG provided a loan in the of 83,618 thousand Euros, with a fixed rate of 4.5% (see note 40), also were booked interests in the amount of 703 thousand Euros.

On 19 May 2015, EDP Renováveis, S.A. has completed the sale to CTG, of a 49% equity shareholding in selected wind farms in Brazil. This transaction was recognised as a sale without loss of control, having the Group recognised non-controlling interests of 50,943 thousand Euros and an impact in reserves attributable to the Group of 10,337 thousand Euros in 2015.

Balances with EDP Pension Fund

In December 2015, EDP, S.A. signed a lease contract related with the building units of the Porto headquarters (sold to the EDP Pension Fund in late December) for a period of 25 years with an implicit rate of 6.42%. As at 31 December 2016, the present value of the contract amounts to 31,357 thousand Euros (31 December 2015: 31,867 thousand Euros), which given the nature of it, was booked as Property, Plant and Equipment against Other creditors and other liabilities (see note 40).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

In the last quarter of 2016, the financial investment held in BCP was used as an in-kind contribution to the Pension Fund (see note 22).

Following the decision and implementation of the autonomisation of the Medical Plan and Death Subsidy Plan and in line with the financing plan approved by Insurance and Pension Funds Supervisory Authority (ASF), EDP Group has the commitment to make a total estimated contribution of 577 million Euros until 2023.

Balances and transactions with subsidiaries, joint ventures and associates

In their ordinary course of business, EDP Group companies established commercial transactions and operations with other Group companies, whose terms reflect current market conditions.

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

Credits held

Thousand Euros	December 2016			
	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
EDP IS (ex- Balwerk)	4,549	192,733	3,928	201,210
EDP Comercial	70,585	75,946	215,936	362,467
EDP Distribuição	-	1,697,252	127,312	1,824,564
EDP Finance B.V.	-	485,753	58,718	544,471
EDP Produção	222,334	4,537,627	185,595	4,945,556
EDP Imobiliária e Participações	-	104,091	682	104,773
EDP Renováveis	-	-	679,689	679,689
EDP Servicios Financieros España	-	1,257,783	4,832	1,262,615
EDP Serviço Universal	-	-	351,490	351,490
Other	74,340	39,451	209,569	323,360
	371,808	8,390,636	1,837,751	10,600,195

The amount of 485,753 thousand Euros refers to the repurchase in market by EDP, S.A. of two bond issues issued by EDP Finance B.V. (see note 20).

Thousand Euros	December 2015			
	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
EDP IS (ex- Balwerk)	854	206,193	917	207,964
EDP Comercial	43,934	75,457	207,930	327,321
EDP Distribuição	244,016	2,297,781	125,055	2,666,852
EDP Finance B.V.	-	-	132,760	132,760
EDP Produção	470,701	4,295,300	120,781	4,886,782
EDP Imobiliária e Participações	-	105,535	376	105,911
EDP Renováveis	-	-	597,504	597,504
EDP Servicios Financieros España	-	893,616	7	893,623
Other	13,125	43,652	323,464	380,241
	772,630	7,917,534	1,508,794	10,198,958

Debits held

Thousand Euros	December 2016			
	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Distribuição	136,598	-	61,807	198,405
EDP Finance B.V.	-	19,439,433	141,960	19,581,393
EDP Produção	-	-	372,532	372,532
EDP Soluções Comerciais	6,875	-	9,721	16,596
Pebble Hydro	-	62,006	1,226	63,232
Naturgas Comercializadora	-	-	21,845	21,845
Other	33,157	2,845	251,850	287,852
	176,630	19,504,284	860,941	20,541,855

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The amount of 19,439,433 thousand Euros includes 5 intragroup bonds issuance by EDP Finance B.V. to EDP S.A. as at 31 December 2016, in the total amount of 7,930,046 thousand Euros, with variable rate at medium-long term (5, 7 and 10 years).

Thousand Euros	December 2015			
	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Finance B.V.	-	11,618,920	111,774	11,730,694
EDP Produção	-	-	330,002	330,002
EDP Soluções Comerciais	31,508	-	1,233	32,741
Hidroeléctrica del Cantábrico	-	7	34,270	34,277
Pebble Hydro	-	64,014	1,575	65,589
Naturgas Comercializadora	-	-	114,844	114,844
Other	34,383	-	88,180	122,563
	65,891	11,682,941	681,878	12,430,710

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

Expenses

Thousand Euros	December 2016			
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	Total
EDP Finance B.V.	-	-629,753	-186,309	-816,062
EDP Produção	-	-	-1,333,905	-1,333,905
Naturgas Comercializadora	-	-	-134,502	-134,502
Other	-57	-278	-202,950	-203,285
	-57	-630,031	-1,857,666	-2,487,754

Thousand Euros	December 2015			
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	Total
EDP Finance B.V.	-	-368,476	-87,076	-455,552
EDP Produção	-	-	-1,203,573	-1,203,573
Naturgas Comercializadora	-	-	-94,939	-94,939
Other	-994	-439	-177,190	-178,623
	-994	-368,915	-1,562,778	-1,932,687

Income

Thousand Euros	December 2016			
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total
EDP Comercial	435	2,478	1,000,796	1,003,709
EDP Distribuição	881	149,390	178,917	329,188
EDP Produção	2,349	211,264	392,779	606,392
EDP Finance B.V.	-	1,954	122,705	124,659
Naturgas Comercializadora	-	-	124,381	124,381
Hidroeléctrica del Cantábrico	-	-	461,511	461,511
Other	670	41,758	410,632	453,060
	4,335	406,844	2,691,721	3,102,900

Other gains include income from equity investments of 800,207 thousand Euros (see note 13).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Thousand Euros	December 2015			
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total
EDP Comercial	271	1,536	1,003,638	1,005,445
EDP Distribuição	2,214	172,829	156,099	331,142
EDP Gás.Com	62	-	139,987	140,049
EDP Produção	2,718	226,602	465,197	694,517
Hidroeléctrica del Cantábrico	-	-	414,361	414,361
Other	552	14,267	456,524	471,343
	5,817	415,234	2,635,806	3,056,857

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

Assets and Liabilities

Thousand Euros	December 2016		
	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioeléctrica	15,114	5,146	9,968
Eólica de Coahuila	24,316	-	24,316
Empresa de Energia Cachoeira Caldeirão	14,622	1,403	13,219
Empresa de Energia São Manoel	29,583	1	29,582
Cide HC Energía	16,099	19	16,080
HC Tudela Cogeneración	3,616	2,254	1,362
Other	7,816	4,260	3,556
	111,166	13,083	98,083

Associates			
Eoliennes en Mer Dieppe Le Tréport	5,945	-	5,945
Eoliennes en Mer Iles d'Yeu et Noirmoutier	7,286	-	7,286
MABE Construção e Administração de Projectos	5,369	-	5,369
Parque Eólico Sierra del Madero	12,785	-	12,785
Other	9,023	2,432	6,591
	40,408	2,432	37,976
	151,574	15,515	136,059

Thousand Euros	December 2015		
	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioeléctrica	15,357	4,910	10,447
Cide HC Energía	9,185	2,290	6,895
HC Tudela Cogeneración	3,645	2,221	1,424
Other	31,195	3,451	27,744
	59,382	12,872	46,510

Associates			
MABE Construção e Administração de Projectos	3,582	2,231	1,351
Inch Cape Offshore Limited	25,731	-	25,731
Parque Eólico Sierra del Madero	12,787	-	12,787
Other	6,911	525	6,386
	49,011	2,756	46,255
	108,393	15,628	92,765

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Transactions

Thousand Euros	December 2016			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioelétrica	1,616	208	-45,228	-
Cide HC Energía	89,785	55	-323	-
Empresa de Energia Cachoeira Caldeirão	939	3,103	-10,013	-
Other	6,057	727	-14,068	-1
	98,397	4,093	-69,632	-1
Associates				
Korsokuntza, AIE	3,775	-	-	-
Other	2,329	1,251	-772	-
	6,104	1,251	-772	-
	104,501	5,344	-70,404	-1

Thousand Euros	December 2015			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioelétrica	1,847	239	-49,248	-
Cide HC Energía	94,954	29	-742	-
HC Tudela Cogeneración	73	118	-4,541	-5
Porto do Pecém	18,393	2,243	-	-
Other	5,339	599	-1,365	-
	120,606	3,228	-55,896	-5
Associates				
ENEOP - Eólicas de Portugal	1,196	16,353	-	-
Korsokuntza, AIE	4,564	-	-	-
Setgás	-	468	-4,533	-
Other	2,883	1,235	-1,194	-2
	8,643	18,056	-5,727	-2
	129,249	21,284	-61,623	-7

46. Fair Value of Financial Assets and Liabilities

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through quotations supplied by third parties or through internal models, which are based on cash flow discounting techniques and option valuation models. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors, including credit risk.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg).

As at 31 December 2016 and 2015, the following table presents the interest rate curves of the major currencies to which the Group is exposed used for cash flow discount (in addition to the rates listed below, the Group adjusts discount rates for credit risk):

	2016		2015	
	Currency		Currency	
	EUR	USD	EUR	USD
3 months	-0.32%	1.00%	-0.13%	0.61%
6 months	-0.22%	1.32%	-0.04%	0.85%
1 year	-0.08%	1.69%	0.06%	1.18%
2 years	-0.16%	1.45%	-0.03%	1.18%
3 years	-0.10%	1.69%	0.06%	1.42%
4 years	-0.02%	1.85%	0.19%	1.59%
5 years	0.08%	1.98%	0.33%	1.74%
6 years	0.19%	2.08%	0.48%	1.85%
7 years	0.31%	2.16%	0.62%	1.95%
8 years	0.44%	2.23%	0.76%	2.04%
9 years	0.56%	2.29%	0.89%	2.12%
10 years	0.66%	2.34%	1.00%	2.19%

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The fair value of financial assets and liabilities, is analysed as follows:

Thousand Euros	Group Dec 2016			Group Dec 2015		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	165,044	165,044	-	200,206	200,206	-
Debtors/other assets from commercial activities	5,656,055	5,656,055	-	6,781,218	6,781,218	-
Other debtors and other assets	440,632	440,632	-	354,045	354,045	-
Derivative financial instruments	382,953	382,953	-	533,330	533,330	-
Financial assets at fair value through profit or loss	9,567	9,567	-	9,288	9,288	-
Collateral deposits/financial debt	52,031	52,031	-	79,915	79,915	-
Cash and cash equivalents	1,521,253	1,521,253	-	1,245,449	1,245,449	-
	8,227,535	8,227,535	-	9,203,451	9,203,451	-
Financial liabilities						
Financial debt	18,026,676	18,597,999	571,323	19,270,540	19,688,886	418,346
Suppliers and accruals	1,821,113	1,821,113	-	1,747,641	1,747,641	-
Institutional partnerships in USA	2,339,425	2,339,425	-	1,956,217	1,956,217	-
Trade/other payables from commercial activities	2,239,240	2,239,240	-	2,257,553	2,257,553	-
Other liabilities and other payables	902,433	902,433	-	470,225	470,225	-
Derivative financial instruments	271,856	271,856	-	389,485	389,485	-
	25,600,743	26,172,066	571,323	26,091,661	26,510,007	418,346

Given that EDP Group's financial assets and liabilities, recognised at amortised cost, are predominantly short-term and level 2, changes in fair value were not considered. Fair value of EDP Group's loans was determined considering current market interest rates.

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

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

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

Thousand Euros	31 December 2016			31 December 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	50,369	72,725	41,950	105,196	61,277	33,733
Derivative financial instruments	-	382,953	-	-	533,330	-
Financial assets at fair value through profit or loss	-	-	9,567	-	-	9,288
	50,369	455,678	51,517	105,196	594,607	43,021
Financial liabilities						
Derivative financial instruments	-	271,856	-	-	389,485	-
	-	271,856	-	-	389,485	-

The movement in financial assets and liabilities included in Level 3 is analysed as follows:

Thousand Euros	Available for sale investments		Financial assets at fair value through profit or loss	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Balance at beginning of period	33,733	48,490	9,288	10,665
Change in fair value	8,128	2,175	-	-
Acquisitions	714	1,231	4,016	2,898
Disposals	-42	-905	-	-
Impairment	-435	-9	-	-
Other changes	-148	-17,249	-3,737	-4,275
Balance at the end of the period	41,950	33,733	9,567	9,288

The assumptions used in the determination of Available for sale investments fair value are described in note 22, as stated in IFRS 13.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

47. CO2 Licences

The movements in the portfolio of CO2 licences held for trading and classified as inventories are analysed as follows:

CO2 (Ton)	Group	
	Dec 2016	Dec 2015
CO2 licences held for trading on 1 January	-	3,518,479
Licences acquired in the market	18,409,433	10,534,000
Emission licences transferred from intangibles to the trading portfolio	-	4,103,253
Emission licences transferred from trading portfolio to intangibles	-12,555,433	-1,925,000
Licences sold	-	-16,230,732
CO2 licences held for trading on 31 December	5,854,000	-
CO2 licences for trading on 31 December (in thousand Euros)	38,269	-

Purchases and sales of licences are booked based on the listed price on the transaction date. Emission licences transferred to the trading portfolios are classified as Inventories (see note 25), in accordance with Accounting policy - note 2 y).

Fair value corresponds to the spot price (closing price) at the end of December in each period.

48. Relevant or Subsequent Events**EDP acquires gas distribution assets from Repsol in the north of Spain**

On 25 January 2016, EDP, through its subsidiary for the gas business in Spain, Naturgas Energía Grupo, S.A. (Naturgas) has reached an agreement with Repsol, S.A. (Repsol), for the acquisition of gas distribution assets in the north of Spain.

The assets acquired comprise approximately 82,000 supply points of liquefied propane gas (LPG), in Naturgas incumbent areas (Basque Country, Cantabria and Asturias regions).

The assets were acquired during the third and fourth quarters of 2016 by 116 million Euros (initial price estimated). The transaction is subject to a price final adjustment.

Auction 13/2015 - Investco

On 13 April 2016, was held the Auction 13/2015 by ANEEL, in which the company Transmissora Aliança de Energia Elétrica S.A. (Taesa), acquired the power transmission lines and Investco substation.

On 27 June 2016, Taesa signed the concession agreement and the implementation and commercial operation of the new facilities is limited to 27 December 2019. The respective Investco assets will be transferred to Taesa until 180 days after the effective entry into commercial operation of the new facilities. As at 31 December 2016, these assets are booked in the financial statements of Investco by 39 million Brazilian Reais (11 million Euros).

Ordinances 268-B/2016 and 69/2017

DGEG performed an investigation for the evaluation of public policies regarding the energy sector, in which it has come to the conclusion that the renewable energy generators with feed-in tariff have received, apart from this tariff incentive, public support for the promoting and development of renewable energy. DGEG's investigation estimated an amount of 140 million Euros as an excess over what they should have received.

On 13 October 2016, Ordinance 268-B/2016 was published, determining the recovery to SEN of the amount allegedly received in excess, through feed-in tariff reduction granted by the Last resource supplier (CUR).

On 28 December 2016, Law 46/2016 was published. The article 171, determined that the public support for the promoting and development of renewable energy received by the eligible energy generators with feed-in tariff (at this date) should not be cumulative with the administratively fixed remuneration received by those generators. In this sense, this article determines the adoption, through an ordinance, of a mechanism for deduction or replacement of the public support received under these conditions. Thus, on 16 February 2017, Ordinance 69/2017 was published determining the recovery to SEN of the amount allegedly received in excess, through feed-in tariff reduction granted by the Last resource supplier (CUR). This ordinance repeals and replicates the content of the Ordinance 268-B/2016.

The publishing of orders from the State member responsible for the energy sector is expected, that will identify the producers and the amounts which one of them shouldn't have received, in order to calculate the new feed-in tariff that allows this amount to be recovered as fast as it is possible.

For Renewable energy generators under this situation, which have already lost their right to feed-in tariffs, it establishes that it is the CUR who has the responsibility to recover the amounts identified by DGEG, though it is not clear in what way will they recover these amounts. Half of the amount recovered under this mechanism will reduce tariff deficit, being the other half allocated to future yearly tariffs.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

At this date, EDP Group is evaluating the process and is not expecting any significant impacts.

Qualifying shareholding - Norges Bank

On 9 January 2017 Norges Bank notified EDP that it decreased its qualifying shareholding to 73,080,477 ordinary shares of EDP, which corresponds to 1.999% of EDP's share capital and of the respective voting rights. All shares are held directly by Norges Bank. The previous known qualifying shareholding of Norges Capital in EDP's share capital stood at 2.08%.

Bond issuance

On the 24 January 2017, EDP Finance B.V. issued a long six-year 600 million Euros Eurobond maturing in September 2023 with a coupon of 1.875%.

Publication of the interim regulatory revision for wind energy assets

On 22 February, the Spanish Government published in "Boletín Oficial Del Estado", the Order ETU/130/2017 which includes the interim revision of the parameters to remunerate the renewable energy assets, under the remuneration framework that was approved by the Royal Decree 413/2014 ("RD 413/2014") of June 2014.

According with the Order IET/1045 approved in 2014 the remuneration was structured in order for a standard asset to receive a pre-tax return of 7.4% in the first regulatory period, from 2013 to 2019. To achieve the defined pre-tax return, the standard asset receives a remuneration to investment in addition to the electricity market price.

As a consequence of the interim revision of the parameters, remuneration to investment for EDP Renováveis will increase from 158 million Euros per year, in place from 2014 to 2016, to 182 million Euros per year from 2017 to 2019. The 182 million per year includes 2 million Euros per year from regulatory adjustments already accounted in the 2014-2016 period.

Sale of a minority stake in Portuguese assets to CTG

On 27 February, EDP Renováveis, S.A., 77.5% controlled by EDP, announced it entered into an agreement with ACE Portugal Sàrl which is 100% owned by ACE Investment Fund II LP – an entity participated of China Three Gorges Hong Kong Ltd, a fully-owned subsidiary by China Three Gorges ("CTG") – to sell 49% of equity shareholding and shareholder loans in a portfolio of wind assets for a total consideration of 242 million Euros.

The transaction scope covers 422 MW of wind technology, located in Portugal, with an average age of 6 years. These assets were part of ENEOP project and have been fully consolidated at EDPR following the conclusion of asset split process in 2015.

49. Recent Accounting Standards and Interpretations Issued

Standards, amendments and interpretations issued effective for the Group

The new standards and interpretations that have been issued and are already effective and that the Group has applied on its consolidated financial statements with no significant impact are the following:

- IFRS 10 (Amended), IFRS 12 (Amended) and IAS 28 (Amended) - Investment Entities: Applying the Consolidation Exception;
- IFRS 11 (Amended) - Accounting for Acquisitions of Interests in Joint Operations;
- IAS 1 (Amended) - Disclosure Initiative;
- IAS 16 (Amended) and IAS 38 (Amended) - Clarification of Acceptable Methods of Depreciation and Amortisation;
- IAS 19 (Amended) - Employee Benefits: Defined Benefit Plans - Employee Contributions;
- IAS 27 (Amended) - Equity Method in Separate Financial Statements. EDP, S.A. did not change the measurement method of its investments in subsidiaries (see note 2b));
- Annual Improvement Project (2010-2012);
- Annual Improvement Project (2012-2014).

**EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015**

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

The standards, amendments and interpretations issued but not yet effective for the Group, which impact is being evaluated, are the following:

- **IFRS 9 - Financial Instruments**

The International Accounting Standards Board (IASB) issued, in November 2009, IFRS 9 - Financial instruments, changed in July 2014, with effective date of mandatory application for periods beginning on or after 1 January 2018, being allowed its early adoption.

This standard is included in the IASB's comprehensive project to replace IAS 39 and relates to issues of classification and measurement of financial instruments. The main issues considered are as follows:

- the financial assets can be classified in two categories: at amortised cost or at fair value. This decision will be made upon the initial recognition of the financial assets. Its classification depends on how the entity presents these financial assets and the contractual cash flows associated to each financial asset in the business;

- debt instruments can only be measured at amortised cost when the contractual cash-flows represent only principal and interest payments, which means that it contains only basic loan features, and for which an entity holds the asset to collect the contractual cash flows. All the other debt instruments are recognised at fair value;

- equity instruments issued by third parties are recognised at fair value with subsequent changes recognised in the profit and loss. However, an entity can irrevocably select equity instruments at initial recognition for which fair value changes and the realised gains or losses are recognised in fair value reserves. Gains and losses recognised in fair value reserves can not be recycled to profit and loss. This is a discretionary decision, and does not imply that all the equity instruments should be treated on this basis. The dividends received are recognised as income for the year;

- the exemption that allows unquoted equity investments and related derivatives to be measured at cost, under IAS 39, is not allowed under IFRS 9; and

- changes in fair value attributable to own credit risk of financial liabilities classified as fair value through profit or loss, shall be recognised in Other comprehensive income. The remaining fair value changes related to these financial liabilities shall be recognised through profit or loss. The amounts recognised in Other comprehensive income shall not be reclassified/transferred to profit and loss.

- **IFRS 15 - Revenue from the Contracts with Customers**

The International Accounting Standards Board (IASB) issued, in May 2014, IFRS 15 - Revenue from the Contracts with Customers, with effective date of mandatory application for periods beginning on or after 1 January 2018, being allowed its early adoption.

This new standard presents the principles that shall be applied by an entity in order to provide more useful information to users of financial statements about the nature, amount, term and uncertainty of revenue and cash flows arising from a contract with a client.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as provided in the 5 steps methodology.

The 5 steps methodology consists in the following steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations; and (v) recognise revenue when (or as) the entity satisfies a performance obligation.

- **IFRS 16 - Leases**

The International Accounting Standards Board (IASB) issued, in January 2016, IFRS 16 - Leases, with effective date of mandatory application for periods beginning on or after 1 January 2019, with earlier adoption permitted for entities that have also adopted IFRS 15 - Revenue from Contracts with Customers. This standard has not yet been adopted by the European Union.

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17 - Leases and its associated interpretative guidance. The objective is to ensure that lessees and lessors provide relevant information to the users of financial statements, namely about the effect that leases have on the financial position, financial performance and cash flows of the entity.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The main issues considered are as follows:

- inclusion of some considerations in order to distinguish leases from service contracts, based on the existence of control of the underlying asset at the time that it is available for use by the lessee; and

- introduction of a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. As a consequence, a lessee recognises depreciation costs and interest costs separately.

- IAS 7 (Amended) - Disclosure Initiative

The International Accounting Standards Board (IASB) issued, in January 2016, amendments to IAS 7 - Statement of Cash Flows, with effective date of mandatory application for periods beginning on or after 1 January 2017, being allowed its early adoption. This standard has not yet been adopted by the European Union.

These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, such as:

- Changes from financing cash flows;
- Changes arising from obtaining or losing control of subsidiaries or other businesses;
- The effect of changes in foreign exchange rates; or
- Changes in fair values.

These disclosures may be presented by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The standards, amendments and interpretations issued but not yet effective for the Group with no significant impact are the following:

- IFRS 2 (Amended) - Classification and Measurement of Share-based Payment Transactions;
- IFRS 4 (Amended) - Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts;
- IFRS 14 - Regulatory Deferral Accounts;
- IAS 12 (Amended) - Recognition of Deferred Tax Assets for Unrealised Losses;
- IAS 40 (Amended) - Transfers of Investment Property;
- IFRIC 22 - Foreign Currency Transactions and Advance Payments;
- "Annual Improvement Project (2014-2016)".

50. EDP Branch in Spain

The aim of EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, interests in EDP Servicios Financieros (España), S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), which is the owner of NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal, as well as the majority interests in EDP Renováveis, S.A.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and direct representation on iberian ambit EDP Management Committee.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

The Executive Committee is composed essentially by five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP in Spain, namely the Department of M&A ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Administration and Finance ("Direcção de Administração e Finanças"), Department of Human Resources ("Direcção de Recursos Humanos"), Department of Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of EDP Spain Foundation ("Direcção da Fundação EDP Espanha") and IT Department ("Direcção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory, being provided with 180 human resources as at 31 December 2016, including 101 in its own payroll. Lastly, the Spanish branch of EDP has direct representation on Iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

The condensed statement of financial position of the Branch is analysed as follows:

Thousand Euros	EDP Branch	
	Dec 2016	Dec 2015
Investments in subsidiaries:		
- EDP Renováveis, S.A.	3,854,811	3,854,811
- Hidroeléctrica del Cantábrico, S.A. (HC Energia)	2,105,002	2,105,002
- EDP Servicios Financieros (España), S.A.	482,695	482,695
- EDP International Investments and Services, S.L.	281,854	281,854
Deferred tax assets	66,652	45,305
Other debtors and others assets (see note 27)	1,397,592	1,337,506
Total Non-Current Assets	8,188,606	8,107,173
Debtors and other assets	600,756	191,700
Tax receivable	29,600	27,300
Cash and cash equivalents	1,627	1,494
Total Current Assets	631,983	220,494
Total Assets	8,820,589	8,327,667
Equity	6,141,016	5,734,304
Employee benefits	2,062	1,558
Trade and other payables (see note 40)	2,577,517	2,497,923
Provisions	260	5,820
Total Non-Current Liabilities	2,579,839	2,505,301
Trade and other payables	96,638	86,110
Tax payable	3,096	1,952
Total Current Liabilities	99,734	88,062
Total Liabilities	2,679,573	2,593,363
Total Equity and Liabilities	8,820,589	8,327,667

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

51. Environmental Matters

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are booked as expenses for the period, except if they qualify to be recognised as an asset according with IAS 16.

Investments of an environmental nature booked as Property, plant and equipment assets during 2016 and 2015, in the Group, are analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Air and climate protection	45,942	31,479
Water management	501	345
Waste management	53	477
Soil, subterranean and surface water protection	1,361	1,523
Noise and vibration reduction	290	408
Biodiversity protection	11,134	6,469
Landscape protection	1,674	5,441
Energetic efficiency	5,158	1,694
Research and development in the environmental area	-	14
Other environmental management and protection activities	5,930	6,051
	72,043	53,901

Investments recognised in Air and climate protection as Property, plant and equipment in 2016 include 38,900 thousand Euros (31 December 2015: 29,287 thousand Euros) of costs incurred by HC Energia in the construction of a denitrification system in Soto and in Aboño, being this last already concluded as at 31 December 2016.

During the period, the Group recognised expenses that are analysed as follows:

Thousand Euros	Group	
	Dec 2016	Dec 2015
Air and climate protection	8,323	9,872
Water management	10,765	10,546
Waste management	15,279	12,162
Soil, subterranean and surface water protection	1,662	3,126
Noise and vibration reduction	122	79
Biodiversity protection	4,066	3,794
Landscape protection	12	8
Energetic efficiency	12,074	951
Radiations management	19	9
Research and development in the environmental area	508	949
Other environmental management and protection activities	8,853	9,223
	61,683	50,719

The variation of the caption "Energetic efficiency" is related to the transposition of the Energy Efficiency Directive in Spain, which define that the energy suppliers have to achieve annual energy savings of 1.5% of sales to final consumers between 2014 and 2020 through contributions to the Energy Efficiency Fund. During 2016, HC Energia contributed with around 8 million Euros.

Under current and future socioeconomic trends and practices followed by the EDP Group regarding to sustainability and environment, the group accounts for provisions to cover the costs of dismantling, decommissioning, restoring and decontaminating land where electric power plants are located, of 90,183 thousand Euros and 58,210 thousand Euros for thermoelectric power plants located in Portugal and Spain, respectively. Regarding the liability to dismantle and restore the land where wind farms are located to its original condition, as at 31 December 2016, the provisions amount to 268,191 thousand Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 43,865 thousand Euros (see notes 2 o) and 37).

Environmental income recognised in 2016 relates to the sale of environmental waste of 4,957 thousand Euros (31 December 2015: 2,012 thousand Euros) and the sale of by-products of 105 thousand Euros (31 December 2015: 2,047 thousand Euros).

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

52. Transfers of Financial Assets - Tariff Adjustments

As mentioned in note 3, in Portugal, Decree - Law 237-B/2006 of 19 December and Decree - Law 165/2008 of 21 August, refer to the transfer to third parties of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, through which the EDP Group has made, since 2008, a number of transfer operations of financial assets.

For the following operations, assets were transferred to securitisation companies, that financed their purchases through debt securities registered in the Securities Commission (CMVM):

- In March 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus - Sociedade de Titularização de créditos, S.A. (Tagus), the right to receive the non-regular tariff adjustments (tariff deficit) related to 2007 and 2008 of 1,225,376 thousand Euros. With the sale of those rights, EDP Group received 1,204,422 thousand Euros, generating a loss of 22,969 thousand Euros (including financial expenses incurred);
- In December 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive the non-regular tariff adjustments (tariff deficit) related to the estimated special regime overcost related to 2009 of 447,469 thousand Euros. The transaction totalised 434,720 thousand Euros, net of expenses, and generated a loss of 12,749 thousand Euros;
- In May 2013, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2012 overcost of the acquisition of electricity activity from special regime production, in the amount of 422,692 thousand Euros. The transaction was performed by the amount of 450,000 thousand Euros, generating a gain of 22,510 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Service of Class R Notes issued by Tagus at par value in the amount of 400 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 4,695 thousand Euros, both maturing in 2017. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 295 thousand Euros, as at 31 December 2016;
- In April 2014, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2013 overcost of the acquisition of electricity activity from special regime production, in the amount of 694,857 thousand Euros. The transaction was performed by the amount of 750,000 thousand Euros, generating a gain of 50,141 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal Service of Class R Notes issued by Tagus at par value in the amount of 473 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 5,588 thousand Euros, both maturing in 2018. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 1,752 thousand Euros, as at 31 December 2016;
- In December 2014, EDP Distribuição de Energia, S.A., sold without recourse to Tagus, the right to recover part of the 2012 CMEC compensation adjustment in the amount of 228,826 thousand Euros. The transaction was performed by the amount of 239,832 thousand Euros generating a gain of 10,711 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Distribuição of Expense Reserve Notes issued by Tagus at par value in the amount of 317 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,690 thousand Euros, both maturing in 2019. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account and are booked under financial assets at fair value through profit or loss, by the net amount of 1,837 thousand Euros, as at 31 December 2016;
- In March 2015, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2014 overcost of the acquisition of electricity activity from special regime production, in the amount of 465,418 thousand Euros. The transaction was performed by the amount of 499,461 thousand Euros, generating a gain of 31,737 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 410 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,488 thousand Euros, both maturing in 2019. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 1,737 thousand Euros, as at 31 December 2016;
- In August 2016, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2016 overcost of the acquisition of electricity activity from special regime production, in the amount of 598,883 thousand Euros. The transaction was performed by the amount of 599,987 thousand Euros, generating a loss of 7,417 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 381 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 3,635 thousand Euros, both maturing in 2021. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 3,946 thousand Euros, as at 31 December 2016.

Under IAS 39, the assets (tariff adjustments) transferred in these operations were derecognised from the Statement of Financial Position of EDP Group.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

53. Operating Segments Report

In accordance with IFRS 8, an operating segment is a Group component:

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

The Group develops a set of regulated and liberalised activities in the energy sector, with special emphasis in generation, distribution and supply of electricity and gas.

The Group manages its activities based on several business segments, which includes the activities in Iberia. Moreover, the EDP Group also makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Finally, taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Brasil).

The Executive Board of Directors regularly reviews segmental reports, using Operating Profit to assess and release each business operating performance, as well as to allocate resources.

The management of financial activities of all EDP Group entities (except Brazil) is undertaken centrally by the Financial Department at holding level, in accordance with policies approved by the Executive Board of Directors. As a result of this management, all financial operations and financial results are disclosed only at Group level.

The segments defined by the Group are the following:

- Long Term Contracted Generation in Iberia;
- Liberalised Activities in Iberia;
- Regulated Networks in Iberia;
- EDP Renováveis;
- EDP Brasil.

The Long Term Contracted Generation in Iberia segment corresponds to the activity of electricity generation of plants with CMEC and SRP plants in Portugal. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (CMEC and SRP generation);
- Fisigen - Empresa de Cogeração, S.A.;
- Pebble-Hydro - Consultoria, Investimentos e Serviços, Lda.
- EDP Small Hydro, S.A.

The Liberalised Activities segment in Iberia corresponds to the activity of unregulated generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (liberalised generation);
- Empresa Hidroeléctrica do Guadiana, S.A.;
- Hidroeléctrica Del Cantábrico, S.A.U.;
- Central Térmica Ciclo Combinado Grupo 4, S.A.;
- EDP Comercial - Comercialização de Energia, S.A.;
- Hidrocantábrico Energia, S.A.U.;
- Naturgás Comercializadora, S.A.;
- EDP Gás.Com - Comércio de Gás Natural, S.A.;
- Greenvougá - Sociedade Gestora do Aproveitamento Hidroeléctrico do Ribeiradio-Ermida, S.A.;
- EDP Energía Gás S.L.

Additionally, this segment includes the Iberian energy management business unit (UNGE) as well as the elimination of transactions between companies identified above. UNGE is the EDP Group unit responsible for the management of purchases and sales of energy in the Iberian market, and also for the related hedging transactions.

The Regulated Networks segment in Iberia corresponds to the activities of electricity and gas distribution in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

- EDP Distribuição - Energia, S.A.;
- EDP Serviço Universal, S.A.;
- Electra de Llobregat Energía, S.L.;
- Hidrocantábrico Distribucion Eléctrica, S.A.U.;
- EDP Gás Distribuição, S.A.;
- EDP Gás Serviço Universal, S.A.;
- Naturgás Energía Distribución, S.A.U.

**EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015**

The EDP Renováveis segment corresponds to the power generation activity through renewable energy resources and includes all the companies of EDPR Europe, EDPR North America and EDPR Brasil subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies composing this segment, including consolidation adjustments.

The EDP Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the holding EDP Energias do Brasil, S.A. and all its subsidiaries, with the exception of EDP Renováveis Brasil which is included in the EDP Renováveis segment. As in the EDP Renováveis segment, this segment includes all the adjustments for the companies composing this segment, including consolidation adjustments.

Segment Definition

The amounts reported in each operating segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position captions of each subsidiary and business unit are determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement captions for each operating segment are based in the amounts booked directly in the companies financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

Nevertheless, since EDP - Gestão da Produção de Energia, S.A.'s assets belong to more than one business segment, namely the CMEC and SRP generation plants - allocated to the Long Term Contracted Generation - and the liberalised generation plants - allocated to the Liberalised Activities, it was necessary to allocate all its gains, costs, assets and liabilities to those power plants.

Preferentially, it was used analytical accounting reports to allocate gains, costs, assets and liabilities by plant. For the remaining information, since those reports don't comprise all the costs - namely the shared costs in the Supplies and Services and Personnel Costs captions, and since the applicability of the previous criteria it's not possible, the shared costs were allocated in the proportion of costs directly allocated to each plant in the total costs and the remaining assets and liabilities were allocated following the proportion of each plant net assets in the total assets.

In each business segment, Assets include the Property, Plant and Equipment, Intangible Assets, Goodwill, Trade Receivables and Inventories captions. The captions Debtors and other assets are allocated to each segment according to its nature. The remaining assets are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

In each business segment, Liabilities include the Provisions and Employee benefits captions. The captions Trade and other payables are allocated to each segment according to its nature. The remaining liabilities are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

Under IFRS 8, the EDP Group discloses as Operating investment, additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore, in each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment and in Intangible Assets, excluding CO2 licenses and Green certificates, net of increases in Government grants, Customers contributions for investment and Sales of properties in the period. Goodwill is disclosed in note 18.

In consolidated financial statements, Joint Ventures and associated companies are accounted under the equity method, in accordance with the Group accounting policy disclosed in note 2. These equity accounted investees are disclosed by business segment under IFRS 8 and presented in the business segment correspondent to its operating activity.

The EDP Group by operating segment report is presented in Annex I.

Geographic information

The Group manages its activity based on business segments mentioned above, however has business in several geographical locations, being its main office located in Portugal.

Revenues from energy sales and services and other by geographic market, for EDP Group, are presented in note 6. Additionally, the geographical information bellow, details the Non-current assets excluding Financial instruments, Deferred tax assets and Employee benefits. In the disclosure of this information, the Revenues from energy sales and services and other, as well as the Non-current assets, are based on companies' geographical location where the Assets are booked.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Non-current assets by geographical market for the Group EDP, are as follows:

Dec 2016						
Thousand Euros	Portugal	Iberia	Brazil	USA	Other	Group
Property, plant and equipment	7,099,947	5,174,968	2,438,327	7,225,517	2,254,977	24,193,736
Intangible assets	3,860,597	69,866	1,036,230	98,633	63,218	5,128,544
Goodwill	83,520	2,404,454	49,995	748,187	128,696	3,414,852
	11,044,064	7,649,288	3,524,552	8,072,337	2,446,891	32,737,132

Dec 2015						
Thousand Euros	Portugal	Iberia	Brazil	USA	Other	Group
Property, plant and equipment	7,021,666	5,154,059	1,938,542	6,430,335	2,229,114	22,773,716
Intangible assets	4,387,877	110,650	892,393	87,771	45,943	5,524,634
Goodwill	83,520	2,404,454	46,971	724,813	128,830	3,388,588
	11,493,063	7,669,163	2,877,906	7,242,919	2,403,887	31,686,938

54. Explanation Added for Translation

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

Annex I

EDP Group Operating Segments Report
as at 31 December 2016

Thousand Euros	Iberia					Total Segments
	LT Contracted Generation	Liberalised Activities	Regulated Networks	EDP Renováveis	EDP Brasil	
Receipts from energy sales and services and others	960,200	8,387,758	5,492,637	1,484,563	2,427,421	18,752,579
Gross Profit	639,390	1,089,249	1,727,461	1,453,214	849,384	5,758,698
Other income						
Supplies and services	3,695	13,364	66,678	251,296	79,553	414,586
Personnel costs and employee benefits	-45,706	-261,912	-334,822	-304,740	-158,812	-1,105,992
Other costs	-50,116	-80,373	-151,197	-93,894	-115,892	-491,472
	-18,278	-224,416	-318,299	-134,925	-60,919	-756,837
Gross Operating Profit	528,985	535,912	989,821	1,170,951	593,314	3,818,983
Provisions	-1,854	21,398	1,300	-4,705	-7,650	8,489
Amortisation and impairment	-127,676	-234,290	-342,075	-602,287	-145,232	-1,451,560
Operating Profit	399,455	323,020	649,046	563,959	440,432	2,375,912
Equity method in joint ventures and associates	2,490	1,431	245	-185	-29,924	-25,943
Assets	3,838,336	7,647,311	7,830,709	15,662,361	4,456,809	39,435,526
Equity accounted Investments in joint ventures and associates	13,726	4,420	712	340,119	344,224	703,201
Liabilities	639,132	1,547,734	2,523,921	1,475,553	910,376	7,096,716
Operating Investment	43,926	333,850	461,898	1,026,188	169,015	2,034,877

Reconciliation of information between Operating Segments and Financial Statements for December 2016

Thousand Euros	
Total Receipts from energy sales and services and others of Reported Segments	18,752,579
Receipts from energy sales and services and others from Other Segments	472,399
Adjustments and Inter-segments eliminations*	-4,629,814
Total Receipts from energy sales and services and others of EDP Group	14,595,164
Total Gross Profit of Reported Segments	5,758,698
Gross Profit from Other Segments	449,144
Adjustments and Inter-segments eliminations*	-469,810
Total Gross Profit of EDP Group	5,738,032
Total Gross Operating Profit of Reported Segments	3,818,983
Gross Operating Profit from Other Segments	-37,529
Adjustments and Inter-segments eliminations*	-22,147
Total Gross Operating Profit of EDP Group	3,759,307
Total Operating Profit of Reported Segments	2,375,912
Operating Profit from Other Segments	-74,195
Adjustments and Inter-segments eliminations*	-37,638
Total Operating Profit of EDP Group	2,264,079
Total Assets of Reported Segments	39,435,526
Assets Not Allocated	4,846,130
Financial Assets	2,299,697
Taxes Assets	1,398,916
Other Assets	1,147,517
Assets from Other Segments	1,144,234
Inter-segments assets eliminations*	-1,342,144
Total Assets of EDP Group	44,083,746
Total Equity accounted Investments in joint ventures and associates of Reported Segments	703,201
Equity accounted Investments in joint ventures and associates from Other Segments	117,364
Total Equity accounted Investments in joint ventures and associates of EDP Group	820,565
Total Liabilities of Reported Segments	7,096,716
Liabilities Not Allocated	23,692,678
Financial Liabilities	18,102,530
Institutional partnership in USA	2,339,425
Taxes Liabilities	1,675,665
Other payables	1,573,484
Hydrological correction account	1,574
Liabilities from Other Segments	910,829
Inter-segments Liabilities eliminations*	-1,352,849
Total Liabilities of EDP Group	30,347,374
Total Operating Investment of Reported Segments	2,034,877
Operating Investment from Other Segments	45,128
Total Operating Investment of EDP Group	2,080,005

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	414,586	36,980	-24,252	427,314
Supplies and services	-1,105,992	-291,015	449,133	-947,874
Personnel costs and employee benefits	-491,472	-189,272	20,128	-660,616
Other costs	-756,837	-43,366	2,654	-797,549
Provisions	8,489	6,586	1	15,076
Amortisation and impairment	-1,451,560	-43,253	-15,491	-1,510,304
Equity method in joint ventures and associates	-25,943	3,881	-	-22,062

* Mainly related with intragroup balances and transactions eliminations

EDP Group Operating Segments Report
as at 31 December 2015

Thousand Euros	Iberia					Total Segments
	LT Contracted Generation	Liberalised Activities	Regulated Networks	EDP Renováveis	EDP Brasil	
Receipts from energy sales and services and others	1,136,962	9,025,584	5,405,608	1,371,577	2,733,747	19,673,478
Gross Profit	717,578	879,395	1,674,971	1,349,605	830,520	5,452,069
Other income						
Supplies and services	7,790	7,266	136,552	359,002	330,033	840,643
Personnel costs and employee benefits	-58,237	-218,997	-344,913	-292,728	-147,815	-1,062,690
Other costs	-63,758	-70,295	-156,240	-84,268	-113,370	-487,931
	-20,642	-233,612	-279,407	-189,316	-42,254	-765,231
Gross Operating Profit	582,731	363,757	1,030,963	1,142,295	857,114	3,976,860
Provisions	290	-11,484	-7,007	172	-9,425	-27,454
Amortisation and impairment	-161,261	-200,202	-331,127	-564,629	-126,970	-1,384,189
Operating Profit	421,760	152,071	692,829	577,838	720,719	2,565,217
Equity method in joint ventures and associates	3,028	1,850	308	-1,517	-30,762	-27,093
Assets	3,912,701	7,467,783	8,956,348	14,723,990	3,688,379	38,749,201
Financial assets - Investments in joint ventures and associates	13,979	1,625	741	333,800	197,427	547,572
Liabilities	830,429	1,459,691	2,510,031	1,304,758	641,577	6,746,486
Operating Investment	28,409	388,211	376,465	901,385	113,548	1,808,018

Reconciliation of information between Operating Segments and Financial Statements for December 2015

Thousand Euros	
Total Revenues from energy sales and services and other of Reported Segments	19,673,478
Receipts from energy sales and services and others from Other Segments	474,772
Adjustments and Inter-segments eliminations*	-4,631,451
Total Revenues from energy sales and services and other of EDP Group	15,516,799
Total Gross Profit of Reported Segments	5,452,069
Gross Profit from Other Segments	452,100
Adjustments and Inter-segments eliminations*	-449,463
Total Gross Profit of EDP Group	5,454,706
Total Gross Operating Profit of Reported Segments	3,976,860
Gross Operating Profit from Other Segments	-43,310
Adjustments and Inter-segments eliminations*	-9,592
Total Gross Operating Profit of EDP Group	3,923,958
Total Operating Profit of Reported Segments	2,565,217
Operating Profit from Other Segments	-61,273
Adjustments and Inter-segments eliminations*	-60,565
Total Operating Profit of EDP Group	2,443,379
Total Assets of Reported Segments	38,749,201
Assets Not Allocated	3,552,120
Financial Assets	1,689,387
Taxes Assets	587,366
Other Assets	1,275,367
Assets from Other Segments	920,654
Inter-segments assets eliminations*	-685,010
Total Assets of EDP Group	42,536,965
Total Equity accounted Investments in joint ventures and associates of Reported Segments	547,572
Equity accounted Investments in joint ventures and associates from Other Segments	116,439
Total Equity accounted Investments in joint ventures and associates of EDP Group	664,011
Total Liabilities of Reported Segments	6,746,486
Liabilities Not Allocated	23,883,488
Financial Liabilities	19,328,566
Institutional partnership in USA	1,956,217
Taxes Liabilities	1,312,363
Other payables	1,274,924
Hydrological correction account	11,418
Liabilities from Other Segments	996,774
Inter-segments Liabilities eliminations*	-1,211,276
Total Liabilities of EDP Group	30,415,472
Total Operating Investment of Reported Segments	1,808,018
Operating Investment from Other Segments	-20,151
Total Operating Investment of EDP Group	1,787,867

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	840,643	37,199	-29,059	848,783
Supplies and services	-1,062,690	-301,940	444,022	-920,608
Personnel costs and employee benefits	-487,931	-185,239	20,191	-652,979
Other costs	-765,231	-45,432	4,719	-805,944
Provisions	-27,454	10,999	399	-16,056
Amortisation and impairment	-1,384,189	-28,961	-51,373	-1,464,523
Equity method in joint ventures and associates	-27,093	-778	3,972	-23,899

* Mainly related with intragroup balances and transactions eliminations

Annex II. Companies in the Consolidation Perimeter

The subsidiary companies where the Group exercises control as at 31 December 2016 are as follows:

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-16 Euro'000	Liabilities 31-Dec-16 Euro'000	Equity 31-Dec-16 Euro'000	Total Income 31-Dec-16 Euro'000	Net Profit/(Loss) 31-Dec-16 Euro'000	% Group	% Company
Group's parent holding company and Related Activities:									
Portugal:									
EDP - Energias de Portugal, S.A. (EDP Group Parent Company)	Lisbon	3,656,537,715 EUR	22,795,868	15,370,861	7,425,007	4,955,381	758,031	100.00%	-
CEO - Comp Energia Oceânica, S.A.	Póvoa do Varzim	65,435 EUR	2,133	763	1,370	49	-285	52.07%	-
EDP Estudos e Consultoria, S.A.	Lisbon	50,000 EUR	13,531	7,831	5,701	23,714	2,187	100.00%	100.00%
EDP Gás - SGPS, S.A.	Lisbon	73,200,000 EUR	309,898	164,480	145,417	23,503	6,674	100.00%	-
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000 EUR	112,520	109,770	2,750	8,500	-29,471	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000 EUR	30,611	23,513	7,098	6,452	110	100.00%	100.00%
EDP Internacional, S.A.	Lisbon	50,000 EUR	23,840	22,788	1,052	3,627	-4,146	100.00%	100.00%
EDP IS - Investimentos e Serviços, Sociedade Unipessoal, Lda	Lisbon	140,309,500 EUR	443,096	201,216	241,880	23,589	10,798	100.00%	100.00%
EDP Ventures, SGPS, S.A.	Lisbon	50,000 EUR	28,280	18,608	9,672	54	-1,108	100.00%	-
ENAGÁS - SGPS, S.A.	Lisbon	299,400 EUR	7,944	18	7,926	11	-18	60.00%	-
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Sacavem	2,200,000 EUR	15,396	9,916	5,480	15,245	1,611	100.00%	100.00%
Sávida - Medicina Apoiada, S.A.	Lisbon	450,000 EUR	20,434	11,354	9,081	31,481	4,493	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000 EUR	341	114	227	181	5	100.00%	-
Other Countries:									
EDP - Ásia Soluções Energéticas Limitada	Macao	1,500,000 MOP	2,506	37	2,469	1,051	268	100.00%	5.00%
EDP Finance, B.V.	Amsterdam	2,000,000 EUR	14,496,851	14,375,294	121,557	566,124	23,847	100.00%	100.00%
EDP International Investments and Services, S.L.	Oviedo	4,702 EUR	479,516	143,826	335,690	28,974	14,445	100.00%	36.07%
EDP Servicios Financieros España, S.A.	Oviedo	10,300,058 EUR	3,923,698	3,398,989	524,710	152,668	26,647	100.00%	100.00%
Energia RE - Sociedade Cative de Resseguro	Luxembourg	3,000,000 EUR	113,441	63,992	49,449	15,321	4,081	100.00%	100.00%
Electricity and Gas Activity - Portugal:									
Electricity Generation:									
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505 EUR	8,645,582	6,482,065	2,163,517	1,538,970	284,333	100.00%	100.00%
EDP Small Hydro, S.A.	Lisbon	6,950,786 EUR	93,705	7,522	86,183	8,653	4,766	100.00%	-
Empresa Hidroeléctrica do Guadiana, S.A.	Lisbon	48,750,000 EUR	465,007	438,694	26,313	50,392	-23,998	100.00%	-
Energim Azóia, S.A.	Lisbon	50,000 EUR	2,950	10,867	-7,916	1,400	1,729	65.00%	-
FISIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000 EUR	26,828	29,644	-2,816	21,270	1,429	51.00%	-
Greenouga - Soc. Gest. do Aproveit. Hidroel. de Ribeirão-Ermida, S.A.	Lisbon	1,000,000 EUR	254,252	182,719	71,533	10,325	-1,920	100.00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500,000 EUR	5,907	5,210	696	1,838	219	100.00%	100.00%
Pebble Hydro - Consultoria, Invest. e Serv., Lda	Lisbon	5,100 EUR	128,781	110,819	17,962	31,314	15,866	100.00%	-
Tergen - Operação e Manutenção de Centrais Termoelectricas, S.A.	Carregado	250,000 EUR	6,034	5,032	1,003	7,208	298	100.00%	-
Electricity Distribution:									
EDP Distribuição de Energia, S.A.	Lisbon	200,000,000 EUR	4,709,035	3,778,248	930,788	2,682,747	303,004	100.00%	100.00%
EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.	Lisbon	50,000 EUR	987	813	174	2	-390	100.00%	-
Electricity Supply:									
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,824,695 EUR	723,962	654,531	69,431	3,192,330	24,190	100.00%	100.00%
EDP Serviço Universal, S.A.	Lisbon	10,100,000 EUR	1,442,488	1,452,645	-10,157	2,703,130	-125,189	100.00%	-
Gas Distribution:									
EDP Gás Distribuição, S.A.	Oporto	7,909,150 EUR	450,425	231,821	218,603	103,862	23,248	100.00%	-
EDP Gás Serviço Universal, S.A.	Oporto	1,049,996 EUR	30,854	17,842	13,012	23,144	2,034	100.00%	-
Gas Supply:									
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, S.A.	Oporto	549,998 EUR	8,116	958	7,158	3,134	582	100.00%	-
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50,000 EUR	101,324	89,901	11,423	274,344	3,196	100.00%	100.00%
Shared Services:									
EDP Soluções Comerciais, S.A.	Lisbon	50,000 EUR	61,688	58,288	3,400	150,970	3,636	100.00%	100.00%
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000 EUR	86,431	79,874	6,557	54,766	3,482	100.00%	100.00%
Other Activities:									
CNET - Centre for New Energy Technologies, S.A.	Sacavem	300,000 EUR	771	466	304	300	22	60.00%	-
EDP Mediadora, S.A.	Lisbon	50,000 EUR	4,479	3,099	1,380	2,611	1,038	100.00%	-
EDP Ventures - Sociedade de Capital de Risco, S.A.	Lisbon	125,000 EUR	127	9	118	-	-7	100.00%	-
SGORME - SGO Rede Mobilidade Eléctrica, S.A.	Lisbon	500,000 EUR	137	804	-667	-	-29	91.00%	-
Electricity and Gas Activity - Spain:									
Electricity Generation:									
Hidroeléctrica Del Cantábrico, S.A. (HC Energia Subgroup Parent Company)	Oviedo	932,494,347 EUR	6,201,689	1,481,483	4,720,206	1,856,423	1,536,354	100.00%	100.00%
Central Termica Ciclo Combinado Grupo 4, S.L.	Oviedo	2,117,000 EUR	155,767	303,964	-148,197	23,799	-21,783	75.00%	-
EDP Gas Iberia, S.L.	Bilbao	130,260,000 EUR	2,812,566	1,193,023	1,619,543	897,619	883,933	100.00%	-
Iberenergia, S.A.U	Oviedo	60,200 EUR	218,844	200,333	18,511	50,804	-12,040	100.00%	-
Electricity Distribution:									
Electra de Llobregat Energia, S.L.	Barcelona	300,000 EUR	5,048	5,318	-271	359	-10	75.00%	-
Electricity Supply:									
EDP Comercializadora de Ultimo Recurso, S.A.	Oviedo	120,000 EUR	29,638	20,059	9,578	101,692	-2,193	100.00%	-
EDP Empresa de Servicios Energeticos, S.L.	Oviedo	90,000 EUR	3,136	4,023	-887	7,646	-1,122	100.00%	-
EDP Energia Ibérica, S.A.	Oviedo	60,200 EUR	61	12,885	-12,824	-	-232	100.00%	-
EDP Energia, S.A.U.	Oviedo	1,000,000 EUR	178,023	123,605	54,418	1,474,760	40,059	100.00%	-
Hidrocantábrico Distribucion Eléctrica, S.A.U.	Oviedo	44,002,000 EUR	914,981	526,559	388,422	259,670	83,162	100.00%	-
Gas Distribution:									
EDP España Distribución Gas, S.A.	Oviedo	60,000,000 EUR	1,180,157	992,494	187,664	-	-211	100.00%	-
Naturgas Energia Distribución, S.A.U.	Bilbao	100,000,000 EUR	1,799,151	973,379	825,773	1,049,234	947,140	100.00%	-
Naturgas Suministro GLP, S.A.U	Bilbao	2,000,000 EUR	71,655	61,677	9,978	-	-22	100.00%	-

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-16 Euro'000	Liabilities 31-Dec-16 Euro'000	Equity 31-Dec-16 Euro'000	Total Income 31-Dec-16 Euro'000	Net Profit/(Loss) 31-Dec-16 Euro'000	% Group	% Company
Electricity and Gas Activity - Spain:									
Gas Supply:									
EDP Comercializadora, S.A.	Bilbao	1,487,895 EUR	290,935	262,249	28,686	813,284	4,772	100.00%	-
Shared Services:									
EDP Soluciones Comerciales, S.A.	Oviedo	90,452 EUR	14,141	13,487	655	59,746	240	100.00%	-
Electricity Activity - Brazil:									
Parent company and Related Activities:									
EDP Energias do Brasil, S.A. (EDP Brasil Subgroup Parent Company)	Sao Paulo	4,682,715,947 BRL	2,748,557	538,464	2,210,093	126,809	192,453	51.27%	-
EDP Transmissão, S.A.	Sao Paulo	6,116,118 BRL	23	1	22	-	-	51.27%	-
Electricity Generation:									
Costa Rica Energética, Ltda	Sao Paulo	14,318,185 BRL	7,683	1,376	6,307	3,707	2,540	26.15%	-
EDP Pequenas Centrais Hidroelectricas, S.A.	Sao Paulo	245,101,597 BRL	91,435	9,919	81,516	17,869	8,177	51.27%	-
Energest, S.A.	Sao Paulo	39,635,901 BRL	90,535	58,433	32,102	56,425	32,424	51.27%	-
Enerpeixe, S.A.	Sao Paulo	532,627,748 BRL	513,853	240,442	273,411	82,052	36,819	30.76%	-
Investco, S.A.	Tocantins	804,458,842 BRL	364,348	70,429	293,919	74,652	34,090	20.91%	-
Lajeado Energia, S.A.	Sao Paulo	306,867,541 BRL	439,806	170,521	269,286	138,015	44,340	28.64%	-
Porto do Pecém Geração de Energia, S.A.	Ceara	3,007,810,902 BRL	1,278,029	665,770	612,258	407,190	-8,621	51.27%	-
Resende Engenharia e Assessoria, Ltda	Sao Paulo	21,513,319 BRL	6,180	1	6,180	-	-4	51.27%	-
Santa-Fé Energia, S.A.		86,371,000 BRL	53,386	14,079	39,307	8,782	5,904	51.27%	-
Electricity Distribution:									
Bandeirante Energia, S.A.	Sao Paulo	596,669,107 BRL	922,836	622,415	300,421	889,418	40,525	51.27%	-
Escelsa - Espírito Santo Centrais Eléctricas, S.A.		650,572,403 BRL	941,160	657,622	283,537	758,038	61,518	51.27%	-
Electricity Supply:									
APS Soluções em Energia, S. A.	Porto Alegre	17,042,773 BRL	11,589	11,078	511	4,718	-1,219	51.27%	-
EDP - Comercialização e Serviços de Energia, S.A.	Sao Paulo	26,217,026 BRL	100,841	72,275	28,566	482,233	-1,618	51.27%	-
Other Activities:									
EDP Grid Gestão de Redes Inteligentes de Distribuição, S.A.	Espírito Santo	31,538,730 BRL	18,925	9,013	9,912	6,701	-1,572	51.27%	-
Renewable Energy Activity:									
Parent company and Related Activities:									
EDP Renováveis, S.A. (EDP Renováveis Subgroup Parent Company)	Oviedo	4,361,540,810 EUR	6,850,401	1,468,006	5,382,395	179,036	19,015	77.53%	77.53%
EDP Renováveis Servicios Financieros, S.L.	Oviedo	84,691,368 EUR	3,042,003	2,631,379	410,625	209,152	8,221	77.53%	-
Europe Geography / Platform:									
Spain:									
EDP Renewables Europe, S.L. (EDPR EU Subgroup Parent Company)	Oviedo	249,498,800 EUR	3,201,218	644,916	2,556,302	315,114	191,031	77.53%	-
Acampo Arias, S.L.	Zaragoza	3,314,300 EUR	19,378	15,615	3,763	2,744	223	77.53%	-
Aplicaciones Industriales de Energías Limpias, S.L.	Zaragoza	131,288 EUR	1,366	-	1,366	246	245	47.68%	-
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350 EUR	163	135	28	127	-67	46.59%	-
Bon Vent de Corbera, S.L.	Barcelona	7,255,000 EUR	59,719	38,923	20,796	10,467	1,478	77.53%	-
Bon Vent de L'Ebre, S.L.	Barcelona	12,600,000 EUR	55,253	39,594	15,659	10,729	2,040	39.54%	-
Bon Vent de Vilalba, S.L.	Barcelona	3,600,000 EUR	53,762	49,272	4,490	10,094	1,280	39.54%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857,945 EUR	1,248	84	1,165	229	2	77.53%	-
Desarrollo Eólico Almarchal, S.A.U.	Cadiz	2,061,190 EUR	14,366	8,045	6,320	2,588	317	77.53%	-
Desarrollo Eólico Buenavista, S.A.U.	Cadiz	1,712,369 EUR	7,180	2,757	4,423	1,539	88	77.53%	-
Desarrollo Eólico de Corne, S.A.	La Coruna	3,666,100 EUR	8,375	938	7,438	1,385	-675	77.53%	-
Desarrollo Eólico de Lugo, S.A.U.	Lugo	7,761,000 EUR	42,460	17,317	25,143	8,181	1,091	77.53%	-
Desarrollo Eólico de Tarifa, S.A.U.	Cadiz	5,799,650 EUR	11,525	1,463	10,062	2,601	46	77.53%	-
Desarrollo Eólico Dumbria, S.A.U.	La Coruna	61,000 EUR	61,283	46,142	15,141	10,622	1,542	77.53%	-
Desarrollo Eólico Rabosera, S.A.	Huesca	7,560,950 EUR	25,088	8,764	16,325	4,036	824	77.53%	-
Desarrollos Catalanes Del Viento, S.L.	Barcelona	10,992,600 EUR	93,196	62,955	30,240	1,735	-116	77.53%	-
Desarrollos Eolicos de Galicia, S.A.	La Coruna	6,130,200 EUR	11,337	1,487	9,850	1,517	-767	77.53%	-
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	60,100 EUR	469	409	60	-	-	39.54%	-
EDP Renovables España, S.L.	Madrid	32,628,100 EUR	670,320	132,598	537,722	32,511	7,247	77.53%	-
EDP Renováveis Cantábria, S.L.	Madrid	490,000 EUR	654	1	654	25	-132	77.53%	-
EDPR Participaciones, S.L.U.	Oviedo	7,968,700 EUR	538,301	193,543	344,758	23,450	19,014	39.54%	-
EDPR Yield Spain Services, S.L.U.	Madrid	3,000 EUR	4	58	-54	-	-2	77.53%	-
EDPR Yield, S.A.U.	Oviedo	112,905,403 EUR	651,081	381	650,700	74,048	67,712	77.53%	-
Energías Eólicas de la Manchuela, S.L.U.	Madrid	1,141,900 EUR	15,131	13,118	2,012	2,287	-149	77.53%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980 EUR	17,430	6,110	11,320	3,004	194	60.08%	-
Eólica Campollano, S.A.	Madrid	6,559,994 EUR	70,398	48,012	22,387	10,923	126	58.15%	-
Eólica Curiscao Pumar, S.A.	Madrid	60,200 EUR	67,417	64,571	2,846	12,222	2,735	77.53%	-
Eólica de Radona, S.L.	Madrid	22,088,000 EUR	49,444	26,802	22,642	7,757	682	39.54%	-
Eólica del Alfóz, S.L.	Madrid	8,480,000 EUR	127,522	95,335	32,187	25,617	6,172	39.54%	-
Eólica Don Quijote, S.L.	Albacete	3,006 EUR	36,507	36,100	406	7,518	963	39.54%	-
Eólica Dulcinea, S.L.	Albacete	10,000 EUR	24,295	23,945	350	4,702	689	39.54%	-
Eólica Fontesilva, S.L.	La Coruna	6,860,000 EUR	38,943	25,978	12,965	5,456	412	77.53%	-
Eólica Garcimuñoz, S.L.	Madrid	4,060,000 EUR	41,106	27,793	13,313	4,920	-630	77.53%	-
Eólica Guadalteba, S.L.	Seville	1,460,000 EUR	160,648	141,820	18,828	34,577	11,365	77.53%	-
Eólica La Brújula, S.A.	Madrid	3,294,000 EUR	47,518	28,698	18,819	8,149	975	77.53%	-
Eólica La Janda, S.L.	Madrid	4,525,000 EUR	176,846	150,038	26,808	35,526	11,594	77.53%	-
Eólica La Navica, S.L.	Madrid	10,000 EUR	27,957	26,324	1,633	5,921	1,041	39.54%	-
Eólica Muxía, S.L.	La Coruna	23,480,000 EUR	23,549	-	23,549	27	20	77.53%	-
Eólica Sierra de Avila, S.L.	Madrid	12,977,466 EUR	100,547	67,488	33,060	14,303	90	77.53%	-
Iberia Aprovechamientos Eólicos, S.A.U.	Zaragoza	1,918,728 EUR	21,264	18,824	2,440	3,725	80	72.88%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	29,450,970 EUR	121,387	90,379	31,008	22,313	2,503	77.53%	-
Molino de Caragüeyes, S.L.	Zaragoza	180,300 EUR	312	46	266	90	33	77.53%	-
NEO Energia Aragon, S.L.	Madrid	10,000 EUR	6	-	6	-	-	77.53%	-
Parc Eólic de Coll de la Garganta, S.L.	Barcelona	6,018,010 EUR	35,237	19,914	15,323	3,946	-323	77.53%	-
Parc Eólic de Coll de Moro, S.L.	Barcelona	7,808,920 EUR	90,648	83,979	6,669	9,820	694	77.53%	-
Parc Eólic de Torre Madrina, S.L.	Barcelona	7,754,897 EUR	84,238	72,403	11,835	10,535	1,661	77.53%	-
Parc Eólic de Vilalba dels Arcs, S.L.	Barcelona	3,065,739 EUR	39,468	31,992	7,476	5,694	1,223	77.53%	-

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

ANNUAL REPORT
EDP 2016

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-16 Euro'000	Liabilities 31-Dec-16 Euro'000	Equity 31-Dec-16 Euro'000	Total Income 31-Dec-16 Euro'000	Net Profit/(Loss) 31-Dec-16 Euro'000	% Group	% Company
Renewable Energy Activity:									
Europe Geography / Platform:									
Spain:									
Parc Eólico Serra Voltorera, S.L.	Barcelona	3,458,010 EUR	23,284	13,093	10,191	3,472	250	77.53%	-
Parque Eólico Altos del Voltoya, S.A.	Madrid	6,434,349 EUR	24,290	3,215	21,075	4,302	-832	71.71%	-
Parque Eólico Belchite, S.L.	Zaragoza	3,600,000 EUR	31,771	25,097	6,673	4,899	-3	77.53%	-
Parque Eólico la Sotonera, S.L.	Zaragoza	2,000,000 EUR	13,753	5,815	7,937	2,367	371	54.14%	-
Parque Eólico Los Cantales, S.L.U.	Zaragoza	1,963,050 EUR	19,073	15,068	4,005	4,268	818	77.53%	-
Parque Eólico Santa Quiteria, S.L.	Huesca	63,006 EUR	18,859	1,648	17,211	3,119	-66	65.09%	-
Parques de Generación Eólica, S.L.	Burgos	1,924,000 EUR	26,464	24,665	1,799	4,715	-2,177	77.53%	-
Parques Eólicos del Cantábrico, S.A.	Oviedo	9,079,680 EUR	40,424	11,831	28,593	4,503	-2,473	77.53%	-
Renovables Castilla la Mancha, S.A.	Albacete	60,102 EUR	31,141	29,326	1,814	5,246	825	69.78%	-
South África Wind & Solar Power, S.L.	Oviedo	385,500 EUR	726	-	726	3	-321	77.53%	-
Portugal:									
EDP Renováveis Portugal, S.A.	Oporto	7,500,000 EUR	516,803	420,335	96,468	149,728	59,775	39.54%	-
EDP Renewables, SGPS, S.A.	Oporto	50,000 EUR	284,549	70,107	214,442	84,897	75,521	77.53%	-
EDPR PT - Parques Eólicos, S.A.	Oporto	50,000 EUR	156,500	77,280	79,220	151,769	144,071	77.53%	-
EDPR PT - Promoção e Operação, S.A.	Oporto	50,000 EUR	15,100	15,467	-368	9,674	-782	77.53%	-
EDPR Yield Portugal Services, Unip. Lda.	Oporto	5,000 EUR	38	11	27	-	-12	77.53%	-
Eólica Alto da Teixeira, S.A.	Cinfães	50,000 EUR	29,931	26,259	3,672	5,081	1,432	77.53%	-
Eólica da Lagoa, S.A.	Arcos de Valdevez	50,000 EUR	8,639	4,663	3,977	3,809	1,406	23.72%	-
Eólica da Coutada, S.A.	Vila Pouca de Aguiar	50,000 EUR	173,071	149,910	23,160	26,630	7,361	77.53%	-
Eólica da Lajeira, S.A.	Oporto	50,000 EUR	66,461	63,529	2,931	9,777	2,379	39.54%	-
Eólica da Serra das Alturas, S.A.	Boticas	50,000 EUR	13,082	7,387	5,695	2,891	1,176	19.81%	-
Eólica da Serra das Beiras, S.A.	Arganil	50,000 EUR	109,365	94,414	14,951	18,616	6,015	77.53%	-
Eólica da Terra do Mato, S.A.	Oporto	50,000 EUR	49,180	45,130	4,051	8,109	2,207	77.53%	-
Eólica de Montenegro, S.A.	Vila Pouca de Aguiar	50,000 EUR	21,728	12,266	9,462	5,451	2,434	19.81%	-
Eólica do Alto da Lagoa, S.A.	Oporto	50,000 EUR	25,252	19,095	6,157	5,320	2,010	77.53%	-
Eólica do Alto do Mourisco, S.A.	Boticas	50,000 EUR	25,708	22,309	3,398	4,178	1,054	77.53%	-
Eólica do Cachopo, S.A.	Oporto	50,000 EUR	64,625	58,035	6,590	10,840	3,152	39.54%	-
Eólica do Castelo, S.A.	Oporto	50,000 EUR	37,565	35,887	1,678	4,886	1,015	39.54%	-
Eólica do Espigão, S.A.	Miranda do Corvo	50,000 EUR	31,220	21,629	9,591	6,564	2,532	77.53%	-
Eólica do Vêlho, S.A.	Oporto	50,000 EUR	42,121	39,845	2,276	6,176	1,551	39.54%	-
Eólica dos Altos dos Salgueiros-Guilhado, S.A.	Vila Pouca de Aguiar	50,000 EUR	12,923	11,453	1,470	2,159	566	77.53%	-
Gravitangle - Fotovoltaica Unipessoal, Lda	Oporto	5,000 EUR	4,235	2,234	2,001	887	445	77.53%	-
Malhadizes - Energia Eólica, S.A.	Oporto	50,000 EUR	21,364	15,307	6,056	7,332	3,751	39.54%	-
Parque Eólico da Serra do Oeste, S.A.	Oporto	50,000 EUR	3,910	2,413	1,497	-	-1,556	77.53%	-
Parque Eólico de Torrinhelas, S.A.	Oporto	50,000 EUR	919	564	355	-	-721	77.53%	-
Parque Eólico do Cabeço Norte, S.A.	Oporto	50,000 EUR	2,873	470	2,403	-	-521	77.53%	-
Parque Eólico do Pinhal do Oeste, S.A.	Oporto	50,000 EUR	1,469	3,053	-1,583	-	-1,040	77.53%	-
Parque Eólico do Planalto, S.A.	Oporto	50,000 EUR	1,616	1,274	342	-	-1,104	77.53%	-
Stirlingpower Unipessoal, Lda	Braga	2,500 EUR	678	448	230	-	-21	77.53%	-
France:									
EDP Renewables France, S.A.S.	Paris	151,703,747 EUR	217,926	90,909	127,017	27,805	3,102	39.54%	-
Bourbriac II, S.A.S.	Paris	1,000 EUR	78	83	-5	-	-3	77.53%	-
Centrale Eolienne Canet-Pont de Salars, S.A.S.	Paris	125,000 EUR	13,016	10,978	2,038	2,464	555	20.15%	-
Centrale Eolienne Gueltas Noyal-Pontivy, S.A.S.	Paris	761,006 EUR	6,610	2,197	4,413	1,454	251	20.16%	-
Centrale Eolienne Neo Truc L'Homme, S.A.S.	Paris	3,830,700 EUR	15,804	13,245	2,559	1,750	-699	39.54%	-
Centrale Eolienne Patay, S.A.S.	Paris	131,200 EUR	13,758	8,709	5,050	2,812	730	20.17%	-
Centrale Eolienne Saint Barnabé, S.A.S.	Paris	96,000 EUR	12,641	8,695	3,946	2,885	480	20.17%	-
Centrale Eolienne Segur, S.A.S.	Paris	113,050 EUR	13,344	8,776	4,569	2,710	780	20.16%	-
EDPR France Holding, S.A.S.	Paris	8,500,000 EUR	25,912	8,836	17,076	31,855	19,324	77.53%	-
EDPR Yield France Services, S.A.S.	Paris	1 EUR	1	3	-1	-	-1	77.53%	-
Eolienne de Callengeville, S.A.S.	Paris	37,004 EUR	13	15	-2	-	-2	77.53%	-
Eolienne de Saugueuse, S.A.R.L.	Paris	1,000 EUR	10,002	8,956	1,045	1,845	316	20.17%	-
Eolienne D'Etalondes, S.A.R.L.	Paris	1,000 EUR	59	106	-47	-	-3	77.53%	-
Monts de la Madeleine Energie, S.A.S.	Paris	37,000 EUR	955	933	23	-	-5	77.53%	-
Monts du Forez Energie, S.A.S.	Paris	37,000 EUR	685	674	11	-	-11	77.53%	-
Neo Plouvien, S.A.S.	Paris	5,040,000 EUR	8,892	6,694	2,198	1,452	36	39.54%	-
Parc Éolien Champagne Berrichonne, S.A.R.L.	Paris	3,700 EUR	12,310	12,305	5	-	-	77.53%	-
Parc Éolien de Boqueho-Pouagat, S.A.S.	Paris	1,000 EUR	3,469	3,479	-9	-	-9	77.53%	-
Parc Éolien de Citermes, S.A.S.	Paris	1,000 EUR	1	-	1	-	-	77.53%	-
Parc Éolien de Dammarie, S.A.R.L.	Paris	1,000 EUR	17,497	17,821	-324	827	-107	39.54%	-
Parc Éolien de Flavín, S.A.S.	Paris	1,000 EUR	1	-	1	-	-	77.53%	-
Parc Éolien de Francourville, S.A.S.	Paris	1,000 EUR	17,605	17,561	44	1,122	84	39.54%	-
Parc Eolien de La Hetroye, S.A.S.	Paris	37,004 EUR	22	29	-7	-	-2	77.53%	-
Parc Éolien de Louvières, S.A.S.	Paris	1,000 EUR	1	-	1	-	-	77.53%	-
Parc Eolien de Mancheville, S.A.R.L.	Paris	1,000 EUR	874	955	-81	-	-29	77.53%	-
Parc Eolien de Montagne Fayel, S.A.S.	Paris	37,000 EUR	18,018	17,305	714	2,505	408	39.54%	-
Parc Éolien de Preuseville, S.A.R.L.	Paris	1,000 EUR	10,443	9,964	478	1,221	232	39.54%	-
Parc Éolien de Prouville, S.A.S.	Paris	1,000 EUR	1	-	1	-	-	77.53%	-
Parc Eolien de Roman, S.A.R.L.	Paris	1,000 EUR	9,481	8,674	807	1,928	591	39.54%	-
Parc Éolien de Tarzy, S.A.R.L.	Paris	1,504,692 EUR	11,470	10,906	564	1,689	-1,529	39.54%	-
Parc Eolien de Varimpre, S.A.S.	Paris	37,003 EUR	11,031	11,829	-798	2,376	87	20.16%	-
Parc Eolien des Longs Champs, S.A.R.L.	Paris	1,000 EUR	331	421	-89	-	-8	77.53%	-
Parc Eolien des Vaines, S.A.S.	Paris	841,014 EUR	10,926	12,208	-1,282	2,179	-16	20.17%	-
Parc Eolien d'Escardes, S.A.S.	Paris	1,000 EUR	20,079	19,689	390	2,250	437	39.54%	-
Parc Eolien du Clos Bataille, S.A.S.	Paris	410,096 EUR	9,024	10,316	-1,292	1,671	-88	20.17%	-
SOCPE de la Mardelle, S.A.R.L.	Paris	3,001,000 EUR	7,193	4,244	2,948	1,219	156	39.54%	-
SOCPE de la Vallée du Moulin, S.A.R.L.	Paris	8,001,000 EUR	14,808	6,461	8,347	2,391	300	39.54%	-
SOCPE de Sauvageons, S.A.R.L.	Paris	1,000 EUR	7,287	7,243	44	1,206	17	58.91%	-
SOCPE des Quinze Mines, S.A.R.L.	Paris	1,000 EUR	14,741	17,617	-2,876	2,366	-385	58.91%	-
SOCPE Le Mee, S.A.R.L.	Paris	1,000 EUR	11,456	11,346	110	1,685	-63	58.91%	-
SOCPE Petite Piece, S.A.R.L.	Paris	1,000 EUR	3,464	3,326	138	554	11	58.91%	-

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-16 Euro'000	Liabilities 31-Dec-16 Euro'000	Equity 31-Dec-16 Euro'000	Total Income 31-Dec-16 Euro'000	Net Profit/(Loss) 31-Dec-16 Euro'000	% Group	% Company
Renewable Energy Activity:									
Europe Geography / Platform:									
France:									
Poland:									
EDP Renewables Polska, Sp. z o.o.	Warsaw	434,945,000 PLN	224,114	75,575	148,539	32,528	-6,445	77.53%	-
EDP Renewables Polska HoldCo, S.A.	Warsaw	100,100 PLN	234,072	32,427	201,645	302	-2,723	39.54%	-
EDP Renewables Polska OPCO, S.A.	Warsaw	100,000 PLN	18	1	17	-	-6	77.53%	-
Elektrownia Wiatrowa Kresy I, Sp. z o.o.	Warsaw	70,210 PLN	119,261	49,455	69,805	11,996	23	39.54%	-
Farma Wiatrowa Starozreby, Sp. z o.o.	Warsaw	465,500 PLN	4,034	29	4,004	-	-29	77.53%	-
Korsze Wind Farm, Sp. z o.o.	Warsaw	38,855,000 PLN	88,815	67,563	21,252	16,607	5,652	39.54%	-
Masovia Wind Farm I, Sp. z o.o.	Warsaw	1,258,000 PLN	13,906	781	13,125	-	-73	77.53%	-
Miramit Investments, Sp. z o.o.	Warsaw	55,000 PLN	520	327	193	21	1	77.53%	-
Molen Wind II, Sp. z o.o.	Warsaw	14,600 PLN	66,671	57,997	8,674	8,717	-361	39.54%	-
Morska Farma Wiatrowa Gryf, Sp. z o.o.	Warsaw	61,709 PLN	13	-	13	-	-1	77.53%	-
Morska Farma Wiatrowa Neptun, Sp. z o.o.	Warsaw	220,000 PLN	13	-	13	-	-2	77.53%	-
Morska Farma Wiatrowa Pomorze, Sp. z o.o.	Warsaw	61,268 PLN	13	-	13	-	-1	77.53%	-
Radziejów Wind Farm, Sp. z o.o.	Warsaw	27,605,000 PLN	32,656	28,004	4,652	3,710	-976	39.54%	-
Relax Wind Park I, Sp. z o.o.	Warsaw	46,540,000 PLN	145,346	134,736	10,609	23,239	3,546	39.54%	-
Relax Wind Park II, Sp. z o.o.	Warsaw	676,630 PLN	153	1	152	-	-2	77.53%	-
Relax Wind Park III, Sp. z o.o.	Warsaw	59,603,000 PLN	139,761	106,434	33,326	10,706	-6,634	39.54%	-
Relax Wind Park IV, Sp. z o.o.	Warsaw	4,490,000 PLN	104	-1	105	-	-2	77.53%	-
Rowy - Karpacka Mala Energetyka, Sp. z o.o.	Warsaw	50,000 PLN	88	404	-316	-	-50	77.53%	-
Romania:									
EDPR RO PV, S.r.l.	Bucharest	225,000,000 RON	50,254	3,333	46,922	140	-133	77.53%	-
Cernavoda Power, S.r.l.	Bucharest	335,692,400 RON	188,099	131,106	56,993	18,909	-6,681	65.90%	-
Cujmir Solar, S.r.l.	Bucharest	41,806,000 RON	17,944	4,328	13,616	3,104	780	77.53%	-
Foton Delta, S.r.l.	Bucharest	14,304,000 RON	6,167	1,417	4,750	1,061	125	77.53%	-
Foton Epsilon, S.r.l.	Bucharest	17,304,840 RON	10,247	2,652	7,594	1,877	455	77.53%	-
Pestera Wind Farm, S.A.	Bucharest	269,955,070 RON	107,916	69,911	38,006	12,406	-3,781	65.90%	-
Potelu Solar, S.r.l.	Bucharest	30,468,040 RON	11,626	1,676	9,950	2,009	428	77.53%	-
S.C. Ialomita Power, S.r.l.	Bucharest	840,007,180 RON	269,692	76,196	193,496	29,366	6,533	77.53%	-
Sibloara Wind Farm, S.r.l.	Bucharest	81,900,600 RON	43,849	36,109	7,740	5,273	100	65.90%	-
Studina Solar, S.r.l.	Bucharest	32,130,000 RON	15,071	4,242	10,829	2,561	587	77.53%	-
Vanju Mare Solar, S.r.l.	Bucharest	38,660,000 RON	14,359	3,150	11,209	2,461	541	77.53%	-
VS Wind Farm, S.A.	Bucharest	216,170,000 RON	87,127	44,767	42,360	10,173	1,663	65.90%	-
Great Britain:									
EDPR UK Limited	Cardiff	9,578,002 GBP	100,834	2,927	97,907	5,291	-1,282	77.53%	-
MacColl Offshore Windfarm Limited	Cardiff	1 GBP	-	-	-	-	-	77.53%	-
Moray Offshore Renewable Power Limited	Cardiff	23,027,589 GBP	97,731	70,835	26,896	-	-	77.53%	-
Moray Offshore Renewables Limited	Cardiff	8,819,909 GBP	87,863	84,814	3,049	7,964	-1,902	77.53%	-
Moray Offshore Windfarm (West) Limited	Cardiff	1 GBP	261	530	-269	-	-269	77.53%	-
Stevenson Offshore Windfarm Limited	Cardiff	1 GBP	-	-	-	-	-	77.53%	-
Telford Offshore Windfarm Limited	Cardiff	1 GBP	-	-	-	-	-	77.53%	-
Italy:									
EDP Renewables Italia Holding, S.r.l.	Milan	347,000 EUR	54,777	51,649	3,127	2,379	-7,217	77.53%	-
EDP Renewables Italia, S.r.l.	Milan	34,439,343 EUR	221,038	178,259	42,780	28,618	11,068	39.54%	-
AW 2, S.r.l.	Milan	100,000 EUR	1,988	13	1,975	-	-22	77.53%	-
Castellaneta Wind, S.r.l.	Milan	16,014 EUR	23	25	-2	1	-1	77.53%	-
Conza Energia, S.r.l.	Milan	456,000 EUR	4,282	81	4,201	-	-26	77.53%	-
Laterza Wind, S.r.l.	Milan	16,665 EUR	23	24	-1	1	-1	77.53%	-
Lucus Power, S.r.l.	Melfi	10,000 EUR	2,677	267	2,410	-	-16	77.53%	-
Parco Eolico Banzi, S.r.l.	Milan	36,177,000 EUR	49,858	2,518	47,341	626	-269	39.54%	-
Pietragalla Eolico, S.r.l.	Milan	15,218 EUR	31,957	28,884	3,073	7,249	2,495	39.54%	-
Re Plus, S.R.L.	Milan	100,000 EUR	932	1,217	-285	-	-72	77.53%	-
San Mauro, S.r.l.	Milan	70,000 EUR	2,230	515	1,715	-	-20	77.53%	-
Sarve, S.r.l.	Milan	10,000 EUR	4,437	163	4,274	-	-12	39.54%	-
T Power, S.p.A.	Cesena	1,000,000 EUR	4,798	1,730	3,069	-	-	77.53%	-
TACA Wind, S.r.l.	Milan	1,160,000 EUR	3,196	296	2,900	-	-27	77.53%	-
Tivano, S.r.l.	Milan	100,000 EUR	23,216	22,960	256	500	-25	77.53%	-
Villa Castelli Wind, S.r.l.	Milan	100,000 EUR	36,530	26,323	10,208	6,481	1,993	39.54%	-
VRG Wind 127, S.r.l.	Rovereto	10,000 EUR	6,122	1,710	4,413	-	-7	77.53%	-
VRG Wind 149, S.r.l.	Rovereto	222,230 EUR	2,380	382	1,998	-	-184	77.53%	-
WinCap, S.r.l.	Milan	2,550,000 EUR	4,717	992	3,725	-	-22	77.53%	-
Other Countries:									
EDP Renewables Belgium, S.A.	Brussels	61,500 EUR	144	988	-844	22	-77	77.53%	-
EDPR International Investments B.V.	Amsterdam	20,000 EUR	23,077	45	23,032	3,779	3,278	77.53%	-
Greenwind, S.A.	Louvain-la-Neuve	24,924,000 EUR	84,543	40,884	43,659	13,588	3,170	39.55%	-
North America Geography / Platform:									
United States of America:									
EDP Renewables North America LLC (EUA Subgroup Parent Company)	Texas	3,903,073,714 USD	4,084,450	365,844	3,718,606	96,914	-65,059	77.53%	-
17th Star Wind Farm LLC	Ohio	- USD	-	-	-	-	-	77.53%	-
2007 Vento I LLC	Texas	727,629,146 USD	722,398	2,805	719,592	18,656	12,586	77.53%	-
2007 Vento II LLC	Texas	613,347,459 USD	578,109	829	577,280	-	-188	39.54%	-
2008 Vento III LLC	Texas	715,762,934 USD	673,531	86	673,444	-	-580	39.54%	-
2009 Vento IV LLC	Texas	213,395,487 USD	201,627	130	201,497	-	-134	77.53%	-
2009 Vento V LLC	Texas	88,103,206 USD	82,737	96	82,641	-	-133	39.54%	-
2009 Vento VI LLC	Texas	157,784,114 USD	148,919	12	148,908	-	-120	77.53%	-
2010 Vento VII LLC	Texas	170,630,294 USD	161,954	783	161,171	-	-123	77.53%	-
2010 Vento VIII LLC	Texas	174,243,765 USD	164,466	33	164,433	-	-118	77.53%	-
2011 Vento IX LLC	Texas	133,893,588 USD	126,538	130	126,407	-	-118	39.54%	-
2011 Vento X LLC	Texas	126,395,962 USD	119,342	6	119,336	-	-117	77.53%	-
2014 Sol I LLC	Texas	81,772,953 USD	77,688	293	77,395	-	-79	39.54%	-
2014 Vento XI LLC	Texas	327,910,479 USD	311,312	260	311,053	-	-14	39.54%	-
2014 Vento XII LLC	Texas	194,823,822 USD	184,832	37	184,795	-	-15	39.54%	-
2015 Vento XIII LLC	Texas	362,664,681 USD	344,048	343	343,705	-	-109	39.54%	-

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

ANNUAL REPORT
EDP 2016

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Renewable Energy Activity:									
North America Geography / Platform:									
United States of America:									
2015 Vento XIV LLC	Texas	315,693,232 USD	299,464	79	299,384	-	-106	39.54%	-
2016 Vento XV LLC	Texas	343,257,672 USD	325,641	-	325,641	-	-	77.53%	-
2016 Vento XVI LLC	Texas	106,531,961 USD	101,302	237	101,064	-	-	77.53%	-
Alabama Ledge Wind Farm LLC	New York	- USD	-	-	-	-	-	77.53%	-
Antelope Ridge Wind Power Project LLC	Oregon	12,828,809 USD	-	1	-1	-	-11	77.53%	-
Arbuckle Mountain Wind Farm LLC	Oklahoma	165,459,800 USD	160,143	4,011	156,132	6,920	-1,154	39.54%	-
Arkwright Summit Wind Farm LLC	New York	17,134,443 USD	16,719	474	16,245	-	-1	77.53%	-
Arlington Wind Power Project LLC	Oregon	115,258,882 USD	131,821	8,921	122,900	14,150	1,902	39.54%	-
Aroostook Wind Energy LLC	Maine	41,203,597 USD	34,326	346	33,980	-	-4,762	77.53%	-
Ashford Wind Farm LLC	New York	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project II LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
AZ Solar LLC	Arizona	- USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Holdings LLC	Texas	- USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Wind LLC	Texas	280,704,211 USD	254,341	-	254,341	-	-12,019	77.53%	-
Big River Wind Power Project LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm II LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm LLC	Illinois	6,408,862 USD	6,083	5	6,077	-	-	77.53%	-
Blackstone Wind Farm II LLC	Illinois	250,315,097 USD	321,834	91,090	230,744	22,131	1,990	77.53%	-
Blackstone Wind Farm III LLC	Illinois	6,266,950 USD	-	8	-8	-	-14	77.53%	-
Blackstone Wind Farm IV LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm LLC	Illinois	115,618,369 USD	149,151	41,127	108,024	11,619	1,466	77.53%	-
Blackstone Wind Farm V LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Wind Power VII LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower II LLC	Oklahoma	115,732,873 USD	135,961	4,298	131,662	10,896	-3,622	77.53%	-
Blue Canyon Windpower III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower V LLC	Oklahoma	85,762,973 USD	138,375	4,652	133,723	18,397	6,223	39.54%	-
Blue Canyon Windpower VI LLC	Oklahoma	124,687,137 USD	128,817	2,747	126,070	11,520	1,700	77.53%	-
Blue Marmot I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Marmot II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Marmot III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Marmot IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Marmot IX LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Marmot V LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Marmot VI LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Marmot VII LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Marmot VIII LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Marmot X LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Marmot XI LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm II LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Buffalo Bluff Wind Farm LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Chateaugay River Wind Farm LLC	New York	- USD	-	-	-	-	-	77.53%	-
Clinton County Wind Farm LLC	Texas	265,315,240 USD	251,691	-	251,691	-	-	77.53%	-
Cloud County Wind Farm LLC	Kansas	222,940,531 USD	234,797	5,801	228,996	22,036	2,504	39.54%	-
Cloud West Wind Project LLC	Kansas	- USD	-	-	-	-	-	77.53%	-
Coos Curry Wind Power Project LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Cropsey Ridge Wind Farm LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Crossing Trails Wind, Power Project LLC	Colorado	- USD	-	-	-	-	-	77.53%	-
Dairy Hills Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Diamond Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
East Klickitat Wind Power Project LLC	Washington	- USD	-	-	-	-	-	77.53%	-
Eastern Nebraska Wind Farm LLC	Nebraska	- USD	-	-	-	-	-	77.53%	-
EDPR Solar Ventures I LLC	Texas	51,534,086 USD	82,907	32,392	50,515	1,305	1,266	39.54%	-
EDPR Vento I Holding LLC	Texas	363,814,565 USD	345,142	-	345,142	-	-	77.53%	-
EDPR Vento IV Holding LLC	Texas	68,995,105 USD	65,454	-	65,454	-	-	77.53%	-
EDPR WF LLC	Texas	- USD	-	-	-	-	-	77.53%	-
EDPR Wind Ventures X LLC	Texas	65,914,076 USD	119,909	28,515	91,394	9,175	7,476	77.53%	-
EDPR Wind Ventures XI LLC	Texas	136,987,125 USD	311,081	171,254	139,827	15,388	6,307	39.54%	-
EDPR Wind Ventures XII LLC	Texas	86,721,744 USD	184,825	104,032	80,793	6,490	171	39.54%	-
EDPR Wind Ventures XIII LLC	Texas	133,829,640 USD	344,051	214,573	129,478	16,819	2,580	39.54%	-
EDPR Wind Ventures XIV LLC	Texas	80,223,912 USD	299,491	220,808	78,683	17,870	2,576	39.54%	-
EDPR Wind Ventures XV LLC	Texas	2,102,015 USD	325,641	323,438	2,203	1,184	209	77.53%	-
EDPR Wind Ventures XVI LLC	Texas	- USD	107,841	107,691	150	513	150	77.53%	-
Five-Spot LLC	California	- USD	-	-	-	-	-	77.53%	-
Ford Wind Farm LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Franklin Wind Farm LLC	New York	- USD	-	-	-	-	-	77.53%	-
Green Country Wind Farm LLC	Oklahoma	- USD	-	-	-	-	-	77.53%	-
Green Power Offsets LLC	Texas	10,515 USD	-	-	-	2	2	77.53%	-
Gulf Coast Windpower Management Company LLC	Indiana	- USD	-	-	-	-	-	58.15%	-
Headwaters Wind Farm II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Headwaters Wind Farm LLC	Indiana	325,085,141 USD	332,684	5,547	327,137	25,746	8,904	39.54%	-
Hidalgo Wind Farm II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Hidalgo Wind Farm LLC	Texas	201,770,266 USD	377,204	185,064	192,140	2,285	740	77.53%	-
High Prairie Wind Farm II LLC	Minnesota	95,020,922 USD	116,923	12,099	104,824	14,419	3,198	39.54%	-
High Trail Wind Farm LLC	Illinois	217,249,959 USD	279,561	22,713	256,848	31,958	7,371	77.53%	-
Horizon Wind Chocolate Bayou I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Midwest IX LLC	Kansas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest I LLC	Washington	- USD	-	-	-	-	-	77.53%	-

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for the periods ended 31 December 2016 and 2015

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Renewable Energy Activity:									
North America Geography / Platform:									
United States of America:									
Horizon Wind Energy Northwest IV LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest VII LLC	Washington	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest X LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest XI LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Panhandle I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest I LLC	New Mexico	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Valley I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind MREC Iowa Partners LLC	Texas	- USD	-	-	-	-	-	58.15%	-
Horizon Wind Ventures I LLC	Texas	109,129,596 USD	862,379	306,267	556,112	28,086	18,337	77.53%	-
Horizon Wind Ventures IB LLC	Texas	41,422,368 USD	581,868	320,108	261,760	42,616	32,180	39.54%	-
Horizon Wind Ventures IC LLC	Texas	376,176,571 USD	679,028	198,072	480,956	37,974	26,081	39.54%	-
Horizon Wind Ventures II LLC	Texas	139,164,629 USD	202,443	58,414	144,029	2,652	1,947	77.53%	-
Horizon Wind Ventures III LLC	Texas	37,507,613 USD	83,581	18,768	64,813	8,188	7,390	39.54%	-
Horizon Wind Ventures IX LLC	Texas	52,448,949 USD	127,022	82,945	44,077	2,192	11	39.54%	-
Horizon Wind Ventures VI LLC	Texas	100,360,116 USD	149,686	45,421	104,265	2,418	2,539	77.53%	-
Horizon Wind Ventures VII LLC	Texas	107,922,367 USD	163,117	52,279	110,838	2,397	2,002	77.53%	-
Horizon Wind Ventures VIII LLC	Texas	112,858,711 USD	165,301	54,662	110,639	2,204	1,265	77.53%	-
Horizon Wind, Freepart Windpower I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Horse Mountain Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Jericho Rise Wind Farm LLC	New York	58,694,272 USD	158,699	102,921	55,778	826	140	77.53%	-
Juniper Wind Power Partners LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm II LLC	Illinois	600,283 USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm LLC	Illinois	12,397,172 USD	11,957	240	11,718	-	-4	77.53%	-
Lone Valley Sollar Park I LLC	California	28,858,877 USD	28,446	509	27,938	1,406	-266	39.54%	-
Lone Valley Sollar Park II LLC	California	52,726,675 USD	53,451	1,477	51,974	2,768	-308	39.54%	-
Lost Lakes Wind Farm LLC	Iowa	155,480,404 USD	142,702	4,846	137,856	15,458	782	77.53%	-
Machias Wind Farm LLC	New York	- USD	-	-	-	-	-	77.53%	-
Madison Windpower LLC	New York	14,346,491 USD	5,065	677	4,388	457	-1,294	77.53%	-
Marble River LLC	New York	265,307,485 USD	377,888	103,686	274,202	19,510	554	77.53%	-
Martinsdale Wind Farm LLC	Colorado	4,324,482 USD	4,106	33	4,073	-	-	77.53%	-
Meadow Lake Wind Farm II LLC	Indiana	167,282,140 USD	149,263	4,328	144,935	12,473	261	77.53%	-
Meadow Lake Wind Farm III LLC	Indiana	120,096,176 USD	159,608	45,313	114,295	11,916	3,104	77.53%	-
Meadow Lake Wind Farm IV LLC	Indiana	108,616,455 USD	135,408	38,024	97,384	8,767	766	77.53%	-
Meadow Lake Wind Farm LLC	Indiana	230,874,701 USD	288,753	83,000	205,753	19,254	-215	77.53%	-
Meadow Lake Wind Farm V LLC	Indiana	7,320,981 USD	12,500	5,565	6,935	-	-	77.53%	-
Meadow Lake Wind Farm VI LLC	Texas	- USD	4,164	4,164	-	-	-	77.53%	-
Meadow Lake Wind Farm VII LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Mesquite Wind LLC	Texas	153,921,618 USD	221,871	14,411	207,461	23,683	3,026	77.53%	-
Moran Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
New Trail Wind Farm LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
North Slope Wind Farm LLC	New York	- USD	-	-	-	-	-	77.53%	-
Number Nine Wind Farm LLC	Maine	- USD	-	-	-	-	-	77.53%	-
Old Trail Wind Farm LLC	Illinois	252,890,542 USD	287,114	7,043	280,071	34,166	9,214	39.54%	-
OPQ Property LLC	Illinois	- USD	165	-	165	-	-	77.53%	-
Pacific Southwest Wind Farm LLC	Arizona	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm II LLC	Ohio	131,142,561 USD	157,983	4,714	153,269	18,060	4,596	39.54%	-
Paulding Wind Farm III LLC	Ohio	106,531,961 USD	235,134	133,895	101,239	1,189	476	77.53%	-
Paulding Wind Farm IV, L.L.C	Ohio	- USD	380	380	-	-	-	77.53%	-
Paulding Wind Farm LLC	Ohio	13,825 USD	-	2	-2	-	-9	77.53%	-
Paulding Wind Farm V LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Peterson Power Partners LLC	California	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Wind Farm I LLC	Iowa	363,657,972 USD	426,167	15,652	410,516	55,385	13,651	39.54%	-
Post Oak Wind LLC	Texas	184,899,608 USD	249,837	8,609	241,229	25,201	1,893	39.54%	-
Quilt Block Wind Farm LLC	Wisconsin	10,943,823 USD	11,191	832	10,359	-	-5	77.53%	-
Rail Splitter Wind Farm LLC	Illinois	211,824,462 USD	165,689	6,512	159,177	7,855	-5,981	77.53%	-
Redbed Plains Windfarm LLC	Texas	6,953,326 USD	6,824	231	6,593	-	-3	77.53%	-
Reloj del Sol Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Rio Blanco Wind Farm LLC	Texas	2,425,797 USD	2,570	269	2,301	-	-	77.53%	-
Rising Tree Wind Farm II LLC	California	34,767,028 USD	34,964	478	34,487	3,278	1,494	39.54%	-
Rising Tree Wind Farm III LLC	California	193,416,218 USD	194,730	2,383	192,346	15,967	5,770	39.54%	-
Rising Tree Wind Farm LLC	California	157,383,553 USD	161,346	3,862	157,484	13,011	4,881	39.54%	-
Riverstart Solar Park II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Riverstart Solar Park LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Rolling Upland Wind Farm LLC	New York	- USD	-	-	-	-	-	77.53%	-
Rush County Wind Farm, L.L.C	Kansas	- USD	-	-	-	-	-	77.53%	-
Saddleback Wind Power Project LLC	Washington	2,461,887 USD	1,929	1	1,928	-	-	77.53%	-
Sagebrush Power Partners LLC	Washington	172,540,877 USD	141,401	3,657	137,745	14,457	2,976	77.53%	-
Sardinia Windpower LLC	New York	- USD	-	-	-	-	-	77.53%	-
Signal Hill Wind Power Project LLC	Colorado	28,531 USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm II LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm III LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm IV LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm V LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Spruce Ridge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Stinson Mills Wind Farm LLC	Colorado	3,977,563 USD	3,697	18	3,679	-	-	77.53%	-
Sustaining Power Solutions LLC	Texas	25,922,831 USD	5,695	8,623	-2,928	33,513	-22,824	77.53%	-

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

ANNUAL REPORT
EDP 2016

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-16 Euro'000	Liabilities 31-Dec-16 Euro'000	Equity 31-Dec-16 Euro'000	Total Income 31-Dec-16 Euro'000	Net Profit/(Loss) 31-Dec-16 Euro'000	% Group	% Company
Renewable Energy Activity:									
North America Geography / Platform:									
United States of America:									
Telocaset Wind Power Partners LLC	Oregon	67,226,984 USD	124,540	9,761	114,779	18,860	6,922	39.54%	-
Tug Hill Windpower LLC	New York	- USD	-	-	-	-	-	77.53%	-
Tumbleweed Wind Power Project LLC	Colorado	5,632 USD	-	-	-	-	-	77.53%	-
Turtle Creek Wind Farm LLC	Iowa	5,050,143 USD	5,524	742	4,782	-	-9	77.53%	-
Waverly Wind Farm II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Waverly Wind Farm LLC	Kansas	309,066,946 USD	315,740	17,820	297,920	19,233	4,424	39.54%	-
Western Trail Wind Project I LLC	Kansas	- USD	-	-	-	-	-	77.53%	-
Wheatfield Holding LLC	Oregon	36,645,340 USD	34,722	-	34,722	-	-14	39.54%	-
Wheatfield Wind Power Project LLC	Oregon	36,600,040 USD	114,014	34,020	79,993	14,033	6,000	39.54%	-
Whiskey Ridge Power Partners LLC	Washington	- USD	-	-	-	-	-	77.53%	-
Whistling Wind WI Energy Center LLC	Wisconsin	- USD	-	-	-	-	-	77.53%	-
Whitestone Wind Purchasing LLC	Illinois	2,861,302 USD	1,576	3	1,573	32	-31	77.53%	-
Wilson Creek Power Partners LLC	Nevada	- USD	-	-	-	-	-	77.53%	-
Wind Turbine Prometheus, L.P.	California	574,013 USD	-	-	-	-	-	77.53%	-
WTP Management Company LLC	California	- USD	-	-	-	-	-	77.53%	-
Canada:									
EDP Renewables Canada, Ltd. (Canada Subgroup Parent Company)	Ontario	30,000,000 CAD	16,300	641	15,658	10	-670	77.53%	-
EDP Renewables Canada LP Holdings, Ltd.	Ontario	10,186,976 CAD	23,988	1,022	22,965	-	224	77.53%	-
EDP Renewables Sharp Hills Project GP, Ltd.	Alberta	- CAD	-	-	-	-	-	77.53%	-
EDP Renewables Sharp Hills Project LP	Alberta	- CAD	1,486	1,527	-41	-	-30	77.53%	-
Nation Rise Wind Farm GP, Inc.	Bristish Columbia	- CAD	-	-	-	-	-	77.53%	-
Nation Rise Wind Farm LP	Ontario	- CAD	2,790	2,806	-16	-	-15	77.53%	-
SBWFI GP, Inc.	Ontario	1,210 CAD	2	-	2	-	-	39.54%	-
South Branch Wind Farm II GP, Inc.	Bristish Columbia	- CAD	-	-	-	-	-	77.53%	-
South Branch Wind Farm II GP, LP	Ontario	- CAD	994	996	-2	-	-	77.53%	-
South Dundas Wind Farm LP	Ontario	29,484,523 CAD	56,526	28,734	27,792	7,477	2,398	39.54%	-
Mexico:									
EDPR Servicios de México, S. de R.L. de C.V.	Mexico City	31,293,602 MXN	793	332	461	2	-591	77.53%	-
Vientos de Coahuila, S.A. de C.V.	Mexico City	2,421 USD	1,881	1,872	8	19	-3	77.53%	-
South America Geography / Platform:									
Brazil:									
EDP Renovaveis Brasil, SA (EDPR BR Subgroup Parent Company)	Sao Paulo	350,651,725 BRL	110,332	11,262	99,069	5,084	3,378	77.53%	-
Central Eólica Aventura I, S.A.	Natal	1,000 BRL	4,091	49	4,042	30	16	39.53%	-
Central Eólica Aventura II, S.A.	Natal	119,500 BRL	21	-	21	-	-7	77.53%	-
Central Eólica Babilônia I, S.A.	Maracanaú	28,500 BRL	8,111	9,691	-1,580	-	-6	77.53%	-
Central Eólica Babilônia II, S.A.	Maracanaú	30,000 BRL	8,116	9,691	-1,575	-	-1	77.53%	-
Central Eólica Babilônia III, S.A.	Maracanaú	30,000 BRL	8,767	10,376	-1,609	-	-36	77.53%	-
Central Eólica Babilônia IV, S.A.	Maracanaú	28,000 BRL	8,112	9,691	-1,579	-	-6	77.53%	-
Central Eólica Babilônia V, S.A.	Maracanaú	27,000 BRL	8,116	9,691	-1,575	-	-1	77.53%	-
Central Eólica Baixa do Feijao I, S.A.	Natal	34,316,713 BRL	37,913	27,602	10,310	3,868	476	39.54%	-
Central Eólica Baixa do Feijao II, S.A.	Natal	38,051,200 BRL	35,988	24,324	11,664	3,899	463	39.54%	-
Central Eólica Baixa do Feijao III, S.A.	Natal	66,516,713 BRL	45,839	26,237	19,602	3,871	68	39.54%	-
Central Eólica Baixa do Feijao IV, S.A.	Natal	40,733,110 BRL	36,876	24,359	12,517	3,864	635	39.54%	-
Central Eólica Jau, S.A.	Natal	31,354,085 BRL	10,773	1,236	9,538	317	175	39.54%	-
Elebrás Nacional de Energia Eólica, S.A.	Santa Catarina	12,396,000 BRL	8,152	3,230	4,922	2,502	942	39.54%	-
Elebras Projetos, Ltda	Agua Doce	103,779,268 BRL	82,833	43,217	39,616	21,638	8,764	39.54%	-
South Africa Geography / Platform:									
South Africa:									
Dejann Trading and Investments Proprietary, Ltd	Cape Town	18,487,618 ZAR	-	-	-	-	-138	77.53%	-
EDP Renewables South Africa, Proprietary, Ltd	Cape Town	56,617,650 ZAR	650	3	647	323	-2,611	77.53%	-
Jouren Trading and Investments Pty, Ltd	Cape Town	23,994,293 ZAR	-	-	-	-	-181	77.53%	-

The companies main financial data of joint ventures as at 31 December 2016 are as follows:

Jointly controlled entities *	H	Head Office	Share Capital / Currency	Activity	% Group	% Company
Arquiled Group		Lisbon	168,700 EUR	Other activities	46.15%	-
Bioastur, AIE		Sérin	60,101 EUR	Electricity generation	50.00%	-
Bioeléctrica Group		Lisbon	50,000 EUR	Electricity generation	50.00%	40.00%
Ceprastur, A.I.E.		Oviedo	360,607 EUR	Electricity generation	44.01%	-
CHC Comercializador de Referência, S.L.		Madrid	60,000 EUR	Gas Supply	50.00%	-
CIDE HC Energia, S.A.		Madrid	500,000 EUR	Gas Supply	50.00%	-
Companhia Energética do JARI		Sao Paul	578,623,746 BRL	Electricity generation	25.64%	-
Compañía Eólica Aragonesa, S.A.		Zaragoza	6,701,165 EUR	Renewable energies	38.76%	-
Desarrollos Energeticos Canarios, S.A.		Las Palm	15,025 EUR	Gas Distribution	38.69%	-
EDP ASIA - Investimento e Consultadoria, Limitada		Macao	200,000 MOP	Other activities	50.00%	49.00%
EME2 - Engenharia, Manutenção e Serviços, ACE		Lisbon	- EUR	Electricity supply	60.00%	-
Empresa de Energia Cachoeira Caldeirão S.A. - MEP		Amapá	627,600,500 BRL	Electricity generation	25.64%	-
Empresa de Energia São Manoel, S.A.		Rio de Janeiro	1,573,974,102 BRL	Electricity generation	17.09%	-
Eólica de Coahuila, S. de R.L. de C.V.		Mexico Ci	7,189,723 USD	Renewable energies	39.54%	-
Evolución 2000, S.L.		Albacete	117,994 EUR	Renewable energies	38.11%	-
Flat Rock Windpower II LLC		New York	208,647,187 USD	Renewable energies	38.76%	-
Flat Rock Windpower LLC		New York	530,426,287 USD	Renewable energies	38.76%	-

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the periods ended 31 December 2016 and 2015

Jointly controlled entities *	H	Head Office	Share Capital / Currency	Activity	% Group	% Company
HC Tudela Cogeneración, S.L.		Oviedo	306,030 EUR	Electricity generation	50.10%	-
Hydro Global Investment, Ltd		Hong Kong	10,000,000 USD	Other activities	50.00%	-
Pecém Operação e Manutenção de Unidades de Geração Elétrica, S.A.		Ceara	1,527,000 BRL	Electricity generation	25.64%	-
Pecém Transportadora de Minérios, S.A.		Ceara	2,688,994 BRL	Electricity generation	25.64%	-
Sino - Portuguese Centre for New Technologies (Shanghai) CO., Ltd		Shanghai	3,012,660 EUR	Other activities	40.00%	-
Tébar Eólica, S.A.		Cuenca	4,720,400 EUR	Renewable energies	38.76%	-

The companies main financial data of joint ventures as at 31 December 2015 are as follows:

Jointly controlled entities *	Head Office	Share capital / Currency	Activity	% Group	% Company
Fiat Rock Windpower II LLC	New York	207,447,187 USD	Renewable energies	38.76%	-
Fiat Rock Windpower LLC	New York	528,626,287 USD	Renewable energies	38.76%	-
Arquiled Group	Lisbon	168,700 EUR	Other activities	46.15%	-
Bioastur, AIE	Sérin	60,101 EUR	Electricity generation	50.00%	-
Bioeléctrica Group	Lisbon	50,000 EUR	Electricity generation	50.00%	40.00%
Empresa de Energia Cachoeira Caldeirão S.A. - MEP	Amapá	627,600,500 BRL	Electricity generation	25.55%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165 EUR	Renewable energies	38.76%	-
Ceprastur, A.I.E.	Oviedo	360,607 EUR	Electricity generation	44.01%	-
CHC Comercializador de Referência, S.L.	Madrid	60,000 EUR	Gas Supply	50.00%	-
CIDE HC Energía, S.A.	Madrid	500,000 EUR	Gas Supply	50.00%	-
Eólica de Coahuila, S. de R.L. de C.V.	Mexico City	114,443 USD	Renewable energies	77.50%	-
Cogeneración Bergara, A.I.E.	Bergara	450,000 EUR	Electricity generation	50.00%	-
Cogeneración y Matenimiento, A.I.E.	Oviedo	1,208,010 EUR	Electricity generation	50.00%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025 EUR	Gas Distribution	38.69%	-
EDP Ásia Group	Macao	200,000 MOP	Other activities	50.00%	49.00%
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	Electricity supply	60.00%	-
Evolución 2000, S.L.	Albacete	117,994 EUR	Renewable energies	38.11%	-
Hydro Global Investment, Ltd	Hong Kong	4,000,000 USD	Other activities	50.00%	-
JARI Group	Sao Paulo	525,623,746 BRL	Electricity generation	25.55%	-
Pecém Operação e Manutenção de Unidades de Geração Elétrica, S.A.	Ceara	1,527,000 BRL	Electricity generation	25.55%	-
Pecém Transportadora de Minérios, S.A.	Ceara	1,201,000 BRL	Electricity generation	25.55%	-
Empresa de Energia São Manoel, S.A.	Rio de Janeiro	317,000,100 BRL	Electricity generation	17.03%	-
Sino - Portuguese Centre for New Technologies (Shanghai) CO., Ltd	Shanghai	3,000,000 EUR	Other activities	40.00%	-
Tébar Eólica, S.A.	Cuenca	4,720,400 EUR	Renewable energies	38.76%	-
HC Tudela Cogeneración, S.L.	Oviedo	306,030 EUR	Electricity generation	50.10%	-

* The companies financial data of joint ventures are disclosed in note 21

The companies where the Group has significant influence as at 31 December 2016 are as follows:

Associated companies	Head Office	Share capital / Currency	Activity	% Group	% Company
AMBERTREE - Tecnologia para Redes de Energia Elétrica, Lda	Lisbon	5,000 EUR	Electricity supply	26.00%	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020 EUR	Renewable energies	10.30%	-
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	Renewable energies	23.26%	-
Blue Canyon Wind Power I LLC	Oklahoma	40,364,480 USD	Renewable energies	25.00%	-
Carrico Cogeração, S.A.	Lisbon	50,000 EUR	Electricity generation	35.00%	-
Desarrollos Eólicos de Canarias, S.A.	Gran Canaria	2,391,900 EUR	Renewable energies	34.69%	-
EDERG - Produção Hidroelétrica, Lda	Lisbon	400,000 EUR	Electricity generation	25.00%	-
EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A.	Alcobaça	150,000 EUR	Other activities	30.00%	-
Eoliennes en Mer Dieppe Le Tréport, S.A.S.	Dieppe	14,471,028 EUR	Renewable energies	33.34%	-
Inkolan, A.I.E.	Bilbao	- EUR	Gas Distribution	12.50%	-
Kosorkuntza, A.I.E.	Bilbao	- EUR	Electricity generation	25.00%	-
Les Eoliennes en Mer Iles d'Yeu et Noirmoutier, S.A.S.	Nantes	17,186,958 EUR	Renewable energies	33.34%	-
Mabe Construções e Administração de Projetos, Lda.	Ceara	520,459,000 BRL	Other activities	25.64%	-
Parque Eólico de Belmonte, S.A.	Madrid	120,400 EUR	Renewable energies	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Madrid	7,194,021 EUR	Renewable energies	32.56%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	4,200,000 EUR	Other activities	39.60%	-
Principle Power, Inc	Seattle	356,066 USD	Other activities	24.65%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	Electricity generation	19.38%	-
Tolosa Gasa, S.A.	Tolosa	- EUR	Gas Distribution	40.00%	-
WINDPLUS, S.A.	Lisbon	1,250,000 EUR	Renewable energies	15.04%	-

The companies where the Group has significant influence as at 31 December 2015 are as follows:

Associated companies	Head Office	Share capital / Currency	Activity	% Group	% Company
Blue Canyon Wind Power I LLC	Oklahoma	42,316,480 USD	Renewable energies	25.00%	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020 EUR	Renewable energies	18.31%	-
AMBERTREE - Tecnologia para Redes de Energia Electrica, Lda	Lisbon	5,000 EUR	Electricity supply	26.00%	-
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	Renewable energies	23.26%	-
Carriço Cogeração, S.A.	Lisbon	50,000 EUR	Electricity generation	35.00%	-
Couto Magalhães, S.A.	Sao Paulo	2,593,963 BRL	Electricity generation	25.03%	-
Cultivos Energéticos de Castilla, S.A	Burgos	300,000 EUR	Renewable energies	23.26%	-
Desarrollos Eolicos de Canarias, S.A.	Gran Canaria	2,391,900 EUR	Renewable energies	34.69%	-
EDERG - Produção Hidroelétrica, Lda	Lisbon	400,000 EUR	Electricity generation	25.00%	-
EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A.	Alcobaca	150,000 EUR	Other activities	30.00%	-
Inch Cape Offshore Limited	Edinburgh	1,621,800 GBP	Renewable energies	37.99%	-
Inkolan, A.I.E.	Bilbao	- EUR	Gas Distribution	11.88%	-
Kosorkuntza, A.I.E.	Bilbao	- EUR	Electricity generation	23.75%	-
Mabe Construções e Administração de Projetos, Lda.	Ceara	520,459,000 BRL	Other activities	25.55%	-
Eoliennes en Mer Dieppe Le Tréport, S.A.S.	Bois Guillaume	14,471,028 EUR	Renewable energies	33.34%	-
Modderfontein Wind Energy Project, Ltd.	Cape Town	1,000 ZAR	Renewable energies	32.95%	-
Les Eoliennes en Mer Iles d'Yeu et Noirmoutier, S.A.S.	Nantes	17,187,000 EUR	Renewable energies	33.34%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	4,200,000 EUR	Other activities	39.60%	-
Principle Power, Inc	Seattle	18,302 USD	Other activities	26.00%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	Renewable energies	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021 EUR	Renewable energies	32.56%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	Electricity generation	19.38%	-
Tolosa Gasa, S.A.	Tolosa	- EUR	Gas Distribution	38.00%	-
WindPlus, S.A.	Lisbon	1,250,000 EUR	Renewable energies	15.35%	-

* The companies financial data of associated companies are disclosed in note 21

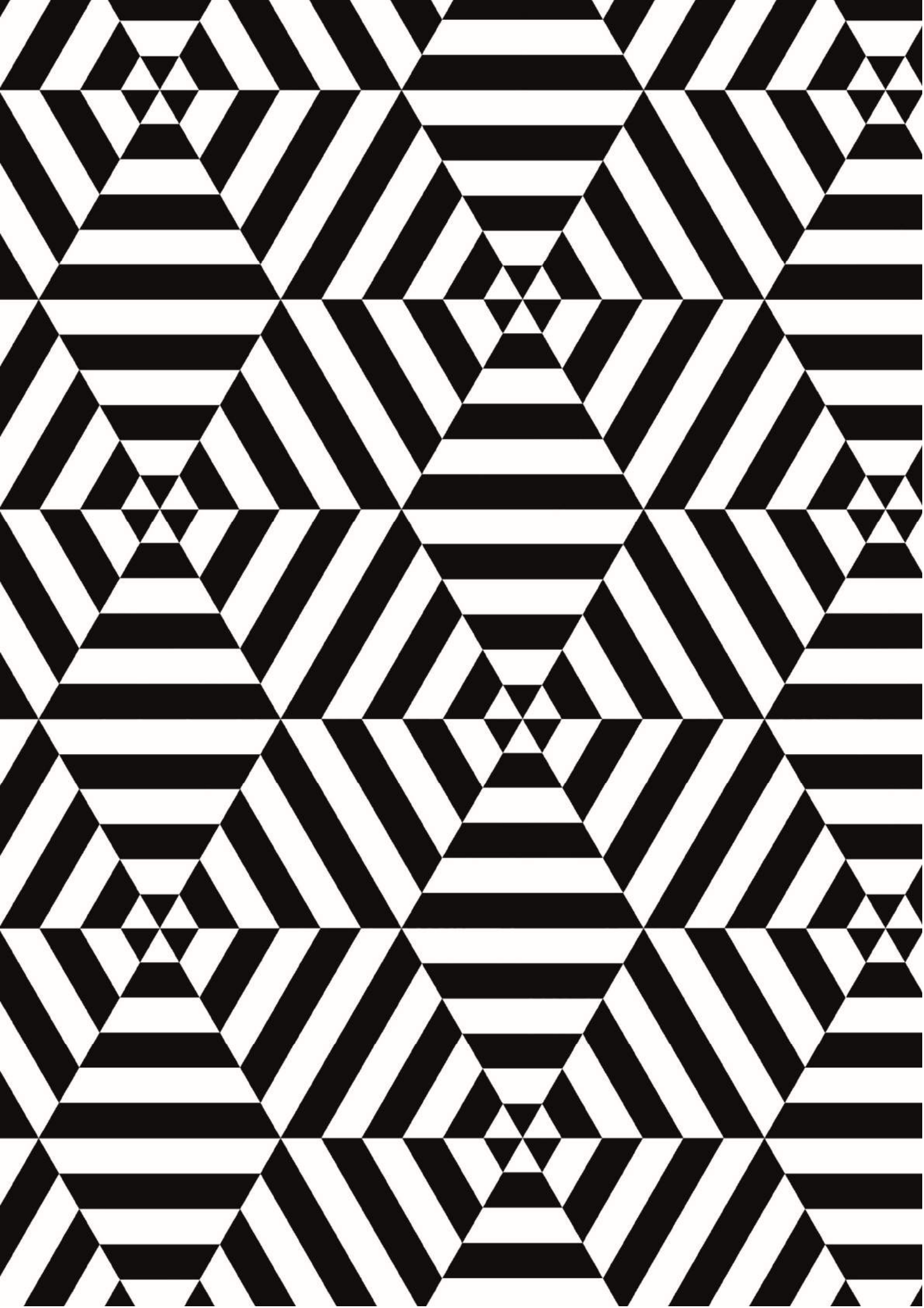
The other companies with interests in share capital equal to or greater than 10% as at 31 December 2016, are as follows:

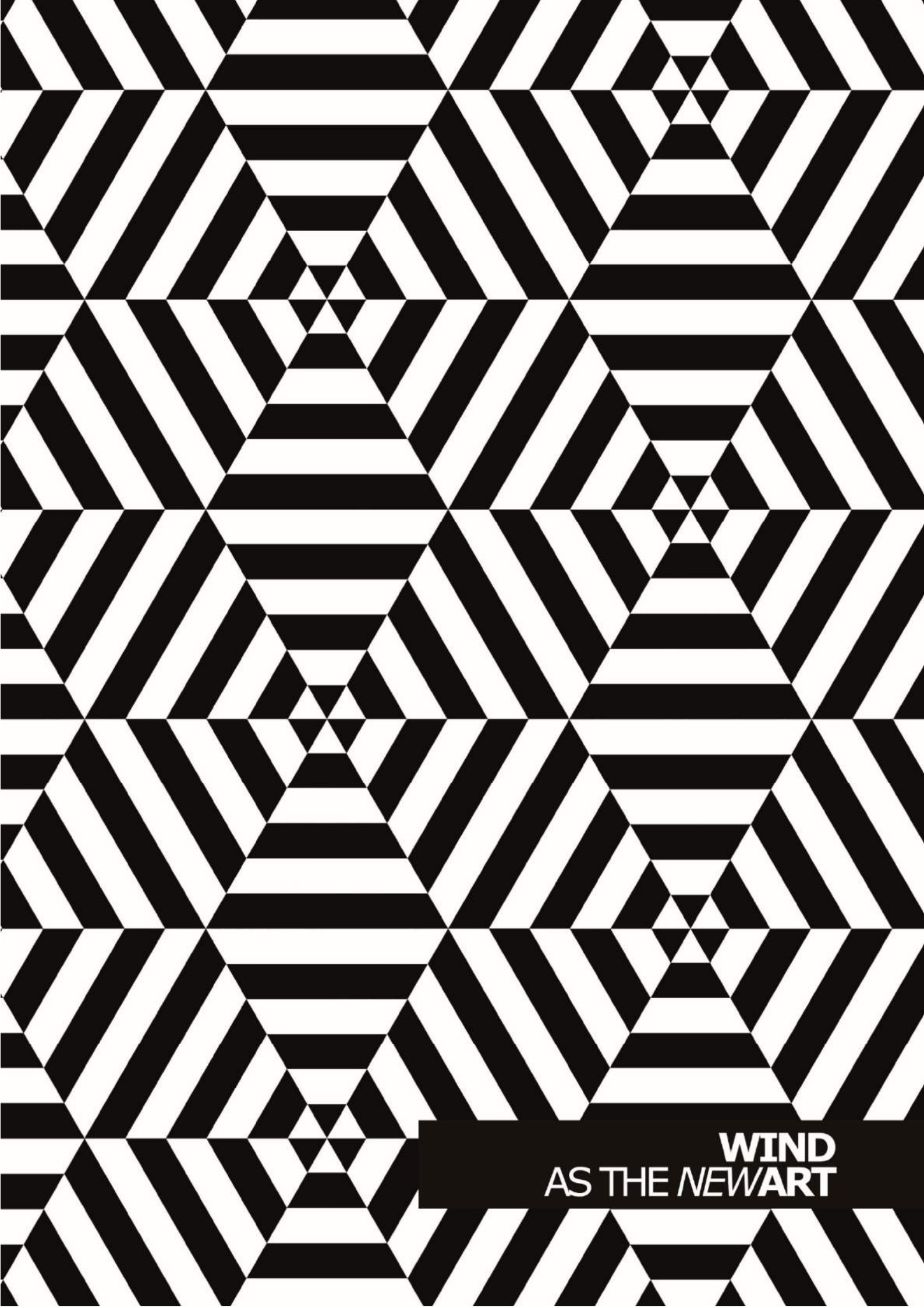
Other companies	Head Office and Country	% Indirect	% Direct
EDA, S.A.	Azores - Portugal	10.00%	-
Parque Eólico Montes de las Navas, S.L.	Madrid - Spain	17.00%	-
Yedesa Cogeneración, S.A.	Almería - Spain	10.00%	-
Sigma Sustainable Energies Fund II	Edinburgh - Scotland	21.88%	-

ENERGY AS THE *NEW* ART

06
Annexes

Final References	427
Proposal for the Appropriation of profits	428
G4 Reporting Principles and AA1000	429
External Checks	437
Contacts	





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Final References

The Executive Board of Directors expresses its gratitude to all those who have supported and followed, directly or indirectly, the activity of EDP Group over the year of 2016.

First of all, we would like to thank the shareholders for the trust and support given to the Executive Board of Directors and to each of its members in the exercise of its activity.

To all the members of the Corporate Bodies, responsible for the auditing and supervision of the Group, a special thanks is also due, for the support given over the year. A special word to the General and Supervisory Board for the guidance provided to the activity of the Executive Board of Directors.

The successful results of the Group and the intrepid defense of all stakeholders' interests clearly demonstrate that the governance model is fully consolidated.

Additionally, as a result of the support granted to the group's activities during last year, the Board thanks the members of the governmental bodies and the public authorities of countries in which EDP is present, for the continued support provided.

Within the energy sector, it is also important to refer the constant and constructive dialogue between EDP and the different energy sector regulators. Particularly with the Regulatory Body for Energy Services (ERSE) and the Directorate-General for Energy and Geology (DGEG) in Portugal, as well as to other regulators in countries where the activity of the EDP group is most visible, such as CNE in Spain, ANEEL in Brazil and FERC and NERC in the USA.

The Executive Board of Directors also extends its gratitude to all the other entities that interacted with the group during 2016, namely, the financial markets regulators, the sectorial associations and the social and environmental non-government organizations.

It is also imperative to thank our customers and reaffirm our full commitment to seek continuous improvement of our offer, as well as to achieve excellence in the service delivery. We are focused and determined to satisfy our customers' needs.

The Board's gratitude is also extended to suppliers, as well as to the social media that followed the company throughout the year.

Lastly, a special thanks to all EDP employees. Their knowledge, determination, and commitment were crucial for the company to achieve its results.

The Executive Board of Directors

António Luís Guerra Nunes Mexia (Presidente)

João Manuel Veríssimo Marques da Cruz

Nuno Maria Pestana de Almeida Alves

Miguel Stilwell de Andrade

João Manuel Manso Neto

Miguel Nuno Simões Nunes Ferreira Setas

António Fernando Melo Martins da Costa

Rui Manuel Rodrigues Lopes Teixeira

Proposal for the appropriation of profits

Under the terms of the Article 30, number 1, of the Company constitution, the Executive Board of Directors proposes to the shareholders that the Net Profit of 2016, amounting to € 758.031.088,54 is appropriated as follows:

Dividends *	€ 694,742,165.85
Donations to Fundação EDP	€ 7,200,000.00
Retained Earnings	€ 56,088,922.69

* The proposed dividend per share is € 0.19.

G4 Reporting Principles & AA1000 (Sustainability Report)

The annual publication of the EDP Report and Accounts is in accordance with the Reporting Principles (content and quality) expressed by the Global Reporting Initiative G4 guidelines - "Comprehensive" option.

G4 Reporting Principles

Quality of report

Balance	Comparability	Transparency
The content of the report considers both the most positive facts of the year and the less positive facts when materially relevant.	The information reported covers a four-year time cycle in the key business and relevant indicators for the EDP Group (page 16 and 17), and allows a comparative analysis of company performance.	An online glossary is provided, to help understand some of the technical terms used (glossário">www.edp.pt/pt>glossário). In addition to the publications on paper and in pdf, a web version is also available, facilitating navigation through the different contents.
Accuracy	Timeliness	Reliability
The scope of the report is explained, as well as the consolidation criteria. All exceptions and changes in the criterium are duly identified and indicated. The definitions and descriptions of the calculation methodologies of the main indicators used are available online, in the glossary.	The Report has an annual frequency and covers the calendar year 2016. It is made publicly available in accordance with Portuguese regulations, thirty days before the Shareholders' General Meeting.	The process of internal verification is described on +age 432. External financial and sustainability verification is an additional guarantee of the reliability of the content.

Reporting content

Sustainability context

Within the framework of the defined strategy, EDP fosters a corporate culture that constantly pursues a performance of excellence in sustainability, based on its eight principles of sustainability (www.edp.pt>sustainability>principles).

The Group's sustainability performance is globally reported on the basis of the financial consolidation criteria defined and described in the next section. Regarding these companies, the Group defines a clear strategy for the continuous improvement of its performance, supported by the internal process of identifying the material themes for the year and the emerging trends in the sector, always taking into account the local conditions in which it operates. Regarding assets not consolidated by the Group (identified below), the Company positively influences its performance and highlights the main initiatives of the year throughout the report. In the supply chain, a management approach is adopted and the material themes are published and, in this context, the Group advocates a relationship based on trust, collaboration and shared value creation (page 125). Finally, where the client is concerned, EDP has a growth strategy supported by an increasingly cleaner supply, contributing to greater energy efficiency and an increasing reduction of its carbon footprint (page 123).

Consolidation Criteria

The non-financial information presented was consolidated according to the accounting standards issued by the International Accounting Standard Board. Additionally, due to its relevance, the disclosure of the operational, environmental and social information is extended to the companies that are consolidated by the equity method, with reference to the performance of the Jari, Cachoeira Caldeirão and São Manoel hydropower plants.

There was no significant changes in the consolidation perimeter in any materially relevant to the sustainability report.

Materiality

In terms of sustainability management and reporting on its performance, the EDP Group periodically identifies the issues and trends that could possibly influence the creation of value for the company in the short, medium and long term. The Material Themes bring together both the financial and non-financial dimensions, including economic, environmental and social information likely to influence or be influenced by different EDP Group stakeholders.

The materiality analysis consists of evaluating and prioritising the relevance of an issue to EDP and its stakeholders, periodically reviewing their expectations, in order to support the decision-making process and the development of strategies within the organisation.

In 2016, the internal methodology for determining the Materiality of the EDP Group was adopted for all the main companies and is available in the Sustainability Management Approach document at www.edp.pt/sustainability/publications 2016.

The issues identified in the Materiality Matrix:

- Financial Sustainability gains importance on the side of society, whereas on the business side it remains unchanged. This latter reports its performance according to the regulatory context where its activity is carried out.
- Environmental Management and Biodiversity reduces its importance to the business with the Baixo Sabor and Salamonde II hydropower plants starting operations, and having the business plan strongly based in new wind capacity;
- Diversity and Equal Opportunities emerge in this year as a high importance subject for Society;
- The subject Market Liberalization changing of importance to the business shows the internalization of this issue to the business;
- Health & Safety is assumed as priority to the business;
- Business Ethics, as a transversal and basic value to the Group, sees its importance to the business reduced, confirming its higher level of maturity and the trust of the Group in the implemented Ethical process, already internalized;
- The same level of maturity is now given to the Risk Management process;
- Local Communities see their importance to society reduced, as this change has no expression.

Verification according to AA1000AS 2008

The material themes (page 63) are identified within the framework defined by AA1000 APS (2008), ensuring the identification of critical stakeholders; integrating their expectations into the corporate and operational strategy and seeking to respond appropriately to their expectations.

In 2016, like in previous years, EDP was subject to verification of compliance with AA1000 AS (2008), type 2, specifically on the principles of inclusion, materiality and response, by the audit firm KPMG.

Inclusion of stakeholders

The inclusion principle assumes that the most relevant stakeholders for the company are consulted, in order to learn about their expectations and concerns, and incorporating them into the decision-making process.

Periodically, interaction initiatives are promoted with different segments of the company's stakeholders, while there are communication channels dedicated to specific segments.

During 2016, the following initiatives stand out:

- Formalisation of the Stakeholder Management function in all business units of the EDP Group with completion of the implementation process of the stakeholder management methodology in all geographies, marked by the conduct of auditing processes for stakeholders by EDP Renováveis, EDP Brazil and EDP Spain.
- Development of the EDP Group's first Integrated Stakeholder Management Plan, with stakeholder engagement initiatives in the different geographies, namely Spain, Brazil, and the EDP Renováveis business, with the aim of responding to critical issues and managing the risk associated with the operations in various geographies.
- Maintenance of transversal training in Project Communication with employees whose functions require an external relationship.

Response and Integrity

EDP responds strategically to the main expectations of its stakeholders, making commitments and defining action plans for material themes. EDP's Target Goals are listed on page 52, organised by the Material Themes of the year.

Internal and External Verification

The overall coordination of the process of drafting the EDP Report and Accounts is the responsibility of the Planning and Management Control Department. The contents are subsequently read and approved by the Executive Board of Directors and by the General and Supervisory Board.

The external verification of the sustainability content, carried out by KPMG & Associados - Sociedade de Revisores de Contas, S.A., has the level of external verification - "Reasonable" - for a set of 33 key indicators and "Limited" for the remaining content, according to the Table on pages 432 to 436 and the verification letter on page 440.

GRI & Global Compact

The following table lists the GRI-G4 indicators according to the "Comprehensive" option and the specifics of the Electricity Sector Protocol, assuming deadlines for the implementation of indicators where full compliance has not yet been possible. At the same time, the table identifies the information reported in accordance with the 10 Global Compact principles, demonstrating EDP's commitment to this initiative.

GRI Table - Comprehensive Option

GENERAL STANDARD DISCLOSURES	PAGE NUMBERS	REPORT	OMISSIONS/ADDITIONAL INFORMATION	EXTERNAL ASSURANCE	GLOBAL COM PACT
STRATEGY AND ANALYSIS					
G4-1	7			L	
G4-2	53-59			L	
ORGANIZATIONAL PROFILE					
G4-3	13			L	
G4-4	13			L	
G4-5	13			L	
G4-6	13-15			L	
G4-7	13			L	
G4-8	13-15			L	
G4-9	13-15			L	
G4-10	14-15; 138		The number of individual EDP contractors is not material	L	
G4-10 SE*			The number of individual EDP contractors is not material	L	
G4-11	139			L	
G4-11 SE*				L	
G4-12	126-128			L	
G4-13	48-51			L	
G4-14	Code of ethics		www.edp.pt> about edp> corporate governance> ethics	L	
G4-15	www.edp.pt		www.edp.pt> sustainability> approach to sustainability> principles	L	
G4-16	www.edp.pt		www.edp.pt> sustainability> approach to sustainability> principles	L	
EU1	76			R	
EU2	76			R	
EU3	84			R	
EU4	80			R	
EU5	401			R	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	322			L	
G4-18	63-64; 430			L	
G4-19	63-64			L	
G4-20	63-64; 124-126			L	
G4-21	63-64; 124-126			L	
G4-22			Eventual information adjustments are always properly marked	L	
G4-23	63-64; 430		Eventual information adjustments are always properly marked	L	
STAKEHOLDER ENGAGEMENT					
G4-24	106		www.edp.pt> sustainability> stakeholders	L	
G4-25	www.edp.pt		www.edp.pt> sustainability> stakeholders> dialog	L	
G4-26	www.edp.pt		www.edp.pt> sustainability> stakeholders> dialog	L	
G4-27	www.edp.pt		www.edp.pt> sustainability> stakeholders> dialog	L	
REPORT PROFILE					
G4-28	430-432			L	
G4-29	430-432			L	
G4-30	430-432			L	
G4-31	last page			L	
G4-32	430				
G4-33	430				
GOVERNANCE					
G4-34	162; 167; 171			L	
G4-35	170			L	
G4-36	167;169			L	
G4-37	106-107; 178; 431			L	
G4-38	158-159; 190-194			L	
G4-39	156-158			L	
G4-40	Annual Report of the General and Supervisory Board		www.edp.pt> investors> publications	L	
G4-41	159-161;232		www.edp.pt> about edp> corporate governance> independence and incompatibili	L	
G4-42	162-166; 168			L	
G4-43	112-115; 139			L	
G4-44	221-225			L	
G4-45	202-205			L	
G4-46	202-205			L	
G4-47	204			L	
G4-48	430-432			L	
G4-49	170-175			L	
G4-50	85-86			L	
G4-51	219-225			L	
G4-52	219-225			L	
G4-53	219-225			L	
G4-54	138		EDP determined this indicator based on average compensation ant with the media	L	
G4-55	138		EDP determined this indicator based on average compensation ant with the media	L	
ETHICS AND INTEGRITY					
G4-56	Code of Ethics		www.edp.pt> about edp> corporate governance> ethics	L	
G4-57	85; sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-58	85; Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
ECONOMIC					
ECONOMIC PERFORMANCE					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EC1	16; 142			R	
G4-EC2	95;99; 326			L	
G4-EC3	328; 369-378			L	
G4-EC4	142			R	

GENERAL STANDARD DISCLOSURES	PAGE NUMBERS	REPORT	COMMISSIONS/ADDITIONAL INFORMATION	EXTERNAL ASSURANCE	GLOBAL COMPACT
MARKET PRESENCE					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EC5	114			R	
G4-EC6	138			L	
INDIRECT ECONOMIC IMPACTS					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EC7	128-132			L	
G4-EC8	125-128		Further studies are ongoing and will be disclosed in 2015	L	
PROCUREMENT PRACTICES					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EC9	126-127			R	
AVAILABILITY AND RELIABILITY					
DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
EU10	14-15; 36-37			L	
DEMAND SIDE MANAGEMENT					
DMA*	91; 142; Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
CO2 saved	17; 135			R	
RESEARCH AND DEVELOPMENT					
DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
PLANT DECOMMISSIONING					
DMA*	75; 406; Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
SYSTEM EFFICIENCY					
DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
EU11	77			L	
EU12	80; 135			L	
ENVIRONMENTAL					7,8
MATERIALS					
G4-DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EN1*	www.edp.pt		www.edp.pt> sustainability> environment> environmental management	L	
G4-EN2			This figure is considered not material compared to the total materials used	L	
ENERGY					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EN3	97-98; 135			R	
G4-EN4	135			L	
G4-EN5	135			L	
G4-EN6	135			L	
G4-EN7	97-98; 135		Not applicable to the sector	L	
WATER					
G4-DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EN8*	99-101; 136			R	
G4-EN9	99-101		www.edp.pt> sustainability> publications	L	
G4-EN10			This figure is considered not material compared to the total water used by EDP.	L	
BIODIVERSITY					
G4-DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EN11	136; Biodiversity Report		www.edp.pt> sustainability> publications	R	
G4-EN12*	101-103; Biodiversity Report		www.edp.pt> sustainability> publications	L	
G4-EN13	101-103; Biodiversity Report		www.edp.pt> sustainability> publications	L	
EU13	101-103; Biodiversity Report		www.edp.pt> sustainability> publications	L	
G4-EN14	www.edp.pt		www.edp.pt> sustainability> environment> biodiversity> impacts on biodiversity	L	
EMISSIONS					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EN15*	97-98; 135			R	
G4-EN16*	97-98; 135			R	
G4-EN17	97-98; 135			L	
G4-EN18	135			L	
G4-EN19	97			L	
G4-EN20			Equipments with these substances no longer have expression in the Group.	L	
G4-EN21*	103-104; 135			R	
EFFLUENTS AND WASTE					
G4-DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EN22*	100; 136			L	
G4-EN23*	105; 136			R	
G4-EN24	105			L	
G4-EN25			There were no exports of hazardous materials	L	
G4-EN26	101-102		There were no significantly affected water bodies by the wastewater	L	
PRODUCTS AND SERVICES					
G4-DMA	Sustainability Management Approach Report		Not applicable	L	
G4-EN27			Not applicable	L	
G4-EN28			Not applicable	L	
COMPLIANCE					
G4-DMA			www.edp.pt> sustainability> publications	L	
G4-EN29				R	
TRANSPORT					
G4-DMA	Sustainability Management Approach Report			L	
G4-EN30			Not material for EDP	L	
OVERALL					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EN31	406			R	

GENERAL STANDARD DISCLOSURES	PAGE NUMBERS	REPORT	COMMISSIONS/ADDITIONAL INFORMATION	EXTERNAL ASSURANCE	GLOBAL COMPACT
SUPPLIER ENVIRONMENTAL ASSESSMENT				EXTERNAL	GLOBAL
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EN32	www.edp.pt			L	
G4-EN33	www.edp.pt			L	
ENVIRONMENTAL GRIEVANCE MECHANISMS					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-EN34	136			L	
LABOR PRACTICES AND DECENT WORK					
EMPLOYMENT					6
G4-DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA1*	108; 138			R	
EU15	109			R	
EU17	139		The number of individual EDP contractors is not material	L	
EU18	139		The number of individual EDP contractors is not material	L	
G4-LA2	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA3	138			L	
LABOR/MANAGEMENT RELATIONS					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA4				L	
OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA5	139		www.edp.pt> sustainability> publications	L	
G4-LA6*	139			R	
G4-LA7	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA8	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
TRAINING AND EDUCATION					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA9	139			R	
G4-LA10	109-113			R	
G4-LA11	113			L	
DIVERSITY AND EQUAL OPPORTUNITY					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA12	108; 138			R	
EQUAL REMUNERATION FOR WOMEN AND MEN					
G4-DMA	Sustainability Management Approach Report			L	
G4-LA13	114; 138			L	
SUPPLIER ASSESSMENT FOR LABOR PRACTICES					
G4-DMA	Sustainability Management Approach Report			L	
G4-LA14	www.edp.pt			L	
G4-LA15	www.edp.pt			L	
LABOR PRACTICES GRIEVANCE MECHANISMS					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-LA16	85-86			L	
HUMAN RIGHTS					1
INVESTMENT					1
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-HR1	90			L	
G4-HR2	90; 139		Included in Ethics training	L	
NON-DISCRIMINATION					1; 6
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-HR3	85-86			L	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					1; 3
G4-DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-HR4				L	
CHILD LABOR					5
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-HR5	90			L	
FORCED OR COMPULSORY LABOR					4
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-HR6	90; www.edp.pt		www.edp.pt> about edp> corporate governance> ethics	L	
SECURITY PRACTICES					2
G4-DMA			Not material	L	
G4-HR7			Not material	L	
INDIGENOUS RIGHTS					1; 2
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-HR8				L	
ASSESSMENT					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-HR9	90			L	
SUPPLIER HUMAN RIGHTS ASSESSMENT					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-HR10	www.edp.pt			L	
G4-HR11	www.edp.pt			L	
HUMAN RIGHTS GRIEVANCE MECHANISMS					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-HR12	86; 90			L	
SOCIETY					1
LOCAL COMMUNITIES					
G4-DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-SO1	131-132			L	
G4-SO2	131-132			L	
EU22	131-132			L	

GENERAL STANDARD DISCLOSURES	PAGE NUMBERS	REPORT	COMMISSIONS/ADDITIONAL INFORMATION	EXTERNAL ASSURANCE	GLOBAL COMPACT
ANTI-CORRUPTION					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-SO3	89-90			L	
G4-SO4	89; 139		Included in Ethics training	L	
G4-SO5	85-86			L	
PUBLIC POLICY					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-SO6	89-90			L	
ANTI-COMPETITIVE BEHAVIOR					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	6
G4-SO7			Not material	R	
COMPLIANCE					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-SO8	142			R	
SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-SO9	www.edp.pt			L	
G4-SO10	www.edp.pt			L	
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-SO11	85			L	
DISASTER AND EMERGENCY PLANNING AND RESPONSE					
G4-DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
PRODUCT RESPONSIBILITY					
CUSTOMER HEALTH AND SAFETY					
G4-DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-PR1	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-PR2			Not material	L	
EU25	139			L	
PRODUCT AND SERVICE LABELING					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-PR3	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	R	
G4-PR4			Not material	L	
G4-PR5	119-120			L	
MARKETING COMMUNICATIONS					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-PR6			Not applicable	L	
G4-PR7			Not applicable	L	
CUSTOMER PRIVACY					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-PR8	120-121			L	
COMPLIANCE					
G4-DMA	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
G4-PR9	120-121			R	
ACCESS					
DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
EU26	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
EU27	80			L	
EU28	79-80			L	
EU29	79-80			L	
EU30	77			L	
PROVISION OF INFORMATION					
DMA*	Sustainability Management Approach Report		www.edp.pt> sustainability> publications	L	
Fully reported Partially reported Not reported					
R Reasonable verification L Limited verification * Specific indicator for this sector					

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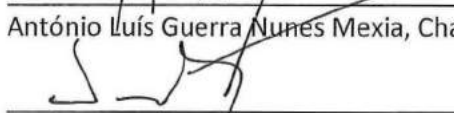
EDP – Energias de Portugal, S.A.
Executive Board of Directors

STATEMENT

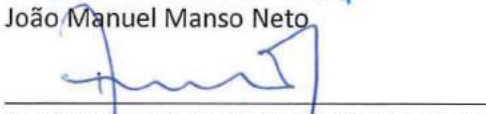
With reference to 2016 financial year, and according to No. 1, item c) of article 245º of the Portuguese Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the information foreseen in No. 1 item a) of the article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A., and the subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP – Energias de Portugal, S.A., and the subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

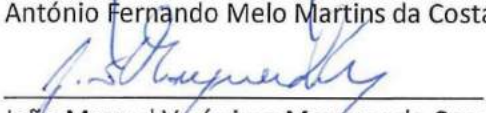
Lisbon, 2nd of March 2017

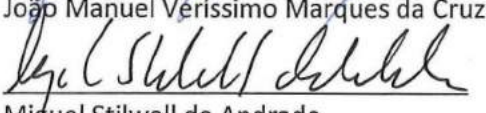

António Luís Guerra Nunes Mexia, Chairman

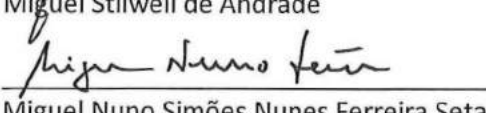

Nuno Maria Pestana de Almeida Alves

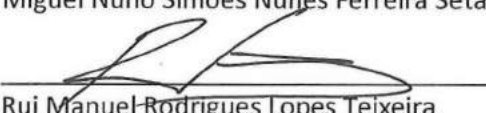

João Manuel Manso Neto


António Fernando Melo Martins da Costa


João Manuel Veríssimo Marques da Cruz


Miguel Stilwell de Andrade


Miguel Nuno Simões Nunes Ferreira Setas


Rui Manuel Rodrigues Lopes Teixeira



EDP – Energias de Portugal, S.A.
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira
Senior Accounting Officer - Corporate Centre

STATEMENT

With reference to 2016 financial year, and according to No. 1, item c) of article 245º of the Portuguese Securities Code, I hereby declare that, to the best of my knowledge, the information foreseen in No. 1 item a) of article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A. ("EDP"), and the subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP, and the subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 2nd of March 2017

A handwritten signature in blue ink, consisting of a stylized 'M' followed by a large, sweeping flourish that extends to the right.



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STATUTORY AUDITOR'S REPORT AND AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**(This report is a free translation to English from the original Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail.)**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of EDP – Energias de Portugal, S.A. (the Entity), which comprise the consolidated statement of financial position as at 31 December 2016 (showing a total of 44,083,746 thousand euros and shareholders' equity attributable to the Group of 9,406,287 thousand euros, including a net profit attributable to the shareholders of the Entity of 960,561 thousand euros), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements that include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of EDP – Energias de Portugal, S.A. as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described under "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants of the Portuguese Institute of Statutory Auditors.

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



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for estimated revenue (1,055,726 thousands of euros)

Refer to note 2 p) Accounting Policies, note 3 Critical accounting estimates and judgments and note 26 of the Financial Statements.

The Risk	Our Response
Part of the revenues associated with energy sales is based on estimates of electricity and gas values provided to customers in the period between the last meters reading and the end of the year ("estimated revenues") and not billed at year end date. The methodology for estimating energy in meters is complex and requires management to apply judgments and assumptions related to: ▪ Volumes of energy consumed by customers in low voltage. The Group's estimated accrual for unbilled revenue at the year-end is based on average historical consumption per customer, consumption profiles, with adjustments made for electricity losses in the distribution network and changes in consumption patterns, such as seasonality, weather patterns and other adjustments; ▪ Assessment of the valuation to be attributed to the estimated quantities, taking into account the tariff categories associated with each client. The Group applies the unit price (which depends on several factors, including the tariff category, contracted power, voltage, customer typology, consumption schedule, among others), to the volume of energy supplied and unbilled in order to calculate the revenue for the period between the date of the last reading and the year end date.	The audit procedures included, among others, a combination of controls tests, detail tests and analytical procedures for sales, energy balance and energy estimation in meters. Additionally: ▪ We tested the database associated with the determination of the volume of energy purchased and sold, having carried out tests on a sample basis to the key controls that affect commercial systems; ▪ We tested on a sample basis the estimate of the volume of energy calculated by the Group for the different typologies of customers, using internal and external sources of information, having obtained and analyzed the justifications for the main differences; ▪ We critically analyzed the assumptions associated with the unit price, by comparison with historical prices. Additionally, we evaluated the general consistency of the assumptions and inputs considered in the calculation of the estimated value of the revenue related to energy supplied and not billed; ▪ For the regulated entities we verified the compliance between the unit prices included in the actual billing with the prices approved by the Energy Regulatory Authority; and ▪ We also evaluated the adequacy of the disclosures made by the Group in relation to this estimate, taking into account the applicable accounting framework.

Valuation of the Group's pension and other post-employment obligations (the Group shows a net defined benefit pension liability of 1,669,260 thousand euros)

Refer to note 2 n) Accounting Policies, note 3 Critical accounting estimates and judgments and notes 9, 27 and 36 of the Financial Statements.

The Risk	Our Response
The valuation of the Group's liabilities with pension and other post-employment benefits involves judgments and estimates regarding various assumptions, among others, discount rate, inflation rate, salary and pension growth rates and mortality tables, and other assumptions.	Our auditing procedures in this area included the critical analysis and evaluation of the reasonableness of the key assumptions used by the Group, namely the discount rate, inflation rate, salary and pension growth rate, mortality tables, and other assumptions used, compared to market referrals and internally developed information. We evaluated the work produced and the conclusions obtained by the independent actuaries hired by EDP, as well as their professional competence. We tested the valuation of the investments included in the assets of the pension fund. Further, we considered the adequacy of the Group's disclosures regarding pension and other post-employment obligations, including sensitivity analysis, considering the applicable accounting framework.

Income tax

Refer to note 2 r) Accounting Policies, note 3 Critical accounting estimates and judgments and notes 14, 24, 28, 37, 40 and 41 of the Financial Statements.



The risk

The Group has operations in multiple countries, with different tax regimes. The application of tax legislation to the various transactions has inherent complexity and requires the exercise of judgment in determining the respective tax impact, as well as in the identification of tax contingencies, quantification of provisions and determination of contingent liabilities.

Our response

In the scope of our audit, we performed, among others, the following procedures:

- We tested the design and implementation of key controls regarding the accounting for and disclosure of transactions with fiscal impact;
- We involved our tax specialists in the analysis of the reasonableness of current tax estimates and deferred taxes;
- We evaluated the reasonableness of the projections of taxable income prepared by management that support the analysis of the recoverability of deferred tax assets;
- With the support of our tax specialists and based on existing jurisprudence, legal opinions, inspection of internal documentation and exchange of correspondence between the Group and the tax authorities, inquiries of those in charge of the tax department of the Group, we evaluated the completeness of the tax matters identified, as well as the conclusions of the Group regarding the status, possible outcomes and associated contingencies. We assessed the adequacy of provisions recorded;

The risk**Our response (cont.)**

- Following the adherence of the Group to the optional tax revaluation regime, of property, plant and equipment and investment properties, established by Decree-Law no. 66/2016, of 3 November, we analyzed the proper application of the monetary devaluation coefficients included in Ordinance nr. 400/2015, as well as the other requirements set forth in the legislation, namely the lower limit of the revalued book value to market value, as determined by independent external experts. We analyzed the reasonableness of the total autonomous taxation to be settled until 2018, as well as the impact of the tax revaluation on the deferred tax assets; and
- We considered the adequacy of the Group's disclosures in relation to IAS 12 - Income Taxes.

Litigation, legal and regulatory risk

Refer to note 2 o) Accounting Policies and notes 11 and 37 of the Financial Statements.

The risk	Our response
In view of the diversity and size of its activity in different geographies, the Group is involved in various legal and regulatory litigation and contingencies. In addition, in recent years there has been an increase in the complexity of the regulatory environment and its sanctioning regime. These litigation and regulatory issues require management to exercise judgment in determining contingencies and quantifying provisions and disclosing information.	In this area our audit procedures included the following, among others: • Analysis of the list of lawsuits brought against the Group by third parties and of the contingencies identified by the Group in accordance with the information obtained in the Group and in the responses to our requests for external confirmation from lawyers on the status of the legal proceedings in which the Group is involved; • Reading and analysis of Executive Board of Directors' minutes; • Critical analysis of the probability of success scenarios elaborated by management, the magnitude of potential losses and conclusions reached through meetings with those responsible for legal departments; and • Evaluation of the reasonableness of the provisions established by the Group and the disclosures related to provisions and / or contingent liabilities arising from legal actions and other claims, taking into account the applicable accounting framework.

Transactions involving non-controlling interests

Refer to note 2 b) Accounting Policies and note 3 Critical accounting estimates and judgments and notes 5 and 33 of the Financial Statements.

The risk	Our response
The Group has implemented in the past an asset rotation strategy based on the sale of minority interests in operating or under development wind farms, reinvesting the inflow to develop new projects. In the course of 2016, the Group concluded three asset rotation transactions: ▪ Sale of 24%, 49% and 49% of Class A shares in Vento III, Vento XIII and XIV in the United States of America, respectively, to a consortium of investors led by Axiom Infrastructure for an amount of 307,5 million USD (277 million euros); ▪ Sale to Vortex Energy Investments II S.A R.L. of a shareholding representing 49% of a portfolio, held entirely by EDP Renewables Europe, S.L., of wind assets located in Spain, Portugal, Belgium and France for the amount of 277 million euros; and ▪ Sale to ACE Poland S.A.R.L. and ACE Italy S.A.R.L. of a 49% of the share capital of a wind assets portfolio with 548 MW of capacity in Poland and Italy, for a final price of 146 million euros. Transactions with non-controlling interests require the application of significant judgement in the assessment of the existence of control by the Group after the transactions and in respect of any contractual obligations to deliver cash or other financial assets to the holders of the shares, as well as accounting for financial instruments as capital or debt instruments.	We performed, among other procedures, the analysis of the purchase and sale agreements, as well as the shareholders' agreements related to these transactions and the consistency of the accounting treatment applied in view of IFRS, as adopted by the European Union. Our audit procedures also included the analysis of transactions with non-controlling interests in the Consolidated Statement of Changes in Equity, namely in Non-controlling interests and in Reserves and Retained Earnings. We also assessed the adequacy of the disclosures made by the Group in relation to these transactions, taking into account the applicable accounting framework.

Carrying value of certain non-current assets with an aggregated value of 34 billion of euros

Property, Plant and equipment – 24,193,736 thousands of euros

Intangible assets – 5,128,544 thousands of euros

Goodwill – 3,414,852 thousands of euros

Investments in joint ventures and associates – 820,565 thousands of euros

Refer to note 2 b), h) and i) Accounting Policies, note 3 Critical accounting estimates and judgments and notes 16, 17, 18 and 21 of the Financial Statements.

The risk	Our response
The recovery of certain non-current assets, including power generation and distribution assets, gas distribution assets (recorded under property, plant and equipment), goodwill and concession rights (recorded under intangible assets) and investments in joint ventures, depends on obtaining sufficiently profitable business in the future. The determination of the recoverable value of an asset is subjective due to the uncertainty inherent in the financial projections and the discount of the future cash flows, since many of the key assumptions such as discount rates, inflation rates, country risk rates, exchange rates and commodities prices, depend on economic, political and regulatory factors in the countries where the Group operates. In the scope of impairment tests, the assets are reviewed on an individual basis or as part of a cash-generating unit ("CGU"), which may correspond to an entity, business segment, geographical area or portfolio of assets, based on the higher of the value in use and the fair value less costs to sell. The assumptions used are disclosed in the notes to the Financial Statements.	As part of our audit we performed the following procedures, among others: ▪ We analyzed the Group's calculation of value in use or fair value less costs to sell, and the main assumptions considered in the models for each CGU or assets tested on an individual basis, and our valuations specialists were involved for this purpose; ▪ We compared financial projections with the budgets approved by the business areas; ▪ We tested the mathematical accuracy of the models used as well as the consistency of the assumptions used by the different entities of the Group; and ▪ We assessed the adequacy of the disclosures made in the financial statements, particularly if the disclosures of the sensitivity analysis results for the key assumptions reflected the risks inherent in the valuation of property plant and equipment, concession rights, goodwill and investments in joint ventures, taking into account the applicable accounting framework.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the consolidated financial position, the consolidated financial performance and the consolidated cash flows of the Group, in accordance with the International Financial Reporting Standards, as adopted by the European Union;
- the preparation of the consolidated management report, including the corporate governance report, in accordance with the applicable legal and regulatory requirements;
- the implementation and maintenance of an appropriate internal control system to enable the preparation of the consolidated financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and criteria adequate to the circumstances; and
- the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, the matters that may cast significant doubt on the going concern of the operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue a report comprising our opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, events or future conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion
- communicate to those charged with governance, including the oversight body, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiency in the internal control identified during our audit;
- from the matters communicated with those charged with governance, including the oversight body, 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 auditors' report unless law or regulation precludes public disclosure about the matter; and
- we state to the oversight body, that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification of the consistency of the information included in the consolidated management report with the consolidated financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the consolidated management report

In compliance with article 451, nr. 3, e) of the Portuguese Companies Code, we are of the opinion that the consolidated management report has been prepared in accordance with the applicable legal and regulatory requirements, the information contained therein is consistent with the audited consolidated financial statements and, taking into account the knowledge and appreciation of the Group, we have not identified material inaccuracies.

About the corporate governance report

In compliance with article 451, nr. 4, of the Portuguese Companies Code, we are of the opinion that the corporate governance report includes the elements required by the Entity pursuant to article 245 – A of the Securities Code, and no material inaccuracies have been identified in the information disclosed therein, complying with the provisions of paragraphs c), d), f), h), i) and m) of that article.

On the additional elements provided for in article nr. 10 of Regulation (EU) nr. 537/2014

In compliance with Article nr. 10 of Regulation (EU) nr. 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed auditors of EDP - Energias de Portugal, S.A. for the first time at the extraordinary shareholders' meeting held on the 31 January 2005 to complete last year of the term of the three year period running from 2003 to 2005. We were appointed at the shareholders' meeting on 21 April 2015 for the current term from 2015 to 2017.
- The Executive Board of Directors confirmed to us that it is not aware of the occurrence of any fraud or suspected material fraud in the financial statements. In the planning and execution of our audit under ISA we have maintained professional skepticism and designed audit procedures to respond to the possibility of material misstatement of financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud.
- We confirm that the audit opinion we issue is consistent with the additional report we prepared and delivered to the Entity's oversight body on the 2 March 2017.
- We declare that we have not provided any prohibited services pursuant to article nr. 77, nr. 8 of the Statute of the Statutory Auditors Institute and that we have maintained our independence from the Entity during the performance of the audit.

Lisbon, 2 March 2017

SIGNED ON THE ORIGINAL

KPMG & Associados

Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)

represented by

Vitor Manuel da Cunha Ribeirinho (ROC nr. 1081)



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STATUTORY AUDITOR'S REPORT AND AUDITOR'S REPORT

**(This report is a free translation to English from the original Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail.)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of EDP – Energias de Portugal, S.A. (the Entity), which comprise the statement of financial position as at 31 December 2016 (showing a total of 22,795,868 thousand euros and total equity of 7,425,007 thousand euros, including a net profit of 758,031 thousand euros), the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the accompanying notes to the financial statements that include a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of EDP – Energias de Portugal, S.A. as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described under "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants of the Portuguese Institute of Statutory Auditors.

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



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Derivative financial instruments valuation (1,066,586 thousands of euros asset and 337.655 thousands of euros liability)

Refer to note 2 d) Accounting Policies, note 3 Critical accounting estimates and judgments and notes 4, 27, 40 and 43 of the Financial Statements.

The Risk	Our response
EDP Group financial risk management is performed centrally by EDP, S.A. which enters into various derivative financial instruments with the objective of mitigating potential adverse effects of changes in interest rates, foreign exchange movements and commodities prices. The fair value of these derivatives is determined through the application of valuation techniques which involve the use of estimates, judgments and assumptions. The accounting treatment of financial instruments is complex, namely in what concerns to hedge accounting as well as the uncertainty associated with the estimates.	As part of our audit, we performed the following procedures, among others: ▪ We have tested the design and implementation of controls over the identification, measurement, recognition and management of derivative financial instruments; ▪ We have evaluated the methodologies, inputs and assumptions considered in determining fair values, with the support of our professionals specialized in financial instruments; ▪ We have analyzed the inputs considered in the valuation models, based on available market data to assess their suitability; ▪ We have analyzed the adequacy of the documentation prepared by EDP, S.A., in the scope of hedge accounting; and ▪ We have analyzed the adequacy of the derivative financial instruments and hedge accounting disclosures, namely about the valuation basis and inputs used in determining the fair value, in accordance with the applicable accounting framework.



Carrying value of financial investments in subsidiaries which aggregate of 11,190,176 thousands of euros

Refer to note 2.b) Accounting Policies, note 3 Critical accounting estimates and judgments and note 19 of Financial Statements.

The Risk	Our Response
The recovery of financial investments in subsidiaries owning power generation and distribution assets, gas distribution assets and in the electricity and gas supply business, depends on achieving sufficiently profitable business in the future. The estimated recoverable amount of an asset is subjective due to the inherent uncertainty involved in the financial projections and discount of future cash flows since many of the key assumptions, such as discount rates, inflation rates, country risk rates, foreign exchange rates and commodities prices depend on economic, political and regulatory factors in the country in which it operates. In the scope of the impairment tests carried out at EDP Group level, the financial investments held by EDP, S.A. in subsidiaries are reviewed based on the higher of the value in use and the fair value less costs to sell. The assumptions used are disclosed in the notes to the financial statements.	As part of our audit, we performed the following procedures, among others: ▪ We analyzed the calculation made by EDP, S.A., of the value in use or the fair value less costs to sell and the main assumptions considered in the valuation models of the financial investments of EDP, S.A., and our specialists were involved for this purpose; ▪ We compared financial projections with approved budgets by the business areas; ▪ We tested the mathematical accuracy of the models used, as well as the consistency of the assumptions used in the different financial projections; and ▪ We assessed the adequacy of the disclosures made in the financial statements, in particular whether the disclosures of the sensitivity analysis of key assumptions reflected the inherent risks in the valuation of financial investments, taking into account the applicable accounting framework.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the financial position, the financial performance and the cash flows of the Entity, in accordance with the International Financial Reporting Standards, as adopted by the European Union;
- the preparation of the management report, including the corporate governance report, in accordance with the applicable legal and regulatory requirements;
- the implementation and maintenance of an appropriate internal control system to enable the preparation of the financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and criteria adequate to the circumstances; and
- the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, the matters that may cast significant doubt on the going concern of the operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue a report comprising our opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, events or future conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate to those charged with governance, including the oversight body, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiency in the internal control identified during our audit;
- from the matters communicated with those charged with governance, including the oversight body, 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 auditors' report unless law or regulation precludes public disclosure about the matter; and
- we state to the oversight body, that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification of the consistency of the information included in the management report with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the management report

In compliance with article 451, nr. 3, e) of the Portuguese Companies Code, we are of the opinion that the management report has been prepared in accordance with the applicable legal and regulatory requirements, the information contained therein is consistent with the audited financial statements and, taking into account the knowledge and appreciation of the Entity, we have not identified material inaccuracies.

About the corporate governance report

In compliance with article 451, nr. 4, of the Portuguese Companies Code, we are of the opinion that the corporate governance report includes the elements required by the Entity pursuant to article 245 – A of the Securities Code, and no material inaccuracies have been identified in the information disclosed therein, complying with the provisions of paragraphs c), d) , f), h), i) and m) of that article.



On the additional elements provided for in article nr. 10 of Regulation (EU) nr. 537/2014

In compliance with Article nr. 10 of Regulation (EU) nr. 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed auditors of EDP - Energias de Portugal, S.A. for the first time at the extraordinary shareholders' meeting held on the 31 January 2005 to complete last year of the term of the three year period running from 2003 to 2005. We were appointed at the shareholders' meeting on 21 April 2015 for the current term from 2015 to 2017.
- The Executive Board of Directors confirmed to us that it is not aware of the occurrence of any fraud or suspected material fraud in the financial statements. In the planning and execution of our audit under ISA we have maintained professional skepticism and designed audit procedures to respond to the possibility of material misstatement of financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud.
- We confirm that the audit opinion we issue is consistent with the additional report we prepared and delivered to the Entity's oversight body on the 2 March 2017.
- We declare that we have not provided any prohibited services pursuant to article nr. 77, nr. 8 of the Statute of the Statutory Auditors Institute and that we have maintained our independence from the Entity during the performance of the audit.

Lisbon, 2 March 2017

SIGNED ON THE ORIGINAL

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
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INDEPENDENT ASSURANCE REPORT TO EDP – Energias de Portugal, S.A.

**(This report is a free translation to English from the Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail)**

**To the Executive Board of Directors of
EDP - Energias de Portugal, S.A.**

Introduction

- 1 We have been engaged by the Executive Board of Directors of EDP- Energias de Portugal, S.A ("EDP") to provide reasonable assurance in respect of the indicators identified in paragraph 4 of the scope paragraph and limited assurance in respect of the sustainability information included in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report ("the Report") as a whole for the year ended 31 December 2016.

Responsibilities

- 2 The Executive Board of Directors of EDP is responsible for:
 - The preparation and presentation of the sustainability information included in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report in accordance with the Sustainability Reporting Guidelines (G4.0) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) – Comprehensive option, as described in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report, and the information and assertions contained within it;
 - Determining EDP's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, in accordance with the principles of inclusiveness, materiality and response of AA1000APS (2008); and
 - Establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

3 Our responsibility is to express, based on the work performed:

- A reasonable assurance conclusion on whether GRI indicators ("Assured Sustainability Parameters": Economic Data (G4-EC1, G4-EC4, G4-EC5, G4-EC9), Sector (G4-EU1, G4-EU2, G4-EU3, G4-EU4, G4-EU5, G4-EU15), Environmental (G4-EN3, G4-EN8, G4-EN11, G4-EN15 (GHG Scope 1), G4-EN16 (GHG Scope 2), G4-EN21, G4-EN23; G4-EN31), Product (G4-PR3), Labour Practices (G4-10, G4-LA1, G4-LA6, G4-LA9, G4-LA12), Fines and Penalties (G4-EN29, G4-SO7, G4-SO8, G4-PR9) Absenteeism rate, Billing of Energy Efficiency Services, CO2 avoided, Maximum Certified Installed Capacity ISO 14001 and Maximum Certified Installed Capacity OSHAS 18001, are free from material misstatement; and
- A limited assurance conclusion on whether the information on the sustainability information included in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report ("Limited Assurance Sustainability Parameters"), as a whole, as of and for the year ended 31 December 2016, is not free from material misstatement.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Parameters are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Parameters are free from material misstatement.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our work included also a moderate level of assurance in accordance with the AA1000 Accountability Assurance Standard 2008 (AA1000AS) (Type 2) issued by Accountability, that consists in the verification of the nature and extent of the organization's adherence to the AA1000APS (2008), and the evaluation of the reliability of the performance information as reported in the appendix "Sustainability Reporting".

Scope

4 The scope of our work was as follows:

▪ Reasonable Assurance:

A reasonable assurance engagement with respect to the indicators: Economic Data (G4-EC1, G4-EC4, G4-EC5, G4-EC9), Sector (G4-EU1, G4-EU2, G4-EU3, G4-EU4, G4-EU5, G4-EU15), Environmental (G4-EN3, G4-EN8, G4-EN11, G4-EN15 (GHG Scope 1), G4-EN16 (GHG Scope 2), G4-EN21, G4-EN23; G4-EN31), Product (G4-PR3), Labour Practices (G4-10, G4-LA1, G4-LA6, G4-LA9, G4-LA12), Fines and Penalties (G4-EN29, G4-SO7, G4-SO8, G4-PR9) Absenteeism rate, Billing of Energy Efficiency Services, CO2 avoided, Maximum Certified Installed Capacity ISO 14001 and Maximum Certified Installed Capacity OSHAS 18001, involves performing procedures to obtain sufficient evidence to give reasonable assurance that the indicators disclosed are free from material misstatement whether caused by fraud or error. The procedures performed depend on professional judgment, including the assessment of the risk of material misstatement in the indicators mentioned above, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to EDP in the preparation and presentation of the referred indicators in order to design assurance procedures that are appropriate in the circumstances. Our engagement also included assessing the suitability of the criteria used by the Board of Directors of EDP in the preparation of the indicators, as explained in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report, in the evaluation of the appropriateness of the quantification methods, in the reporting of the policies used and the reasonableness of the estimates made by EDP.

Among others, our procedures included:

- Interviews with relevant responsible persons and relevant staff at operating and corporate level concerning the identification of the indicators mentioned above;
- Interviews with relevant responsible persons and relevant staff at operating and corporate level concerning the preparation of the indicators;
- Evaluation of the systems used for collection, calculation and reporting of the indicators;
- Recalculation of the indicators at corporate and operational level; and
- Validation of the design and effectiveness of controls.

▪ Limited assurance:

Our limited assurance engagement on the sustainability information consisted in inquiries, primarily of persons responsible for the preparation of information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report as a whole for the year ended 31 December 2016, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with relevant responsible persons and relevant staff at corporate and operational level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Interviews with relevant staff at corporate operational level responsible for the preparation of the sustainability information;
- Visits to operating sites in Portugal, Spain and Brazil, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria;

- Comparing the information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the Report for the year ended 31 December 2016 to corresponding information sources to determine whether all the relevant information contained in such underlying sources has been included in the Report;
- Reading the information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of EDP.

The extent of evidence gathering procedures performed in a limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with International Standards on Auditing and Assurance Engagements, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion on the information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report as a whole.

- 5 Our multidisciplinary team included specialists in AA1000APS, stakeholder dialogue, social, environmental and economic business performance.

Conclusion

- 6 Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Parameters

- In our opinion, the indicators: Economic Data (G4-EC1, G4-EC4, G4-EC5, G4-EC9), Sector (G4-EU1, G4-EU2, G4-EU3, G4-EU4, G4-EU5, G4-EU15), Environmental (G4-EN3, G4-EN8, G4-EN11, G4-EN15 (GHG Scope 1), G4-EN16 (GHG Scope 2), G4-EN21, G4-EN23; G4-EN31), Product (G4-PR3), Labour Practices (G4-10, G4-LA1, G4-LA6, G4-LA9, G4-LA12), Fines and Penalties (G4-EN29, G4-SO7, G4-SO8, G4-PR9) Absenteeism rate, Billing of Energy Efficiency Services, CO2 avoided, Maximum Certified Installed Capacity ISO 14001 and Maximum Certified Installed Capacity OSHAS 18001, are presented in all material respects, in accordance with the Sustainability Reporting Guidelines (G4.0), of the Global Reporting Initiative (GRI) as described in the chapter "Performance" and appendix "Sustainability Reporting" of EDP's Annual Report.

Limited Assurance Sustainability Parameters

- Based on the limited assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the sustainability information included in the chapter "Performance" and appendix "Sustainability Reporting" of EDP's Annual Report for the year ended 31 December 2016 is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4.0) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the appendix "Sustainability Reporting" of EDP's Annual Report. Additionally and also based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that EDP has not applied the principles of inclusivity, materiality and responsiveness as included in the AA1000 Accountability Principles Standard 2008, as described in the appendix "Sustainability Reporting" of EDP's Annual Report.



Without affecting our conclusions presented above, we present some of the key observations:

In relation to the Inclusiveness principle

EDP has consolidated its process of stakeholders' consultation in the different countries where operates, in line with the stakeholder management model defined at the corporate level. In 2016, EDP finalized the development of a stakeholder management plan, ensuring a better harmonization across the EDP Group. EDP annually performs specific initiatives of relationship with some groups of stakeholders, ensuring inclusion and the review of stakeholder expectations.

In relation to the Materiality principle

EDP has established a comprehensive process for determining material issues, which consolidates a vision at the corporate and local levels. The outputs resulting from the identification of material issues reflect the main themes for the energy sector, regions where the group is present and main stakeholder's groups. EDP ensure the enlargement of the materiality process scope to all geographies where the group operates. The EDP Group finalized the redefinition project of the whole process of materiality whose the objective is to ensure better harmonization of this among all countries. This work aims to determine the materiality per stakeholder's segment.

In relation to the Responsiveness principle

EDP address the answer of its main stakeholders' expectations by defining a set of goals and targets. In 2016, action plans were developed per company in order to ensure better alignment and communication of its commitments and corporate goals to the most relevant material issues identified by stakeholders.

Our assurance report is made solely to EDP in accordance with the terms of our engagement. Our work has been undertaken so that we might state to EDP those matters we have been engaged to state in this assurance report and for no other purpose. We do not accept or assume responsibility to any third party other than EDP for our work, for this assurance report, or for our conclusions.

Lisbon, 2 March 2017

SIGNED ON THE ORIGINAL

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeiro (ROC n.º 1081)



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Independent Evaluation Report on the Internal Control System Over Financial Reporting of EDP Group

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

To the
Executive Board of Directors
EDP – Energias de Portugal, S.A.

Introduction

- 1 We were engaged by EDP – Energias de Portugal, S.A. ("EDP" or "the Company") to perform a work to assess the internal control system over consolidated financial reporting ("SCIRF") of the Company and its subsidiaries ("Group" or "EDP Group") as at 31 December 2016, based on the criteria established in the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) in relation with global business and control procedures, and with the Control Objectives for Information and Related Technologies ("COBIT") in relation to the general information technologies controls.

Responsibilities

- 2 The Executive Board of Directors is responsible for adopting adequate measures to ensure to a reasonable degree of security the implementation and maintenance of an adequate internal control system over the consolidated financial reporting and the proper development of improvements to the system.
- 3 Our responsibility is to assess and express a conclusion, with reasonable assurance, on the effectiveness of the EDP Group's internal control system over consolidated financial reporting.

Scope

- 4 The internal control system over the consolidated financial reporting is a process designed, to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles and includes policies and procedures that:
 - respect to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of assets of EDP Group;



- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of EDP Group are being made only in accordance with authorizations of the Executive Board of Directors and Directors of EDP or Directors and Management of EDP subsidiaries; and
 - provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisitions, use or disposals of assets of EDP Group that could have a material effect on the consolidated financial statements.
- 5 Our work was conducted in accordance with the International Standard on Assurance Engagements - "ISAE 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants and was planned and performed to obtain reasonable assurance about whether the Group's internal control over consolidated financial reporting system is effective and appropriate, in all material respects.
- 6 The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
- 7 We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.
- 8 Our evaluation included obtaining an understanding of the Group's internal control system over the consolidated financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk and performing such other procedures as we considered necessary in the circumstances.
- 9 We believe that the work performed provides a reasonable basis for our conclusion.
- 10 Due to the limitations inherent in any form of internal control system, there is a possibility that internal control over consolidated financial reporting may not prevent or detect the errors or irregularities that might arise, whether due to collusion, errors in judgment, human error, fraud or malpractice. Also, projections of any evaluation of effectiveness to future periods of the internal control over consolidated financial reporting are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Conclusion

- 11 In our opinion, the Group's internal control system over consolidated financial reporting as at 31 December 2016 is adequate and effective, in all material aspects, according to the criteria established in the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) in relation with global business and control procedures, and with the Control Objectives for Information and related Technologies (COBIT) for general information technologies controls.



- 12 On 2 March 2017 we issued our audit report on the consolidated financial statements of the Group as at 31 December 2016, expressing an unqualified opinion.
- 13 This report has been prepared according to your request in accordance with terms as described in paragraph 1. We do not accept any liability to any third parties other than the intended recipients of this report.

Lisbon, 2 March 2017

SIGNED ON THE ORIGINAL

KPMG & Associados

Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)

represented by

Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)

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