



ENERGY AS THE NEW ART

INTERIM REPORT
30TH SEPTEMBER 2017

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

Energy as the new Art

ENERGY AS THE NEW ART

Index

01	EDP	
	EDP in the world	4
	EDP in numbers	8
	Value Chain	10
	Vision, Values and Commitments	11
	Business Structure	12
	Recognition	13
	Goals and Targets	14
02	Performance	
	EDP Group Business Evolution	19
	Key Indicators	22
	Complementary Indicators	26
03	Financial Statements	33
04	Annexes	123



renewables

Canada

United States

Mexico

Brazil

United Kingdom

Belgium

France

Spain
Portugal

Poland

Romania

Italy

Angola

Present in 14 countries and has 9.9 million electricity customers

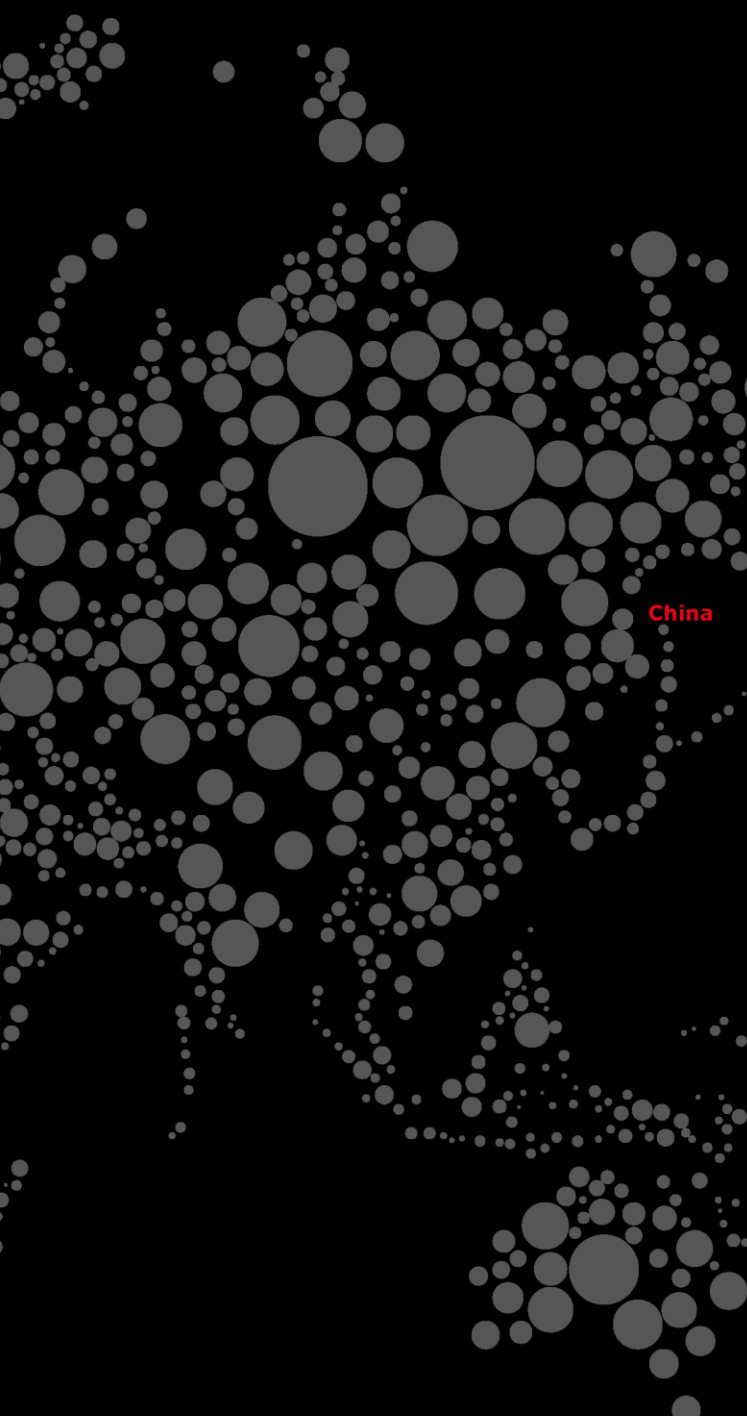
EDP – Energias de Portugal, S.A. is a listed company (“sociedade aberta”), whose ordinary shares are publicly traded in the “Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais”. EDP is established in Portugal, organized under the laws of Portugal and registered with the Commercial Registry 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 and the third largest electricity generation company 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 9.9 million electricity customers, 1.6 million gas customers and approximately 12 thousand employees around the world. On September 30, 2017, EDP had an installed capacity of 26 GW and generated 51TWh during the first half of 2017, of which 55% from renewable sources.



EDP in the World

Portugal



6,414	employees
5,386,925	electricity customers
692,178	gas customers
11,405 MW	installed capacity
19,727 GWh	net generation
33,221 GWh	electricity distributed
5,326 GWh	gas distributed
32MW	installed capacity equity ²

Spain



1,677	employees
1,116,325	electricity customers
869,301	gas customers
5,772 MW	installed capacity
161 MW	installed capacity equity ²
11,673 GWh	net generation
6,940 GWh	electricity distributed
17,980 GWh	gas distributed

Brazil



2,941	employees
3,358,943	electricity customers
2,670 MW	installed capacity
296 MW	installed capacity equity ²
6,677 GWh	net generation
18,405 GWh	electricity distributed
263 MW	capacity under construction
231 MW	capacity under construction equity ²

France 100% GENERATION FROM RENEWABLE SOURCES¹

60 **employees**

406 MW installed capacity
559 GWh net generation
4 MW capacity under construction

Belgium 100% GENERATION FROM RENEWABLE SOURCES¹

3 **employees**

71 MW installed capacity
86 GWh net generation

Italy 100% GENERATION FROM RENEWABLE SOURCES¹

25 **employees**

144 MW installed capacity
244 GWh net generation
37 MW capacity under construction

Poland 100% GENERATION FROM RENEWABLE SOURCES¹

36 **employees**

418 MW installed capacity
726 GWh net generation

Romania 100% GENERATION FROM RENEWABLE SOURCES¹

32 **employees**

521 MW installed capacity
960 GWh net generation

United States 100% GENERATION FROM RENEWABLE SOURCES^{1b}

481 **employees**

4,831 MW installed capacity
179 MW installed capacity equity²
10,232 GWh net generation
303 MW capacity under construction

Canada 100% GENERATION FROM RENEWABLE SOURCES¹

5 **employees**

30 MW installed capacity
53 GWh net generation

Mexico 100% GENERATION FROM RENEWABLE SOURCES¹

9 **employees**

200 MW installed capacity
454 GWh net generation

United Kingdom

29 **employees**

China and Angola

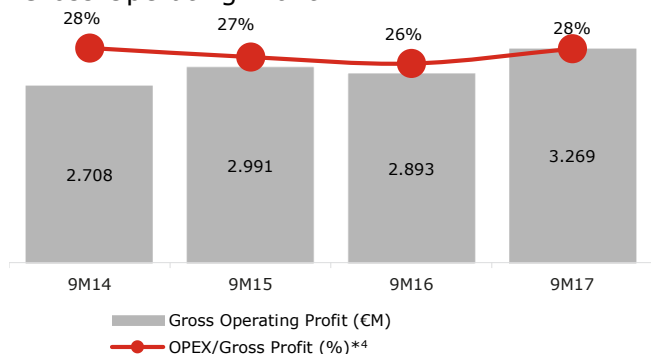
offices

¹ Includes hydro, wind and solar.

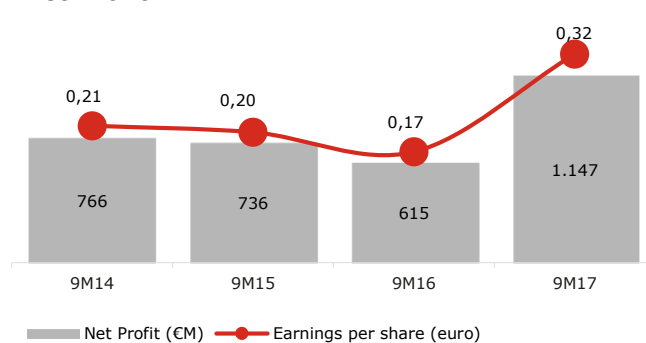
² Accounted according to the equity method.

EDP in Numbers

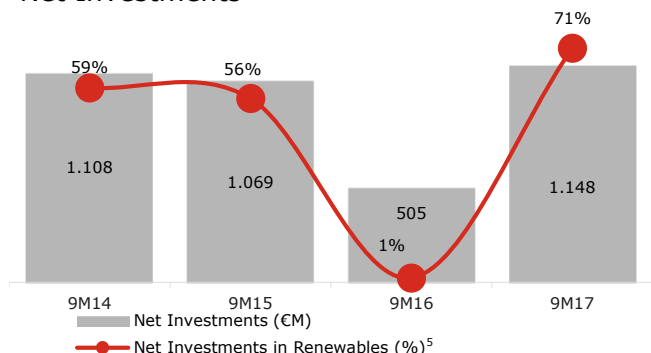
Gross Operating Profit



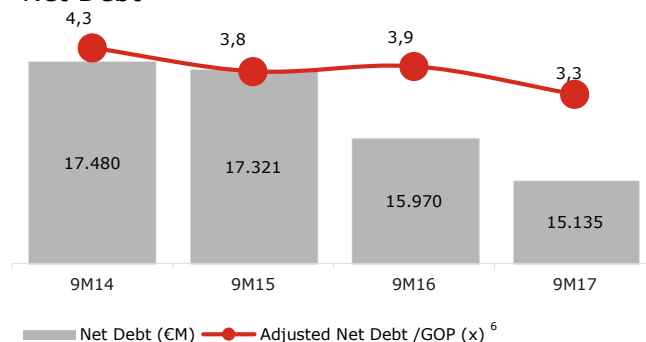
Net Profit ¹



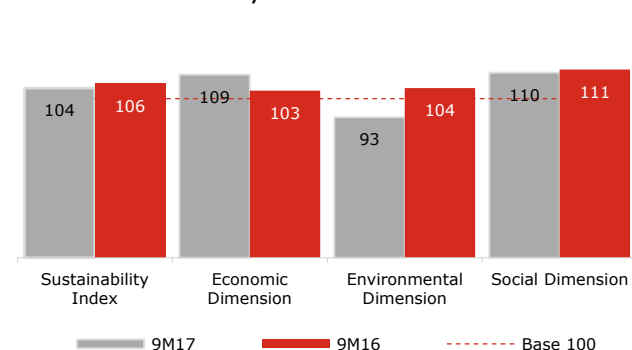
Net Investments ²



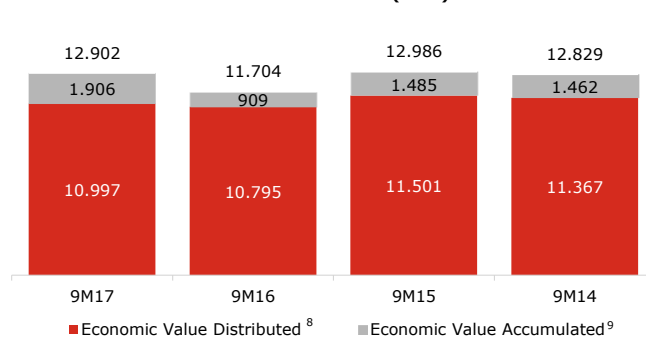
Net Debt ³



EDP Sustainability Index



Economic Value Generated (€M)



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, fair value hedge and collateral deposits associated to financial debt and 50% of the amount related with the emission of subordinated debt instrument (hybrid). Till December 31st 2016 also included net investment hedge.

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.

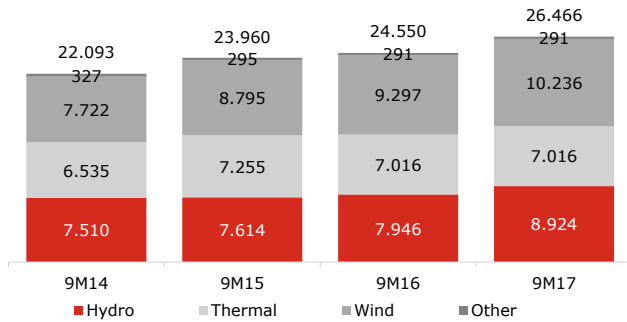
⁷ Generated Economic Value (GEV): Turnover + Other Operating Income + gains/losses with the sale of financial assets + financial income + share of profit in associates.

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

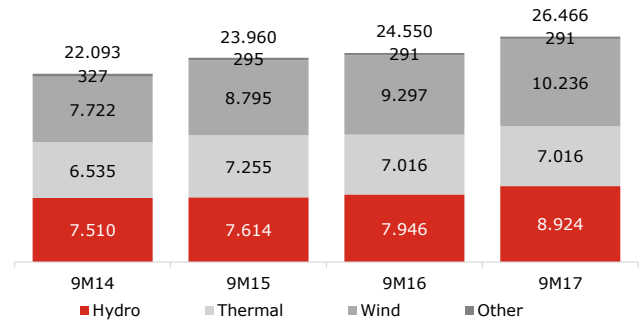
⁹ Accumulated Economic Value: GEV - DEV.

Note: comparisons prior to 2016 are not restated as mentioned in accounting policy 2.

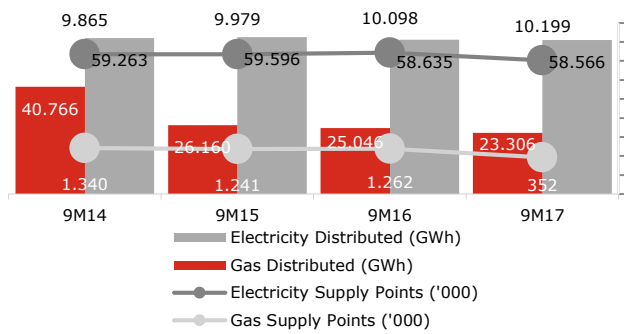
Electricity Generation Installed Capacity (MW)



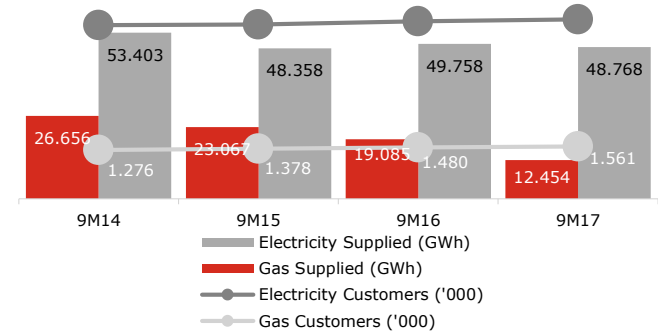
Electricity Generation Installed Capacity (MW)



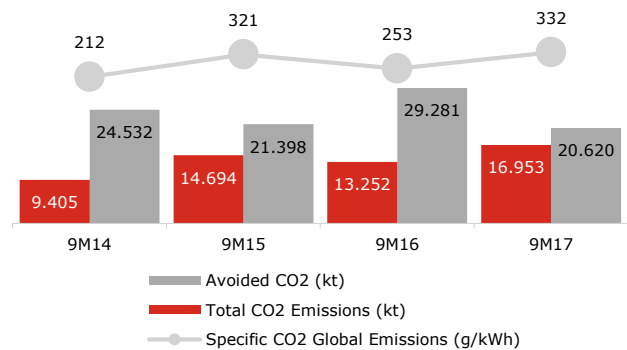
Electricity and Gas Distribution



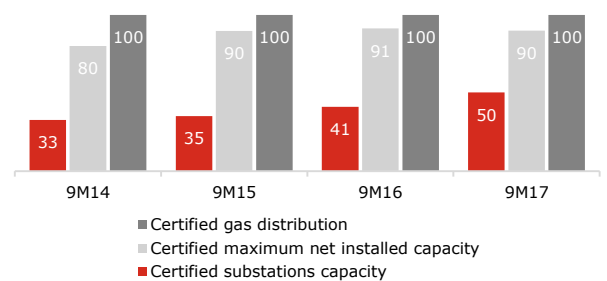
Electricity and Gas Supply



CO₂ Emitted and Avoided

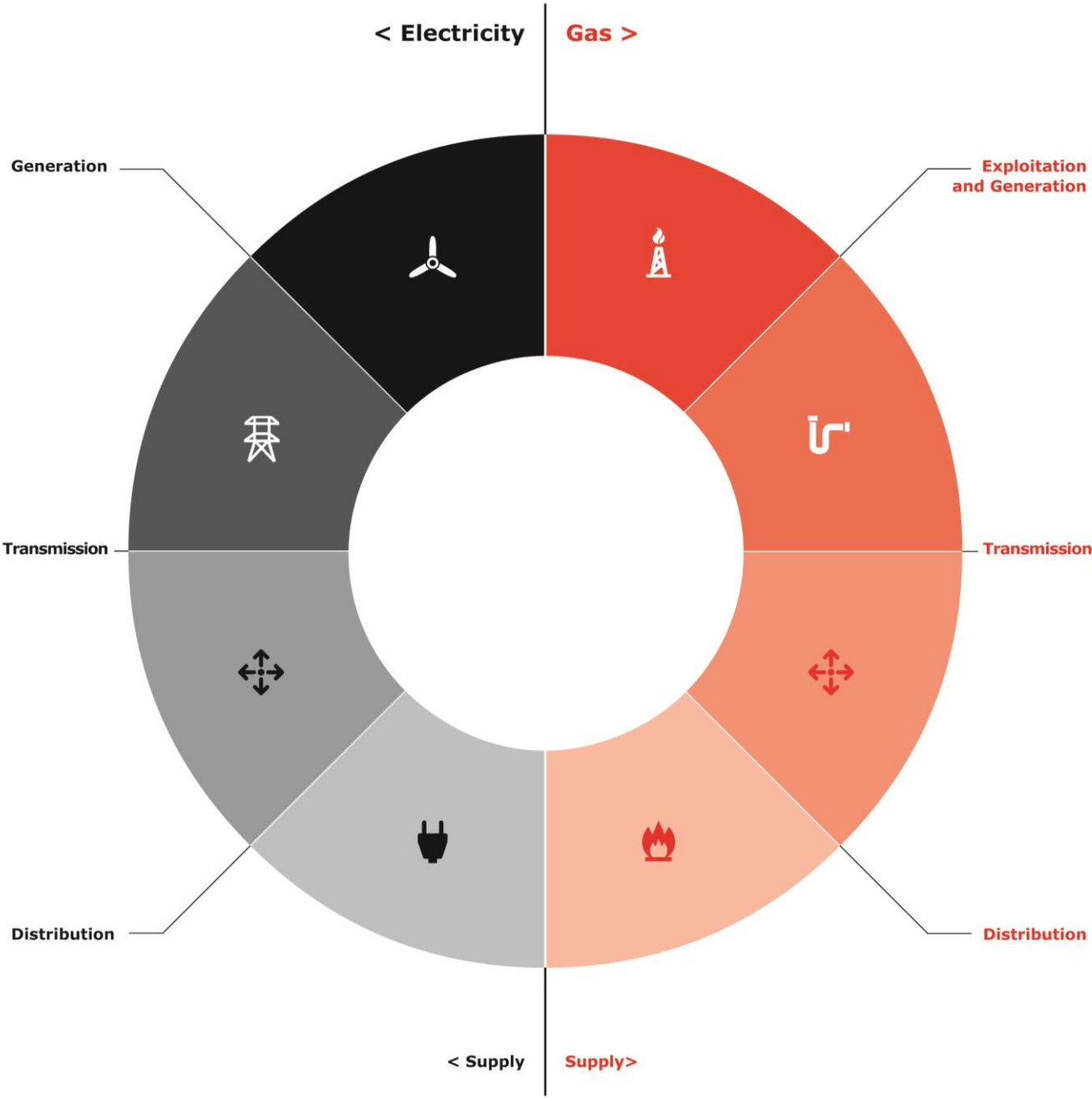


ISO 14001:2004 Certification (%)¹⁰



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.

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

** Until the closing date

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Recognition Group

Mar: Ethisphere Institute - World's Most Ethical Companies 2017

The World's Most Ethical Companies in 2017, published by the Ethisphere Institute, includes 124 companies from 19 countries and recognizes the EDP Group for its sixth consecutive year.

Mar: European Excellence Awards in Human Resources – Diversity Management

EDP won the Diversity Management category of the European Excellence Awards in HR 2017, with the EDP Group's Strategic Inclusion and Diversity Plan. These awards recognized, for the first time, Human Resources organizations and teams that excelled in implementing innovative strategies and practices in responding to modern challenges in people management.

Mar: Science Based Targets initiative (SBTi)

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.

Jun: IR Magazine Awards

EDP occupies the 7th place at European level, in the Investor Relations and is the best Portuguese company in the ranking. EDP Renováveis was awarded the 3rd place of small and medium market capitalization companies.

Jun: Reputational Sustainability Award

EDP was recognized by On Strategy, in partnership with the Corporate Excellence Foundation, with the "Reputational Sustainability" award and the "Reputational Leadership and Vision" Award.

Set: Dow Jones Sustainability Index

EDP is part of the Dow Jones Sustainability World Index for the 10th year running, with 92 points and has reinstated the European Index, where it has been for 8 years.

Set: Ethibel Sustainability Index

EDP is constituent of the Ethibel Sustainability Index Excellence Europe.

Portugal

Jan: Distinction Places4all

Places4all attributed the label that classifies the accessibility conditions of the building, namely for people with reduced mobility or other type of disability. The evaluation showed that 91% of the space is accessible and inclusive.

Feb: Frota Verde 2016 award

For the third time, Fleet Magazine distinguished the company that demonstrates the highest commitment to reduce CO₂ in the purchase of vehicles for its fleet by measuring the proportion of electric and hybrid vehicles of the existing fleets in the various national companies.

Mar: World Summit Award (WSA)

EDP's system re:dy was considered one of the 40 best digital solutions selected from a universe of 451 nominations. The WSA is a global diversified premium initiative aimed at selecting and promoting digital solutions worldwide with a strong impact on society.

Apr: 5 Estrelas Award

The EDP Solar Energy solution won in the category "Solar Energy - Domestic Use"; The service *funciona* won in the category "Energy - Technical Assistance"; The EDP Online customer area won in the category "Online Customer Support"; energia.edp.pt won the "Website" category.

May: Human Resources Awards

EDP has won four categories in the 2016 Human Resources Awards: "Academies", "Internal Communication", "Mobility" and "Internal Events". This edition also attributed the distinction of best President / CEO to António Mexia, for the 6th consecutive year.

Jun: Good Practice of the Year

EDP Distribuição's "Making safer power lines for birds project" was recognized by the Renewable Grid Initiative.

Jun: Most Valuable Portuguese Brand

Brand Finance considered the EDP brand to be the most valuable at the national level for the 7th consecutive year and evaluated with AA +.

Spain

Mar: Índice STIGA de *Experiência do Cliente* (ISCX) 2016

EDP Spain is a leader in the customer experience. This sector leadership positions EDP as a reference among the more than 200 companies evaluated in the ISCX - STIGA Customer Experience Index.

EDP Renewables

Mar: American Wind Energy Association (AWEA) Safety and Health Achievement Gold Award

The Gold Achievement award recognizes organizations that have demonstrated safety as a core value for the enterprise.

Set: Investor Relations & Governance Awards

The EDP Renováveis Investor Relations team was recognized at the 30th edition of the Awards. The team also took home the award for Best Annual Report in the Non-Financial Sector for their 2016 report.

Brasil

Ago: Best CEO in Brazil by Forbes Magazine

The President of EDP Brasil, Miguel Setas, is among the best CEO's in Brazil, for the second year running.

Set: Valor Inovação Brasil

EDP Brasil is among the five most innovative companies in the electricity sector in the ranking of Valor Inovação Brasil yearbook, organized by Valor Econômico in Partnership with Strategy&, a consulting firm part of the PwC Group.

Goals and Targets

OBJECTIVES	GOALS	DATE
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 ~€4bn per year	2016-2020
	Adjusted Net Debt/EBITDA: ~3.0x	2020
To preserve a low risk business profile	Regulated & LT Contracted EBITDA: ~75%total EBITDA	2020
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
To promote generation from renewable energy sources	Renewable installed capacity > 75%of total installed capacity **	2020
To improve the integration of sustainability practices in the internal management systems	Keep the SAM Gold Class	2017
To promote competitiveness and productivity through innovation	€200M of investment in R&D between 2015 and 2020	2020
	90%smart meters installed in the Iberian Peninsula	2030
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
To strengthen an appropriate environmental management of EDP's activities	100%of installed capacity certified according with ISO 14001	2020
To contribute actively to the preservation of the environment and biodiversity	Globally extend environmental externalities evaluation	2020
To promote energy efficiency	More than 1TWh induced energy savings in final customer more efficient by products and service	2020
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
Diversity Policy	Review the Diversity Policy	2017
Performance assessment	Expand Sustainability KPIs aligned with the defined targets for 2020	2020
Organisational climate	Maintain employees's engagement above 75%	2020
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
	Exceed 80 points in the corporate index Ethicis	2020
Extend Sustainability to the supply chain	Accomplish the goals (audits, assessment, certification in Sustainability)	2020
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
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
	Increase in 10%every year the number of hours in skills volunteering	2020

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

** Includes equity consolidated capacity

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02

Performance

EDP Group Business Evolution	19
Key Indicators	
Electricity Generation	22
Electricity and Gas Distribution	24
Electricity and Gas Supply	25
Complementary Indicators	
Environmental Indicators	26
Social Indicators	27
Economic Indicators	28

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EDP GROUP'S BUSINESS EVOLUTION

Consolidated **EBITDA** amounted to EUR 3,269 million in the first nine months of 2017. Adjusted for the first quarter's gain booked in the sale of Pantanal's mini-hydro plants, in Brazil (+EUR 61 million) and by the gain with the sale of the gas distribution business, in Spain (+EUR 558 million) in the third quarter of 2017 EBITDA was 4% lower year-on-year (-EUR 121 million year-on-year) since the benefits from average capacity expansion (+7%), favourable ForEx impact driven by stronger BRL and USD vs. Euro (+EUR 54 million) and tight cost control, were outstood by the impact from a harsher operating context, marked by low hydro production and high pool prices, particularly when compared with an extremely wet and low-price context during the first nine months of 2016 in Iberia. **In Iberia**, EBITDA adjusted for the sale of gas distribution business fell by 21% year-on-year, to EUR 1,256 million in the first nine months of 2017. Scarce hydro resources (43% short of historical average), particularly when compared to an extremely wet the first nine months of 2016 (66% premium over long-term average), and higher pool prices (average EUR50/MWh in the first nine months of 2017 vs. EUR34/MWh in the first nine months of 2016) squeezed results with energy management and took a toll on hydro production, including new capacity brought on stream (namely hydro with pumping). **EDP Renováveis'** EBITDA was 17% higher year-on-year, based on the portfolio expansion (+8% on average) and favourable ForEx impact. **EDP Brasil'** EBITDA, adjusted for the sale of Pantanal mini-hydro plants in the first nine months of 2016, was 17% higher year-on-year, propelled by favourable ForEx impact (following 12% appreciation of BRL vs. Euro) and by better margins and volumes in the supply business.

Operating costs¹ rose by +EUR 45 million YoY, to EUR 1,207 million in the first nine months of 2017, mostly reflecting ForEx evolution and 7% increase in average capacity. **Other net operating costs/(revenues)** decreased EUR 613 million year-on-year, to EUR 353 million, in line with the gain with the sale of the distribution gas business in Spain in the current period and by the increase in income with institutional partnerships in the USA, offset by the abovementioned impact of the sale of Pantanal's mini-hydro plants.

EBIT increased by 23%, to EUR 2,213 million in the first nine months of 2017, reflecting EBITDA's evolution, and the amortization reduction due to the wind generation assets' redefinition of the useful life.

Net financial results and Results with joint-ventures and associates amounted to EUR 582 million in the first nine months of 2017 (EUR 56 million higher YoY), benefitting from a 13% YoY decrease in net interest expense, prompted by a 40bp YoY decline in avg. cost of debt² (to 4.1% in the first nine months of 2017) and lower avg. net debt. **Income tax expense** decreased EUR 124 million year-on-year to EUR 175 million in the first nine months of 2017, mostly due to a decrease in profit before tax adjusted by the sale of the gas distribution business in Spain which is not taxable, but also due to 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.

Non-controlling interests advanced to EUR 239 million in the first nine months of 2017, mostly due to higher share of minorities at wind farms and higher net profit of EDP Renováveis, partly offset by the increase in the share stake in EDP Renováveis (tender offer). Overall, **net profit attributable to EDP shareholders** amounted to EUR 1,147 million in the first nine months of 2017 (versus EUR 615 million in the first nine months of 2016).

Consolidated capex³ amounted to EUR 1,078 million in the first nine months of 2017, of which 70% was dedicated to expansion, namely the construction of new hydro & wind capacity (EUR 754 million).

¹ Includes Supplies and services and Personnel costs and employee benefits.

² (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

³ Includes additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore 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.

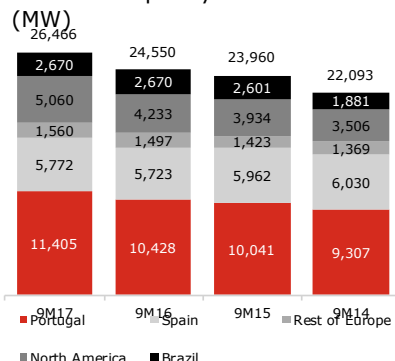
Net debt⁴ amounted to EUR 15.1 billion in September 2017, down from EUR 15.9 billion in December 2016, mainly impacted by the contribution of EDP's operational activity and by sale of the gas distribution assets in Spain net of the impact of the purchase of EDP Renováveis shares (take over), along with the impact of the devaluation of the USD and BRL against the EUR. These impacts were partly offset by the annual dividend payment (+EUR 0.7 billion), by the investment in property, plant and equipment and intangible assets, by changes in perimeter of consolidation particularly deriving from the full consolidation of new capacity in Mexico (+EUR 0.2 billion) and by a tax payment in the wake of deficit securitisations of regulatory receivables executed during 2016 (+EUR 0.3 billion).

⁴ From 2017 includes Financial Debt, Cash and Equivalents, Short-term financial assets at fair-value and fair value hedge and collateral deposits associated to financial debt and 50% of the amount related with the issuance of a subordinated debt instrument (hybrid).

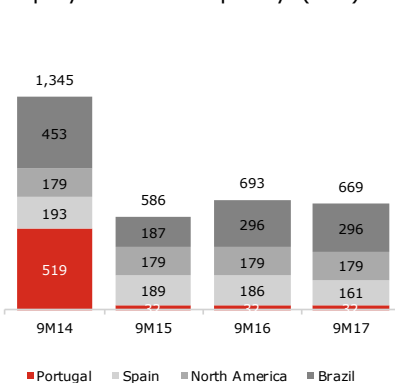
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Key Indicators

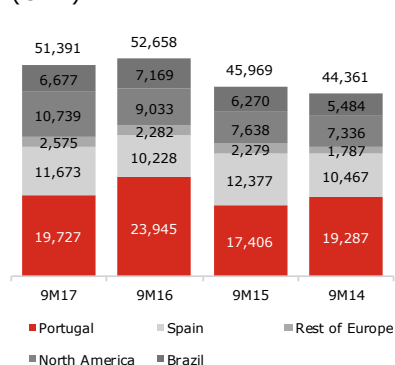
Installed Capacity



Equity Installed Capacity (MW)²



Net Electricity Generation (GWh)



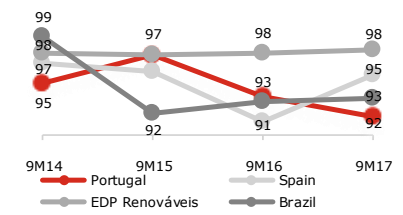
ELECTRICITY GENERATION (1/2)		UN	9M 17	9M 16	9M 15	9M 14
INSTALLED CAPACITY		MW	26,466	24,550	23,960	22,093
Liberalised Electricity Generation in Iberian Market		MW	13,680	12,705	12,566	12,522
Portugal	MW	10,151	9,177	8,798	8,686	
Hydro	MW	6,752	5,774	5,391	5,286	
CCGT	MW	2,039	2,039	2,039	2,039	
Coal	MW	1,180	1,180	1,180	1,180	
Mini-hydro	MW	157	160	164	157	
Cogeneration	MW	24	24	24	24	
Spain	MW	3,528	3,528	3,768	3,836	
Hydro	MW	426	426	426	426	
CCGT	MW	1,698	1,698	1,698	1,698	
Coal	MW	1,224	1,224	1,463	1,463	
Nuclear	MW	156	156	156	156	
Cogeneration and Waste	MW	25	25	25	93	
EDP Renováveis	MW	10,321	9,379	8,878	7,774	
Portugal	MW	1,253	1,251	1,243	621	
Spain	MW	2,244	2,194	2,194	2,194	
Rest of Europe	MW	1,560	1,497	1,423	1,369	
North America	MW	5,060	4,233	3,934	3,506	
Brazil	MW	204	204	84	84	
EDP Brasil	MW	2,466	2,466	2,517	1,797	
Hydro	MW	1,746	1,745	1,797	1,797	
Coal	MW	720	720	720	-	
Capacity under Construction	MW	675	1,807	1,918	2,061	
Portugal ¹	MW	-	1,019	1,368	1,468	
EDP Renováveis	MW	675	788	549	593	
Brazil ¹	MW	-	-	-	-	
Equity Installed Capacity ²	MW	669	693	586	1,345	
Portugal ¹	MW	32	32	32	32	
Spain ¹	MW	10	10	15	19	
EDP Renováveis	MW	331	356	353	841	
Brazil ¹	MW	296	296	187	453	
Equity Capacity under Construction ²	MW	231	231	341	609	
Brazil	MW	231	231	341	609	
NET ELECTRICITY GENERATION		GWh	51,391	52,658	45,969	44,361
Liberalised Electricity Generation in Iberian Market		GWh	25,461	27,875	24,861	24,680
Portugal	GWh	17,519	21,629	16,189	18,058	
Hydro	GWh	5,407	13,165	6,855	11,268	
CCGT	GWh	4,644	2,016	1,746	395	
Coal	GWh	7,176	5,809	7,199	5,789	
Mini-hydro	GWh	213	499	243	444	
Cogeneration	GWh	79	139	145	162	
Spain	GWh	7,942	6,247	8,672	6,622	
Hydro	GWh	321	839	680	748	
CCGT	GWh	1,290	910	674	304	
Coal	GWh	5,341	3,513	6,329	4,574	
Nuclear	GWh	895	898	885	865	
Cogeneration and Waste	GWh	95	88	105	131	
EDP Renováveis	GWh	19,817	18,054	14,994	14,369	
Portugal	GWh	2,208	2,317	1,218	1,229	
Spain	GWh	3,730	3,982	3,705	3,845	
Rest of Europe	GWh	2,575	2,282	2,279	1,787	
North America	GWh	10,739	9,033	7,638	7,336	
Brazil	GWh	564	440	156	173	
EDP Brasil ³	GWh	6,114	6,729	6,114	5,311	
Hydro	GWh	2,842	3,390	4,369	5,311	
Coal	GWh	3,271	3,339	1,745	-	
STEAM	GWh	639	645	654	770	

¹ Excludes EDP Renováveis | ² Accounted by the Equity Method | ³ 2014 and 2015 EDP Brasil figures revised in light of * Câmara de

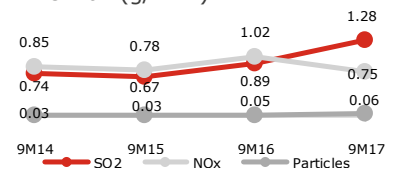
ELECTRICITY GENERATION (2/2)		UN	9M 17	9M 16	9M 15	9M 14
TECHNICAL AVAILABILITY						
Portugal ¹	%		92	93	97	95
Hydro	%		90	94	98	95
CCGT	%		96	92	96	92
Coal	%		97	93	99	97
Mini-hydro	%		96	96	90	91
Cogeneration	%		59	94	97	100
Spain ¹	%		95	91	96	97
Hydro	%		100	100	100	100
CCGT	%		99	97	100	97
Coal	%		89	81	91	97
Nuclear	%		89	90	89	87
Cogeneration	%		96	98	98	99
Waste	%		100	93	95	88
EDP Renováveis	%		98	98	97	98
Portugal	%		99	98	98	98
Spain	%		97	97	97	97
Rest of Europe	%		98	98	97	97
North America	%		98	98	98	98
Brazil	%		98	99	99	98
Brazil ¹	%		93	93	92	99
Hydro	%		94	96	97	96
Coal	%		91	87	87	-
ENVIRONMENTAL INDICATORS						
Certified Installed Capacity	%		90	91	90	80
Total Emissions	kt					
CO2	kt		16,953	13,252	14,694	9,405
NOx	kt		13	17	15	10
SO2	kt		22	15	12	9
Particles	kt		1.05	0.80	0.64	0.37
Avoided CO2	t		20,620	29,281	21,450	24,532
Total waste	t		339,050	308,823	449,828	239,501
Dangerous waste	t		1,811	2,268	3,159	4,300
Waste valorization	%		62	62	47	58
Sub-products	t		354,456	474,112	354,031	328,439
Plaster	t		148,018	104,076	177,932	173,230
Ashes and Coal Slag	t		206,438	370,036	176,099	155,208
Cooling water	m ³ x10 ³		1,326,518	1,007,440	1,282,408	1,292,588
Raw water	m ³ x10 ³		4,670	4,490	9,497	4,699
Fresh Water	m ³ x10 ³		223	28	42	34
OCCUPATIONAL HEALTH AND SAFETY						
Employees	#		3,316	3,218	3,229	2,968
On-duty accidents ²	#		5	7	5	3
On-duty accidents of contracted workers ²	#		40	84	70	85
Fatal on-duty accidents	#		0	0	0	0
Fatal accidents of contracted workers	#		0	0	1	3

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

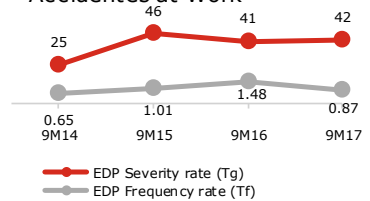
Technical Availability (%)



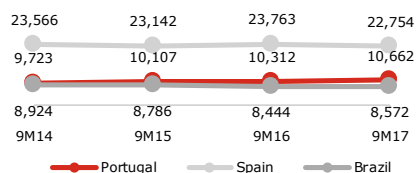
Specific Emissions from Thermal (g/kWh)



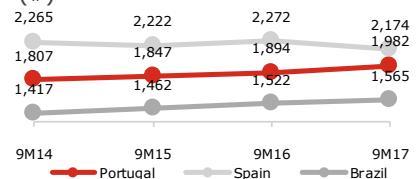
Accidentes at Work



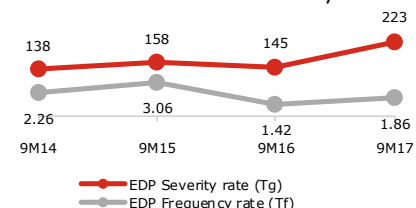
Electricity Distributed per Employee (MWh/#)



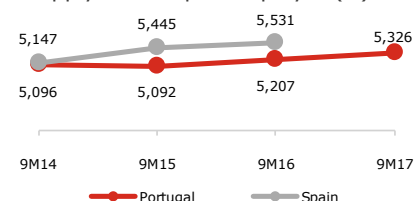
Supply Points per Employee (#)



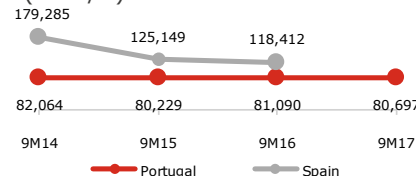
Accidents at Work Electricity



Supply Points per Employee (#)



Gas Distributed per Employee (MWh/#)



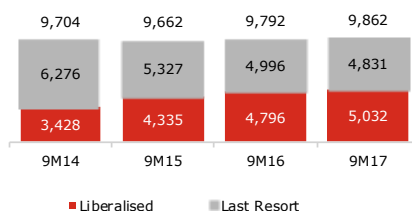
ELECTRICITY DISTRIBUTION		UN	9M 17	9M 16	9M 15	9M 14
ELECTRICITY DISTRIBUTED		GWh	58,566	58,635	59,596	59,263
Portugal	GWh	33,221	33,412	33,393	32,728	
Spain	GWh	6,940	6,915	6,873	6,858	
Brazil	GWh	18,405	18,308	19,330	19,677	
ELECTRICITY SUPPLY POINTS		'000	10,199	10,098	9,979	9,865
Portugal	'000	6,177	6,137	6,102	6,082	
Spain	'000	663	661	660	659	
Brazil	'000	3,359	3,299	3,217	3,124	
GRID EXTENSION		Km	338,000	337,156	335,280	333,006
Portugal	Km	226,076	225,366	224,672	223,631	
Overhead lines	Km	177,339	176,826	176,397	175,623	
Underground lines	Km	48,737	48,540	48,275	48,007	
Spain ¹	Km	20,555	20,448	20,392	20,233	
Overhead lines	Km	15,679	15,661	15,642	15,526	
Underground lines	Km	4,875	4,787	4,749	4,707	
Brazil	Km	91,370	91,342	90,216	89,143	
Overhead lines	Km	91,127	91,106	89,989	n.d.	
Underground lines	Km	243	236	226	n.d.	
GRID LOSSES		%	10.6	9.5	9.4	9.9
Portugal	%	3.4	4.0	4.1	4.0	
Brazil	%	10.5	11.1	10.8	11.3	
SERVICE QUALITY						
Portugal						
Installed Capacity Equivalent Interruption Time ²	Min	37	36	40	47	
Spain						
Installed Capacity Equivalent Interruption Time ²	Min	19	19	27	24	
Brazil						
Average Interruption Duration per Consumer						
Bandeirante	Hours	8.2	9.3	7.6	7.3	
Escelsa	Hours	8.8	9.2	8.7	9.9	
Frequency of Interruptions per Consumer						
Bandeirante	#	5.2	5.6	5.0	5.2	
Escelsa	#	5.2	5.6	5.0	6.4	
ENVIRONMENTAL INDICATORS						
Certified Installed Capacity	%	50	41	35	33	
Total waste	t	19,456	12,298	11,056	9,196	
Dangerous waste	t	2,781	2,106	1,816	1,739	
Waste valorization	%	96	91	89	86	
OCCUPATIONAL HEALTH AND SAFETY						
Employees	#	5,568	5,699	5,801	5,858	
On-duty accidents ³	#	14	11	22	17	
On-duty accidents of contracted workers ³	#	33	28	20	40	
Fatal on-duty accidents	#	0	0	1	0	
Fatal accidents of contracted workers	#	2	2	2	3	

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.

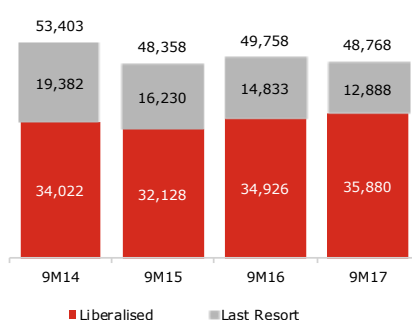
GAS DISTRIBUTION		UN	9M 17	9M 16	9M 15	9M 14
GAS DISTRIBUTED		GWh	23,306	25,046	26,160	40,766
Portugal	GWh	5,326	5,271	5,135	5,088	
Spain	GWh	17,980	19,775	21,025	35,678	
GAS SUPPLY POINTS		'000	352	1,262	1,241	1,340
Portugal	'000	352	338	326	316	
Spain	'000	0	924	915	1,024	
GRID EXTENSION		Km	5,224	13,041	12,420	14,696
Portugal	Km	5,224	5,010	4,720	4,575	
Spain	Km	0	8,032	7,700	10,122	
ENVIRONMENTAL INDICATORS						
Installed power certified	%	100	100	100	100	
Total waste	t	6	22	13	34	
Dangerous waste	t	1	0	0	1	
Waste valorization	%	100	100	99	99	
OCCUPATIONAL HEALTH AND SAFETY						
Employees	#	62	229	232	261	
On-duty accidents ¹	#	1	2	1	1	
On-duty accidents of contracted workers ¹	#	6	2	0	2	
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.

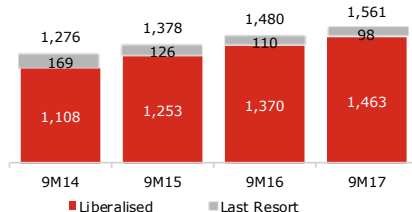
Electricity Customers ('000)



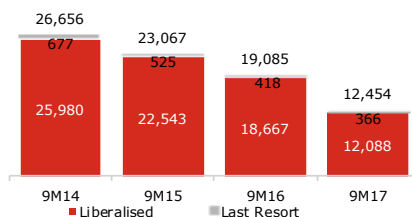
Electricity Supplied (GWh)



Gas Customers ('000)



Gas Supplied (GWh)



ELECTRICITY SUPPLY		UN	9M 17	9M 16	9M 15	9M 14
NUMBER OF CUSTOMERS		'000				
Portugal		'000	5,387	5,437	5,446	5,631
Last Resort		'000	1,251	1,468	1,869	2,903
Liberalised Market		'000	4,135	3,969	3,577	2,727
Market Share EDP - Liberalised Market		%	n.a.	85	85	89
Spain		'000	1,116	1,056	998	950
Last Resort		'000	220	230	241	250
Liberalised Market		'000	896	827	758	700
Market Share EDP - Liberalised Market		%	n.a.	n.a.	n.a.	n.a.
Brazil		'000	3,359	3,299	3,218	3,124
Last Resort ¹		'000	3,359	3,299	3,217	3,123
Liberalised Market		'000	0.3	0.2	0.4	0.6
Social Tariff		'000	886	820	309	316
Portugal		'000	675	584	72	34
Spain		'000	59	59	60	63
Brazil		'000	161	177	177	219
Special Needs		'000	12	10	10	0.8
Portugal		'000	0.6	0.5	0.5	0.4
Brazil		'000	0.6	0.5	0.5	0.4
Green Tariff		'000	932	829	771	683
Portugal		'000	3	4	4	4
Spain		'000	929	825	767	679
ENERGY SUPPLIED		GWh	48,768	49,758	48,358	53,403
Portugal		GWh	15,909	16,879	17,288	18,694
Last Resort		GWh	2,362	3,245	4,446	7,218
Liberalised Market		GWh	13,547	13,634	12,842	11,476
Market Share EDP - Liberalised Market		%	n.a.	46	44	45
Spain		GWh	10,623	12,680	11,666	13,243
Last Resort		GWh	331	352	373	388
Liberalised Market		GWh	10,292	12,328	11,293	12,855
Market Share EDP - Liberalised Market		%	7	9	8	9
Brazil		GWh	22,236	20,200	19,403	21,466
Last Resort ¹		GWh	10,194	11,236	11,410	11,776
Liberalised Market		GWh	12,042	8,964	7,993	9,690
Social Tariff		GWh	452	413	376	357
Portugal		GWh	162	36	33	61
Spain		GWh	89	92	94	91
Brazil		GWh	201	285	250	205
Special Needs		GWh	1	1	1	1
Green Tariff		GWh	5,551	4,808	4,470	4,974
Portugal		GWh	7	40	8	7
Spain		GWh	5,544	4,768	4,463	4,967

GAS SUPPLY		UN	9M 17	9M 16	9M 15	9M 14
NUMBER OF CUSTOMERS		'000				
Portugal		'000	1,561	1,480	1,378	1,276
Last Resort		'000	692	632	547	450
Liberalised Market		'000	46	54	66	98
Spain		'000	646	579	481	351
Last Resort		'000	869	847	831	826
Liberalised Market		'000	53	56	59	70
Spain		'000	817	791	772	756
ENERGY SUPPLIED		GWh	12,454	19,085	23,067	26,656
Portugal		GWh	2,881	3,415	3,692	3,186
Last Resort		GWh	194	244	310	471
Liberalised Market		GWh	2,687	3,171	3,382	2,715
Market Share EDP - Liberalised Market		%	n.a.	n.a.	0	8
Spain		GWh	9,573	15,670	19,375	23,470
Last Resort		GWh	172	174	215	205
Liberalised Market		GWh	9,401	15,496	19,160	23,265
Market Share EDP - Liberalised Market		%	3	3	3	4

¹ Regulated Customers supplied by Distribution

Complementary Indicators

Environmental Indicators	UN	3Q17	3Q16	3Q15	3Q14
ENVIRONMENTAL CERTIFICATION (ISO 14001)					
Revenues from certified installations	%	66	53	53	51
PRIMARY ENERGY CONSUMPTION					
Coal	TJ	202,109	155,301	178,604	114,161
Fuel oil	TJ	148,255	122,966	148,450	94,935
Natural gas	TJ	139	339	214	312
Residual gases	TJ	42,199	22,760	19,474	8681
Diesel oil	TJ	11,56	3,413	3,957	2836
Fuel for vehicle fleet	TJ	179	185	149	141
	TJ	182	184	188	182
ENERGY INTENSITY ¹	MJ/EUR	17.3	14.7	15.4	9.7
ELECTRICITY CONSUMPTION					
Generation self-consumption	MWh	3,257,034	2,506,618	2,510,013	1,893,040
Administrative service	MWh	27,619	26,220	24,447	27,739
Grid losses	%	9.6	9.4	9.3	9.5
GHG EMISSION					
Direct emissions (scope 1)	ktCO _{2eq}	16,972	11,153	15,427	9,427
Stationary combustion ²	ktCO _{2eq}	16,953	11,132	15,410	9,405
SF6 Emissions	ktCO _{2eq}	5.1	3.2	2.4	2.5
Company fleet	ktCO _{2eq}	119	12.7	10.5	12.7
Natural gas consumption	ktCO _{2eq}	0.2	0.4	0.4	0.5
Natural gas losses	ktCO _{2eq}	1.5	3.9	4.5	5.7
Indirect emissions (scope 2) ³	ktCO _{2eq}	694	556	354	508
Electricity consumption in office buildings	ktCO _{2eq}	3	1	1	1
Electricity losses	ktCO _{2eq}	685	537	336	492
Renewable plants self-consumption	ktCO _{2eq}	6	18	18	16
GHG EMISSIONS INTENSITY ⁴	kgCO₂/EUR	1.5	1.1	1.4	0.8
CO₂ AVOID EMISSIONS	ktCO₂	20,620	29,281	21,450	24,532
SPECIFIC OVERALL EMISSIONS					
CO ₂ ^{2,5}	g/kWh	332	253	321	212
NO _x	g/kWh	0.2	0.3	0.3	0.2
SO ₂	g/kWh	0.4	0.3	0.3	0.2
Particulate matter	g/kWh	0.02	0.02	0.01	0.01
WATER COLLECTED					
Salt (ocean)	10 ³ x m ³	1,331,671	1,012,182	1,292,080	1,297,569
Fresh	10 ³ x m ³	1,297,331	990,927	1,247,694	1,279,957
Surface	10 ³ x m ³	34,340	21,255	44,386	17,612
Groundwater	10 ³ x m ³	34,214	21,144	44,284	17,539
	10 ³ x m ³	125	112	102	73
WASTE SENT TO FINAL DISPOSAL					
Total waste	t	359,023	321,621	461,273	249,075
Total hazard waste	t	4,602	4,382	4,992	6,044
Recovered Waste	%	64	63	48	59

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 2,768 ktCO₂ em 2017 and 2,131ktCO₂ 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.

Social Indicators	UN	3Q17	3Q16	3Q15	3Q14
EMPLOYMENT					
Employees	#	11,716	11,975	12,019	11,908
Executive Board of Directors	#	8	8	8	7
Senior Management	#	757	739	700	699
Supervisors	#	754	779	767	714
Specialists	#	4,100	3,976	3,867	3,705
Technicians	#	6,098	6,474	6,678	6,784
Male employees	%	76	76	77	77
Female employees	%	24	24	23	23
Employees by types of contract	#	11,716	11,975	12,019	11,908
Executive bodies	#	54	52	54	54
Male	#	51	49	51	53
Female	#	3	3	3	1
Permanent workforce	#	11,582	11,836	11,858	11,615
Male	#	8,807	9,054	9,134	8,910
Female	#	2,775	2,782	2,724	2,705
Fixed-term contracts	#	80	87	107	239
Male	#	44	49	72	211
Female	#	36	38	35	28
Employees by occupational contract	#	11,716	11,975	12,019	11,908
Full-Time	#	11,678	11,938	11,989	11,878
Male	#	8,898	9,147	9,251	9,170
Female	#	2,780	2,791	2,738	2,708
Part-time	#	38	37	30	30
Male	#	4	5	6	4
Female	#	34	32	24	26
New employees	#	729	529	585	321
Male	#	503	368	418	235
Female	#	226	161	167	86
F/M new admissions rate	x	0.45	0.44	0.40	0.37
Employees leaving	#	1,005	645	613	496
Male	#	756	507	477	401
Female	#	249	138	136	95
Turnover	%	7.33	4.88	5.03	3.39
Average age of workforce	years	45	45	45	46
Absenteeism rate	%	3.20	3.62	3.39	3.51
Pay ratio by gender (F/M)	x	1.02	1.03	1.02	0.99
TRAINING					
Total hours of training	hours	265,558	212,443	254,617	308,615
Average training per employee (h/p)	h/p	22.7	17.7	21.2	25.9
Employees with training	%	86	82	83	85
HEALTH AND SAFETY (H&S)					
Employees					
Accidents ¹	#	21	22	32	26
Fatal accidents	#	0	0	1	0
Total lost days due to accidents	#	1,908	1411	1641	1989
Frequency rate ²	Tf	1.32	1.39	2.08	1.67
Severity rate ³	Tg	120	89	103	127
Contractors					
Accidents ¹	#	89	124	102	166
Fatal accidents	#	2	2	3	10
Working days	#	4,112,817	4,075,996	3,505,212	3,822,019
Frequency rate ²	Tf	2.85	4.26	3.85	4.84
Severity rate ³	Tg	154	226	255	258
EDP employees and contractors					
Frequency rate ²	Tf_total	2.33	3.25	3.19	3.85
Severity rate ³	Tg_total	142	178	198	217
Fatal electrical accidents involving third parties ⁴	#	7	5	13	8
Near accidents		1,075	306	163	138
VOLUNTEER INVESTMENT IN THE COMMUNITY (LBG METHODOLOGY)					
Volunteer investment/EBITDA	%	0.32	0.46	0.24	0.29

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 equipment.

Economic Indicators	UN	2Q17	2Q16	2Q15	2Q14
ECONOMIC VALUE GENERATED	'000€	12,902,220	11,704,487	12,986,260	12,829,334
Economic value distributed	'000€	10,996,670	10,795,383	11,501,369	11,366,942
Economic value accumulated	'000€	1,905,550	909,104	1,484,891	1,462,392
ENERGY EFFICIENCY AND SUPPLEMENTARY ENERGY SERVICES REVENUES ¹	'000€	795,355	560,565	534,016	n.d.
Energy efficiency services revenues	'000€	84,738	34,114	33,943	36,802
Supplementary energy services revenues ²	'000€	710,617	780,398	745,880	n.d.
FINES AND PENALTIES	'000€	23,559	5,623	3,387	4,937
ENVIRONMENTAL MATTERS ⁴	'000€	76,773	95,154	57,459	45,778
Investments	'000€	38,720	52,754	26,862	19,599
Expenses	'000€	38,053	42,400	30,597	26,179
SOCIAL MATTERS					
Personnel costs	'000€	449,902	435,307	427,605	436,094
Employee benefits	'000€	49,505	51,488	44,124	-88,447
Direct training investment	'000€	3,619	2,796	5,738	4,344
Direct training investment per employee	€/p	0.31	0.23	0.48	0.36
HC ROI per employee	%	0.19	0.17	0.19	0.27

¹ Energy Efficiency and Supplementary Energy Services: services provided under energy supply, installation of more efficient and/or building retrofit, and sustainable mobility, which generate revenues for the company.

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.

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03 Financial Statements

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**Condensed Financial Statements
30 September 2017**

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EDP - Energias de Portugal

Condensed Consolidated Income Statements
for the nine-month periods ended 30 September 2017 and 2016

Thousand Euros	Notes	2017	2016*
Revenues from energy sales and services and other	6	11,653,929	10,634,971
Cost of energy sales and other	6	-7,531,552	-6,321,152
		4,122,377	4,313,819
Other income	7	896,647	300,260
Supplies and services	8	-707,141	-674,416
Personnel costs and employee benefits	9	-499,407	-486,794
Other expenses	10	-543,439	-560,330
		-853,340	-1,421,280
		3,269,037	2,892,539
Provisions	32	-1,383	15,040
Amortisation and impairment	11	-1,054,589	-1,115,131
		2,213,065	1,792,448
Financial income	12	340,913	685,907
Financial expenses	12	-933,876	-1,320,856
Share of net profit in joint ventures and associates		10,731	-2,801
Profit before income tax and CESE		1,630,833	1,154,698
Income tax expense	13	-175,482	-299,862
Extraordinary contribution to the energy sector (CESE)	14	-69,421	-60,561
		-244,903	-360,423
Net profit for the period		1,385,930	794,275
Attributable to:			
Equity holders of EDP		1,146,568	615,028
Non-controlling Interests	28	239,362	179,247
Net profit for the period		1,385,930	794,275
Earnings per share (Basic and Diluted) - Euros	25	0.32	0.17

* Restatement of the indemnity amount's revaluation in Brazil distribution companies (see note 2).

LISBON, 2 NOVEMBER 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
**Condensed Consolidated Statements of Comprehensive Income
for the nine-month periods ended 30 September 2017 and 2016**

Thousand Euros	2017		2016	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	1,146,568	239,362	615,028	179,247
Items that will never be reclassified to profit or loss (i)				
Actuarial gains/(losses)	46,829	-1,915	-25,717	-5,145
Tax effect from the actuarial gains/(losses)	-13,713	651	7,628	1,750
	33,116	-1,264	-18,089	-3,395
Items that are or may be reclassified to profit or loss (i)				
Exchange differences arising on consolidation	-143,730	-259,131	164,207	223,272
Fair value reserve (cash flow hedge)	-102,742	1,790	86,074	182
Tax effect from the fair value reserve (cash flow hedge)	26,995	-1,219	-23,520	426
Fair value reserve (available for sale investments)	-22,950	-	-15,258	-
Tax effect from the fair value reserve (available for sale investments)	-2,223	-	2,438	-
Share of other comprehensive income of joint ventures and associates, net of taxes	-1,561	3,374	-1,541	234
	-246,211	-255,186	212,400	224,114
Other comprehensive income for the period, net of income tax	-213,095	-256,450	194,311	220,719
Total comprehensive income for the period	933,473	-17,088	809,339	399,966

(i) See Condensed Consolidated Statement of Changes in Equity

LISBON, 2 NOVEMBER 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Condensed Consolidated Statements of Financial Position
as at 30 September 2017 and 31 December 2016

Thousand Euros	Notes	2017	2016
Assets			
Property, plant and equipment	15	22,965,521	24,193,736
Intangible assets	16	4,833,855	5,128,544
Goodwill	17	2,282,333	3,414,852
Investments in joint ventures and associates	18	847,236	820,565
Available for sale investments	19	117,690	165,044
Investment property		30,680	31,219
Deferred tax assets	20	544,944	904,412
Debtors and other assets from commercial activities	21	3,143,465	2,448,442
Other debtors and other assets	22	541,295	469,269
Collateral deposits associated to financial debt	30	37,424	31,936
Total Non-Current Assets		35,344,443	37,608,019
Inventories		290,535	316,577
Debtors and other assets from commercial activities	21	3,000,579	3,207,613
Other debtors and other assets	22	526,922	354,316
Current tax assets	23	630,976	494,504
Financial assets at fair value through profit or loss		6,541	9,567
Collateral deposits associated to financial debt	30	2,560	20,095
Cash and cash equivalents	24	1,459,496	1,521,253
Assets held for sale	37	618,220	551,802
Total Current Assets		6,535,829	6,475,727
Total Assets		41,880,272	44,083,746
Equity			
Share capital	25	3,656,538	3,656,538
Treasury stock	26	-62,088	-63,528
Share premium	25	503,923	503,923
Reserves and retained earnings	27	4,553,378	4,348,793
Consolidated net profit attributable to equity holders of EDP		1,146,568	960,561
Total Equity attributable to equity holders of EDP		9,798,319	9,406,287
Non-controlling Interests	28	4,001,378	4,330,085
Total Equity		13,799,697	13,736,372
Liabilities			
Financial debt	30	15,550,323	15,550,273
Employee benefits	31	1,240,912	1,410,136
Provisions	32	641,301	637,613
Deferred tax liabilities	20	511,576	722,401
Institutional partnerships in USA	33	1,927,956	2,339,425
Trade and other liabilities from commercial activities	34	1,265,826	1,293,133
Other liabilities and other payables	35	856,541	761,101
Non-current tax liabilities	36	150,661	68,156
Total Non-Current Liabilities		22,145,096	22,782,238
Financial debt	30	1,612,445	2,476,403
Employee benefits	31	273,652	316,709
Provisions	32	27,711	33,879
Hydrological correction account	29	1,574	1,574
Trade and other liabilities from commercial activities	34	3,098,552	3,362,421
Other liabilities and other payables	35	238,215	345,032
Current tax liabilities	36	619,886	953,264
Liabilities held for sale	37	63,444	75,854
Total Current Liabilities		5,935,479	7,565,136
Total Liabilities		28,080,575	30,347,374
Total Equity and Liabilities		41,880,272	44,083,746

LISBON, 2 NOVEMBER 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Condensed Consolidated Income Statements
for the three-month periods from 1 July to 30 September 2017 and 2016

Thousand Euros	2017	2016 *
Revenues from energy sales and services and other	3,778,519	3,487,358
Cost of energy sales and other	-2,549,197	-2,143,294
	1,229,322	1,344,064
Other income	697,627	60,964
Supplies and services	-234,780	-238,673
Personnel costs and employee benefits	-158,619	-163,294
Other expenses	-166,997	-177,276
	137,231	-518,279
	1,366,553	825,785
Provisions	264	10,015
Amortisation and impairment	-345,925	-370,786
	1,020,892	465,014
Financial income	100,659	88,658
Financial expenses	-323,676	-315,876
Share of net profit in joint ventures and associates	3,503	1,785
Profit before income tax	801,378	239,581
Income tax expense	-56,329	-57,002
Extraordinary contribution to the energy sector (CESE)	-2,006	-1,727
	-58,335	-58,729
Net profit for the period	743,043	180,852
Attributable to:		
Equity holders of EDP	696,138	142,857
Non-controlling Interests	46,905	37,995
Net profit for the period	743,043	180,852
Earnings per share (Basic and Diluted) - Euros	0.19	0.04

* Restatement of the indemnity amount's revaluation in Brazil distribution companies (see note 2).

LISBON, 2 NOVEMBER 2017

THE CERTIFIED ACCOUNTANT
N.º 17.713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Condensed Consolidated Statements of Comprehensive Income
for the three-month periods from 1 July to 30 September 2017 and 2016

Thousand Euros	2017		2016	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	696,138	46,905	142,857	37,995
Items that will never be reclassified to profit or loss				
Actuarial gains/(losses)	64	61	-1,530	-1,453
Tax effect from the actuarial gains/(losses)	-22	-21	520	494
	42	40	-1,010	-959
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-15,423	-34,935	-1,252	-14,870
Fair value reserve (cash flow hedge)	-49,362	-1,796	54,328	2,218
Tax effect from the fair value reserve (cash flow hedge)	13,728	476	-16,516	-890
Fair value reserve (available for sale investments)	541	-	7,813	-
Tax effect from the fair value reserve (available for sale investments)	-141	-	-591	-
Share of other comprehensive income of joint ventures and associates, net of taxes	-2,165	-448	-926	-129
	-52,822	-36,703	42,856	-13,671
Other comprehensive income for the period (net of income tax)	-52,780	-36,663	41,846	-14,630
Total comprehensive income for the period	643,358	10,242	184,703	23,365

LISBON, 2 NOVEMBER 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Condensed Consolidated Statements of Changes in Equity
for the nine-month periods ended 30 September 2017 and 2016

Thousand Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings	Fair value reserve (Cash flow hedge) (ii)	Fair value reserve (AFS investments) (ii)	Exchange differences (ii)	Treasury stock (iii)	Equity attributable to equity holders of EDP	Non-controlling Interests (iv)
Balance as at 31 December 2015	12,121,493	3,656,538	503,923	698,902	4,262,125	-56,304	59,379	-392,097	-62,691	8,669,775	3,451,718
Comprehensive income:											
Net profit for the period	794,275	-	-	-	615,028	-	-	-	-	615,028	179,247
Changes in the fair value reserve (cash flow hedge) net of taxes	63,162	-	-	-	-	62,554	-	-	-	62,554	608
Changes in the fair value reserve (available for sale investments) net of taxes	-12,820	-	-	-	-	-	-12,820	-	-	-12,820	-
Share of other comprehensive income of joint ventures and associates net of taxes	-1,307	-	-	-	-	-838	-	-703	-	-1,541	234
Actuarial gains/(losses) net of taxes	-21,484	-	-	-	-18,089	-	-	-	-	-18,089	-3,395
Exchange differences arising on consolidation	387,479	-	-	-	-	-	-	164,207	-	164,207	223,272
Total comprehensive income for the period	1,209,305	-	-	-	596,939	61,716	-12,820	163,504	-	809,339	399,966
Transfer to legal reserve	-	-	-	40,122	-40,122	-	-	-	-	-	-
Dividends paid	-672,537	-	-	-	-672,537	-	-	-	-	-672,537	-
Dividends attributable to non-controlling interests	-87,629	-	-	-	-	-	-	-	-	-	-87,629
Purchase and sale of treasury stock	-1,844	-	-	-	-720	-	-	-	-1,124	-1,844	-
Share-based payments	1,290	-	-	-	-	-	-	-	1,290	1,290	-
Sale without loss of control of windfarms in the USA	259,501	-	-	-	15,234	-1,037	-	3,845	-	18,042	241,459
Sale without loss of control of windfarms in Europe	273,001	-	-	-	82,960	189	-	-	-	83,149	189,852
Changes resulting from acquisitions/sales, equity increases/decreases and other	17,726	-	-	-	55,169	17	-	4,326	-	59,512	-41,786
Balance as at 30 September 2016	13,120,306	3,656,538	503,923	739,024	4,299,048	4,581	46,559	-220,422	-62,525	8,966,726	4,153,580
Balance as at 31 December 2016	13,736,372	3,656,538	503,923	739,024	4,635,564	29,486	50,098	-144,818	-63,528	9,406,287	4,330,085
Comprehensive income:											
Net profit for the period	1,385,930	-	-	-	1,146,568	-	-	-	-	1,146,568	239,362
Changes in the fair value reserve (cash flow hedge) net of taxes	-75,176	-	-	-	-	-75,747	-	-	-	-75,747	571
Changes in the fair value reserve (available for sale investments) net of taxes	-25,173	-	-	-	-	-	-25,173	-	-	-25,173	-
Share of other comprehensive income of joint ventures and associates net of taxes	1,813	-	-	-	-	-	-	-1,561	-	-1,561	3,374
Actuarial gains/(losses) net of taxes	31,852	-	-	-	33,116	-	-	-	-	33,116	-1,264
Exchange differences arising on consolidation	-402,861	-	-	-	-	-	-	-143,730	-	-143,730	-259,131
Total comprehensive income for the period	916,385	-	-	-	1,179,684	-75,747	-25,173	-145,291	-	933,473	-17,088
Dividends paid	-690,637	-	-	-	-690,637	-	-	-	-	-690,637	-
Dividends attributable to non-controlling interests	-66,801	-	-	-	-	-	-	-	-	-	-66,801
Share-based payments	1,364	-	-	-	-76	-	-	-	1,440	1,364	-
Sale without loss of control of windfarms in Europe	210,111	-	-	-	127,846	1,940	-	-	-	129,786	80,325
Public Offer for the Acquisition of EDP Renováveis S.A.	-299,130	-	-	-	21,582	-1,608	315	26	-	20,315	-319,445
Changes resulting from acquisitions/sales, equity increases/decreases and other	-7,967	-	-	-	-2,269	-	-	-	-	-2,269	-5,698
Balance as at 30 September 2017	13,799,697	3,656,538	503,923	739,024	5,271,694	-45,929	25,240	-290,083	-62,088	9,798,319	4,001,378

(i) See note 25
(ii) See note 27
(iii) See note 26
(iv) See note 28

LISBON, 2 NOVEMBER 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Condensed Consolidated and Company Statements of Cash Flows
for the nine-month periods ended 30 September 2017 and 2016

Thousand Euros	Group		Company	
	2017	2016	2017	2016
Operating activities				
Cash receipts from customers	10,341,047	9,848,967	2,085,028	1,823,743
Proceeds from tariff adjustments sales	592,916	2,058,263	-	-
Payments to suppliers	-7,774,361	-6,992,846	-2,095,907	-1,784,590
Payments to personnel	-621,463	-624,182	-54,008	-48,046
Concession rents paid	-209,842	-209,342	-	-
Other receipts/(payments) relating to operating activities	-499,445	-209,248	21,141	41,812
Net cash flows from operations	1,828,852	3,871,612	-43,746	32,919
Income tax received/(paid)	-607,887	-341,860	13,357	-27,026
Net cash flows from operating activities	1,220,965	3,529,752	-30,389	5,893
Investing activities				
Cash receipts relating to:				
Sale of assets/subsidiaries with loss of control (i)	2,227,870	95,434	-	-
Other financial assets and investments (ii)	53,943	33,934	50,719	92
Held to maturity financial investments	-	-	25,699	-
Changes in cash resulting from consolidation perimeter variations (iii)	28,342	-	-	-
Property, plant and equipment and intangible assets (viii)	7,035	8,545	120,361	3,427
Other receipts relating to tangible fixed assets	11,491	6,611	-	-
Interest and similar income	60,566	59,127	218,453	255,169
Dividends	32,075	18,903	350,399	400,207
Loans to related parties	21,482	32,933	21,989	26,126
	2,442,804	255,487	787,620	685,021
Cash payments relating to:				
Acquisition of assets/subsidiaries	-305,676	-129,702	-309,388	-41
Other financial assets and investments (iv)	-103,144	-112,761	-	-
Changes in cash resulting from consolidation perimeter variations (iii)	-22,690	-956	-	-
Property, plant and equipment and intangible assets	-1,407,222	-1,574,850	-21,526	-12,606
Loans to related parties	-11,082	-63,887	-262,791	-456,224
	-1,849,814	-1,882,156	-593,705	-468,871
Net cash flows from investing activities	592,990	-1,626,669	193,915	216,150
Financing activities				
Receipts/(payments) relating to loans	-456,743	-780,132	878,770	680,504
Interest and similar costs including hedge derivatives	-637,864	-723,305	-291,530	-287,447
Governmental grants received	-6	-	-	-
Share capital increases/(decreases) by non-controlling	-21,663	130,782	-	-
Receipts/(payments) relating to derivative financial	-21,222	18,540	-18,461	48,377
Dividends paid to equity holders of EDP (v)	-690,637	-672,537	-690,924	-672,817
Dividends paid to non-controlling interests	-121,240	-159,359	-	-
Treasury stock sold/(purchased) (v)	-	-1,844	1,364	-554
Sale of assets/subsidiaries without loss of control (vi)	210,847	551,820	-	-
Receipts/(payments) from institutional partnerships - USA	-73,321	77,333	-	-
Net cash flows from financing activities	-1,811,849	-1,558,702	-120,781	-231,937
Changes in cash and cash equivalents	2,106	344,381	42,745	-9,894
Effect of exchange rate fluctuations on cash held	-63,863	87,024	-464	-2,170
Cash and cash equivalents at the beginning of the period	1,521,253	1,245,449	317,755	523,270
Cash and cash equivalents at the end of the period*	1,459,496	1,676,854	360,036	511,206

- (i) Relates to the sale with loss of control of the activity of gas distribution in Spain (on a consolidated basis) and with the buyback of EDP Renováveis, S.A.' shares under the General and Voluntary Public Tender Offer, as disclosed in the note 5;
- (ii) Relates essentially with the sale of the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A. (referred in note 19);
- (iii) On a consolidated basis, refers to the change in the method by which it consolidated Eólica de Coahuila, S.A. de C.V. and the sale of the activity of gas distribution in Spain (see note 5);
- (iv) On a consolidated basis, includes the capital increase of: (i) Empresa de Energia São Manoel, S.A.; (ii) Eoliennes en Mer Dieppe - Le Tréport, S.A.S.; (iii) Eoliennes en Mer Iles d'Yeu et de Noirmoutier; and (iv) Hydro Global Investment Limited (referred in note 18);
- (v) See Consolidated and Company Statement of Changes in Equity;
- (vi) On a consolidated basis, relates to the sale without loss of control by EDP Renewables, SGPS, S.A. of part of shareholding in several portuguese companies as disclosed in the note 5;
- (vii) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in note 33);
- (viii) On a company basis, corresponds, mainly, to the amounts received from its subsidiaries, under the in-kind contribution made to EDP Medical and Death Subsidy Fund of the Lisbon headquarters (see notes 7 and 15).

* See details of Cash and cash equivalents in note 24 of the Condensed Financial Statements.

LISBON, 2 NOVEMBER 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
**Condensed Company Income Statements
 for the nine-month periods ended 30 September 2017 and 2016**

Thousand Euros	Notes	2017	2016
Revenues from energy sales and services and other	6	1,983,000	1,808,728
Cost of energy sales and other	6	-1,845,866	-1,607,050
		137,134	201,678
Other income	7	32,097	7,951
Supplies and services	8	-122,938	-114,416
Personnel costs and employee benefits	9	-52,419	-48,695
Other expenses		-10,241	-11,397
		-153,501	-166,557
		-16,367	35,121
Provisions	32	71	92
Amortisation and impairment	11	-16,659	-15,280
		-32,955	19,933
Financial income	12	1,279,811	1,608,371
Financial expenses	12	-939,523	-1,228,912
Profit before income tax		307,333	399,392
Income tax expense	13	36,608	20,142
Net profit for the period		343,941	419,534

LISBON, 2 NOVEMBER 2017

 THE CERTIFIED ACCOUNTANT
 N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

**Condensed Company Statements of Comprehensive Income
for the nine-month periods ended 30 September 2017 and 2016**

Thousand Euros	2017	2016
Net profit for the period	343,941	419,534
Items that will never be reclassified to profit or loss (i)		
Actuarial gains/(losses)	94	172
Tax effect from the actuarial gains/(losses)	-26	-
	68	172
Items that are or may be reclassified to profit or loss (i)		
Fair value reserve (cash flow hedge)	-10,678	13,553
Tax effect from the fair value reserve (cash flow hedge)	3,150	-3,998
Fair value reserve (available for sale investments)	-20,190	-3,292
Tax effect from the fair value reserve (available for sale investments)	-2,741	965
	-30,459	7,228
Other comprehensive income for the period (net of income tax)	-30,391	7,400
Total comprehensive income for the period	313,550	426,934

(i) See Company Statement of Changes in Equity

LISBON, 2 NOVEMBER 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
Condensed Company Statements of Financial Position
as at 30 September 2017 and 31 December 2016

Thousand Euros	Notes	2017	2016
Assets			
Property, plant and equipment	15	149,171	191,959
Intangible assets		2,070	2,074
Investments in subsidiaries	5	11,502,364	11,190,176
Held to maturity financial investments	41	26,488	477,018
Investments in joint ventures and associates	18	6,597	6,597
Available for sale investments	19	1,556	52,134
Investment property		51,754	52,579
Deferred tax assets	20	61,569	45,115
Debtors and other assets from commercial activities		696	748
Other debtors and other assets	22	6,543,059	6,863,324
Total Non-Current Assets		18,345,324	18,881,724
Held to maturity financial investments	41	408,866	29,985
Debtors and other assets from commercial activities	21	398,545	551,098
Other debtors and other assets	22	3,343,556	2,975,295
Current tax assets	23	241,679	40,011
Cash and cash equivalents		360,036	317,755
Total Current Assets		4,752,682	3,914,144
Total Assets		23,098,006	22,795,868
Equity			
Share capital	25	3,656,538	3,656,538
Treasury stock	26	-55,993	-57,433
Share premium	25	503,923	503,923
Reserves and retained earnings	27	2,600,588	2,563,948
Net profit for the period		343,941	758,031
Total Equity		7,048,997	7,425,007
Liabilities			
Financial debt	30	6,302,698	9,426,907
Employee benefits	31	4,985	4,655
Provisions	32	7,811	7,599
Trade and other liabilities from commercial activities		2,109	2,578
Other liabilities and other payables	35	1,666,651	2,761,843
Total Non-Current Liabilities		7,984,254	12,203,582
Financial debt	30	6,195,500	1,766,359
Employee benefits	31	235	291
Provisions	32	441	724
Hydrological correction account	29	1,574	1,574
Trade and other liabilities from commercial activities	34	438,996	586,792
Other liabilities and other payables	35	1,415,565	543,538
Current tax liabilities	36	12,444	268,001
Total Current Liabilities		8,064,755	3,167,279
Total Liabilities		16,049,009	15,370,861
Total Equity and Liabilities		23,098,006	22,795,868

LISBON, 2 NOVEMBER 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Condensed Company Income Statements
for the three-month periods from 1 July to 30 September 2017 and 2016

Thousand Euros	2017	2016
Revenues from energy sales and services and other	638,920	598,633
Cost of energy sales and other	-580,135	-523,641
	58,785	74,992
Other income	23,235	2,590
Supplies and services	-41,353	-40,094
Personnel costs and employee benefits	-17,188	-16,082
Other expenses	-571	-1,053
	-35,877	-54,639
	22,908	20,353
Provisions	-8	-481
Amortisation and impairment	-5,420	-5,204
	17,480	14,668
Financial income	322,174	299,306
Financial expenses	-298,588	-281,671
Profit before income tax	41,066	32,303
Income tax expense	4,685	-344
Net profit for the period	45,751	31,959

LISBON, 2 NOVEMBER 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
**Condensed Company Statements of Comprehensive Income
 for the three-month periods from 1 July to 30 September 2017 and 2016**

Thousand Euros	2017	2016
Net profit for the period	45,751	31,959
Items that will never be reclassified to profit or loss		
Actuarial gains/(losses)	-	-
Tax effect from the actuarial gains/(losses)	-	-
	-	-
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	-4,669	26,536
Tax effect from the fair value reserve (cash flow hedge)	1,377	-7,828
Fair value reserve (available for sale investments)	-	1,308
Tax effect from the fair value reserve (available for sale investments)	-	-386
	-3,292	19,630
Other comprehensive income for the period (net of income tax)	-3,292	19,630
Total comprehensive income for the period	42,459	51,589

LISBON, 2 NOVEMBER 2017

 THE CERTIFIED ACCOUNTANT
 N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Condensed Company Statements of Changes in Equity
for the nine-month periods ended 30 September 2017 and 2016

Thousand Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings	Fair value reserve (Cash flow hedge) (ii)	Fair value reserve (AFS investments) (ii)	Treasury stock (iii)
Balance as at 31 December 2015	7,299,635	3,656,538	503,923	698,902	2,478,655	-5,832	24,045	-56,596
Comprehensive income:								
Net profit for the period	419,534	-	-	-	419,534	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	9,555	-	-	-	-	9,555	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-2,327	-	-	-	-	-	-2,327	-
Actuarial gains / (losses) net of taxes	172	-	-	-	172	-	-	-
Total comprehensive income for the period	426,934	-	-	-	419,706	9,555	-2,327	-
Transfer to legal reserve	-	-	-	40,122	-40,122	-	-	-
Dividends paid	-672,817	-	-	-	-672,817	-	-	-
Purchase and sale of treasury stock	-1,844	-	-	-	-720	-	-	-1,124
Share-based payments	1,290	-	-	-	-	-	-	1,290
Balance as at 30 September 2016	7,053,198	3,656,538	503,923	739,024	2,184,702	3,723	21,718	-56,430
Balance as at 31 December 2016	7,425,007	3,656,538	503,923	739,024	2,521,841	38,183	22,931	-57,433
Comprehensive income:								
Net profit for the period	343,941	-	-	-	343,941	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-7,528	-	-	-	-	-7,528	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-22,931	-	-	-	-	-	-22,931	-
Actuarial gains / (losses) net of taxes	68	-	-	-	68	-	-	-
Total comprehensive income for the period	313,550	-	-	-	344,009	-7,528	-22,931	-
Dividends paid	-690,924	-	-	-	-690,924	-	-	-
Share-based payments	1,364	-	-	-	-76	-	-	1,440
Balance as at 30 September 2017	7,048,997	3,656,538	503,923	739,024	2,174,850	30,655	-	-55,993

(i) See note 25
(ii) See note 27
(iii) See note 26

LISBON, 2 NOVEMBER 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

Notes to the Condensed Consolidated and Company Financial Statements

1. Economic activity of EDP Group	51
2. Accounting policies	55
3. Critical accounting estimates and judgements in preparing the financial statements	56
4. Financial risk management policies	58
5. Consolidation perimeter	62
6. Revenues from energy sales and services and other	64
7. Other income	66
8. Supplies and services	67
9. Personnel costs and employee benefits	67
10. Other expenses	68
11. Amortisation and impairment	68
12. Financial income and expenses	69
13. Income tax	70
14. Extraordinary contribution to the energy sector (CESE)	72
15. Property, plant and equipment	73
16. Intangible assets	75
17. Goodwill	76
18. Investments in joint ventures and associates	77
19. Available for sale investments	77
20. Deferred tax assets and liabilities	78
21. Debtors and other assets from commercial activities	79
22. Other debtors and other assets	80
23. Current tax assets	81
24. Cash and cash equivalents	82
25. Share capital and share premium	82
26. Treasury stock	83
27. Reserves and retained earnings	84
28. Non-controlling interests	85
29. Hydrological account	86
30. Financial debt	86
31. Employee benefits	90
32. Provisions	91
33. Institutional partnerships in USA	95
34. Trade and other liabilities from commercial activities	95
35. Other liabilities and other payables	97
36. Tax liabilities	98
37. Assets and liabilities held for sale	98
38. Derivative financial instruments	99
39. Commitments	100
40. Related parties	102
41. Fair value of financial assets and liabilities	105
42. Relevant or subsequent events	106
43. Recent accounting standards and interpretations issued	108
44. EDP Branch in Spain	110
45. Transfers of financial assets - Tariff adjustments	111
46. Investigation process about CMEC and DPH	112
47. Operating segments	113
48. Explanation added for translation	120

**EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016**

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, whose scope and framework is adequately detailed in note 1 attached to Consolidated Financial Statements of 2016.

During the nine-month period ended 30 September 2017, we emphasize the following regulatory changes, with significant impact in the economic activity of the EDP Group:

Activity in the energy sector in Portugal

Generation

Order 41/2017, of 27 January, establishes the security reserve remuneration regime for SEN through the availability services provided by electric producers and other market agents. On 1 March, Dispatch 1823-A/2017 was published, with the conditions of the 2017 auction: the auction reserve price of 4,800 Euros/MW, which corresponds to an equivalent price of 3,600 Euros/MW; the SEN security reserve is of 1,766 MW; the maximum annual cost to be borne by SEN electricity consumers with this auction is 8,476,800 Euros, which corresponds to a cost of 6,357,600 Euros for the settlement period; and the last resort supplier (EDP Serviço Universal) is authorised to participate in the auction with a capacity of 180 MW.

On 10 March, Dispatch 2078-B/2017 was published, approving: generic information to be made available to participants in the prequalification phase for the auction of the security reserve remuneration regime for the year 2017 (in its Annex I); the administrative and technical information to OMIP by all participants in the prequalification phase (in its Annex II); and the terms of the draft contract for the availability of the security reserve remuneration regime provided to SEN by the power generation plants and by the CUR (in its Annex III).

In compliance with regulations approved, an auction was held on 30 March 2017 for the allocation of 1,766 MW of security reserve provided through availability services. This auction closed at the price of 4,775 Euros/MW, with a total of 1,168 MW out of 1,766 MW allocated to EDP Group. The total estimated revenue for the EDP Group is approximately 4.2 million Euros.

On 16 March, Dispatch 2258/2017 was issued, regarding the creation and composition of the working group for the hydrological studies, with the mission to study the hydrological mechanism, so that it can be revised and implemented in an harmonisation approach in Iberia, considering, in particular, the need to implement mechanisms to limit the remuneration of hydroelectric energy.

On 10 June 2017 and following Dispatch 10840/2016 on the audit conclusions on the determination of an overcompensation risk in the CMEC revisibility calculation, ERSE clarifies that continues to monitor the market for system services in accordance with its skills and that will incorporate the conclusions of the mentioned audit, in the parts that shall be taken into account, in the opinion on the calculation of the 2016 annual revisibility. EDP Group is not foreseeing any significant impact, once it has always complied with the legal and regulatory frameworks.

On 20 July 2017, the Assembly of the Republic publishes Resolution 158/2017, recommending the Government to reflect the amount of the final adjustment of costs for the maintenance of contractual equilibrium (CMEC) in electricity tariffs for the year 2018 and eliminate it as a excessive revenues.

On 22 June, Dispatch 5443/2017 was published, determining the creation and composition of the working group for the extinction of the hydrological correction account. The group shall, within a period of six months from the date of its constitution, submit for approval by order of the members of the Government responsible for the areas of finance, energy and consumer protection, a report with the determination of the annual movements, their origin and determination of rights over the differentials' discounted amounts of the payments and receipts flows and of the financial charges associated with the hydrological correction account.

The Dispatch 7557-A/2017, of 25 August, from the Office of the Secretary of State for Energy, revokes the full contents of Dispatch 11566-A/2015, of 3 October 2015 by: i) determining the discount to be applied on access tariff for BTN networks for 2016; ii) allocating to costs of general economic interest (CIEG) the amount to be allocated to the reduction of the tariff debt; and iii) defining the parameters for calculating the formula to be paid by each of the power generation centers covered by Decree-Law 74/2013, of 4 June, for each MWh injected into the network.

The General Direction of Energy and Geology (DGEG) through Dispatch 15/2017, of 26 July, performs the quarterly update of the generation reference tariff for the third quarter of 2017.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Dispatch 7875/2017, dated of 7 September, from the Office of the Secretary of State for Energy, declares the invalidity of Article 35-B of the Ordinance 243/2013, of 2 August 2013, introduced by Ordinance 133/2015, of 15 May 2015 (changeability of primary energy source, for conversion of water projects to photovoltaic).

As at 21 September, Decision 2017/1592 of the European Commission was published, dated 15 May 2017, which considers that an extension of the hydroelectric concessions granted by Portugal to EDP does not involve state aid.

Distribution

Law 31/2017 of 31 May, approves the principles and general rules regarding the organisation of public tender procedures for the awarding, by contract, of concessions intended exclusively for the operation of municipal low voltage electricity distribution networks.

The principles for the public tender will be as follows:

- a) Safeguarding financial neutrality for the consumers and for State Budget;
- b) Promotion of the economic efficiency and conditions for the effective performance of the concession system;
- c) Promotion of territorial cohesion with regard to the sustainability of the concessions and the level of service provided;
- d) Safeguarding tariff uniformity in the country;
- e) Leveling of the structural conditions for the development of the electricity distribution activity;
- f) Promotion of energy management and energy efficiency by municipalities;
- g) Ensuring that there is no increased cost to consumers;
- h) Protection of employment stability, safeguarding jobs and the rights of employees assigned to the concessions.

The public tender procedures for the award of the concessions will be launched in 2019, by simultaneous publication of the respective announcements and notices under the terms of the Public Procurement Code and the definition of coincident dates for the submission of proposals.

The concession of the distribution activity is remunerated through the payment, by the concessionaire, of an annual rent, included in the tariffs for the use of low voltage distribution networks, being this rent calculated in the terms of the Decree-Law 230/2008 amended by Law 7-A/2016.

The area covered by each tender will fulfill the principle of territorial coherence, and the definition of the territorial area will be decided by the municipalities or inter-municipal entities, on ERSE proposal.

This law also determines that municipalities whose current concession contracts reach their end before 2019 and do not opt for direct management, must have a written agreement with the extension of the term of the respective concessions until the entry into force of the new contracts. This Law also provides that, within six months of its entry into force, the Council of Ministers shall adopt a program of actions and studies to be developed by ERSE in conjunction with the DGEG and ANMP (National Association of Portuguese Municipalities) of the acts to be approved, deadlines and responsible entities.

Logistics Operator for Switching Suppliers

The figure of the Logistics Operator for Switching Suppliers is an objective introduced by Decree-Laws 29/2006 and 30/2006, both of 15 February. Decrees-Law 140/2006, of 26 July and 172/2006, of 23 August, determined that the Logistics Operator for Switching Suppliers should be common to SEN and to SNGN.

By determination of Regulatory Entity of Energy Services (ERSE), this supplier management change has been temporarily carried out by the medium and high voltage electricity distribution network operator and by the national transmission and natural gas network operators. Decree-Law 38/2017 of 31 March, determined that this activity shall be carried out by a single entity, with Energy Agency (ADENE) having been entrusted for its exercising.

Activity in the energy sector in Spain

Electricity - Spain

The Supreme Court in 23 March 2017, approved the Order ETU/555/2017 of 15 June, which establishes the new remuneration parameters for the installations for the purine treatment and reduction and the corresponding updating for the period 2017/2019.

Activity in the energy sector in Brazil

Regulatory changes

Nowadays, the Brazilian electricity sector is in discussion about the redefinition of the sectorial regulatory model. These initiatives, have been discussed by segments of the electricity industry and some associations, materialised in two law projects currently in progress in the national congress.

Among the changes debated, the main ones are: the opening of the liberalised market; the assessment of the supply growth; the separation of "lastro" and energy; and the revision of the sectorial subsidies.

**EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016**

Thus, the Ministry of Mines and Energy published the public consultation (CP 33/17) proposing significant reforms to the sectorial model, namely: self-production; opening of the liberalised market; changes in the contracting obligation; reduction of transmission and production costs; connection between price and operation; separation of "lastro" and energy; involuntary over contracting; distribution tariffs; subsidies to stimulated sources (biomass, solar, wind and small hydropower); rationalisation of discounts; risk and rationalisation of contracts; transmission compensation; quotas' withdraw and privatisation; convergence of the CDE; extension of power plants up to 50MW; hydrological risk; and installment of outstanding debts.

EDP Brasil conducted in-depth studies and simulations on the various topics, assisted by the consultant Bain & CO in order to actively contribute to CP 33/17.

After the contribution period, Decree 9158/17 was published, which changes the rules for the extension of power plants up to 50 MW, in line with what was proposed in the public consultation. Thus, power plants between 5 and 50 MW, under a concession or authorisation regime, may be extended, upon discretion of the granting authority, for a period of 30 years through the payment of public property use. In addition to this payment, the extension is subject to the payment of the financial compensation for the use of water resources - CFURH, which reverts to the municipalities affected by the power plant, the reversal of the assets at the end of the period and the waiver of pre-existing rights.

Finally, there is the prospect that the Federal Government is preparing a Provisional Measure, aiming to implement part of the amendments proposed in CP 33/17, which would be published during 2017. One of the highlighted topics is the potential privatisation of assets, especially those controlled by Eletrobrás Group.

Distribution

In March 2017, Decree 9019/2017 was published, providing for the non-contracting of the reserve energy through the implementation of the competitive mechanism. This will cover plants that have not yet started operations in test mode. The amounts that will not be contracted will be defined by the Ministry of Mines and Energy - MME, based on studies of EPE - Empresa de Pesquisa Energética. The mechanism will consider the payment of a premium and will entail the withdrawal of plants authorisation.

On 28 March 2017, ANEEL decided to republish the Energy Tariffs to reverse the forecast of the Reserve Energy Charge (EER) of Almirante Álvaro Alberto - Unit III (Angra III) nuclear power plant. The new tariffs became effective from 1 April 2017 until the next tariff processes of the country's distributors, scheduled during 2017. Nevertheless, it was decided to anticipate the reversal of the charge, in an extraordinary and exclusively way, in April 2017, of the amounts already collected from tariffs from 2016 until March 2017, since the Angra III nuclear power plant was scheduled to start operating in January 2016, but due to delays in construction work, the new entry forecasted is from 2019.

In April 2017, Decree 9022/2017 was published, establishing standards and guidelines for the Energy Development Account (CDE), the Global Reversion Reserve (RGR) and the National System Operator (ONS). The main reason was the change of the manager of the CDE and RGR accounts, from Eletrobrás to CCEE (Electric Energy Trading Chamber). In the same decree, rules concerning the purpose and budget for CDE and RGR, management, transparency and some provisions related to the change of the account manager were also defined. In addition, ONS received new assignments related to the load forecasting and planning of isolated systems operation.

In May 2017, ANEEL published Normative Resolution 768/2017 (amending Normative Resolution 414/2010), to improve the classification criteria for consumer units, namely the alteration of the registry of public services and public lighting, requiring the segregation of measurement when the public service has more than one activity designated for the same consumer unit.

With the publication of Normative Resolution 759/2017 in February, ANEEL established procedures and requirements for the Invoice Measurement System. The main change is the possibility of using measurement in the secondary of the transformer of the consumer unit, which implies the need for a meter with an algorithm to compensate the losses related to transformation.

With the publication of REN 775 in June 2017, ANEEL amended Regulatory Resolution 414/2010 and Module 7.1 of the Tariff Regulation Procedures - PRORET, introducing Module 11 - Information on the Electricity Invoicing of Distribution Procedures - "PRODIST". "PRODIST" establishes the procedures that must be observed in the issuance and presentation of electric energy invoices, defining the information that must be included in the electric energy invoices and the relevant aspects on how this information is presented. In addition, it deals with the provision of supplementary information related to the invoicing, the option for the electronic invoice and the option for the invoice summary. PRODIST entered into force on 10 July 2017.

On 30 June 2017, ANEEL established the new Tariffs for Use of the Transmission System - TUST of the National Interconnected System for the period from 1 July 2017 to 30 June 2018, through Resolution 2259/2017.

As at 1 August 2017, ANEEL approved a +9.34% annual tariff readjustment index for EDP Espírito Santo, for the period from 7 August 2017 to 6 August 2018.

Within the annual tariff readjustment process, ANEEL takes into consideration the variation in the costs of the sector companies in the preceding 12 months. The formula includes controllable costs (Parcel B), which are updated by inflation (IGP-M index) and by the X Factor, and non-controllable costs (Parcel A), such as electricity purchased from generators, sector costs and transmission charges, in addition to financial adjustments recognised by ANEEL in the Parcel A Items Variation Compensation Account (CVA) and other accounts.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Parcel B was readjusted by -2.52%, considering an IGP-M of -1.33% and an X-Factor of 1.20%, which will be shared between "Pd" (productivity gains) of 1.15%, "T" (trajectory to adequacy of operational costs) of 0.00% and "Q" (incentives to quality) of 0.05%. Furthermore, it is worth to mention the impact of the new tariff for the use of transmission system, set forth through ANNEL's resolution 2259/2017, whose incorporation in transmission costs to be collected in the next 12 months explains an increase of 6.68% average effect perceived by consumers.

Activity in the renewable energy sector

Regulatory framework for the activities in Spain

In December 2016, the Energy Ministry (MINETAD) published a draft Royal Decree and a Ministerial Order defining a competitive process for the allocation of new renewable capacity. On 6 and 8 March, two additional draft Resolutions were released including relevant information regarding the auction rules. The Council of Ministers approved on 31 March the RD 359/2017 launching the official call for the auction. The remuneration scheme will be in line with RD 413/2014 scheme. However there will be some differences in the distribution of the remuneration scheme when compared to previous tenders. On the one hand, the tender will be technologically neutral, meaning that projects based on different renewable energy technologies, such as wind, solar and biomass, will be able to compete for contracts.

On 22 February, the Ministerial Order ETU/130/2017 was published, which includes the new remuneration parameters. In 2016 the first semi-regulatory period of RD 413/2014 ended, and therefore, the "Rinv" parameter had to be adjusted in order to consider pool price deviations between the estimated price and the current price and the new pool forecasts.

In 17 May, the "Operador do Mercado Ibérico - Pólo Espanhol" (OMIE) held a tender for the allocation of 3 GW of new renewable capacity. The tender had around 9 GW of competing capacity. 2,979MW of the 3GW auctioned were allocated to wind projects.

Following the outcome of this tender, the Spanish government decided to launch one additional tender for a maximum of 3 GW. The new tender held place on 26 July 2017 and was open exclusively to wind and solar PV technologies. The rules governing the new tender was the same as the ones for the tender held on 17 May, except for the maximum possible discount to the standard CAPEX which would be 87.08% for wind and 69.88% for solar PV.

Additionally, the royal decree ruling the tender (RD 650/2017) included the possibility to increase the allocated capacity to all capacity bidding the same discount, provided it would not create an overcost to the system. Following this, all the capacity which offered the maximum allowed discount was awarded (no tiebreaker rule was triggered). Overall, 5.037 MW were awarded, with solar power producers being the biggest winners with 3.909 MW compared to 1.120 MW for wind.

Regulatory framework for the activities in Portugal

In 1 August 2017, the Portuguese Government approved Order 7087/2017 that determines the procedures for authorisation process for new equipments (SE). In particular, the Government introduced a new requirement for the authorisation: the obligation for the Direção Geral de Energia e Geologia (DGEG) to consult ERSE, which will have to assess its impact on the electricity system. Therefore, a new SE will only be authorised if it does not have a negative impact on the electricity system.

DGEG has now 60 days from the entry into force of the order (until October) to amend accordingly Ordinance 102/2015 ruling the procedure of authorisation of SE.

Regulatory framework for the activities in Romania

In March 2017, the government finally approved the emergency ordinance to amend the renewable law 220/2008. As expected, the Green Certificate (GC) scheme was extended until 2031 (GC will remain valid until March 2032). The Ordinance also confirmed the GC floor would remain fixed at 29.4€ and GC cap will lose indexation and reduced to a level of 35€. Regarding wind energy, the ordinance approves the extension of the GC recovery from 2018 to 2025, while solar PV's GC postponement is extended until the end of 2024 (the recovery will take place from 2025 to 2030).

Following the approval of EGO 24/2017 in March, the energy regulator (ANRE) issued the Order 27/2017 establishing the mandatory quota of estimated green certificates for the period April-December 2017. This new quota is based on a new methodology, which establishes the number of GCs estimated to be issued, instead of a percentage of clean energy. The number of GC for the April-December period was defined to 11,233,667 GCs.

ANRE issued the Order 77/2017 approving the regulation on organisation and functioning of the Green Certificates (GC) market. The Order allows the trade of GCs in two different markets: (i) a centralised anonymous GC market (operational as of 1 September 2017) that comprises platforms for GCs trading (spot and forward transactions) organised by Romanian Electricity and Gas Market Operator (OPCOM), allowing participants to the GCs market to submit firm GCs sale or purchase offers with respect to quantity and price, without revealing their identity to the other participants to the trading sessions; and (ii) a centralised market for electricity from renewable energy sources benefiting from the GCs scheme (not yet operational): market platform to trade bundled GC and electricity of renewable energy sources. The electricity price will be determined competitively by the market mechanisms, while the price of the GCs associated to the sold quantity of electricity will be equal to the closing price for the last trading session on the centralised anonymous GCs market. In both markets, the transactions have a limit of 10,000 GCs per day.

**EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016**

Regulatory framework for the activities in the United States of America

With the election of Donald Trump as President of the United States, which together with the Republican Party, gained control of both Houses of Congress, a change in the governing philosophy is expected. In the first 100 days of his term, the President has issued an Executive Order directing the EPA to revert the Clean Power Plan, removed it and replaced it with a new one, eliminate the moratorium on coal in Federal lands, regulations on methane emissions and hydraulic fracturing and eliminated guidance which has incorporated climate change and the "social costs of carbon" into federal projects. On 1 June 2017, President Trump announced that the U.S. would withdraw from The Paris Agreement, an international accord to combat climate change. The ultimate impact of these changes on renewable demand is not yet clear for several reasons: most of these changes will be contested in court; States regulators decide on the energy mix at State level; the most important energy players are already implementing the main elements of the Clean Power Plan; and the Executive Order does not impact ITC/PTC, which is the main development driver for the US renewable energy market.

With regard to Congress, the two most relevant events currently being considered are reforming the US Tax Code and contemplating a Federal plan to promote investment in infrastructures. Both legislative initiatives are in early stages of design, as such it is not yet possible to determine its impacts. Tax Reform may result in changes to the tax codes affecting companies and in changes to the demand or cost of Tax Equity. Increased investment in infrastructures could change the demand for renewables or change the value of production from existing facilities.

Regulatory framework for the activities in Poland

In July 2017, a new methodology to calculate the substitution fee was approved. According to the new formula, the substitution fee will be calculated every year as 125% of the average market price of the green certificate from the previous year capped at 300 PLN. This proposal would imply a reduction from current levels according to the previous rule, where the substitution fee was set at 300.03 PLN. Given the current low prices of GCs, this rule is expected to involve a even higher price reduction.

Together with the reduction of the substitution fee, the accompanying note of the amendment proposal includes a proposal to set up (and increase) the GC's quotas up to 2020: 17.5% in 2018, 18.5% in 2019; and 19.5% in 2020. However, this specific proposal is not included in the official text of the proposal that has been approved.

Regulatory framework for the activities in France

The French government published on 10 May, the decree for the 2017 Contract-for-Difference (CfD) for wind farms below 6 wind turbines and maximum 3 MW per turbine. These projects will be exempt from tendering.

The regulator has also disclosed the tender rules for onshore wind farms (of more than 7 wind turbines or with over 3 MW per wind turbine) for the period from November 2017 to June 2020. The rules foresee the allocation of 3 GW of wind capacity in six successive 500 MW rounds every 6 months during the next 3 years. The rules also include a calendar with the dates in which the tenders are expected to take place.

2. Accounting Policies

Basis of presentation

The accompanying condensed 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 nine-month period ended 30 September 2017 and EDP S.A.'s Executive Board of Directors approved them on 2 November 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 158/2009 of 13 July with changes updated by the Decree-law 98/2015 of 2 June, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company condensed financial statements for the nine-month period ended 30 September 2017 were prepared in accordance with IFRS as adopted by the E.U. until 30 September 2017 and considering the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group for the year ended 31 December 2016.

In these consolidated and company condensed financial statements for the nine-month period ended 30 September 2017, the Group has followed the same accounting policies and methods of computation as compared with the consolidated financial statements of the Group for the year ended 31 December 2016.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

As at 31 December 2016, EDP São Paulo and EDP Espírito Santo concluded that the indemnity amount's revaluation of their IFRIC 12 concessions, originally presented under Other income, should be presented under Revenues from energy sales and services and other, together with the revenues from their main activity, by reflecting, in a more appropriate way, their business model of energy distribution. Consequently, as from this date, Energias do Brasil and EDP Group have presented these operations accordingly. As at 30 September 2016, the indemnity amount's revaluation in the Brazilian distribution companies totals 50,401 thousand Euros, and therefore, in accordance with IAS 1, EDP Group restated the 30 September 2016 comparative period in the Condensed Consolidated Income Statements, and corresponding notes form an integral part of these condensed financial statements (see notes 6 and 7).

Selected explanatory notes are included to explain events and transactions that are significant to understand the changes in the EDP Group's financial position and performance since the last annual financial statements.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, are detailed in note 43.

Change in line item on the Consolidated Statement of Financial Position

As at 30 September 2017, EDP Group separated the line "Tax liabilities" non-current, previously included in "Other liabilities and other payables". For comparison purposes, it was changed this line item also for the comparative period.

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 critical accounting estimates and judgements made by management in applying the EDP Group's accounting policies were the same as those that applied to the consolidated financial statements as at 31 December 2016, with a special note for the following items.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Group, the reported results could differ if a different treatment was chosen. The Executive Board of Directors believes that the choices made are appropriate and that the financial statements present fairly the Group operations in all material respects.

Financial asset related with infrastructure concession contracts

The caption "Amounts receivable from concessions - IFRIC 12", refers to the financial assets receivable by EDP Group companies that operate infrastructures under concession contracts, and arises from the unconditional right to receive this amount regardless of the utilisation level of the infrastructures covered by the concession. In these companies is included EDP Distribuição as the National Distribution Network's (RND) concessionaire, which comprises the medium and high voltage network (MT and HT), and low voltage distribution networks (LT), being these concessions exercised exclusively through public service concession contracts.

The RND's operation, which is part of the high and medium tension network (HT and MT), is carried out through a public service concessions' attribution, by the Portuguese State. On the other hand, the right to distribute low voltage electricity is attributed to the Portuguese mainland municipalities. The legislation that establishes the basis of each concession sets up that the ownership or possession of the goods assigned to these concessions revert to the concessionaires at the end of their respective concessions. They also establish that in return for the assets returned to grantors, whether State or municipalities, compensation corresponding to the assets' book value assigned to the concession, net of amortisations, financial contributions and non-refundable subsidies will be paid. Therefore, the assets' estimated residual value at the end of each concession constitutes a financial asset, and the remaining fair value component of the concession assets is an intangible asset to be amortised over its useful life. Hence, the end date of each concession is one of the main assumptions for the financial assets' and intangible assets' estimation.

As mentioned in note 1, in May 2017 Law 31/2017 was approved, which lays down the principles and general rules concerning the organisation of public tendering procedures for the awarding, by contract, of the municipal LT concessions' operation in the Portuguese mainland. This Law foresees the simultaneous launch, in 2019, of public tender procedures for all municipalities that do not opt for direct management of the electricity distribution activity, as well as to all municipalities whose current concession contracts reach their end before 2019, and do not opt for direct management. In these cases, both parts shall enter into a written agreement extending the term of their respective concessions until the new concession contracts enter into force. The awarding decisions will be taken by municipalities or by the territorial area's intermunicipal entity attached to the referred proceedings.

Thus, it is expected that this legislation and the concessions renewal proceedings will have a significant impact on EDP Distribuição's estimate of financial and intangible assets, namely through the concessions' termination anticipation, that currently extend beyond 2019. However, at this date it is not possible to predict the end date of the concession contracts currently in force, as the publication of studies and complementary legislation to Law 31/2017 are expected. With reference to September 30, 2017, financial assets and intangible assets were estimated based on the end dates of each of the contracts currently in force, and do not consider any changes arising from the already mentioned legislation. The use of different assumptions and estimates could result in different amounts of financial and intangible assets, with the consequential impact in the Statement of Financial Position.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Fair value and classification of financial instruments

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

Consequently, the use of different methodologies and different assumptions or judgements in applying a particular model, could generate different financial results and different financial instruments classification from those reported.

Additionally, financial instruments' classification as debt or equity requires judgement in the interpretation of contractual clauses and in the evaluation of the existence of a contractual obligation to deliver cash or other financial assets.

Review of the useful life of the assets

The Group reviews periodically the reasonableness of the assets' useful lives that are used to determine the depreciation rates of assets assigned to the activity, and prospectively changes the depreciation charge of the year based on such review.

In the first quarter of 2017, the Group reviewed and extended the useful life of the combined cycle gas turbines (CCGTs) from 35 to 40 years based on a technical study conducted by an independent entity that considered the technical and economic availability for an additional period of 5 years. This study covered the CCGTs in Portugal (Lares and Ribatejo) and Spain (Castejon 1 and 3 and Soto 4 and 5).

Sale of Naturgas Energía Distribución

Following the acceptance of the main terms and conditions of a formal binding offer to acquire its gas distribution subsidiary in Spain (Naturgas Energía Distribución, S.A.U.) by Nature Investments, at 27 March 2017, with reference to 31 March 2017, the Group considered that the held for sale criteria was satisfied, as its carrying amount would no longer be recovered through continuing use, but through sale instead.

Given the above, during the first and second quarter of 2017, this transaction was disclosed as Assets and liabilities held for sale. The conclusion of the sale transaction occurred at 27 July 2017, after the customary regulatory approvals (see notes 5 and 7). As at 30 September 2017, this transaction is no longer disclosed as assets and liabilities held for sale.

Considering these activity reduced weight towards the dimension of Regulated Networks, where it is included in the Operating Segments (see note 47), the Group considered that it is not a significant disposal group nor a major line of business, so, despite have presented as non current assets and liabilities held for sale, it was not considered as a discontinued operation.

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.

CMEC Final Adjustment

The calculation of CMEC's Final Adjustment is, under number 7 of article 3rd and Annex IV of Decree-Law 240/2004, of 27 December, performed by a joint technical group EDP/REN. The State budget for 2017 (Law 42/2016) introduces, in its article 170, that the final adjustment amount shall be calculated and justified in a study done and presented by ERSE, who then asked for the cooperation of EDP Produção and REN.

According to this, on 15 September, the technical group EDP/REN has presented its report on the CMEC final adjustment calculation, which was achieved by strictly following the calculation methodology described in Decree-Law 240/2004. This calculation, performed by the technical group EDP/REN, comes to a range of amounts between 256.5 and 271 million Euros.

At the end of September, ERSE has also presented to the Government its report on the calculation of the CMEC final adjustment, reaching an amount of 154 million Euros.

EDP is not seeing any reason for the discrepancy of the presented amounts and will analyse ERSE's report as soon as it becomes available for EDP. Following this analysis, EDP will take its conclusions and will decide upon the most adequate measures.

In the Financial statements as at 30 September 2017, EDP Group has included its best estimate of the CMEC final adjustment, by recognising an asset in the amount 256.6 million Euros against deferred income, based on the document done jointly by EDP and REN. The use of a different estimate would result in different asset and deferred income amounts, with the consequent impact in the Statement of Financial Position and Income Statement.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Clawback

Dispatch 7557-A/2017, of 25 August, supersedes Dispatch 11566-A/2015, of 3 October, (which defined the variables for the computation formula of the amount to be paid by each of the power-generating plants under Decree-Law 74/2013, of 4 June, for each injected MWh) in its entirety. It states that ERSE, after consulting DGEG, shall present proposals for a new definition of the variables, as well as reference terms for the new study.

Subsequently, in Dispatch 8004-A/2017, of 13 September, the intention to declare the partial nullity of Dispatch 11566-A/2015, of 3 October, was expressed in relation to the decisions presented under its numbers 11 and 12 – elimination of out of market events' deductions (Social tariff and CESE) in the amounts to be paid by each of the power-generating plants for each injected MWh.

In the recent Dispatch 9371/2017, of 24 October, the partial nullity of Dispatch 11566-A/2015, of 3 October, is declared in relation to the decisions presented under its numbers 11 and 12. ERSE was asked to consider in next years' UGS tariffs, the recovery, in benefit of the consumers, of the amounts improperly included in previous years' tariffs (2016 and 2017).

Awaiting the disclosure of 2018 Tariffs, which is supposed to happen on the 15 December, EDP Group considers that the Decree-Law 74/2013 aims to reestablish a situation of competition balance between national generators and their peers, what means to consider as out of market events all the taxes and contributions that fall only over Spanish generators, as well as all the taxes and contributions that fall only over national generators.

In the Financial statements as at 30 September 2017, EDP Group has included the clawback amount as calculated by EDP Produção, regarding the legislation in place in each period, namely Decree-Law 74/2013, Order 225/2015 and Dispatch 11566-A/2015, not including any potential adjustment related with Dispatch 7557-A/2017, 8004-A/2017 and 9371/2017. The use of a different assumption, namely disregarding social tariff and CESE as out of market events in 2016 and 2017 and the use of different variables in the clawback formula, would result in a significant impact in the Statement of Financial Position and in Income Statement.

System Services

On 10 June 2017 and following Dispatch 10840/2016 on the audit conclusions on the determination of an overcompensation risk in the CMEC revisibility calculation, ERSE clarifies that continues to monitor the market for system services in accordance with its skills and that will incorporate the conclusions of the mentioned audit, in the parts that shall be taken into account, in the opinion on the calculation of the 2016 annual revisibility.

EDP Group is not foreseeing any significant impact, once it has always complied with the legal and regulatory frameworks. Nevertheless, in case SEE determines that indeed there was an over compensation of the power generating plants under CMEC by their participation in system services market, significant corrections may arise to the 2016 annual revisibility amount recognised in the financial statements as at 30 September 2017, with the consequent impact in the Statement of Financial Position and Income Statement.

4. Financial Risk Management Policies**Financial risk management**

The EDP Group's business is exposed to a variety of financial risks, including the effect of changes in market prices, foreign exchange and interest rates. The Group's exposure to financial risks arises essentially from its debt portfolio and from the volatility of commodity prices, resulting in interest and exchange rate exposures, as well as commodity market prices. The status and evolution of the financial markets are analysed on an on-going basis in accordance with the Group's risk management policy. Derivative financial instruments are used to minimise potential adverse effects, resulting from interest rate, foreign exchange rate and commodity prices risks on EDP Group's financial performance.

The management of financial risks of EDP, S.A. and other EDP Group entities is undertaken centrally by EDP, S.A., in accordance with policies approved by the Executive Board of Directors. The Financial Department and the Energy Management Business Unit identify, evaluate and submit to the Board for approval, hedging mechanisms appropriate to each exposure. The Executive Board of Directors is responsible for the definition of general risk management principles and the establishment of exposure limits.

As for the subsidiaries in Brazil, the management of the financial risks inherent to the variation of interest rates 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 - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

EDP Group is exposed to exchange rate risk in US Dollars (USD), Brazilian Reais (BRL), Romanian Leu (RON), Polish Zloty (PLN) and Canadian Dollars (CAD). Currently, the exposure to USD/EUR, PLN/EUR, RON/EUR and CAD/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland, Romania and Canada, respectively. The majority of these investments were financed with debt contracted in the respective local currency which allows to mitigate the exchange rate risk related to these assets.

The Brazilian subsidiaries exposed to the USD/BRL exchange rate risk as a result of their USD debt, use derivative financial instruments to hedge this risk. Additionally, investments in the Brazilian subsidiaries of EDP Energias do Brasil, whose net assets expressed in BRL are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate. Regarding investments in wind farms of EDP Renováveis in Brazil, the Group also contracted financial derivatives to partial cover exchange rate exposure of these assets.

The exchange rate and interest rate risk on the Pound Sterling (GBP), Swiss Franc (CHF) and Japanese Yen (JPY) bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments have been hedged as from their issuing date.

Sensitivity analysis - exchange rate

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the EUR/USD exchange rate, as at 30 September 2017 and 2016, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

Thousand Euros	Sep 2017			
	Profit or loss		Equity	
	+ 10%	-10%	+ 10%	-10%
USD	11,978	-14,640	-22,913	28,004
	11,978	-14,640	-22,913	28,004

Thousand Euros	Sep 2016			
	Profit or loss		Equity	
	+ 10%	-10%	+ 10%	-10%
USD	728	-890	-31,265	38,212
	728	-890	-31,265	38,212

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 11 years. The Group's Financial Departments undertake sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. As at 30 September 2017, after the hedging effect of the derivatives 53% of the Group's liabilities are at fixed rate.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

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 30 September 2017 and 2016 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

Thousand Euros	Sep 2017			
	Profit or loss		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-14,821	14,821	-	-
Unhedged debt	-15,486	15,486	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	13,388	-13,294
Trading derivatives (accounting perspective)	-119	-5,868	-	-
	<u>-30,426</u>	<u>24,439</u>	<u>13,388</u>	<u>-13,294</u>

Thousand Euros	Sep 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	-18,368	18,368	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	12,456	-20,291
Trading derivatives (accounting perspective)	-190	-11,410	-	-
	<u>-34,979</u>	<u>23,379</u>	<u>12,456</u>	<u>-20,291</u>

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

Brazil - Interest rate and exchange rate risk management

The main tool used to monitor and control market risk in the Brazilian subsidiaries is Value at Risk (VaR).

VaR is the maximum expected loss in the operations portfolio over a specific period of time, resulting from an adverse movement in the market that has a specific confidence interval. The VaR model used is based on a confidence interval of 95% and assumes a 10 day time frame for settlement of positions, based essentially on historical data. Considering the market data for the last 2 years and the observation of the relationship between the different prices and markets, the model generates a series of scenarios for changes in market prices.

The VaR methodology used in Brazil considers a series of stress tests with the objective of monitoring the financial impact of the different market scenarios.

The summary of VaR on the operations of the Brazilian subsidiaries is as follows:

Thousand Euros	VaR	
	Sep 2017	Dec 2016
Exchange rate risk	14	27
Interest rate risk	6,218	10,392
Diversification effect	-19	-39
	<u>6,213</u>	<u>10,380</u>

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.

Regarding third-party receivables generated by the Group's day-to-day business, the credit risk arises essentially from customers default, which 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 - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

EDP Group believes that the amount that best represents the Group's exposure to credit risk corresponds to the carrying amount of trade receivables and other debtors, net of the impairment losses recognised. The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exist that have not been recognised as such and provided for.

Liquidity risk management

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with national and international reliable financial institutions as well as term deposits, allowing immediate access to funds. These credit lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see note 30).

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, since July 2017, to energy market risks. Previously, some electricity generating plants, despite operating in the market, were subject to the CMEC legislation, and the changes in the operating margins were determined essentially by the difference between the prices in the market and the reference indexes defined in the contracts.

As a result of its energy management operations, EDP Group has a portfolio of operations related to electric energy, carbon emissions (CO₂) and fuel (coal and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the managed positions and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, coal and gas) and 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.

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	
	Sep 2017	Dec 2016
Risk factor		
Negotiation	6,000	9,000
Fuel	43,000	50,000
CO ₂	20,000	8,000
Electricity	126,000	66,000
Hydrological	172,000	97,000
Diversification effect	-242,000	-134,000
	125,000	96,000

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

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:

	Sep 2017	Dec 2016
Credit risk rating (S&P)		
A+ to A-	59.17%	50.29%
BBB+ to BBB-	31.09%	38.31%
BB+ to B-	0.68%	0.17%
No rating assigned	9.06%	11.23%
	100.00%	100.00%

Capital management

EDP is not an entity subject to regulation in terms of capital or solvency ratios. Therefore, capital management is carried out within the financial management process of the entity.

Additionally, management describes this aspect of its strategic objectives in the chapters "Strategic Agenda" and "Value Creation to Shareholders" of the Annual Report of 2016.

The Group's goal in managing equity is to safeguard the Group's capacity to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimum capital structure to reduce equity cost.

In conformity with other groups operating in this sector, the Group controls its financing structure based on several control mechanisms and ratios.

5. Consolidation Perimeter

During the nine-month period ended 30 September 2017, the following changes occurred in the EDP Group consolidation perimeter:

Companies acquired:

- In the second quarter of 2017, EDP Renewables North America LLC acquired 100% of the share capital of Cameron Solar LLC, Estill I LLC and Hampton Solar II LLC from Pine Gate Energy Capital, LLC and acquired 100% of the share capital of Hog Creek Wind Project LLC from RES America Developments Inc. These operations were classified as asset purchases, out of the scope of IFRS 3 – Business Combinations, due to the substance of these transactions, the type of assets acquired and the very early stage of the projects;
- EDP Renováveis Brasil, S.A. acquired 100% of the share capital of the company Babilônia Energias Renováveis, S.A.

Disposal of non-controlling interests without loss of control:

- In the second quarter of 2017, EDP Renewables, SGPS, S.A. concluded the sale to ACE Portugal S.A.R.L. by 210,111 thousand Euros, equivalent to 247,738 thousand Euros deducted from loans totalling 36,891 thousand Euros and from transaction costs in the amount of 736 thousand Euros, of 49% of its direct and indirect interests in the following companies:
 - EDPR PT - Parques Eólicos, S.A.;
 - Eólica da Coutada, S.A.;
 - Eólica da Terra do Mato, S.A.;
 - Eólica das Serras das Beiras, S.A.;
 - Eólica do Alto da Lagoa, S.A.;
 - Eólica do Alto da Teixosa, S.A.;
 - Eólica do Alto do Mourisco, S.A.;
 - Eólica do Espigão, S.A.;
 - Eólica dos Altos dos Salgueiros-Guilhado, S.A.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 129,786 thousand Euros, was booked against reserves under the corresponding accounting policy.

Sale of companies with loss of control:

- In the third quarter of 2017, Moray Offshore Renewable Power Limited sold to International Power Consolidated Holdings Limited by 6,307 thousand Euros the equivalent of 5,640 thousand Pound Sterling (which corresponds to a sale price of 20,589 thousand Pound Sterling deducted from 14,494 thousand Pound Sterling of loans), of 23.3% of its direct and indirect interests in the following companies:
 - Moray Offshore Windfarm (East) Limited;
 - Telford Offshore Windfarm Limited;
 - MacColl Offshore Windfarm Limited;
 - Stevenson Offshore Windfarm Limited.

The Shareholders Agreement establish that the control is shared by both shareholders and as such this transaction led to a loss of control of the company which is now consolidated by the equity method. This disposal with loss of control generated a gain on a consolidated basis of 28,548 thousand Euros, which was recorded in the income statement (see note 7).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Companies sold and liquidated:

- EDP Renewables Itália Holding, S.r.l. sold 100% of VRG Wind 149, S.r.l. and VRG Wind 127, S.r.l. by 10 thousand Euros each and also sold 100% of Sarve, S.r.l. by 5 thousand Euros. The acquisition of these companies, in 2016, was recorded as an asset acquisition out of the scope of IFRS 3 – Business Combinations, due to the substance of the transactions, the type of assets acquired and the very early stage of the projects. This sale was also considered as an asset sale, as the companies were still in the same project stage, by not having won their respective auctions;
- EDP Renewables Polska, Sp. z o.o. liquidated Relax Wind Park II, Sp. z o.o., Morska Farma Wiatrowa Gryf, Sp. z o.o. and Morska Farma Wiatrowa Pomorze, Sp. z o.o.;
- EDP Renewables South Africa, Proprietary Limited liquidated Dejann Trading and Investments, Proprietary Limited and Jouren Trading and Investments, Proprietary Limited.
- EDP Iberia, S.L. sold 100% of Naturgás Energía Distribución, S.A.U., EDP España Distribución Gas, S.A., Naturgas Suministro GLP, S.A.U, Inkolan, A.I.E. and Tolosa Gasa, S.A. by 859,607 thousand Euros (equivalent to a sale price of 2,300,210 thousand Euros, which includes the fair value of the contingent prices, deducted from loans in the amount of 1,427,303 thousand Euros and transaction costs in the amount of 13,300 thousand Euros) generated a gain of 558,317 thousand Euros (see notes 7, 22 and 35).

Companies merged:

- The following companies were merged into EDP Comercializadora, S.A.:
 - EDP Empresa de Servicios Energeticos, S.L.;
 - EDP Soluciones Comerciales, S.A.
- The following companies were merged into Eólica do Sincelo, S.A. (ex Parque Eólico do Planalto, S.A.):
 - Parque Eólico do Cabeço Norte, S.A.;
 - Parque Eólico do Pinhal do Oeste, S.A.
- Parque Eólico de Torrinhelas, S.A. was merged into Eólica da Linha, S.A. (ex Parque Eólico da Serra do Oeste, S.A.).

Companies incorporated:

- 2017 Vento XVII LLC;
- Castle Valley Wind Farm LLC *;
- Dry Creek Solar Park LLC *;
- EDPR Wind Ventures XVII LLC;
- Long Holow Wind Farm LLC *;
- Riverstart Solar Park III LLC *;
- White Stone Solar Park LLC *;
- EDP Transmissão Aliança SC, S.A.;
- EDP Transmissão SP-MG, S.A.;
- EDP Transmissão MA I, S.A.;
- EDP Transmissão MA II, S.A.;
- Les Eoliennes Flottantes du Golfe du Lion, S.A.S.;
- 2017 Sol II LLC *;
- Blue Harvest Solar Park LLC *;
- EDPR Solar Ventures II LLC *;
- Paulding Wind Farm VI LLC *;
- Renville County Wind Farm LLC *;
- Riverstart Solar Park IV LLC *;
- Riverstart Solar Park V LLC *;
- Sweet Stream Wind Farm LLC *;
- Timber Road Solar Park LLC *;
- EDPR CA Solar Park LLC *;
- EDPR CA Solar Park II LLC *;
- EDPR CA Solar Park III LLC *;
- EDPR CA Solar Park IV LLC *;
- EDPR CA Solar Park V LLC *;
- EDPR CA Solar Park VI LLC *;
- Coldwater Solar Park LLC *;
- Meadow Lake Solar Park LLC *;
- Nine Kings Wind Farm LLC *;
- Nine Kings Transco LLC *.

* EDP Group holds, through EDP Renováveis and its subsidiaries, a set of subsidiaries legally established in the United States without share capital and that, as at 30 September 2017, do not have any assets, liabilities or any operating activity.

Other changes:

- In the first quarter of 2017, EDP Group changed the method by which it consolidated Eólica de Coahuila, S.A. de C.V. from equity method to full consolidation method as a result of the wind farm construction completion and its entry into operation. The control was initially shared with Energía Bal, S.A. de C.V. due to its experience in acquiring finance and construction of wind farms. The Shareholders Agreement already established that, with the entry into operation, EDPR International Investments B.V. would gain control of the company for its greater experience in the operational management of wind farms.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Fair value of assets and liabilities identified at the control acquisition date are as follows:

Thousand Euros	
Assets	
Property, plant and equipment	327,558
Other debtors and other assets	26,160
Cash and cash equivalents	26,498
Total Assets	380,216
Liabilities	
Financial debt	241,553
Other liabilities and other payables	105,754
Total Liabilities	347,307
Net assets	32,909

- EDP Renovables España, S.L. acquired 7.5% of the share capital of the company Eólica Arlanzón, S.A.;
- In the context of the General and Voluntary Public Tender Offer for the acquisition of shares representative of the share capital of EDP Renováveis, S.A. that was concluded on the third quarter of 2017, EDP - Energias de Portugal, S.A. total investment was 296,376 thousand Euros with added transaction costs in the amount of 2,800 thousand Euros. As a result of this transaction, EDP - Energias de Portugal, S.A. holds 720,191,372 shares in EDP Renováveis, S.A., increasing its interest in the company from 77.5% to 82.6% and consequently its interest in their subsidiaries. The increase in the caption Investments in subsidiaries in EDP, S.A. is mainly due to this transaction;
- EDP Renovables España, S.L. increased its financial interest in Tebar Eólica, S.A. from 50% to 100% and obtained the control of the company. This transaction resulted in a change in its consolidation method from the equity method to the full consolidation method.

As at 30 September 2017, EDP Renovables España, S.L. does not yet have the valuation of these assets concluded and therefore the fair value of the assets and liabilities identified on the date of acquisition of control is an estimate and is presented as follows:

Thousand Euros	
Assets	
Property, plant and equipment	9,813
Other debtors and other assets	3,423
Cash and cash equivalents	1,844
Total Assets	15,080
Liabilities	
Financial debt	8,695
Other liabilities and other payables	579
Total Liabilities	9,274
Net Assets	5,806
Net Assets acquired	2,903
Acquisition costs	7,500
Goodwill / (Badwill) (see note 17)	4,597

Since the date of acquisition of full control over this company, it has contributed to the consolidated financial statements with Revenues from energy sales in the amount of 852 thousands of Euros and with a net profit for the period (attributable to Equity holders of EDP) in the amount of 91 thousands of Euros. Until the date of the took of control, the shareholding previously held was being consolidated under the equity method, therefore the result was incorporated under this method until this date in the negative amount of 446 thousands of Euros.

6. Revenues from Energy Sales and Services and Other

Revenues from energy sales and services and other, by sector, are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Electricity and network access	10,575,539	9,449,615	1,807,032	1,622,724
Gas and network access	658,819	747,578	33,159	35,460
Sales of CO2 Licenses	-	-	12,696	32,623
Revenue from assets assigned to concessions	273,127	278,209	-	-
Other	146,444	159,569	130,113	117,921
	11,653,929	10,634,971	1,983,000	1,808,728

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Revenues from energy sales and services and other, by geographical market, for the Group, are as follows:

Thousand Euros	Sep 2017					
	Portugal	Spain	Brazil	USA	Other	Group
Electricity and network access	5,446,075	2,192,560	2,268,392	425,361	243,151	10,575,539
Gas and network access	254,475	404,344	-	-	-	658,819
Revenue from assets assigned to concessions	156,293	-	116,834	-	-	273,127
Other	32,476	22,776	90,536	20	636	146,444
	5,889,319	2,619,680	2,475,762	425,381	243,787	11,653,929

Thousand Euros	Sep 2016					
	Portugal	Spain	Brazil	USA	Other	Group
Electricity and network access	5,279,582	2,036,707	1,559,610	374,463	199,253	9,449,615
Gas and network access	197,652	549,926	-	-	-	747,578
Revenue from assets assigned to concessions	190,723	-	87,486	-	-	278,209
Other	32,651	20,924	104,542	-	1,452	159,569
	5,700,608	2,607,557	1,751,638	374,463	200,705	10,634,971

The caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 1,144,488 thousand Euros (revenue in 30 September 2016: 1,119,598 thousand Euros) regarding tariff adjustments of the period (see notes 21 and 34). This caption also includes a net profit of 13,005 thousand Euros (30 September 2016: net cost of 177,183 thousand Euros) related to recognition of tariff adjustments for the period in Brazil (see notes 21 and 34).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 174,809 thousand Euros (30 September 2016: 164,899 thousand Euros) related to the contractual stability compensation (CMEC) as a result of the power purchase agreements (PPA) termination, including 4,775 thousand Euros related to the CMEC final adjustment.

The caption Electricity and network access, on a company basis, includes 704,979 thousand Euros (30 September 2016: 719,039 thousand Euros) related with energy sales under the purchase and sale agreement of evolutive energy between EDP, S.A. and EDP Comercial.

As mentioned in note 2, and for comparative purposes, EDP Group restated as at 30 September 2016, the line Other in the amount of 50,401 thousand Euros related with indemnity amount's revaluation of EDP Espírito Santo's concession in Brazil, originally presented under Other income.

The breakdown of Revenues from energy sales and services and other by segment is presented in the Operating segments (see note 47).

Cost of energy sales and other are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Cost of electricity	5,811,638	4,891,651	1,800,006	1,538,950
Cost of gas	664,420	567,641	-	-
Expenditure with assets assigned to concessions	273,127	278,209	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	492,686	305,705	-	-
Gas	91,458	90,730	33,159	35,460
CO2 Licenses	79,692	84,036	12,696	32,622
Own work capitalised	-62,075	-64,820	-	-
Other	180,606	168,000	5	18
	782,367	583,651	45,860	68,100
	7,531,552	6,321,152	1,845,866	1,607,050

On a company basis, Cost of electricity includes costs of 918,415 thousand Euros (30 September 2016: 782,086 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.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to external specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts, are as follows:

Thousand Euros	Group	
	Sep 2017	Sep 2016
Revenue from assets assigned to concessions	273,127	278,209
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-201,424	-203,392
Personnel costs capitalised (see note 9)	-65,479	-68,601
Capitalised borrowing costs (see note 12)	-6,224	-6,216
	-273,127	-278,209
	-	-

7. Other Income

Other income, for the Group, are as follows:

Thousand Euros	Group	
	Sep 2017	Sep 2016
Income arising from institutional partnerships - EDPR NA	166,400	142,463
Gains on disposals - electricity and gas business assets	587,071	67,874
Gains from contractual indemnities and insurance companies	17,288	29,145
Other	125,888	60,778
	896,647	300,260

Income arising from institutional partnerships - EDPR NA relates to income arising from production and investment tax credits (PTC/ITC), mostly from accelerated tax depreciations regarding Vento I to XVI, Sol I and Blue Canyon I projects, in wind farms and solar plants in USA (see note 33).

The caption gains on disposals - electricity and gas business assets are related with: (i) the gain on the sale of 100% of Naturgás Energía Distribución, S.A.U. to a Consortium comprising institutional investors in the amount of 558,317 thousand Euros; and (ii) the gain on the sale of 23,3% of Moray Offshore Windfarm (East) Limited to Engie in the amount of 28,548 thousand Euros, which include a gain with the shares held revaluation of 18,666 thousand Euros (see note 5).

On 30 September 2016, the caption gains on disposals - electricity business assets is related with the gain on the sale of 100% of Pantanal Energética, Ltda to Cachoeira Escura Energética, S.A. and with the gain on the sale of 60% of J&Z Wind Farms, Sp. z o.o to Geo Renewables Limited.

In the third quarter of 2017, the Lisbon headquarters building was used as an in-kind contribution to the Medical and Death Subsidy Fund. The transaction price, which is the best estimate of the building and land fair values, is greater than its carrying amount, generating a gain of 30,773 thousand Euros, on a Group basis, and 19,118 thousand Euros, on a Company basis (as the land was originally from EDP Distribuição, its carrying amount was lower on a consolidated basis than it was on an individual basis, as there was a gain in the sale from EDP Distribuição to EDP S.A.). These gains are included in the caption Other.

Subsequently to this transaction, EDP celebrated a lease contract for a period of 25 years (see notes 15 and 35).

On a consolidated basis, the caption Other also includes gains on the reinsurance activity and recovery of doubtful debts.

As mentioned in note 2, and for comparative purposes, EDP Group restated as at 30 September 2016, the caption Other income in the amount of 50,401 thousand Euros related with indemnity amount's revaluation of EDP Espírito Santo's concessions in Brazil.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

8. Supplies and Services

Supplies and services are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Consumables and communications	37,668	37,270	6,099	6,116
Rents and leases	98,035	92,288	38,126	32,652
Maintenance and repairs	273,424	256,642	25,862	18,342
Specialised works:				
- Commercial activity	128,677	130,586	431	5,729
- IT services, legal and advisory fees	39,300	41,132	5,691	14,368
- Other services	32,702	33,972	18,542	13,619
Provided personnel	-	-	9,569	10,691
Other supplies and services	97,335	82,526	18,618	12,899
	707,141	674,416	122,938	114,416

9. Personnel Costs and Employee Benefits

Personnel costs and employee benefits are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Personnel costs				
Board of Directors remuneration	12,669	11,857	4,904	4,944
Employees' remuneration	374,026	366,154	26,730	24,747
Social charges on remuneration	92,036	90,352	6,680	6,325
Performance, assiduity and seniority bonus	57,136	54,258	9,804	9,217
Other costs	19,649	19,176	475	211
Own work capitalised:				
- Assigned to concessions (see note 6)	-65,479	-68,601	-	-
- Other (see note 15)	-40,135	-37,890	-	-
	449,902	435,306	48,593	45,444
Employee benefits				
Pension plans costs	19,894	20,459	2,096	1,144
Medical plans costs and other benefits (see note 31)	5,764	8,004	339	426
Past service cost (Curtailment/Plan amendments)	-	7,492	-	-
Other	23,847	15,533	1,391	1,681
	49,505	51,488	3,826	3,251
	499,407	486,794	52,419	48,695

Pension plans costs include 7,924 thousand Euros (30 September 2016: 9,035 thousand Euros) related to defined benefit plans (see note 31) and 11,970 thousand Euros (30 September 2016: 11,424 thousand Euros) related with defined contribution plans.

As at 30 September 2016, Past service cost (Curtailment/Plan amendments) is related to the increase in liabilities under the permanent employees reduction program that covered 25 portuguese employees (see note 31).

During the nine-month period ended 30 September 2017, EDP Group distributed treasury stocks to employees (450,114 shares) totalling 1,364 thousand Euros.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

10. Other Expenses

Other expenses are as follows:

Thousand Euros	Group	
	Sep 2017	Sep 2016
Concession rents paid to local authorities and others	210,593	208,900
Direct and indirect taxes	217,068	217,124
Donations	13,721	15,968
Impairment losses:		
- Trade receivables	39,047	51,904
- Debtors	-275	-577
Other	63,285	67,011
	543,439	560,330

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.

11. Amortisation and Impairment

Amortisation and impairment are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Amortisation/impairment of Property, plant and equipment (see note 15)	790,422	844,859	16,241	15,885
Amortisation/impairment of Intangible assets (see note 16)	285,400	285,154	61	222
	1,075,822	1,130,013	16,302	16,107
Amortisation/impairment of Investment property	187	6,760	801	176
	1,076,009	1,136,773	17,103	16,283
Compensation of amortisation				
Partially-funded property, plant and equipment (see note 34)	-21,420	-22,780	-444	-1,003
Impairment of Goodwill (see note 17)	-	1,138	-	-
	1,054,589	1,115,131	16,659	15,280

The partially-funded property, plant and equipment is depreciated on the same basis and at the same rates as the Group's remaining assets, being the corresponding cost compensated through the amortisation of the amounts received (booked under Trade and other liabilities from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

The variation of the period includes the impact of the redefinition of the useful life of wind generation assets from 25 to 30 years and the redefinition of the useful life of combined cycle gas turbines (CCGTs) from 35 to 40 years, in the amounts of 93 million Euros and 8 million Euros, respectively.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

12. Financial Income and Expenses

Financial income and expenses, for the Group, are as follows:

Thousand Euros	Group	
	Sep 2017	Sep 2016
Financial income		
Interest income from bank deposits and other investments	47,089	42,223
Interest from derivative financial instruments	18,112	14,394
Interest income on tariff deficit:		
- Portugal - Electricity (see notes 21 and 34)	11,121	33,788
- Brazil - Electricity (see notes 21 and 34)	4,722	39,604
Other interest income	33,544	46,103
Derivative financial instruments	81,680	328,701
Foreign exchange gains	33,651	80,346
CMEC:		
- Interest on the initial CMEC	20,153	21,527
- Financial effect considered in the calculation of CMEC	9,756	9,869
Gains on the sale of financial investments	24,632	12,948
Gains on the sale of the electricity tariff deficit - Portugal (see note 21)	11,982	36,495
Other financial income	44,471	19,909
	340,913	685,907
Financial expenses		
Interest expense on financial debt	573,330	639,867
Capitalised borrowing costs:		
- Assigned to concessions (see note 6)	-6,224	-6,216
- Other (see note 15)	-18,033	-36,885
Interest from derivative financial instruments	2,497	-2,076
Interest expense on tariff deficit:		
- Portugal - Electricity (see notes 21 and 34)	264	726
- Brazil - Electricity (see notes 21 and 34)	3,600	30,901
Other interest expense	30,174	22,358
Derivative financial instruments	116,579	366,541
Impairment of available-for-sale investments	695	30,844
Foreign exchange losses	43,209	53,026
CMEC (see note 34)	9,762	10,070
Unwinding of discounted liabilities	94,354	99,190
Net interest on the net pensions plan liability (see note 31)	8,729	10,332
Net interest on the medical liabilities and other benefits (see note 31)	25,077	22,758
Other financial expenses	49,863	79,420
	933,876	1,320,856
Financial income/(expenses)	-592,963	-634,949

Capitalised borrowing costs includes the interest capitalised in assets under construction according to Group accounting policy. Regarding the rate applicable to borrowing costs related with tangible/intangible assets under construction that is used in the determination of the amount of borrowing costs eligible for capitalisation (see notes 15 and 16), it varies depending on the country and currency, since EDP Group incorporates in its scope of consolidation a significant number of subsidiaries in several geographies with different currencies.

On 28 June 2017, EDP, S.A. sold to qualified investors 3.5% of REN - Rede Eléctrica Nacional, S.A. Under the terms of this operation, 18,690,000 shares have been traded with a unit price of 2.70 Euros per share (net of bank charges), which corresponds to a gain in the company and consolidated financial statements of 20,271 thousand Euros and 24,632 thousand Euros, respectively.

The Unwinding of discounted value liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 4,391 thousand Euros (30 September 2016: 5,728 thousand Euros) (see note 32); (ii) the implied financial return in institutional partnership in USA of 69,441 thousand Euros (30 September 2016: 67,877 thousand Euros) (see note 33); and (iii) the financial expenses related to the discount of the liability associated to the concessions of Alqueva/Pedrogão, Investco and Enerpeixe of 10,497 thousand Euros (30 September 2016: 16,175 thousand Euros).

As at 30 September 2016, the caption Other financial expenses included 26,600 thousand Euros related to early cancellation and optimisation of certain project finance in Europe.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Financial income and expenses, for the Company, are as follows:

Thousand Euros	Company	
	Sep 2017	Sep 2016
Financial income		
Interest income from loans to subsidiaries and related parties (see note 40)	260,828	306,635
Interest from derivative financial instruments	140,380	127,930
Derivative financial instruments	466,616	755,929
Income from equity investments	350,399	400,207
Gains on the sale of financial investments	20,271	93
Other financial income	41,317	17,577
	1,279,811	1,608,371
Financial expenses		
Interest expense on financial debt	316,266	341,238
Interest from derivative financial instruments	109,573	102,038
Derivative financial instruments	456,991	768,983
Other financial expenses	56,693	16,653
	939,523	1,228,912
Financial income/(expenses)	340,288	379,459

The caption Other financial income includes 19,663 thousand Euros related to interests from bonds issued by EDP Finance B.V., repurchased by EDP S.A. in 2016 (see note 40). The effective interest of these instruments amounts to 5,711 thousand Euros.

13. Income Tax

Main features of the tax systems of the countries in which EDP Group operates

The statutory corporate income tax rates applicable in the main countries in which EDP Group operates are as follows:

	Sep 2017	Sep 2016
Europe:		
Portugal	21% - 29.5%	21% - 29.5%
Spain	25% - 28%	25% - 28%
Netherlands	25%	25%
America:		
Brazil	34%	34%
United States of America	38.2%	38.2%

The EDP Group companies are taxed, whenever possible, on a Group consolidated basis as allowed by the tax legislation of the respective countries.

As per the applicable legislation, in general terms, tax periods may be subject to review and reassessment by the various tax authorities during a limited number of years. Statutes of limitation differ from country to country, as follows: Portugal 4 years or, if tax losses or credits have been used, the number of years that such tax losses or credits may be carried forward; Spain: 4 years; USA and the Netherlands: 3 years; and Brazil: 5 years.

Tax losses generated in each year are also subject to tax authorities review and reassessment and may be used to offset yearly taxable income assessed in the subsequent periods, as follows: in Portugal 5 years (for tax losses of 2012, 2013 and 2017); and 12 years (for tax losses of 2014, 2015 and 2016); 9 years in the Netherlands; 20 years in the USA and without term in Brazil and Spain. Moreover, in the Netherlands the tax losses of a given year may be used to recover current tax of the previous year and in the USA of the 2 previous years. However, the deduction of tax losses in Portugal, Spain and Brazil may be limited to a percentage of the taxable income of each period.

EDP Group companies may, in accordance with the law, benefit from certain tax benefits or incentives in specific conditions, namely the Production Tax Credits in the USA, which are the dominant form of wind remuneration in this country, and represent an extra source of revenue per unit of electricity (\$24/MWh in 2017 and \$23/MWh in 2016), 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 during the nine-month period ended 30 September 2017

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.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Corporate income tax provision

Income tax expense are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Current tax	-90,331	-673,097	18,082	-2,473
Deferred tax	-85,151	373,235	18,526	22,615
	-175,482	-299,862	36,608	20,142

Reconciliation between the theoretical and the effective income tax expense

The effective income tax rate are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Profit before tax	1,630,833	1,154,698	307,333	399,392
Income tax expense	-175,482	-299,862	36,608	20,142
Effective income tax rate	10.8%	26.0%	-11.9%	-5.0%

The difference between the theoretical and the effective income tax expense results from the application of the law provisions in the determination of the taxable base, as demonstrated below.

The reconciliation between the theoretical and the effective income tax expense for the Group, as at September 2017, is as follows:

Thousand Euros	Sep 2017
Profit before income tax and CESE	1,630,833
Nominal income tax rate *	29.5%
Theoretical income tax expense	481,096
Different tax rates (includes state surcharge)	-15,252
Tax benefits	-17,206
Differences between accounting and fiscal provisions/depreciations	-4,753
Accounting/fiscal temporary differences on the recognition/derecognition of assets	-225,742
Other adjustments and changes in estimates	-42,661
Effective income tax expense as per the Consolidated Income Statement	175,482

* 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 / derecognition of assets mainly includes the impacts inherent to; (i) the differential between the accounting and tax bases of certain gas distribution assets in Spain, following the need for an intragroup restructuring of those assets; and (ii) the non-taxation of the gain on the disposal of the gas distribution business in the same geography, according to the applicable tax law (see notes 5 and 7).

The reconciliation between the theoretical and the effective income tax expense for the Group, as at September 2016, is as follows:

Thousand Euros	Sep 2016
Profit before income tax and CESE	1,154,698
Nominal income tax rate *	29.5%
Theoretical income tax expense	340,636
Different tax rates (includes state surcharge)	4,192
Tax losses and tax credits	-22,684
Tax benefits	-16,920
Accounting/fiscal temporary differences on the recognition/derecognition of assets	4,018
Other adjustments and changes in estimates	-9,380
Effective income tax expense as per the Consolidated Income Statement	299,862

* Statutory Corporate Income Tax rate applicable in Portugal (21%), municipal surcharge (1.5%) and the state surcharge (7%)

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

The reconciliation between the theoretical and the effective income tax expense for the Company, as at September 2017, is as follows:

Thousand Euros	Sep 2017
Profit before income tax	307,333
Nominal income tax rate (*)	29.5%
Theoretical income tax expense	90,663
Tax losses and tax credits	-8,777
Dividends	-102,425
Accounting/fiscal temporary differences on the recognition/derecognition of assets	-10,478
Other adjustments and changes in estimates	-5,591
Effective income tax expense as per the Company Income Statement	-36,608

* 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, as at September 2016, is as follows:

Thousand Euros	Sep 2016
Profit before income tax	399,392
Nominal income tax rate (*)	29.5%
Theoretical income tax expense	117,821
Tax losses and tax credits	-14,636
Dividends	-117,118
Other adjustments and changes in estimates	-6,209
Effective income tax expense as per the Company Income Statement	-20,142

* Statutory Corporate Income Tax rate applicable in Portugal (21%), municipal surcharge (1.5%) and the state surcharge (7%)

14. Extraordinary Contribution to the Energy Sector (CESE)

Law no. 42/2016, of 28 December (State Budget for 2017), in its number 2 of paragraph 264, maintained the legal obligation to pay the Extraordinary Contribution on Energy ("CESE") for the year 2017, which is calculated mainly over generation, transportation, distribution and sale of electricity, natural gas and petroleum products' tangible, intangible (except for intellectual property) and financial assets. For regulated activities, CESE is calculated over the regulated asset base (when it is higher than the net asset's book value).

Concerning EDP Group's activity, this tax has been paid since 2014, even though, by disagreeing with its legal and constitutional requirements, EDP Group has been disputing this tax payment with the competent authorities.

However, it should be kept in mind that the extraordinary contribution on the energy sector has emerged as an extraordinary measure introduced in 2014, with a temporary nature, justified by the need for the energy sector to contribute to budget stability in the context of the special economic situation that Portugal was in.

Nevertheless, and contrary to what was initially foreseen and stipulated, CESE has been successively extended by the Portuguese State, being implicit in the assumptions presented in the Stability Program 2017-2021 published in April 2017 by the Portuguese Government, that this contribution will continue until 2021. In October 2017, with the release of the State Budget Proposal for 2018, it is considered the maintenance of the CESE for 2018, under the same terms as in 2017. In this context, EDP Group considers that it should continue to challenge the legality and constitutionality of this tax and shall not proceed with its payment.

As at September 2017, the EDP Group booked under the caption Extraordinary contribution to the energy sector (CESE) in the Consolidated Income Statement, the estimated amount of 69,421 thousand Euros (30 September 2016: 60,561 thousand Euros) concerning to CESE for the period 2017. The liability is booked in Current tax liabilities (see note 36).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

15. Property, Plant and Equipment

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Cost				
Land and natural resources	98,919	105,153	7,863	21,388
Buildings and other constructions	508,611	565,919	81,149	112,966
Plant and machinery:				
- Hydroelectric generation	10,779,024	9,942,783	254	254
- Thermoelectric generation	8,707,589	8,714,330	-	-
- Renewable generation	16,605,815	17,009,384	-	-
- Electricity distribution	1,581,149	1,565,655	-	-
- Gas distribution	-	1,107,336	-	-
- Other plant and machinery	34,475	75,509	196	196
Other	927,242	969,856	168,219	174,160
Assets under construction	1,662,078	2,338,676	30,232	25,013
	40,904,902	42,394,601	287,913	333,977
Accumulated amortisation and impairment losses	-17,939,381	-18,200,865	-138,742	-142,018
Carrying amount	22,965,521	24,193,736	149,171	191,959

The movements in Property, plant and equipment, for the Group, for the nine-month period ended 30 September 2017, are as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Cost							
Land and natural resources	105,153	2,838	-2,618	37	-6,066	-425	98,919
Buildings and other constructions	565,919	55,434	-94,234	14,063	-26,826	-5,745	508,611
Plant and machinery	38,414,997	30,708	-26,410	1,306,851	-1,222,616	-795,478	37,708,052
Other	969,856	13,354	-61,844	29,210	-6,786	-16,548	927,242
Assets under construction	2,338,676	871,536	-4,656	-1,351,232	-96,652	-95,594	1,662,078
	42,394,601	973,870	-189,762	-1,071	-1,358,946	-913,790	40,904,902

Thousand Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	158,589	11,839	-6,236	-	-7,554	-4,371	152,267
Plant and machinery	17,273,834	729,439	-23,350	-	-301,957	-626,937	17,051,029
Other	764,410	49,144	-61,493	-	-5,442	-14,566	732,053
	18,200,865	790,422	-91,079	-	-314,953	-645,874	17,939,381

Assets under construction are as follows:

Thousand Euros	Sep 2017	Dec 2016
Wind farms in USA	751,008	531,100
Wind farms in Europe	243,075	251,304
Hydric Portugal	193,534	1,068,538
Other assets under construction	474,461	487,734
	1,662,078	2,338,676

The capitalised costs for Property, plant and equipment for the period, except Land and natural resources, are as follows:

Thousand Euros	Sep 2017
Subcontracts and other materials	903,503
Dismantling and decommissioning costs (see note 32)	9,361
Personnel costs (see note 9)	40,135
Borrowing costs (see note 12)	18,033
	971,032

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Additions include the investment in wind farms by the subgroups EDPR NA and EDPR EU.

Transfers refer mainly to the entry into operation of the Venda Nova III power enhancement and the power plant in Foz Tua in the amount of 437,035 thousand Euros and 484,394 thousand Euros, respectively. Additionally, this caption includes the transfer to held for sale (see note 37) of 1,071 thousand Euros.

Perimeter Variations/Regularisations includes the impact of the acquisition of control of Eólica de Coahuila, S.A. de C.V. (see note 5) and the sale of gas distribution assets in Spain and electricity assets in United Kingdom by the net amount of 512,099 thousand Euros (cost in the amount of 1,197,412 thousand Euros and accumulated amortisation and impairment losses in the amount of 685,313 thousand Euros) and 86,272 thousand Euros (cost in the amount of 88,655 thousand Euros and accumulated amortisation and impairment losses in the amount of 2,383 thousand Euros), respectively (see notes 5 and 7).

The movement in Exchange differences in the period results mainly from the depreciation of Brazilian Real and US Dollar, against the Euro.

As at 30 September 2017, the Group has an agreement, which constitutes a financial lease as defined by IFRIC 4, in which the net value of the assets allocated amounts to 17,115 thousand Euros.

As at 30 September 2017, future lease payments from Property, plant and equipment financed through lease contracts, are detailed as follows: (i) less than 1 year: 912 thousand Euros; (ii) from 1 to 3 years: 4,893 thousand Euros; and (iii) from 3 to 5 years: 1,234 thousand Euros.

The movements in Property, plant and equipment, for the Company, for the nine-month period ended 30 September 2017 are as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regulari- sations	Balance at 30 September
Cost						
Land and natural resources	21,388	-	-13,525	-	-	7,863
Buildings and other constructions	112,966	55,242	-93,481	6,422	-	81,149
Other	174,610	7,109	-13,734	684	-	168,669
Assets under construction	25,013	12,381	-56	-7,106	-	30,232
	<u>333,977</u>	<u>74,732</u>	<u>-120,796</u>	<u>-</u>	<u>-</u>	<u>287,913</u>

Thousand Euros	Balance at 1 January	Large/Impairment losses	Disposals/ Write-offs	Transfers	Regulari- sations	Balance at 30 September
Accumulated amortisation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	18,127	2,639	-5,815	-	-	14,951
Other	119,859	13,602	-13,683	-	-19	119,759
	<u>142,018</u>	<u>16,241</u>	<u>-19,498</u>	<u>-</u>	<u>-19</u>	<u>138,742</u>

Additions of buildings and other constructions regards to the Lisbon headquarters, subject to a lease contract for a period of 25 years with the EDP Medical and Death Subsidy Fund (see note 35).

Disposals/Write-offs include 101,082 thousand Euros regarding with the Lisbon headquarters, which was given as an in-kind contribution to the EDP Medical and Death Subsidy Fund (see note 7).

As at 30 September 2017, future lease payments from Property, plant and equipment financed through lease contracts for the Company, are detailed as follows: (i) less than 1 year: 264 thousand Euros; (ii) from 1 to 3 years: 1,303 thousand Euros; and (iii) from 3 to 5 years: 332 thousand Euros.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

16. Intangible Assets

This caption is as follows:

Thousand Euros	Group	
	Sep 2017	Dec 2016
Cost		
Concession rights	13,955,646	13,997,403
CO2 Licenses	47,224	98,598
Other intangibles	255,063	293,163
Intangible assets in progress	545,282	600,238
	14,803,215	14,989,402
Accumulated amortisation and impairment losses	-9,969,360	-9,860,858
Carrying amount	4,833,855	5,128,544

The concession rights over the electricity distribution networks in Brazil, namely EDP São Paulo Distribuição de Energia S.A. (ex-Bandeirante) and EDP Espírito Santo Distribuição de Energia S.A. (ex-Escelsa) are amortised on a straight-line basis over the concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the public hydric domain for hydroelectric generation (EDP Produção and Hidroeléctrica do Guadiana), which useful life does not exceed 75 years.

The concession rights over electricity production in Brazil, namely for Lajeado Energia and Investco, are amortised over the concession period until 2032.

The movements in Intangible assets during the nine-month period ended 30 September 2017, for the Group, are as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Cost							
Concession rights:							
- Distribution and generation Brazil	1,091,484	-	-	-	-33,809	-	1,057,675
- Hydric Portugal	1,419,798	-	-	90,133	-	-	1,509,931
CO2 licenses	98,598	11,727	-93,362	30,261	-	-	47,224
Assigned to concessions (IFRIC 12):							
- Intangible assets	11,486,121	114	-45,874	107,183	-159,504	-	11,388,040
- Intangible assets in progress	157,909	273,013	-437	-232,157	-7,610	-	190,718
Other intangibles	293,163	9,141	-	2,588	-16,003	-33,826	255,063
Other intangible in progress	442,329	7,651	-928	-92,721	-1,280	-487	354,564
	14,989,402	301,646	-140,601	-94,713	-218,206	-34,313	14,803,215

Thousand Euros	Balance at 1 January	Charge/ Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	628,329	26,838	-	-	-13,303	-	641,864
- Hydric Portugal	387,556	32,381	-	-	-	-	419,937
Assigned to concessions (IFRIC 12)	8,772,073	219,841	-38,662	-	-118,602	-	8,834,650
Other intangibles	72,900	6,340	-	-	-2,930	-3,401	72,909
	9,860,858	285,400	-38,662	-	-134,835	-3,401	9,969,360

Additions of CO2 Licenses refer to CO2 Licenses granted free of charge to EDP Group plants operating in Portugal. The disposals/write-off of CO2 licences correspond, essentially, to the licences consumed during 2016 and delivered to regulatory authorities. Additionally, the transfer amount refers to CO2 licenses held for trading transferred to be used in the generation process.

The caption Other intangibles in progress includes the concession rights of hydric projects in Portugal namely Fridão, in the amount of 287,343 thousand Euros (31 December 2016: 287,343 thousand Euros). The amount of 90,066 thousand Euros related with Foz Tua hydro project was transfer from Other intangible assets in progress to Concession Rights at 30 June 2017 (see note 15).

Transfers refer to the net transfers of intangible assets in progress assigned to concessions of 124,974 thousand Euros related to increases of the financial assets under IFRIC 12, transferred to Debtors and other assets from commercial activities (see note 21).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Perimeter variations/Regularisations include the sale of gas distribution assets in Spain by the net amount of 38,419 thousand Euros (see notes 5 and 7) .

The caption Other intangibles includes 105,794 thousand Euros (31 December 2016: 114,803 thousand Euros) related to wind generation licenses of EDPR NA subgroup and 77,577 thousand Euros related with deferred green certificates in Romania (31 December 2016: 73,123 thousand Euros).

The capitalised costs of the period related to construction of intangible assets are included in own work capitalised in notes 6, 9 and 12.

17. Goodwill

Goodwill for the Group, resulting from the difference between the acquisition price and the fair value of the net assets acquired, at the acquisition date, is as follows:

Thousand Euros	Group	
	Sep 2017	Dec 2016
EDP España Group	884,574	1,940,712
EDP Renováveis Group	1,310,310	1,384,780
EDP Brasil Group	46,931	48,842
Other	40,518	40,518
	2,282,333	3,414,852

The movements in Goodwill, during the nine-month period ended 30 September 2017, are as follows:

Thousand Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 30 September
EDP España Group	1,940,712	-	-1,056,138	-	-	884,574
EDP Renováveis Group	1,384,780	4,597	-214	-	-78,853	1,310,310
EDP Brasil Group	48,842	-	-	-	-1,911	46,931
Other	40,518	-	-	-	-	40,518
	3,414,852	4,597	-1,056,352	-	-80,764	2,282,333

EDP España Group

The goodwill held in EDP España Group is as follows:

Thousand Euros	EDP España Group	
	Sep 2017	Dec 2016
Liberalised activities	592,487	592,487
Regulated networks	292,087	1,348,225
	884,574	1,940,712

The decrease in goodwill in EDP España Group in the amount of 1,056,138 thousands Euros is due to the sale of the financial investment in Naturgas Energía Distribución S.A.U. (see note 5).

EDP Renováveis Group

The increase in goodwill in the EDP Renováveis Group in the amount of 4,597 thousand Euros relates to the acquisition of 50% of the financial interest that EDP Renovables España, S.L. made in Tebar Eólica, S.A. (see note 5).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

18. Investments in Joint Ventures and Associates

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Investments in joint ventures	785,603	773,682	6,597	6,597
Investments in associates	61,633	46,883	-	-
	847,236	820,565	6,597	6,597

The movement in Investments in joint ventures is mainly explained by: (i) the capital increase in Empresa de Energia São Manoel, S.A. in the amount of 54,227 thousand Euros; (ii) the capital increase in Companhia Energética do Jari, S.A. in the amount of 18,276 thousand Euros; (iii) the capital increase in Hydro Global Investment Limited in the amount of 35,242 thousand Euros; iv) by the change of the consolidated method of Moray Offshore Renewable Power Limited (positive impact of 20,370 thousands Euros), due to the loss of control in the sale of 23,3% of the financial investment (see note 5) and the decrease of 11,033 thousand Euros by the reclassification to assets held for sale (see note 37); (v) by the change of the consolidated method of Eólica de Coahuila, S.A. de C.V. (negative impact of 14,367 thousands Euros), which began to be fully consolidated (see note 5); and (vi) by the negative currency exchange differences in the amount of 71,245 thousand Euros.

The movement in Investments in associates is mainly explained by the capital increase in Eoliennes en Mer Dieppe - Le Tréport, S.A.S. and in Eoliennes en Mer Iles d'Yeu et de Noirmoutier, S.A.S. in the amount of 7,295 thousand Euros and 8,251 thousand Euros, respectively.

As at 30 September 2017, for the Group, this caption includes goodwill in investments in joint ventures of 42,226 thousand Euros (31 December 2016: 42,226 thousand Euros) and goodwill in investments in associates of 9,168 thousand Euros (31 December 2016: 9,281 thousand Euros).

19. Available for Sale Investments

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	50,369	-	50,369
Zephyr Fund (Energia RE portfolio)	76,302	72,725	-	-
EDA - Electricidade dos Açores, S.A.	13,500	13,500	-	-
Feedzai - Consultadoria e Inovação Tecnológica, S.A.	8,304	8,304	-	-
Other	19,584	20,146	1,556	1,765
	117,690	165,044	1,556	52,134

During the first semester of 2017, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 94 thousand Euros being the decrease booked against fair value reserves (see note 27). On 28th June 2017 EDP, S.A. sold its financial investment held in REN and the consolidated fair value reserve was transferred to profit or loss in the amount of 24,643 thousand Euros (see note 12 and 27).

The Zephyr Fund represents the participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During 2017, Energia RE increased this participation in by 2,000 thousand Euros, and had a increased by 1,577 thousand Euros being the increase booked against fair value reserves (see note 27).

Under IFRS 13 (note 41), available for sale investments are classified into three levels of fair value: level 1 includes essentially financial investments that are indexed to market price; level 2 includes the fund of stocks and bonds held by Energia RE; and level 3 covers all other available for sale investments. As at 30 September 2017, there are no available for sale investments within level 1.

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 27). The fair value reserve attributable to the Group is as follows:

Thousand Euros	Sep 2017	Dec 2016
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	24,549
Zephyr Fund (Energia RE portfolio)	9,932	8,355
EDA - Electricidade dos Açores, S.A.	6,609	6,609
Feedzai - Consultadoria e Inovação Tecnológica, S.A.	7,832	7,832
Other	5,088	4,751
	29,461	52,096

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

20. Deferred Tax Assets and Liabilities

EDP Group records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which is as follows:

Thousand Euros	Net deferred tax assets		Net deferred tax liabilities	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Balance as at 1 January	904,412	272,498	-722,401	-794,983
Tariff adjustment for the period	-17,662	-9,058	-93,994	393,993
Provisions	-78,810	51,288	-	-
Property, plant and equipment, intangible assets and fiscal revaluations	46,861	-34,243	11,559	28,594
Deferred tax over CMECs in the period	-	-	-415	-9,210
Tax losses and tax credits	19,728	-50,553	-	-
Financial and available-for-sale investments	-2,522	6,534	515	-506
Fair value of derivative financial instruments	21,513	-49,436	12,214	21,954
Allocation of fair value adjustments to assets and liabilities acquired	1,507	-641	10,341	-13,813
Other temporary differences	-22,980	28,541	-817	-1,072
Deferred tax assets and liabilities offset	-48,741	357,357	48,741	-357,357
Derecognition of amounts due to the disposal of gas distribution business (see note 5)	-278,362	-	222,681	-
Balance as at 30 September	544,944	572,287	-511,576	-732,400

As at 30 September 2017, the caption Property, plant and equipment, intangible assets and accounting revaluations reflect an increase of 57.8 million Euros related to differences between accounting and tax basis of a group of gas distribution assets in Spain (see note 13).

Following the disposal, during the third quarter of 2017, of the gas distribution business in Spain, amounts totaling 278.4 million Euros of deferred tax assets and 222.7 million Euros of deferred tax liabilities were derecognised.

Regarding deferred tax assets above mentioned, the amount essentially breaks down in 266.3 million Euros related to the accumulated difference between accounting and tax basis referred above and to deferred tax on the fiscal revaluation of certain tangible assets and investment properties for tax purposes, introduced in Spain by the Law 16/2012, of 27 December (9.5 million Euros). The deferred tax liabilities derecognised essentially breaks down into: (i) 173.3 million Euros of temporary differences in the recognition of goodwill for accounting and tax purposes in Spain; and (ii) 49.4 million Euros related to temporary differences between accounting and tax useful lives of certain assets.

As at September 2017, the variation in the caption Provisions essentially reflects a decrease in future responsibilities with the beneficiaries, due to contributions made to finance the Medical Plan and Death Subsidy Plans and to the charge-off of provisions (see note 31).

As at 30 September 2016, the caption Tariff adjustment for the period mainly reflects the tax impacts of the transfers of tariff adjustments transactions in Portugal, partially offset by the charges of the period related to tariff adjustments that will only be taxable at the time of their receipt.

On a company basis, EDP, S.A. records the tax effect arising from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which is as follows:

Thousand Euros	Net deferred tax assets		Net deferred tax liabilities	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Balance as at 1 January	45,115	35,140	-	-
Tax losses and tax credits	4,875	-5,979	-	-
Financial and available-for-sale investments	-2,740	-596	-	-
Fair value of derivative financial instruments	-	-2,106	3,150	-1,892
Other temporary differences	1,080	617	10,089	36,805
Deferred tax assets and liabilities offset	13,239	34,913	-13,239	-34,913
Balance as at 30 September	61,569	61,989	-	-

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

21. Debtors and Other Assets from Commercial Activities

Debtors and other assets from commercial activities - Non-Current, are as follows:

Thousand Euros	Group	
	Sep 2017	Dec 2016
Trade receivables	139,871	139,398
Accrued income relating to energy sales activity	27,852	29,854
Amounts receivable from tariff adjustments - Electricity - Portugal	645,235	363,130
Amounts receivable from tariff adjustments - Electricity - Brazil	67,140	3,702
Amounts receivable from tariff expenses - Gas - Spain	-	63,169
Amounts receivable relating to CMEC	973,267	658,197
Amounts receivable from concessions - IFRIC 12	1,192,246	1,114,941
Sundry debtors and other operations	164,405	144,236
	3,210,016	2,516,627
Impairment losses on trade receivables	-63,353	-64,956
Impairment losses on debtors	-3,198	-3,229
	-66,551	-68,185
	3,143,465	2,448,442

Debtors and other assets from commercial activities - Current, are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Trade receivables	1,580,116	1,503,590	154,610	182,424
Accrued income relating to energy sales activity	821,386	1,025,872	217,053	269,031
Amounts receivable from tariff expenses - Electricity - Spain	-	4,489	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	472,367	538,948	-	-
Amounts receivable from tariff adjustments - Electricity - Brazil	7,102	17,100	-	-
Receivables relating to other goods and services	20,601	25,656	17,361	36,662
Amounts receivable relating to CMEC	135,192	164,705	-	-
Amounts receivable from concessions - IFRIC 12	57,774	54,024	-	-
Sundry debtors and other operations	263,584	223,851	20,004	73,916
	3,358,122	3,558,235	409,028	562,033
Impairment losses on trade receivables	-336,754	-329,212	-9,686	-9,935
Impairment losses on debtors	-20,789	-21,410	-797	-1,000
	-357,543	-350,622	-10,483	-10,935
	3,000,579	3,207,613	398,545	551,098

The movement for the period in Amounts receivable from tariff adjustments - Electricity - Portugal (Current and Non-current) is as follows:

Thousand Euros	Current	Non-Current
Balance as at 31 December	538,948	363,130
Receipts through the electric energy tariff	-364,188	-
Partial sale of 2015 over costs for the special regime generators	-250,000	-
Partial sale of 2017 over costs for the special regime generators	-324,068	-
Tariff adjustment of 2016	-1,783	-
Tariff adjustment for the period	569,666	574,822
Transfer to/from tariff adjustment payable	-46	-
Interest income (see note 12)	9,226	1,895
Transfer from Non-Current to Current	294,612	-294,612
Balance as at 30 September	472,367	645,235

During the first semester of 2017, EDP Serviço Universal S.A. (EDP SU) sold, in six independent operations, a portion of the 2015 and 2017 tariff deficit in the amount of 250,000 thousand Euros and 324,068 thousand Euros, respectively. The 2015 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2015 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2013 and 2014). The 2017 tariff deficit results from the deferral, for the period of 5 years, of the recovery of the 2017 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2015 and 2016). In this assets' sale transaction, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 592,916 thousand Euros and generated a gain net of transaction costs of 11,982 thousand Euros (see note 12).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

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 nine-month period ended 30 September 2017:

Thousand Euros	Deficit	Tariff	Sales	Total
Year:				
2013	28,141	-	-	28,141
2014	128,293	7,527	-	135,820
2015	282,471	17,524	-250,000	49,995
2016	28,986	53,319	-	82,305
2017	1,005,198	140,211	-324,068	821,341
	1,473,089	218,581	-574,068	1,117,602

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments booked in EDP São Paulo - Distribuição de Energia S.A. (ex-Bandeirante) and EDP Espírito Santo - Distribuição de Energia S.A. (ex-Escelsa) with the accumulated amount as at 30 September 2017 of 51,510 thousand Euros (31 December 2016: 334 thousand Euros) and 22,732 thousand Euros (31 December 2016: 20,468 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 169,267 thousand Euros (see note 6), transfer to tariff adjustment payable of 10,971 thousand Euros (see note 34), amount received through the electricity tariff of 109,543 thousand Euros, unwinding in the amount of 10,107 thousand Euros (see note 12) and the exchange differences due to depreciation of Brazilian Real with a negative impact of 5,420 thousand Euros.

The decrease in Amounts receivable from tariff expenses - Gas - Spain results from the sale of Naturgás Energia Distribución S.A.U.

The caption Amounts receivable relating to CMEC amounts to 1,108,459 thousand Euros, and includes 973,267 thousand Euros as non-current and 135,192 thousand Euros as current. The amount receivable relating to the initial CMEC includes 496,689 thousand Euros as non-current and 42,248 thousand Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousand Euros) deducted from the annuities for the years 2007 to 2017 and 236,416 thousand Euros as non-current and 20,123 thousand Euros as current, relating with the final adjustment recognised in accordance with the result achieved by the EDP/REN working group. The remaining 240,162 thousand Euros as non-current and 72,821 thousand Euros as current correspond to the receivable amounts through the revisibility calculation from 2014 to 2017.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 1,250,020 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 depreciation of Brazilian Real against Euro in the amount of 46,007 thousand Euros; and (ii) transfers from intangible assets assigned to concessions in the amount of 124,974 thousand Euros (see note 16). Additionally, Amounts receivable from concessions - IFRIC 12 - Current refers to concessions in Portugal that will end in 2017.

22. Other Debtors and Other Assets

Other debtors and other assets are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	6,191,915	6,108,699
Loans to related parties	39,898	62,912	90	90
Guarantees rendered to third parties	47,742	53,533	-	-
Derivative financial instruments	164,416	206,482	350,926	723,368
Excess of the pension fund financing (see note 31)	105,801	57,585	128	65
Sundry debtors and other operations	183,438	88,757	-	31,102
	541,295	469,269	6,543,059	6,863,324
Debtors and other assets - Current				
Loans to subsidiaries	-	-	1,609,349	1,781,401
Loans to related parties	72,658	85,224	14,795	14,783
Receivables from the State and concessors	42,724	33,048	-	-
Derivative financial instruments	89,165	176,471	434,451	343,218
Subsidiary companies	-	-	1,243,334	819,899
Sundry debtors and other operations	322,375	59,573	41,627	15,994
	526,922	354,316	3,343,556	2,975,295
	1,068,217	823,585	9,886,615	9,838,619

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 4,805,716 thousand Euros (31 December 2016: 4,537,627 thousand Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 1,712,223 thousand Euros (31 December 2016: 1,697,252 thousand Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 40). Additionally, this caption includes 893,448 thousand Euros (31 December 2016: 1,257,783 thousand Euros) of loans granted to EDP Servicios Financieros España, S.A.U. through EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España (see notes 40 and 44).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Loans to related parties - Non-Current and Current, mainly includes loans granted to Empresa de Energia São Manoel S.A., Empresa de Energia Cachoeira Caldeirão, S.A., EDP Produção Bioelétrica, S.A. and Parque Eólico Sierra del Madero, S.A. The changes in the period are due to the fact that this caption includes, in 2016, the loan granted to Eólica de Coahuila, S.A. de C.V., which, following the acquisition of control, is being full consolidated by EDP Group in 2017 (see note 5).

Subsidiary Companies - Current, for the Company, mainly includes receivables from the EDP Group's financial system in the amount of 1,195,997 thousand Euros (31 December 2016: 371,808 thousand Euros) (see note 40).

Derivative financial instruments - Non Current and Current, for the Company, include 153,353 and 248,446 thousand Euros, respectively (31 December of 2016: 510,006 and 158,041 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 granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España (see note 38). 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). The remaining derivative financial instruments, assets and liabilities, are essentially related to derivatives contracted with external entities as a pass-through to hedge EDP Group companies business related risks.

The variation in the caption Sundry debtors and other operations - Non Current is mainly due to the fair value of the contingent price related with the Naturgás transaction sale, in the amount of 108,500 thousand Euros. The variation in the caption Sundry debtors and other operations - Current is mainly due to a VAT credit resulted from the restructuring occurred in the gas assets in Spain, receivable by EDP Servicios Financieros, in the amount of 268 million Euros. Due to this restructuring, Naturgás recognised a VAT credit which was acquired by EDP SF following the sale of Naturgás Group and will be settled when Naturgás receives it.

23. Current Tax Assets

Current tax assets are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Income tax	428,744	175,518	220,086	33,657
Value added tax (VAT)	95,573	285,160	20,716	5,531
Special taxes Brazil	103,200	32,198		
Other taxes	3,459	1,628	877	823
	630,976	494,504	241,679	40,011

On an Individual and Group basis, the increase in income tax is mainly due to advance tax payments made by EDP S.A.

As at 31 December 2016, for the Group, the caption Value added tax (VAT) included the VAT receivable by Naturgas Group, in the context of an intragroup sale of gas distribution assets occurred in December 2016.

The Special taxes Brazil caption relates to the following taxes: CSLL (Social Contribution on net profits), PIS (Social integration programme) and COFINS (Social Security Financing Contribution).

In December 2014, the distribution companies EDP São Paulo and EDP Espírito Santo began to recognise tariff adjustments as payable and receivable amounts, considering that the triggering event for the recognition of the various taxes (e.g. IRPJ, CSLL, PIS and COFINS) would only be verified when the respective energy was consumed, in accordance with the legal opinion of independent consultants. This understanding was consistent with the interpretation of Brazilian Fiscal Authorities ("Receita Federal do Brasil" - RFB), made public through the consultation no. 26/02 of the COSIT.

On 30 June 2016, RFB approved the COSIT opinion no. 101/16 where it concluded that the receivables over tariff adjustments should integrate the basis for tax calculation at the time of the accounting recognition. Thus, companies requested independent consultants to update their legal opinions, and they kept their initial understanding.

In the third quarter of 2017, considering that the new COSIT procedure is more conservative and the possibility of appealing to the Tax Regularisation Special Programme ("Programa Especial de Regularização Tributária" - PERT), created by Provisional Measure no. 783/17 and regulated by Normative Instruction RFB 1711/17, the distribution companies changed their criteria and started to recalculate all taxes since the initial recognition of payable and receivable amounts related with tariff adjustments.

Additionally, Enerpeixe identified energy sale contracts, signed before 31 of December of 2003, with the possibility of being integrated in the cumulative fiscal regime with the consequential application of a PINS and COFINS tax rate of 3.65% compared to the 9.25% previously considered. These contracts were submitted to the evaluation of an independent consultant, who demonstrated that the pre-determined price did not decrease, in accordance with Law no. 11.196/05 and Normative Instruction RFB 658/06.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Following these operations, the companies recognized tax receivables totaling 190,987 thousand Euros (718,779 thousand Brazilian Reais) and tax payables totaling 138,632 thousand euros (521,742 thousand Brazilian Reais) (see note 36).

As at 30 September 2017, the captions Income tax and Special taxes Brazil include the amount of 175,190 thousand Euros (659,326 thousand Brazilian Reais), corresponding to the recognised asset of 190,987 thousand Euros net of compensations.

24. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Cash	213	120	18	14
Bank deposits				
Current deposits	499,066	540,977	220,018	147,741
Term deposits	926,064	859,235	-	85,000
Specific demand deposits in relation to institutional partnerships	34,153	120,921	-	-
	1,459,283	1,521,133	220,018	232,741
Operations pending cash settlement				
Current deposits	-	-	140,000	85,000
	1,459,496	1,521,253	360,036	317,755

Specific demand deposits in relation to institutional partnerships corresponds to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 34), under the Group accounting policy.

As at 30 September 2017, on a company basis, the caption Operations pending cash settlement represents commercial paper issued by EDP, S.A., which is booked as financial debt at the issuance trade date, under the Group accounting policy. This caption of 140,000 thousand Euros (31 December 2016: 85,000 thousand Euros) refers to commercial paper issued on 29 September 2017, acquired by EDP Finance B.V., which settlement date occurred on 3 October 2017.

25. Share Capital and Share Premium

EDP, S.A. was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007, the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process.

On 11 May 2012, regarding EDP's eighth reprivatisation phase, the Portuguese State sold to China Three Gorges (Europe), S.A. (former - CWEI (Europe), S.A.), the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP, S.A.

On 21 February 2013, Parpública - Participações Públicas (SGPS) S.A. (Parpública) notified EDP that, on 19 February 2013, it sold 151,517,000 shares, which correspond to 4.14% of EDP's share capital.

As a result of this two last transactions, Parpública no longer has a qualified shareholding position in EDP share capital.

On 29 September 2017, China Three Gorges (Europe), S.A. acquired 70,143,242 shares representing around 1.92% of EDP's share capital. After this acquisition, an off-market transaction, CTG Europe became the holder of 850,777,024 shares.

The share capital amounts to 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each.

EDP - Energias de Portugal S.A. shareholder structure as at 30 September 2017 is as follows:

	No. of Shares	% Capital	% Voting
China Three Gorges Corporation	850,777,024	23.27%	23.27%
CNIC Co., Ltd	110,435,491	3.02%	3.02%
Capital Group Companies, Inc.	438,903,945	12.00%	12.00%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
BlackRock, Inc.	182,733,180	5.00%	5.00%
Mubadala Investment Company	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	88,989,949	2.43%	2.43%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
Norges Bank	93,592,335	2.56%	2.56%
EDP (Treasury stock)	21,606,324	0.59%	
Remaining shareholders	1,288,144,486	35.23%	
	3,656,537,715	100.00%	

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Share capital and Share premium are as follows:

Thousand Euros	Group and Company	
	Share capital	Share premium
Balance as at 1 January	3,656,538	503,923
Movements during the period	-	-
Balance as at 30 September	3,656,538	503,923

The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

	Group		Company	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Net profit attributable to the equity holders of EDP (in Euros)	1,146,567,611	615,027,500	343,940,508	419,534,046
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	1,146,567,611	615,027,500		
Weighted average number of ordinary shares outstanding	3,634,731,340	3,635,097,823	3,636,244,340	3,636,610,823
Weighted average number of diluted ordinary shares outstanding	3,634,731,340	3,635,097,823	3,636,244,340	3,636,610,823
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.32	0.17		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.32	0.17		
Basic earnings per share from continuing operations (in Euros)	0.32	0.17		
Diluted earnings per share from continuing operations (in Euros)	0.32	0.17		

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	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-21,806,375	-21,439,892	-20,293,375	-19,926,892
Average number and diluted average number of shares during the period	3,634,731,340	3,635,097,823	3,636,244,340	3,636,610,823

26. Treasury Stock

This caption is as follows:

	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Book value of EDP, S.A.'s treasury stock (thousand Euros)	62,088	63,528	55,993	57,433
Number of shares	21,606,324	22,056,438	20,093,324	20,543,438
Market value per share (in Euros)	3.185	2.894	3.185	2.894
Market value of EDP, S.A.'s treasury stock (thousand Euros)	68,816	63,831	63,997	59,453

Shares' transactions occurred between 1 January and 30 September 2017:

	EDP, S.A.	Energia RE
Volume sold (number of shares)	-450,114	-
Average selling price (in Euros)	3.030	-
Total sales (thousand Euros)	1,364	-
Final position (number of shares)	20,093,324	1,513,000
Highest market price (in Euros)	3.374	-
Lowest market price (in Euros)	2.660	-
Average market price (in Euros)	3.028	-

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 Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

27. Reserves and Retained Earnings

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Legal reserve	739,024	739,024	739,024	739,024
Fair value reserve (cash flow hedge)	-59,063	43,235	43,541	54,217
Tax effect of fair value reserve (cash flow hedge)	13,134	-13,749	-12,884	-16,034
Fair value reserve (available for sale investments)	29,461	52,096	-	20,190
Tax effect of fair value reserve (available for sale investments)	-4,221	-1,998	-	2,741
Exchange differences arising on consolidation	-290,083	-144,818	-	-
Treasury stock reserve (EDP, S.A.)	55,993	57,433	55,993	57,433
Other reserves and retained earnings	4,069,133	3,617,570	1,774,914	1,706,377
	4,553,378	4,348,793	2,600,588	2,563,948

Legal reserve

In accordance with article no. 295 of "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)

This reserve includes the effective portion of the cumulative net change in the fair value of the cash flow hedging financial derivative instruments.

Fair value reserve (available for sale investments)

This reserve includes the accumulated net change in the fair value of available for sale investments as at the balance sheet date, net of impairment losses. The changes in this consolidated caption for the period are as follows:

Thousand Euros	Group	
	Increases	Decreases
Balance as at 1 January 2016	586,853	-525,288
Changes in fair value	6,329	-41,572
Transfer of impairment to profit or loss	30,844	-
Transfer to the income statement relating to assets sold	-	-10,859
Balance as at 30 September 2016	624,026	-577,719
Changes in fair value	4,029	783
Transfer of impairment to profit or loss	977	-
Balance as at 31 December 2016	629,032	-576,936
Changes in fair value	2,008	-695
Transfer of impairment to profit or loss	695	-
Transfer of reserves from assets sold to profit or loss	-	-24,643
Balance as at 30 September 2017	631,735	-602,274

Changes in fair value reserve attributable to the EDP Group during the period ended 30 September 2017 are as follows:

Thousand Euros	Increases	Decreases
Zephyr Fund (Energia RE portfolio)	1,577	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	94	-
Other	337	-695
	2,008	-695

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

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 Sep 2017		Exchange rates at Dec 2016		Exchange rates at Sep 2016	
		Closing rates	Average exchange rate	Closing rates	Average exchange rate	Closing rates	Average exchange rate
US Dollar	USD	1.181	1.114	1.054	1.107	1.116	1.116
Brazilian Real	BRL	3.764	3.535	3.431	3.858	3.621	3.958
Macao Pataca	MOP	9.498	8.935	8.420	8.848	8.914	8.923
Canadian Dollar	CAD	1.469	1.454	1.419	1.466	1.469	1.475
Polish Zloty	PLN	4.304	4.266	4.410	4.363	4.319	4.358
Romanian Leu	RON	4.599	4.552	4.539	4.491	4.454	4.485
Pound Sterling	GBP	0.882	0.873	0.856	0.819	0.861	0.803
South African Rand	ZAR	15.944	14.704	14.457	16.267	15.524	16.684
Mexican Peso	MXN	21.461	21.012	21.772	20.661	21.739	20.422
Chinese Yuan	CNY	7.853	7.575	7.320	7.351	7.446	7.345

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324º of "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code), EDP, S.A. has created an unavailable reserve with an amount equal to the book value amount of treasury stock held in the company statements.

Dividends

On 19 April 2017, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2016 in the amount of 694,742 thousand Euros, corresponding to a dividend of 0.19 Euros per share (including the treasury stock dividend owned by EDP, S.A. and Energia RE in the amount of 3,818 thousand Euros and 287 thousand Euros, respectively). This distribution occurred on 17 May 2017.

28. Non-Controlling Interests

This caption is as follows:

Thousand Euros	Group	
	Sep 2017	Dec 2016
Non-controlling interests in income statement	239,362	239,550
Non-controlling interests in equity and reserves	3,762,016	4,090,535
	4,001,378	4,330,085

Non-controlling interests, by subgroup, are as follows:

Thousand Euros	Group	
	Sep 2017	Dec 2016
EDP Renováveis Group	2,572,294	2,819,335
EDP Brasil Group	1,469,671	1,548,514
Other	-40,587	-37,764
	4,001,378	4,330,085

The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits attributable to non-controlling interests of 160,857 thousand Euros; (ii) a negative impact of 44,779 thousand Euros related to dividends attributable to non-controlling interests; (iii) a negative impact of 118,476 thousand Euros resulting from exchange differences; (iv) a negative impact of 22,518 thousand Euros resulting from share capital increases/decreases and other acquisitions/sales without change of control; (v) a positive impact resulting from a gain of control of EDPR EU subsidiary in Mexico of 16,646 thousand Euros (see note 5); (vi) a positive impact of 80,325 thousand Euros resulting from the sale without change of control of EDPR EU subsidiaries attributable to non-controlling interests (see note 5); and (vii) a negative impact of 319,445 thousand Euros resulting from the General and Voluntary Public Tender Offer for the acquisition of shares representative of the share capital of EDP Renováveis, S.A. (see note 5).

The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 81,325 thousand Euros of profits attributable to non-controlling interests; (ii) a decrease of 137,281 thousand Euros resulting from exchange differences; (iii) a negative impact of 22,022 thousand Euros related to dividends attributable to non-controlling interests; and (iv) a negative impact of 1,264 thousand Euros from recognised actuarial losses (net of taxes).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

29. Hydrological Account

The movements in the Hydrological account are as follows:

Thousand Euros	Group and Company	
	Sep 2017	Sep 2016
Balance at the beginning of the period	1,574	11,417
Amounts received/(paid) during the period	-	-7,606
Financial charges	-	270
Balance at the end of the period	1,574	4,081

30. Financial Debt

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	301,773	350,570	301,773	350,570
- EDP Finance B.V.	1,948,855	2,359,360	-	-
- EDP Brasil Group	433,224	588,845	-	-
- EDP Renováveis Group	835,830	686,276	-	-
- EDP Produção	71,788	73,688	-	-
	3,591,470	4,058,739	301,773	350,570
Non-convertible bond loans:				
- EDP, S.A.	-	50,000	4,850,000	7,900,000
- EDP Finance B.V.	10,074,836	9,394,007	-	-
- EDP Brasil Group	587,320	696,122	-	-
	10,662,156	10,140,129	4,850,000	7,900,000
Hybrid bond:				
- EDP, S.A.	739,168	739,168	739,168	739,168
	739,168	739,168	739,168	739,168
Commercial paper:				
- EDP, S.A.	411,757	437,169	411,757	437,169
- EDP Brasil Group	34,542	-	-	-
	446,299	437,169	411,757	437,169
Other loans	18,374	21,681	-	-
	15,457,467	15,396,886	6,302,698	9,426,907
Accrued interest	651	-	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	92,205	153,387	-	-
Total Debt and Borrowings	15,550,323	15,550,273	6,302,698	9,426,907
Collateral Deposits - Non-current *	-37,424	-31,936	-	-
	15,512,899	15,518,337	6,302,698	9,426,907

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	68,707	65,129	84,461	74,199
- EDP Finance B.V.	179,925	199,482	-	-
- EDP Brasil Group	118,960	90,234	-	-
- EDP Renováveis Group	101,247	99,185	-	-
- Other	58,476	5,696	-	-
	527,315	459,726	84,461	74,199
Non-convertible bond loans:				
- EDP, S.A.	50,000	-	3,050,000	-
- EDP Finance B.V.	449,160	1,062,764	-	-
- EDP Brasil Group	191,287	178,671	-	-
	690,447	1,241,435	3,050,000	-
Commercial paper:				
- EDP, S.A.	181,000	556,000	2,946,700	1,575,846
	181,000	556,000	2,946,700	1,575,846
Other loans	5,571	7,664	-	-
	1,404,333	2,264,825	6,081,161	1,650,045
Accrued interest	208,126	292,064	114,339	116,314
Other liabilities:				
- Fair value of the issued debt hedged risk	-14	-80,486	-	-
Total Debt and Borrowings	1,612,445	2,476,403	6,195,500	1,766,359
Collateral Deposits - Current *	-2,560	-20,095	-	-
	1,609,885	2,456,308	6,195,500	1,766,359

* Deposits constituted as collateral for financial guarantee

Commercial Paper non-current refers to a Commercial Paper programs with a firm underwriting commitment for a period of over one year, in the amounts of 250,000 thousand US Dollars, 200,000 thousand Euros and 130,000 thousand Reais.

Main events of the period:

In January 2017, EDP issued a Eurobond of 600,000 thousand Euros maturing in September 2023.

In June 2017, EDP Finance issued a total of 1,000,000 thousand US Dollars notes under Rule 144A and Regulation S of the U.S. Securities Act of 1933, maturing in July 2024. The securities were issued under EDP and EDP Finance BV's Program for the Issuance of Debt Instruments (MTN).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

The nominal value of outstanding Bond loans placed with external counterparties, as at 30 September 2017, is as follows:

Issuer	Issue date	Interest rate	Type of hedge	Conditions/ Redemption	Nominal Value in Million Currency	Thousand Euros	
						Group	Company
Issued by EDP S.A.							
EDP, S.A. (ii)	May-08	Variable rate (iii)	n.a.	May-18	50 EUR	50,000	50,000
						50,000	50,000
Hybrid by EDP S.A.							
EDP, S.A. (iv)	Sep-15	Fixed rate EUR 5.375% (v)	n.a.	Sep-75	750 EUR	750,000	750,000
						750,000	750,000
Issued under the Euro Medium Term Notes program							
EDP Finance B.V.	Dec-02	Fixed rate EUR (iii)	n.a.	Dec-22	93 EUR	93,357	-
EDP Finance B.V.(i)	Jun-05	Fixed rate EUR 4.125%	n.a.	Jun-20	300 EUR	300,000	-
EDP Finance B.V.(vi)	Nov-07	Fixed rate USD 6.00%	Net Investment	Feb-18	531 USD	449,380	-
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	88,573	-
EDP Finance B.V.(vi)	Sep-09	Fixed rate USD 4.90%	Net Investment	Oct-19	969 USD	821,160	-
			Fair Value/				
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	635,270	-
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	84,703	-
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	635,270	-
EDP Finance B.V.(i)	Apr-15	Fixed rate EUR 2.00%	Fair Value	Apr-25	750 EUR	750,000	-
EDP Finance B.V.	Mar-16	Fixed rate EUR 2.375%	n.a.	Mar-23	600 EUR	600,000	-
EDP Finance B.V.(i)	Aug-16	Fixed rate EUR 1.125%	n.a.	Feb-24	1,000 EUR	1,000,000	-
EDP Finance B.V.	Jan-17	Fixed rate EUR 1.875%	n.a.	Sep-23	600 EUR	600,000	-
EDP Finance B.V.	Jun-17	Fixed rate USD 3.625%	Net Investment	Jul-24	1,000 USD	847,027	-
						10,578,976	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market							
Lajeado Energia	Nov-13	CDI + 1.20%	n.a.	Nov-19	450 BRL	119,570	-
EDP São Paulo (ex-Bandeirante)	Apr-14	CDI + 1.39%	n.a.	Apr-19	144 BRL	38,262	-
EDP Espírito Santo (ex-Escelsa)	Aug-14	CDI + 1.50%	n.a.	Aug-20	177 BRL	46,978	-
Energias do Brasil	Oct-15	IPCA + 8.3201%	n.a.	Sep-21	200 BRL	53,080	-
Energias do Brasil	Oct-15	CDI + 1.74%	n.a.	Sep-18	332 BRL	88,249	-
Energias do Brasil	Oct-15	IPCA + 8.2608%	n.a.	Sep-24	53 BRL	14,183	-
EDP São Paulo (ex-Bandeirante)	Feb-16	CDI + 2.30%	n.a.	Feb-20	100 BRL	26,571	-
EDP Espírito Santo (ex-Escelsa)	Feb-16	CDI + 2.30%	n.a.	Feb-20	120 BRL	31,885	-
Energias do Brasil	Apr-16	IPCA + 8.3479%	n.a.	Apr-22	264 BRL	70,217	-
Energgest	Apr-16	CDI + 2.25%	n.a.	Apr-18	36 BRL	9,566	-
Energgest	Apr-16	CDI + 2.265%	n.a.	Apr-20	54 BRL	14,348	-
Enerpeixe	Nov-16	114.50% * CDI	n.a.	Nov-19	350 BRL	92,999	-
Pecém	Dec-16	CDI + 2.95%	n.a.	Nov-21	330 BRL	87,684	-
EDP São Paulo (ex-Bandeirante)	Apr-17	108.75% * CDI	n.a.	Apr-22	150 BRL	39,857	-
EDP Espírito Santo (ex-Escelsa)	Apr-17	108.75% * CDI	n.a.	Apr-22	190 BRL	50,485	-
						783,934	-
						12,162,910	800,000

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

(ii) Fixed in each year, varies over the useful life of the loan.

(iii) These issues correspond to private placements.

(iv) There is a call option exercisable at par by EDP at March 2021, March 2026 and subsequently, on each interest payment date.

(v) Fixed rate in the first 5.5 years, subsequently updated every 5 years.

(vi) Consolidated nominal value after the repurchase of securities by EDP - Energias de Portugal, S.A.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

EDP Group has several credit facilities it uses for liquidity management. EDP Group has short-term credit facilities of 151,000 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 30 September 2017 are available in 98,000 thousand Euros. EDP Group has also Commercial Paper programs of 100,000 thousand Euros with guaranteed placement, which as at 30 September 2017 are totally available. EDP Group has a medium term Revolving Credit Facility (RCF) of 3,150 million Euros, with a firm underwriting commitment and maturing in 2019, a RCF of 500,000 thousand Euros, with a firm underwriting commitment and maturing in 2020, and a RCF of 75,000 thousand Euros, with a firm underwriting commitment and maturing in 2019 which as at 30 September 2017 are totally available.

As at 30 September 2017, future debt and interest payments, by type of loan and currency, are as follows:

Thousand Euros	Sep 2018	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Following years	Total
Bank loans:							
Euro	357,715	33,252	109,804	1,596,842	260,658	368,762	2,727,033
Brazilian Real	135,123	19,870	151,419	66,047	60,698	237,146	670,303
US Dollar	22,385	2,937	307,107	11,492	11,674	170,371	525,966
Other	25,002	9,507	22,295	23,813	26,216	101,814	208,647
	540,225	65,566	590,625	1,698,194	359,246	878,093	4,131,949
Bond loans:							
Euro	150,101	110,780	652,920	1,072,509	595,812	4,652,464	7,234,586
Brazilian Real	215,652	98,791	161,525	131,022	132,784	63,197	802,971
US Dollar	495,718	-	978,880	632,894	630,236	840,293	3,578,021
	861,471	209,571	1,793,325	1,836,425	1,358,832	5,555,954	11,615,578
Hybrid Bond:							
Euro	21,979	-	-	-	-	739,168	761,147
	21,979	-	-	-	-	739,168	761,147
Commercial paper:							
Euro	181,401	-	-	-	200,000	-	381,401
Brazilian Real	-	-	35,193	-	-	-	35,193
US Dollar	1,366	-	211,757	-	-	-	213,123
	182,767	-	246,950	-	200,000	-	629,717
Other loans:							
Euro	1,146	28	50	-	-	-	1,224
Brazilian Real	4,857	618	1,913	928	452	14,385	23,153
	6,003	646	1,963	928	452	14,385	24,377
	1,612,445	275,783	2,632,863	3,535,547	1,918,530	7,187,600	17,162,768

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 30 September 2017 and 31 December 2016 these loans amounted to 1,207,980 thousand Euros and 1,100,951 thousand Euros, respectively (see note 39).

The fair value of EDP Group's debt is as follows:

Thousand Euros	Sep 2017		Dec 2016	
	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Non-Current	15,550,323	16,666,835	15,550,273	16,355,711
Debt and borrowings - Current	1,612,445	1,415,097	2,476,403	2,242,288
	17,162,768	18,081,932	18,026,676	18,597,999

In accordance with the Group's accounting policies, the financial liabilities whose risks are being hedged by derivative financial instruments and that comply with hedge accounting requirements of 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).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

31. Employee Benefits

Employee benefits are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Provisions for social liabilities and benefits	736,358	815,264	3,433	3,088
Provisions for medical liabilities and other benefits	778,206	911,581	1,787	1,858
	1,514,564	1,726,845	5,220	4,946

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Non-Current	1,240,912	1,410,136	4,985	4,655
Current	273,652	316,709	235	291
	1,514,564	1,726,845	5,220	4,946

The movement in Provisions for social liabilities and benefits is as follows:

Thousand Euros	Group
	Sep 2017
Balance at the beginning of the period	815,264
Charge for the period	16,653
Actuarial (gains)/losses	-40,295
Charge-off	-102,750
Surplus / (Deficit) pension funding (see note 22)	48,216
Transfers, reclassifications and exchange differences	-730
Balance at the end of the period	736,358

The components of the consolidated net cost of this pension plans recognised during the period are as follows:

Thousand Euros	Sep 2017			
	Portugal	Spain	Brazil	Group
Current service cost	6,607	1,877	-560	7,924
Operational component (see note 9)	6,607	1,877	-560	7,924
Net interest on the net pensions plan liability	7,864	1,013	-148	8,729
Financial component (see note 12)	7,864	1,013	-148	8,729
	14,471	2,890	-708	16,653

Thousand Euros	Sep 2016			
	Portugal	Spain	Brazil	Group
Current service cost	6,972	2,209	-145	9,036
Past service cost (Curtailment/Plan amendments)	7,492	-	-	7,492
Operational component (see note 9)	14,464	2,209	-145	16,528
Net interest on the net pensions plan liability	9,604	1,198	-470	10,332
Financial component (see note 12)	9,604	1,198	-470	10,332
	24,068	3,407	-615	26,860

The movement in Provisions for medical liabilities and other benefits is as follows:

Thousand Euros	Group
	Sep 2017
Balance at the beginning of the period	911,581
Charge for the period	30,841
Actuarial (gains)/losses	-4,619
Charge-off	-17,090
Fund contributions (see note 40)	-125,673
Transfers, reclassifications, exchange differences and "mútua"	-16,834
Balance at the end of the period	778,206

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

The components of the consolidated net cost of these medical and other benefits plans recognised during the period are as follows:

Thousand Euros	Sep 2017			Sep 2016		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	5,122	642	5,764	7,299	705	8,004
Operational component (see note 9)	5,122	642	5,764	7,299	705	8,004
Net interest on the medical liabilities and other benefits	9,291	15,786	25,077	11,737	11,021	22,758
Financial component (see note 12)	9,291	15,786	25,077	11,737	11,021	22,758
Net cost for the period	14,413	16,428	30,841	19,036	11,726	30,762

As at 30 September 2017, the net movement for the period in Provisions for social liabilities and benefits corresponds to a decrease of 78,906 thousand Euros (30 September 2016: 74,907 thousand Euros), from which 74,830 thousand Euros correspond to the negative net movement occurred in Portugal (30 September 2016: 70,564 thousand Euros) and 4,076 thousand Euros correspond to the negative net movement occurred in Spain and Brazil (30 September 2016: 4,343 thousand Euros). The variation in Portugal relates essentially to benefit payments.

The net movement for the period in Provisions for medical liabilities and other benefits corresponds to an decrease of 133,375 thousand Euros (30 September 2016: 19,488 thousand Euros), from which 125,622 thousand Euros correspond to the negative net movement occurred in Portugal (30 September 2016: 7,339 thousand Euros) and 7,753 thousand Euros correspond to the negative net movement occurred in Brazil (30 September 2016: 26,827 thousand Euros). The variation in Portugal relates essentially to contributions made to Medical Plan and Death Subsidy Plans which amounts to 125,673 thousand Euros, in line with the financing plan approved (see note 40).

For the Group, the commitments relating to pension and medical plans and other benefits are disclosed by maturity, as follows: (i) less than 1 year: 259,331 thousand Euros; (ii) from 1 to 3 years: 478,362 thousand Euros; (iii) from 3 to 5 years: 433,734 thousand Euros, and (iv) more than 5 years: 881,052 thousand Euros.

As at 30 September 2017 and 2016, the current service cost and net interest cost recognised were based on the estimated cost for the period determined actuarially on 31 December 2016 and 2015, respectively.

32. Provisions

Provisions are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Provision for legal and labour matters and other contingencies	96,362	98,574	-	20
Provision for customer guarantees under current operations	3,621	10,435	-	-
Provision for dismantling and decommissioning	458,447	462,887	-	-
Provision for other liabilities and charges	110,582	99,596	8,252	8,303
	669,012	671,492	8,252	8,323

This caption is as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Non-Current	641,301	637,613	7,811	7,599
Current	27,711	33,879	441	724
	669,012	671,492	8,252	8,323

The changes in the Provisions for legal and labour matters and other contingencies are as follows:

Thousand Euros	Group
	Sep 2017
Balance at the beginning of the period	98,574
Charge for the period	11,935
Reversals	-8,001
Charge-off for the period	-8,180
Other and exchange differences	2,034
Balance at the end of the period	96,362

EDP and its subsidiaries' Board of Directors, based on the information provided by its legal advisors and on the analysis of pending law suits, have recognised provisions to cover the losses estimated as probable, related with litigations in progress.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Provision for legal and labour matters and other contingencies includes provisions for litigation in progress and other labour contingencies, which are related essentially with:

- i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa) in the amount of 13,897 thousand Euros (31 December 2016: 13,443 thousand Euros). These requests result from the application of Administrative Orders DNAEE no. 38 of 27 February 1986 and no. 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;
- ii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousand Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, as at 30 September 2017, the estimated liability amounts to 5,836 thousand Euros (31 December 2016: 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 defence 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. Following the Appeal brought by EDP Comercial, the case was returned to the Competition, Regulation and Supervision Court for trial. On 2 March 2017, the Court delivered a sentence objections, which found null the Notice of Illegality and final decision of ERSE. ERSE appealed against this decision;
- iv) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

In accordance with IFRS 3, during an acquisition, the acquiring company shall recognise, at the acquisition date, a contingent liability for the present obligations resulting from past events which fair value can be reliably measured. Within the process of acquisition of control of Porto do Pecém in 2015, the Board of Directors identified a contingency, which estimated responsibility amounts to 5,778 thousand Euros (21,745 thousand Brazilian Reais) as at 30 September 2017.

The movement in Provision for customer guarantees under current operations is as follows:

Thousand Euros	Group Sep 2017
Balance at the beginning of the period	10,435
Charge-off for the period	-6,824
Other and exchange differences	10
Balance at the end of the period	3,621

Provisions for customer guarantees under current operations include essentially provisions for commercial losses.

The movement in Provision for dismantling and decommissioning is as follows:

Thousand Euros	Group Sep 2017
Balance at the beginning of the period	462,887
Unwinding (see note 12)	4,391
Increase of the responsibility (see note 15)	9,361
Other and exchange differences	-18,192
Balance at the end of the period	458,447

As at 30 September 2017, Provision for dismantling and decommissioning includes the following situations:

- i) The Group has recognised a provision of 43,992 thousand Euros (31 December 2016: 43,865 thousand Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;
- ii) Provisions for dismantling wind farms of 263,264 thousand Euros (31 December 2016: 268,191 thousand Euros) to cover the costs of bringing the sites to their original conditions, of which 96,195 thousand Euros refer to the wind farms of the EDPR NA Group, 164,944 thousand Euros refer to the wind farms of the EDPR EU Group, 1,497 thousand Euros refer to the wind farms of the EDPR Brasil Group and 628 thousand Euros refer to the wind farms of the EDPR Canada Group;

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

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 30 September 2017, the provision amounts to 90,393 thousand Euros (31 December 2016: 90,183 thousand Euros) and 58,469 thousand Euros (31 December 2016: 58,210 thousand Euros) for the electric power plants located in Portugal and Spain, respectively.

The movement in Provision for other liabilities and charges for is as follows:

Thousand Euros	Sep 2017	
	Group	Company
Balance at the beginning of the period	99,596	8,303
Charge for the period	1,472	353
Reversals	-4,023	-404
Charge-off for the period	-4,682	-
Other and exchange differences	18,219	-
Balance at the end of the period	110,582	8,252

As at 30 September 2017, the caption Provision for other liabilities and charges includes a provision related with an agreement between EDM - Electricidade de Moçambique E.P and EDP. As part of the institutional collaboration, it was agreed in 2012 the rehabilitation and the conversion of 2 gas turbines of 16 MW decommissioned from Tunes Thermoelectric plant to be installed in Chokwé - Mozambique in open cycle mode. In 2014, EDM requested the transfer of the project to the Nacala area, where the turbines now need to be adapted to work on diesel. It is estimated that from this conversion a negative impact of 8,006 thousand Euros will arise (31 December 2016: 8,006 thousand Euros).

In their ordinary course of business, EDP Group subsidiaries are involved in several litigations and contingencies (of possible risk) of administrative, civil, tax, labour and other natures. These legal, arbitration or other actions, involve customers, suppliers, employees, administrative, central, municipal, tax, environmental or other authorities. In EDP Group and its legal advisors' opinion, the risk of a loss in these actions is not probable, and the outcome will not affect on a material way its consolidated financial position.

The processes whose losses were considered as possible, do not require the recognition of provisions and are periodically reassessed. As at 30 September 2017, there were no significant changes when compared with the period of 31 December 2016, except for the following situations:

i) Within EDP Distribuição there is a contingency regarding the liability for supply and assembly costs of electricity distribution grids, including public illumination, with respect to the urbanistic reconversion and intervention area in Parque Expo 98. In this context, Parque Expo 98 claims that, between 1996 and 2014, it supported the costs that are responsibility of EDP Distribuição. In November 2015, Parque Expo 98 in liquidation addressed EDP Distribuição a separate judicial notice, in order to interrupt the limitation period (which would occur 20 years from the date of the referred agreement). Meanwhile Parque Expo 98, in liquidation, claims a reimbursement from EDP Distribuição of those costs in the amount of 15,811 thousand Euros;

ii) There was a civil judicial proceeding in Empresa Hidroelétrica do Guadiana resulting from inconsistencies of the exploration agreement interpretation of Alqueva and Pedrógão hydroelectric plant, entered into with EDIA. In particular, regarding adjustment effects in the investment made in the construction of Alqueva power increase with annual financial compensation included in the agreement. As at 31 December 2016, the contingency amounts approximately to 7,779 thousand Euros. On 30 September 2017, the process was finished with a decision partially favourable to Empresa Hidroelétrica do Guadiana;

iii) During April 2015, ERSE has notified EDP Distribuição about the resolution regarding the opening of the administrative infraction proceedings, within the framework of the Energy Sector Sanctions Regime (RSSE) requesting several information. After negotiations with ERSE, in December 2016, EDP Distribuição formally submitted a transaction proposal, which was accepted by ERSE, and involved the conviction of 14 negligent administrative offenses, the payment of a fine in the amount of 40,000 Euros and also the payment of compensation to injured consumers. Therefore, this contingency, in June 2017, was finished;

iv) On 29 July 2016, the Portuguese Competition Authority (AdC) has notified EDP, S.A. and EDP Comercial, S.A. with a notice for alleged violation of competition laws, regarding the process about the commercial campaign done in partnership with Modelo Continente, designated as "Plano EDP Continente". This was an occasional campaign, limited to two years, which was one of several campaigns usually performed by several other market agents. As at 30 June 2017, EDP, S.A. and EDP Comercial, S.A. received AdC final decision which applied a fee of 2,900 thousand Euros to EDP, S.A. and 25,800 thousand Euros to EDP Comercial. The companies filed their appeal. EDP Group is convinced that this campaign has brought real benefits to consumers and competition in markets and that no transgression has been committed;

v) EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa) have administrative and judicial actions regarding tax compensations not ratified by the Brazilian Federal Revenue Bureau, which: (i) are protected by judicially recognised credits (IRPJ - Corporate tax income and CSLL - Social Contribution on net profits) and (ii) that result from tax contributions in 2001 of IRPJ, CSLL, PIS (Social integration programme) and COFINS considered excessive as a consequence of the application of "Parecer COSIT 26/2002" (Extraordinary Tariff Adjustment - RTE) published by the Brazilian Tax Authorities. According to this opinion, the amounts resulting from tariffs updating under RTE should be recognised and taxed only as of 2002. As at 30 September 2017, the updated values amount to 98,601 thousand Euros (31 December 2016: 96,828 thousand Euros);

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

vi) Porto do Pecém was subject to a tax execution procedure in the amount of 21,565 thousand Euros, related to an alleged non-taxation under IRPJ and CSLL of prior years' financial income and exchange rate gains (31 December 2016: 21,225 thousand Euros).

vii) The companies of EDP - Energias do Brasil (Energest, Lajeado, Investco, Enerpeixe, Santa Fé, Porto do Pecém and Costa Rica), through the Brazilian Association of Independent Power Producers - APINE and the Brazilian Association of Power Generation - ABRAGEL, filed a lawsuit seeking to suspend the effects of CNPE Resolution 03/13, which established the apportionment among all agents of the electricity market of part of the costs incurred with the excessive use of energy from thermic sources (oil, coal and gas), due to the scarcity of the rainfall regime (System Service Charge - ESS). The updated value as at 30 September 2017 is 30,265 thousand Euros (31 de December 2016: 7,987 thousand Euros).

viii) Following a period of drought in the State of Ceará, the local government, through Decree 32,044 of 16 September 2016, introduced an extraordinary rate called the Emergency Water Charge (EHE) on the actual water consumption of industries thermoelectric power plants, and in particular the Porto do Pecém. On 13 October 2016, the Porto do Pecém submitted an administrative request to ANEEL for the purpose of transferring this additional cost to the Unit Variable Cost (UVC), in order to restore the economic-financial balance of the contract (CCEAR). ANEEL, through Order 3,293 of 19 December 2016, denied the request of the Port of Pecém, which initiated proceedings against ANEEL.

In May 2017, the Porto de Pecém obtained an injunction that allows the full transfer of the EHE to the CVU. This injunction further determines the suspension of ANEEL's application of any penalty for possible reduction and/or interruption of energy production due to problems with water supply, including penalties for non-availability, suspension of commercial operation and replacement of "lastro", preventing this means any type of suspension of the payment of the fixed revenue to which the Porto de Pecém is entitled under the Contracts for Contracting of Energy in a Regulated Environment (CCEAR). Following this court decision and with reference as at 30 September 2017, the Porto do Pecém booked an amount receivable (assets), in the amount of 11,793 thousand Euros (44,383 thousand Brazilian Reais), which will be invoiced to customers in the coming months.

As at 30 September 2017, the lawsuit against ANEEL requiring the guarantee of the economic-financial balance of the CCEARs by transferring the EHE to the UVC awaits judgment, and the likelihood of the contingency associated with the eventual need to return the now registered amount graduated as and the estimated total amount of 31,267 million Euros (117,672 thousands of Brazilian Reais), referring to the estimate of EHE values during the period of validity of the first decree (1 October 2016 until 31 August 2017). The financial impacts arising from the new Decree No. 32,305 / 2017, published 11 on August by the Government of the State of Ceará, are currently being analysed, as it extended the term of this charge for an indeterminate period.

Finally, it is important to identify litigation and contingencies that, although the EDP Group classifies its risk as remote, assume materially relevant values, namely:

i) On 27 October 2009 and 5 January 2010, the EDP Group received two tax settlements regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely EDP Espírito Santo (ex-Escelsa) and Enersul. As at 30 September 2017, the amount of this tax contingency amounts to 271 million Euros (31 December 2016: 264 million Euros).

Considering the analysis made, the technical advice received and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes as established in article 75 number 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at that date (existing article 81).

Given the above, and considering that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional settlements. Thus, following the implied rejection of the hierarchical appeal, EDP presented a judicial claim, on 6 June 2012, which is still being analysed;

ii) EDP São Paulo (ex-Bandeirante) through the Power Industry Union of the State of São Paulo - SindiEnergia, filed two claims against the Treasury Department of the State of São Paulo, seeking the suspension of the effects of Decrees 55.421/2010 and 55.867/2010. Both claims deal with VAT incidence on energy technical losses (theft, deviation or fraud) and obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts, however, given that the higher courts jurisprudence supports the thesis discussed in this process, the EDP Group classifies as remote the risk of losing this action. The estimated value at 30 September 2017 amounts to 120,001 thousand Euros (31 December 2016: 115,195 thousand Euros).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

33. Institutional Partnerships in USA

The caption Institutional partnerships in USA is as follows:

Thousand Euros	Group	
	Sep 2017	Dec 2016
Deferred income related to benefits provided	796,722	819,199
Liabilities arising from institutional partnerships in USA	1,131,234	1,520,226
	1,927,956	2,339,425

EDPR North America recognises under this caption the receipts of institutional investors associated with wind and solar projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, and recognised over the useful life the related projects (see note 7). Additionally, this liability is increased by the estimated interest based on the liability outstanding and the expected rate of return of the institutional investors (see note 12).

The movements in Institutional partnerships in USA wind farms are as follows:

Thousand Euros	Group
	Sep 2017
Balance at the beginning of the period	2,339,425
Proceeds received from institutional investors	103,605
Cash paid for deferred transaction costs	-2,234
Cash paid to institutional investors	-174,506
Income (see note 7)	-166,400
Unwinding (see note 12)	69,441
Exchange differences	-241,011
Other	-364
Balance at the end of the period	1,927,956

During 2017, EDPR NA has secured proceeds amounting to 332 million Euros related to institutional equity financing with BNY Mellon, in exchange for an interest in the Vento XVII portfolio. From the total, the Group has received proceeds amounting to 104 million Euros corresponding to the first instalment of this financing.

34. Trade and Other Liabilities from Commercial Activities

Trade and other liabilities from commercial activities - Non-Current are as follows:

Thousand Euros	Group	
	Sep 2017	Dec 2016
Investment government grants	499,681	595,201
Amounts payable for tariff adjustments - Electricity - Portugal	19,153	76,611
Amounts payable for tariff adjustments - Electricity - Brazil	36,640	31,900
Energy sales contracts - EDPR NA	14,859	19,857
Deferred income - CMEC	357,135	226,521
Amounts payable for concessions	222,640	226,012
Other creditors and sundry operations	115,718	117,031
	1,265,826	1,293,133

Trade and other liabilities from commercial activities - Current are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Suppliers	1,010,484	1,020,684	192,778	255,888
Accrued costs related with supplies	555,590	478,797	200,859	288,274
Property, plant and equipment suppliers and accruals	586,244	800,429	793	1,459
Holiday pay, bonus and other charges with employees	153,139	164,407	25,185	27,256
CO2 emission Licenses	74,673	84,474	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	78,539	81,045	-	-
Amounts payable for tariff adjustments - Electricity - Brazil	34,478	103,054	-	-
Deferred income - CMEC	95,424	33,712	-	-
Other creditors and sundry operations	509,981	595,819	19,381	13,915
	3,098,552	3,362,421	438,996	586,792

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

The movement for the period in Amounts payable for tariff adjustments - Electricity - Portugal (Current and Non-current) is as follows:

Thousand Euros	Current	Non-Current
Balance as at 31 December 2016	81,045	76,611
Payment through the electricity tariff	-60,182	-
Interest expense (see note 12)	264	-
Transfer to/from tariff adjustment receivable	-46	-
Transfer from Non-Current to Current	57,458	-57,458
Balance as at 30 September 2017	78,539	19,153

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments booked in EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa) in the accumulated amount of 48,475 thousand Euros (31 December 2016: 119,156 thousand Euros) and 22,643 thousand Euros (31 December 2016: 15,798 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 156,262 thousand Euros (see note 6), transfer from tariff adjustment receivable of 10,971 thousand Euros (see note 21), unwinding in the amount of 8,985 thousand Euros (see note 12), decrease in the amount received through the electricity tariff of 209,532 thousand Euros and the exchange differences due to depreciation of Brazilian Real with a negative impact of 8,580 thousand Euros.

Investment government grants are amortised through the recognition of a revenue in the income statement over the useful life of the related assets, in the amount of 21,420 thousand Euros as at 30 September 2017 (see note 11). This caption includes grants received by EDPR NA subgroup under the American Recovery and Reinvestment Act promoted by the United States of America Government.

At the moment of the EDPR NA acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousand US Dollars, being booked as a non-current liability under Energy sales contract - EDPR NA, which is amortised over the useful life of the contracts in Other operating income - Other.

Deferred income - CMEC Current and Non-Current, in the amount of 452,559 thousand Euros (31 December 2016: 260,233 thousand Euros) refers to the initial CMEC amount (833,467 thousand Euros) net of the amortisation of initial CMEC during the years 2007 to 2017 and including unwinding (see note 12), in the amount of 199,686 thousand Euros and 252,873 thousand Euros relating with the final adjustment recognised in accordance with the result achieved by the EDP/REN working group (256,539 thousand Euros), deducted of the period amortisation and unwinding charges.

Amounts payable for concessions includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 149,931 thousand Euros (31 December 2016: 142,248 thousand Euros) and the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 72,359 thousand Euros (31 December 2016: 83,066 thousand Euros).

The caption CO2 emission licenses includes the CO2 consumptions during 2017 in Portugal and Spain of 45,236 thousand Euros and 29,437 thousand Euros, respectively. This decrease in comparison with 2016 relates to the delivery in 2017 of the 2016 licences consumption, which are returned to regulatory authorities until April of the year following its consumption.

In the energy distribution activity, the subsidiaries of EDP Group in Portugal and Spain recover the deficits and tariff adjustments assets through the tariffs charged to their customers. The caption Other creditors and sundry operations - Current, includes the amounts payable to entities that have acquired the right to receive these assets in securitization or direct sales operations in Portugal and settlements to be made to the regulatory entity in Spain. As at 30 September 2017, under the transfer to these entities of assets recovered through the tariffs, these payables amount to 129,579 thousand Euros and 27,934 thousand Euros in Portugal and Spain, respectively (31 December 2016: 112,900 thousand Euros and 35,209 thousand Euros). Additionally, this caption includes 14,317 thousand Euros related to tariff adjustment payable (31 December 2016: 14,317 thousand Euros).

The decrease of the caption Property, plant and equipment suppliers and accruals is mainly driven by net payments in EDPR NA, where the construction of relevant windfarms is ongoing.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

35. Other Liabilities and Other Payables

Other liabilities and other payables are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	599,633	563,862	-	-
Put options over non-controlling interest liabilities	2,169	2,299	-	-
Derivative financial instruments	111,474	138,642	122,085	155,453
Group companies	-	-	1,464,796	2,577,517
Amounts payable and contingent prices for acquisitions/sales	56,213	17,796	-	-
Lease contracts with EDP Pension and Medical and Death Subsidy Funds	79,770	28,873	79,770	28,873
Other creditors and sundry operations	7,282	9,629	-	-
	856,541	761,101	1,666,651	2,761,843
Other liabilities and other payables - Current				
Loans from non-controlling interests	135,687	121,902	-	-
Dividends attributed to related companies	15,674	68,300	-	-
Derivative financial instruments	75,380	133,214	151,349	182,202
Group companies	-	-	1,058,406	214,382
Amounts payable and contingent prices for acquisitions/sales	4,393	10,409	-	-
Lease contracts with EDP Pension and Medical and Death Subsidy Funds	6,421	2,484	6,421	2,484
Other creditors and sundry operations	660	8,723	199,389	144,470
	238,215	345,032	1,415,565	543,538
	1,094,756	1,106,133	3,082,216	3,305,381

The caption Loans from non-controlling interests Current and Non-Current mainly includes:

- i) loans granted by ACE Portugal (CTG Group) due to the sale in 2017 of 49% of shareholding in EDPR PT – Parques Eólicos S.A and subsidiaries for a total amount of 37,114 thousand Euros, including accrued interests, bearing interest at a fixed rate of 3.75% (see notes 5 and 40);
- ii) loans granted by Vortex Energy Investments II due to the sale in 2016 of 49% of shareholding in EDPR Participaciones S.L. and subsidiaries for a total amount of 238,787 thousand Euros, including accrued interests (31 December 2016: 245,981 thousand Euros), bearing interest at a fixed rate of a range between 3.3% and 7.55%;
- iii) loans granted by ACE Poland (CTG Group) due to the sale in 2016 of 49% of shareholding in EDP Renewables Polska HoldCo, S.A. and subsidiaries for a total amount of 120,415 thousand Euros, including accrued interests (31 December 2016: 120,390 thousand Euros), bearing interest at a fixed rate of a range between 1.33% and 7.23% (see note 40);
- iv) loans granted by ACE Italy (CTG Group) due to the sale in 2016 of 49% of shareholding in EDP Renewables Italia, S.r.l. and subsidiaries for a total amount of 77,575 thousand Euros, including accrued interests (31 December 2016: 83,618 thousand Euros), bearing interest at a fixed rate of 4.5% (see note 40);
- 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 63,443 thousand Euros, including accrued interests (31 December 2016: 66,264 thousand Euros), bearing interest at a fixed rate of a range between 3.1% and 7.18%;
- vi) loans granted by CITIC CWEI Renewables (CTG Group) due to the sale in 2013 of 49% of shareholding in EDP Renováveis Portugal, S.A. for a total amount of 62,779 thousand Euros, including accrued interests (31 December 2016: 71,501 thousand Euros), bearing interest at a fixed rate of 5.5% (see note 40);
- vii) loans from Sonatrach to Central Térmica Ciclo Combinado Grupo 4 in the amount of 58,220 thousand Euros (31 December 2016: 58,220 thousand Euros), from which 4,664 thousand Euros are classified as Non-Current and 53,556 thousand Euros as Current.

The Amounts payable and contingent prices for acquisitions/sales includes the amounts related with the contingent prices for the acquisition of several European projects (mainly in Poland, Romania and Italy) and Brazilian projects, as well as the contingent prices related with the Naturgás sale transaction, in the amount of 43 million Euros.

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 40 and 44).

The caption Group companies Current, on a Company basis, includes 877,022 thousand Euros (31 December 2016: 37,752 thousand Euros) related to the debt financing obtained by EDP S.A. Sucursal en España through EDP Finance B.V. (see note 44). Additionally, this caption includes the amounts to be paid under the EDP Group's financial system (see note 40).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

The caption 'Lease contracts with EDP Pension and Medical and Death Subsidy Funds' corresponds to the lease contract regarding the building units of Porto headquarters acquired by EDP Pension Fund in December 2015 and the Lisbon headquarters building given as an in-kind contribution to EDP Medical and Death Subsidy Fund in September 2017. Regarding to the building units of Porto headquarters, the lease contract is for a period of 25 years, with a monthly expense of 270 thousand Euros and an implicit rate of 6.42%. As at 30 September 2017, it amounts to 30,949 thousand Euros (31 December 2016: 31,357 thousand Euros) (see note 40).

Regarding to the Lisbon headquarters building, the building component was booked as an asset of EDP, S.A. in Property, Plant and Equipment, at the present value of the minimum lease payments. The lease contract is for a period of 25 years, with a monthly expense of 491 thousand Euros and an implicit rate of 5.82%. As at 30 September 2017, it amounts to 55,242 thousand Euros (see notes 15 and 40).

36. Tax Liabilities

Tax liabilities are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Income tax	98,888	326,951	-	263,313
Withholding tax	17,085	74,066	978	993
Extraordinary Contribution to the Energy Sector (see note 14)	69,421	-	-	-
Value Added Tax (VAT)	114,713	289,807	10,549	2,809
Special taxes Brazil	208,188	96,685	-	-
Other taxes	262,252	233,911	917	886
	770,547	1,021,420	12,444	268,001

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Non-Current	150,661	68,156	-	-
Current	619,886	953,264	12,444	268,001
	770,547	1,021,420	12,444	268,001

The decrease in Income tax caption is mainly due to the payment in May 2017 of December 2016 income tax and by the estimation of Income tax receivable in September 2017, by EDP S.A.

As at 31 December 2016, for the Group, the caption Value added tax (VAT) included the VAT due by Naturgas Group, in the amount of 197,595 thousand Euros, in the context of an intragroup sale of gas distribution assets occurred in December 2016, which was paid in the first quarter of 2017.

As at 30 September 2017, the captions Income tax and Special taxes Brazil include the amount of 126,521 thousand Euros (476,160 thousand Brazilian Reais), corresponding to the liability recognised in the third quarter of 138,632 thousand Euros (521,742 thousand Brazilian Reais) net of payments (see note 23).

As at 30 September 2017, for the Group, the caption Other taxes includes taxes regarding HC Energia Group of 93,094 thousand Euros (31 December 2016: 96,409 thousand Euros). Additionally, includes 52,965 thousand Euros (31 December 2016: 52,965 thousand Euros) of special autonomous taxation on revaluations as a result of the fiscal revaluation of certain eligible EDP assets held in Portugal.

37. Assets and Liabilities Held for Sale

The criteria for classifying assets and liabilities as held for sale and discontinued operations, as well as their presentation in EDP Group's consolidated financial statements, are presented under the Group's accounting policies.

This caption is as follows:

Thousand Euros	Group	
	Sep 2017	Dec 2016
Assets held for sale		
Gas distribution assets- EDP Gás Portugal	564,597	551,802
Electricity generation assets - United Kingdom	52,552	-
Other assets (see note 15)	1,071	-
	618,220	551,802
Liabilities held for sale		
Gas distribution liabilities - EDP Gás Portugal	63,444	75,854
	63,444	75,854
	554,776	475,948

During the last quarter of 2016, EDP Group began the selling process of the business of gas distribution in Portugal which was concluded in 4 October 2017 (see note 42).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

During the second quarter of 2017, EDPR Group committed to the plan to sell and consequently loss of control of Moray Offshore Windfarm (East) Limited, so, according to the analysis performed under IFRS 5, this sale was considered highly probable, and as at 30 June 2017, its assets and liabilities were classified as held for sale. On 7 July 2017, EDPR Group has reached a first agreement with Engie for the sale and subsequent loss of control of 23.3% of the equity shareholding and shareholder loans of the company, for an amount of 21 million Pounds (see notes 5 and 7). On this date, both shareholders signed an agreement, which determined the joint control of the company by EDPR and Engie, from the moment EDPR UK submitted the bid for the UK Auction, which took place in August.

In August and September 2017, EDPR Group has signed new agreements for the sale of 33.4% and 20% of the capital stock and loans of Moray to Mitsubishi Group's Diamond Green Limited (DGE) and the Group China Three Gorges (CTG), respectively, which closings will take place as soon as the necessary governmental authorisations have been obtained and the corresponding suspensive clauses are complied with.

Accordingly, as at 30 September 2017, the assets attributable to the remaining capital shares and respective loans that will be disposed of to DGE and the CTG of 33.4% and 20%, respectively, are recognised in non-current assets held for sale in the amount of 52,552 thousand Euros.

This reclassification was made only for financial statement presentation purposes, as it is expected that the fair value less costs to sell is higher than its book value, in accordance with IFRS 5. Also under this IFRS, the investment in joint ventures classified as held for sale will no longer be subject to the equity method of accounting.

38. 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).

The fair value of the derivative financial instruments portfolio is as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Derivatives held for trading	-32,247	-10,545	74,505	23,454
Fair value hedge	136,128	141,957	401,800	668,047
Cash flow hedge	-72,980	-8,177	35,638	37,430
Net Investment hedge	35,826	-12,138	-	-
	66,727	111,097	511,943	728,931

The fair value of derivative financial instruments is booked in Other debtors and other assets (see note 22) and Other liabilities and other payables (see note 35), 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 41) 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.

During the nine-month period ended 30 September 2017 and 2016 the following market inputs were considered for the fair value calculation:

Instrument	Market input
Cross-curr. int. rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Libor 3M, Libor 6M, Daily CDI 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 CO2.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

39. Commitments

Financial, operating and real guarantees granted by EDP Group, not included in the statement of financial position, are as follows:

Thousand Euros	Group		Company	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Financial guarantees				
EDP Brasil Group	1,317,557	1,510,507	-	-
EDP Renováveis Group	6,457	21,039	-	-
	1,324,014	1,531,546	-	-
Operating guarantees				
EDP, S.A.	726,757	501,334	726,757	501,334
EDP España Group	307,048	257,773	-	-
EDP Brasil Group	611,365	463,704	-	-
EDP Renováveis Group	2,615,781	2,367,120	-	-
Other	4,250	4,323	-	-
	4,265,201	3,594,254	726,757	501,334
Total	5,589,215	5,125,800	726,757	501,334
Real guarantees	2,472	4,137	-	-

The financial guarantees contracted as at 30 September 2017 and 31 December 2016 include 941,118 thousand Euros and 1,110,133 thousand Euros, respectively, related with loans obtained by Group companies and are already included in the consolidated debt.

Included in the operating guarantees contracted as at 30 September 2017 and 31 December 2016, are the amounts of 318,269 thousand Euros and 495,692 thousand Euros which, respectively, refer to corporate guarantees provided by EDP Renováveis relating to EDPR Renováveis Group commercial commitments already reflected in the Statement of Financial Position. Additionally, EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 30 September 2017 and 31 December 2016, 810,111 thousand Euros and 325,674 thousand Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

In addition to the information disclosed above:

i) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, willful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 30 September 2017 and 31 December 2016, EDPR's obligations under the tax equity agreements, in the amount of 1,199,160 thousand Euros and 1,428,275 thousand Euros, respectively, are already reflected under the caption Institutional Partnerships in USA;

ii) The Group has also project finance loans and deposits constituted as collateral for financial guarantee, which are disclosed in note 30.

In the Group, the commitments relating to future lease payments under operating leases and purchase obligations are disclosed by maturity, as follows:

Thousand Euros	Sep 2017				
	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	1,422,073	80,836	133,553	117,454	1,090,230
Purchase obligations	21,787,142	5,224,376	5,438,519	2,989,079	8,135,168
	23,209,215	5,305,212	5,572,072	3,106,533	9,225,398

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 15,480,608 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	Sep 2017	Dec 2016
Purchase obligation - Present value	15,480,608	15,088,520
Purchase obligation - Notional amount	21,051,383	20,286,380

Purchase obligations also include obligations of long term contracts relating to the supply of products and services under the Group's ordinary course of business. Prices defined under forward contracts are used in estimating the amount of contractual commitments.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

The nature of purchase obligations breaks down as follows:

Thousand Euros	Sep 2017	Dec 2016
Fuel acquisitions	3,303,901	4,273,355
Electricity acquisition	14,284,155	14,382,677
O&M contracts	1,114,203	1,257,234
Fixed assets, equipment and miscellaneous materials acquisition	956,748	802,169
Work contracts	728,557	774,832
Other supplies and services	1,399,578	987,105
	21,787,142	22,477,372

The commitments for fuel and electricity acquisition are disclosed, by maturity, as follows:

Thousand Euros	Sep 2017				
	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	3,303,901	839,537	1,178,437	586,036	699,891
Electricity acquisition	14,284,155	2,543,392	2,922,890	2,149,084	6,668,789
	17,588,056	3,382,929	4,101,327	2,735,120	7,368,680

As at 30 September 2017, purchase obligations of fixed assets, equipment and miscellaneous materials correspond to: (i) 596,667 thousand Euros relating to property, plant and equipment acquisition; (ii) 103,107 thousand Euros relating to intangible assets acquisition; and (iii) 256,974 thousand Euros relating to equipment and miscellaneous materials acquisition.

The commitments relating to future lease payments under finance leases and to short and medium-long term financial debt are disclosed in notes 15 and 30, respectively. The commitments relating to pension and medical plans and other benefits are disclosed in note 31.

As at 30 September 2017, EDP Group has the following liabilities arising from put options on investments, held by third parties:

- Put option related to 25% of the share capital of Tivano S.R.L., exercisable under certain conditions, between July 2016 and July 2020. The exercise price is 450 thousand Euros, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 30 September 2017 the put option amounts to 1,618 thousand Euros (see note 35);
- Put option related to 25% of the share capital of San Mauro S.R.L., exercisable under certain conditions, between March 2017 and March 2022. The exercise price corresponds to 25% of the final purchase price of the company, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 30 September 2017 the put option amounts to 259 thousand Euros (see note 35);
- Put option related to 25% of the share capital of AW 2 S.R.L., exercisable under certain conditions, between April 2017 and April 2022. The exercise price corresponds to 25% of the final purchase price of the company, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 30 September 2017 the put option amounts to 292 thousand Euros (see note 35).

Some of the transactions related to the disposal of non-controlling interests while retaining control, carried out in 2017 and in previous years, incorporate contingent assets and liabilities according to the terms of the corresponding agreements.

At Company level, the commitments relating to future lease payments under operating leases and purchase obligations are disclosed, by maturity, as follows:

Thousand Euros	Sep 2017				
	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	240,547	12,124	21,700	18,552	188,171
Purchase obligations	126,370	53,996	65,866	6,508	-
	366,917	66,120	87,566	25,060	188,171

As at 30 September 2017, the caption Purchase obligations relates to O&M contracts.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

40. Related Parties**Shares held by company officers**

Under the General and voluntary tender offer over the shares representing the share capital of EDP Renováveis, S.A., under the terms of the article 19 of the Rule (EU) 596/2014 of the European Parliament and of the Council and article 248-B of the Portuguese Securities Code ("Código dos Valores Mobiliários"), during the third quarter, the Company Officers have sold the following shares:

- António Luís Guerra Nunes Mexia - 4,200 shares;
- Nuno Maria Pestana de Almeida Alves - 5,000 shares;
- António Fernando Melo Martins da Costa - 1,480 shares;
- Miguel Nuno Simões Nunes Ferreira Setas - 1,200 shares;
- Rui Manuel Rodrigues Lopes Teixeira - 12,370 shares;
- Miguel Stilwell de Andrade - 2,510 shares;
- João Manuel Veríssimo Marques da Cruz - 1,200 shares;
- João Carvalho das Neves - 3,200 shares.

Additionally, Rui Manuel Rodrigues Lopes Teixeira sold 23,400 shares representing the share capital of EDP.

Balances and transactions with companies of China Three Gorges Group

In accordance with the EDP/CTG strategic partnership, EDP Renováveis Group has completed the sale of 49% of EDPR Portugal, EDPR PT-PE, EDPR Italia and EDPR Polska to CTG Group.

Following these transactions, CTG Group granted loans to the EDPR Group in the amount of 297,881 thousand Euros including accrued interests (31 December 2016: 275,509 thousand Euros) (see note 35), and interests were booked in the amount of 6,270 thousand Euros (30 September 2016: 3,323 thousand Euros).

Balances with EDP Pension and Medical and Death Subsidy Funds

In December 2015, EDP, S.A. signed a lease contract related with the building units of the Porto headquarters (sold to the EDP Pension Fund in December 2015) for a period of 25 years with an implicit rate of 6.42%. As at 30 September 2017, the present value of the contract amounts to 30,949 thousand Euros (31 December 2016: 31,357 thousand Euros) (see note 35).

In September 2017, EDP, S.A. signed a lease contract related with the building of the Lisbon headquarters (given as an in-kind contribution to the EDP Medical and Death Subsidy Funds) for a period of 25 years with an implicit rate of 5.82%. As at 30 September 2017, the present value of the contract amounts to 55,242 thousand Euros, which given its nature, was booked as Property, Plant and Equipment against Other creditors and other liabilities (see notes 15 and 35).

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. During the nine-month period ended 30 September 2017, a contribution of 125,673 thousand Euros was made (see note 31).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Balances and transactions with subsidiaries, joint ventures and associates

In their ordinary course of business, EDP Group companies establish commercial transactions and operations with other Group companies, whose terms reflect current market conditions.

The credits and debits over subsidiaries, joint ventures and associates, at Company level, are as follows:

Credits held

Thousand Euros	September 2017			
	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
EDP Comercial	-	75,481	186,167	261,648
EDP Distribuição	592,740	1,712,223	44,804	2,349,767
EDP Finance B.V.	-	428,057	34,034	462,091
EDP Produção	139,598	4,805,716	136,040	5,081,354
EDP Imobiliária e Participações	-	84,356	191	84,547
EDP IS (ex-Balwerk)	-	190,934	42	190,976
EDP Renováveis	-	-	406,504	406,504
EDP Servicios Financieros España	427,980	893,448	10,400	1,331,828
Other	35,679	53,991	166,839	256,509
	1,195,997	8,244,206	985,021	10,425,224

The amount of 428,057 thousand Euros refers to the repurchase in market by EDP, S.A. of two bond issues issued by EDP Finance B.V.

Debits held

Thousand Euros	September 2017			
	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Distribuição	-	-	24,557	24,557
EDP Finance B.V.	-	13,015,721	97,964	13,113,685
EDP Produção	-	-	293,313	293,313
EDP Imobiliária e Participações	68,248	-	2,648	70,896
Pebble Hydro	-	46,700	1,023	47,723
Other	113,136	-	260,939	374,075
	181,384	13,062,421	680,444	13,924,249

The amount of 13,015,721 thousand Euros includes 5 intragroup bonds issued by EDP Finance B.V. to EDP S.A. as at 30 September 2017, in the total amount of 7,939,148 thousand Euros, with variable rate at medium-long term (5, 7 and 10 years).

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Expenses and income related to subsidiaries, joint ventures and associates, at Company level, are as follows:

Expenses

Thousand Euros	September 2017			
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	Total
EDP Finance B.V.	-	-273,333	-81,321	-354,654
EDP Produção	-	-	-993,383	-993,383
Other	-22	-28	-102,184	-102,234
	-22	-273,361	-1,176,888	-1,450,271

Income

Thousand Euros	September 2017			
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total
EDP Comercial	113	1,848	723,234	725,195
EDP Distribuição	613	67,265	38,609	106,487
EDP Produção	762	158,666	458,247	617,675
EDP Finance B.V.	-	19,663	71,047	90,710
EDP Renováveis	-	-	87,986	87,986
Other	388	31,173	274,205	305,766
	1,876	278,615	1,653,328	1,933,819

Other gains include income from equity investments of 347,203 thousand Euros (see note 12).

Assets, liabilities and transactions with related companies, for the Group, are as follows:

Assets and Liabilities

Thousand Euros	September 2017		
	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioelétrica	15,189	8,615	6,574
Empresa de Energia Cachoeira Caldeirão	15,675	1,235	14,440
Empresa de Energia São Manoel	30,257	-	30,257
Cide HC Energia	17,234	10,746	6,488
Moray Offshore Windfarm (East)	19,399	-	19,399
Other	8,538	5,382	3,156
	106,292	25,978	80,314
Associates			
MABE Construção e Administração de Projectos	5,437	-	5,437
Parque Eólico Sierra del Madero	12,783	-	12,783
Other	11,531	171	11,360
	29,751	171	29,580
	136,043	26,149	109,894

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Transactions

Thousand Euros	September 2017			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioelétrica	1,157	141	-37,430	-
Cide HC Energía	68,323	-	-151	-
Other	9,557	1,374	-20,165	-
	79,037	1,515	-57,746	-
Associates				
MABE Construção e Administração de Projectos	101	424	-	-
Desarrollos Eólicos de Canarias	760	-	-1	-
Other	619	572	-16	-3
	1,480	996	-17	-3
	80,517	2,511	-57,763	-3

41. Fair Value of Financial Assets and Liabilities

The fair value of financial assets and liabilities is as follows:

Thousand Euros	Group Sep 2017			Group Dec 2016		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	117,690	117,690	-	165,044	165,044	-
Debtors/other assets from commercial activities	6,144,044	6,144,044	-	5,656,055	5,656,055	-
Other debtors and other assets	814,636	814,636	-	440,632	440,632	-
Derivative financial instruments	253,581	253,581	-	382,953	382,953	-
Financial assets at fair value through profit or loss	6,541	6,541	-	9,567	9,567	-
Collateral deposits/financial debt	39,984	39,984	-	52,031	52,031	-
Cash and cash equivalents	1,459,496	1,459,496	-	1,521,253	1,521,253	-
	8,835,972	8,835,972	-	8,227,535	8,227,535	-
Financial liabilities						
Financial debt	17,162,768	18,081,932	919,164	18,026,676	18,597,999	571,323
Suppliers and accruals	1,596,728	1,596,728	-	1,821,113	1,821,113	-
Institutional partnerships in USA	1,927,956	1,927,956	-	2,339,425	2,339,425	-
Trade/other payables from commercial activities	2,267,969	2,267,969	-	2,239,240	2,239,240	-
Other liabilities and other payables	907,902	907,902	-	834,277	834,277	-
Derivative financial instruments	186,854	186,854	-	271,856	271,856	-
	24,050,177	24,969,341	919,164	25,532,587	26,103,910	571,323

Given that EDP Group's financial assets and liabilities, recognised at amortised cost, are predominantly short-term and level 2, changes in fair value were not considered. Fair value of EDP Group's loans was determined considering current market interest rates.

The market value of loans is calculated based on the discounted cash flows at market interest rates at the balance sheet date, increased by the best estimate, at the same date, of market conditions applicable to Group's debt, based on its average term.

As at 30 September 2017, for the Company, the caption Held to maturity financial investments, in the amount of 435,354 thousand Euros (31 December 2016: 507,003 thousand Euros) corresponds to the recognition at amortised cost, according to the Group's accounting policy, of bonds issued by EDP Finance B.V., acquired in a market operation by EDP, S.A. in 2016. On a consolidated basis, this operation represents a debt extinction. As at 30 September 2017, these investments' fair value amounts to 433,743 thousand Euros (31 December 2016: 498,201 thousand Euros). The bond with maturity in February 2018 was transferred to current assets.

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.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

Thousand Euros	30 September 2017			31 December 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	-	76,302	41,388	50,369	72,725	41,950
Derivative financial instruments	-	253,581	-	-	382,953	-
Financial assets at fair value through profit or loss	-	-	6,541	-	-	9,567
	-	329,883	47,929	50,369	455,678	51,517
Financial liabilities						
Derivative financial instruments	-	186,854	-	-	271,856	-
	-	186,854	-	-	271,856	-

The movement in financial assets and liabilities included in Level 3 is as follows:

Thousand Euros	Available for sale investments		Financial assets at fair value through profit or loss	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Balance at beginning of period	41,950	33,733	9,567	9,288
Change in fair value	21	4,498	-	-
Acquisitions	325	469	-	4,016
Disposals	-209	-42	-	-
Impairment	-695	-292	-	-
Other changes	-4	-149	-3,026	-2,723
Balance at the end of the period	41,388	38,217	6,541	10,581

42. Relevant or Subsequent Events

Sale of EDP Gás Distribution in Portugal

Following the information communicated to the market on 7 April 2017, EDP has completed on 4 October 2017, under the same terms and conditions previously disclosed, through its subsidiary EDP Iberia, S.L.U., the sale to REN Gás, S.A. of 100% of EDP Gás SGPS, S.A. ("EDP Gás"), which fully owns EDP Gás Distribuição, S.A. and EDP Gás GPL – Comércio de Gás de Petróleo Liquefeito, S.A.

The agreed transaction price corresponds to an Enterprise Value of 532 million Euros. As at December 2016, EDP Gás held a Regulated Asset Base (RAB) estimated of 452 million Euros and generated an EBITDA of 49 million Euros in 2016.

This transaction follows EDP's business plan announced in May 2016, which considered disposals of assets, and will result in a 536 million Euros reduction in EDP's net debt this year.

This transaction supports the deleveraging targets set forth by EDP and increases the level of integration of EDP's business model.

EDP Brasil awarded with 4 new electricity transmission concessions

On 24 April 2017, EDP – Energias do Brasil, S.A. (EDP Brasil), 51% held by EDP, was awarded with 4 blocks of concessions for the building and operation of electricity transmission lines with a total length of 1,184 kilometres, including 3 sub-stations. The concessions are located in the Brazilian states of Maranhão (2 blocks), São Paulo/Minas Gerais and Santa Catarina/Rio Grande do Sul.

The total expected investment amounts to 3 billion Brazilian Real, of which 95% to occur in the period 2019-2021. The annual contracted gross profit for the 4 blocks is 474 million Brazilian Real, to be inflation rate updated.

One of the blocks, located in the region of Santa Catarina/Rio Grande do Sul and whose investment amounts to 1.1 billion Brazilian Real, will be carried out between EDP Brasil and Centrais Elétricas de Santa Catarina S.A. (Celesc), with Celesc participating with a 10% share in the project.

The financing of the projects entails the contracting of long-term debt with BNDES for up to 14 years, leading to an average financial leverage of 80%. The expected average return on equity for these projects, in real terms, is within the 12% to 14% range.

The result of this auction reinforces the presence of EDP Brasil in the electricity transmission business, diversifying along the sector's value chain, with adequate return and controlled risk.

**EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016**

ERSE announces its proposal for tariffs in 2018 and parameters for 2018-2020

The Portuguese Electricity Regulator ("ERSE") announced on 15 October 2017 its proposal for electricity tariffs in 2018 and the parameters for the regulatory period 2018-2020, following which it is worth noting that:

- For the last resort electricity supply (operated by our subsidiary EDP Serviço Universal), ERSE proposed regulated gross profit in 2018 (excluding previous year adjustments) of 37 million Euros, considering a 0.2% average decrease for normal low voltage (NLV) electricity tariffs. ERSE's assumption for the average electricity purchase cost for the supply of clients is 51 Euros/MWh in 2018.

- ERSE proposed regulated gross profit for the activity of electricity distribution (operated by our subsidiary EDP Distribuição) is 1,076 million Euros for 2018 (excluding previous year adjustments), considering:

- i) For the high and medium voltage distribution segment, a preliminary rate of return ("RoR") of 5.75% before taxes. The definitive rate in the period 2018-2020 will be set for year t, according to the daily average of the 10 year Portuguese government bond yield between October of year t-1 and September of year t – this mechanism foresees a floor and a cap of 5% and 10%, respectively. Note that the preliminary RoR of 5.75% reflects an underlying average of 2.7% for the 10 year Portuguese government bond yield and that each 2.5% change in Portuguese government bond yield implies a 1% change in the RoR;

- ii) For the low voltage distribution segment, a preliminary RoR of 6% in 2018.

In 2019 and 2020, the OPEX base and, for the low voltage distribution segment, the CAPEX base as well, should be adjusted annually for an efficiency factor of "GDP deflator – 2%".

According to ERSE's proposal, Portuguese electricity system's regulatory receivables, which are expected to amount to 4.7 billion Euros by the end of 2017, should decline by 0.7 billion Euros over 2018.

For our electricity generation subsidiary in Portugal, EDP Produção, ERSE's tariff proposal considers the following assumptions:

- i) Provisionally, the final adjustment of CMEC, amounting to 154 million Euros, to be recovered annually between 2018 and 2027. EDP reiterates that it does not envision the reasons that lead to the discrepancy between this amount and the amount of 256 million Euros that was calculated by EDP/REN's Technical Working Group. EDP has, in accordance with the law, solicited information on this matter to ERSE;

- ii) Reversion to the electricity system of clawback amounts relative to the period of 2015 to 2017, which had resulted from the application of the Decree-Law Nr. 74/2013 (in case this Decree-Law come to be applied as to determine such reversion). EDP awaits both the information regarding the fundamentals and criteria used for the reversion, and the information concerning the new framework to be applied to the Decree-Law Nr. 74/2013, following which EDP will take a sustained stance on the matter.

In line with electricity regulation rules in Portugal, the Tariffs Advisory Board, which includes representatives from regulated companies and consumers, shall issue its nonbinding opinion until 15 November 2017. Following that, ERSE will approve the final tariffs and parameters until 15 December 2017.

ANEEL approves a 24.37% increase of tariff update at EDP São Paulo

On 17 October 2017, the Brazilian electricity regulator, ANEEL, approved a 24.37% increase of annual tariff readjustment index for EDP São Paulo, for the period from 23 October 2017 to 22 October 2018.

Within the annual tariff readjustment process, ANEEL takes into consideration the variation in the companies' costs in the preceding 12 months. The formula includes controllable costs (Component B), which are updated by inflation (IGP-M index) and by the X-Factor, and non-controllable costs (Component A), such as electricity purchased from generators, sector costs and transmission charges, as well as financial adjustments recognised by ANEEL in the Component A's items (Variation Compensation Account - CVA and other accounts).

Component B was readjusted by -2.68%, considering an IGP-M of -1.45% and an X-Factor of 1.23%, which is composed by "Pd" (productivity gains) of 1.14%, "T" (trajectory to adequacy of operational costs) of -0.24% and "Q" (incentives to quality) of 0.33%. Furthermore, it is worth mentioning the impact of the new tariff for the use of transmission system, set forth through ANEEL's resolution nr. 2259/2017, which incorporation in transmission costs determined a 10.70% effect on the average tariff increase perceived by consumers. Worth also noting the 14% effect on average tariff related with deviations on previous period costs, mostly related with the unfavourable hydro scenario and consequent impact on energy costs.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

EDP has signed a 5-year Revolving Credit Facility in the amount of 3,300,000 thousand Euros

On 30 October 2017, EDP has signed a five-year revolving credit facility (RCF), with options to extend for 2 additional years (subject to Lenders' agreement), in the amount of 3,300,000 thousand Euros, which can be drawn in Euros and US Dollars.

This revolving credit facility replaces the 3,150,000 thousand Euros RCF signed in 2014 with 21 domestic and international banks, that was due to mature in June 2019, keeping the same purpose: backup credit facility. This credit line was never drawn.

The facility was self-arranged as a Club Deal, having the participation of the following 22 domestic and international banks: Banco Bilbao Vizcaya Argentaria, S.A., Banco Comercial Português, S.A., Banco Santander, Bank of America Merrill Lynch International Limited, MUFJ, Ltd, Barclays Bank PLC, BNP Paribas, CaixaBank, S.A., Caixa Banco de Investimento, S.A., Citigroup Global Markets Ltd, Commerzbank, Credit Agricole Corporate and Investment Bank, Deutsche Bank AG, HSBC Bank PLC, Industrial and Commercial Bank of China Limited, ING Bank N.V., Intesa Sanpaolo SpA, J.P. Morgan Securities PLC, Mizuho Bank Europe N.V., The National Westminster Bank PLC, Société Générale and Unicredit Corporate & Investment Banking (Bookrunners & Mandated Lead Arrangers). MUFJ, Ltd. also acts as Facility Agent.

43. Recent Accounting Standards and Interpretations Issued

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 incorporates three distinct topics, namely classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The main aspects considered are as follows:

- classification and measurement of financial instruments: IFRS 9 determines that the classification and measurement of financial assets shall be based on the business model used to manage them and on the characteristics of the contractual cash flows. In this context, financial assets are measured at amortized cost if they are held with the perspective of collecting its contractual cash flows, being the remaining financial assets measured at fair value through other comprehensive income (if there is also an intention to sell assets) or through profit or loss (if the financial assets are not in the scope of any of the previous models, e.g., they are managed on the basis of their fair value). In regard to the classification and measurement of financial liabilities, the changes to IAS 39 introduced by IFRS 9 are residual.

- impairment of financial assets: IFRS 9 replaces the impairment recognition model based on the incurred credit losses by an alternative model, based on the expected credit losses. Summarily, the new model foresees (i) the recognition of expected credit losses at each reporting date, considering changes in the credit risk inherent to each financial instrument; (ii) the measurement of expected losses using models based on past events, actual conditions and forecast of future conditions; and (iii) the increase in the relevance of the financial information to be disclosed, namely in terms of expected losses and credit risk.

- hedge accounting: Regarding hedge accounting, the adoption of IFRS 9 results in a more accurate representation of risk management activities in the financial statements. In addition, the criteria for eligibility as hedged items is extended to risk components of non-financial elements, to net positions and to aggregate exposures. For hedging instruments, the main changes concern to the possibility of deferring certain effects in other comprehensive income (e.g., the time value of an option), until the hedged item impacts profit or loss. IFRS 9 also eliminates the requirement for testing effectiveness under which the results of the retrospective test needed to fall with a range of 80%-125%, allowing entities to rebalance the hedging relationship if risk management objectives have not changed.

The EDP Group expects to adopt this standard on the required date of application. In this context, it set up a multidisciplinary team in order to assess the impacts on the adoption of this standard on the consolidated financial statements. Regardless the fact that, at this stage, the analysis is still ongoing, preliminary conclusions point out that the main impacts relate to the recognition of impairment losses in financial assets.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

- **IFRS 15 - Revenue from the Contracts with Customers** (object of clarification issued in April 12, 2016)

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.

The EDP Group expects to adopt this standard on the required date of application. Accordingly, back in 2016, it started a project to measure the impact of its adoption in the recognition of revenue in the activities that carries out. EDP Group is currently reviewing and analysing the universe of information gathered, in order to have visibility on the underlying impacts inherent to the adoption of this standard and define the procedures associated with its initial application.

- **IFRS 16 - Leases**

The International Accounting Standards Board (IASB) issued, in January 2016, IFRS 16 - Leases, with effective date of mandatory application for periods beginning on or after 1 January 2019, with earlier adoption permitted for entities that have also adopted IFRS 15 - Revenue from Contracts with Customers. This standard has not yet been adopted by the European Union.

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17 - Leases and its associated interpretative guidance. The objective is to ensure that lessees and lessors provide relevant information to the users of financial statements, namely about the effect that leases have on the financial position, financial performance and cash flows of the entity.

The main issues considered are as follows:

- inclusion of some considerations in order to distinguish leases from service contracts, based on the existence of control of the underlying asset at the time that it is available for use by the lessee; and

- introduction of a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. As a consequence, a lessee recognises depreciation costs and interest costs separately.

At the date of the publication of these consolidated financial statements, the EDP Group has already carried out an inventory of the existing lease contracts and is currently performing a technical analysis considering the provisions of IFRS 16. In addition, EDP Group is revising the existing information systems in order to assess to what extent will be necessary to adapt them to the requirements of this standard. At this stage, it is not possible to estimate the magnitude of the impacts inherent to the adoption of this standard.

- **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.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

The standards, amendments and interpretations issued but not yet effective for the Group (despite their effective dates of application, they have not yet been endorsed by the UE) with no estimated significant impact are the following:

- IFRS 2 (Amended) - Classification and Measurement of Share-based Payment Transactions;
- IFRS 4 (Amended) - Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts;
- IFRS 9 (Amended) - Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IFRS 17 - Insurance Contracts;
- IAS 12 (Amended) - Recognition of Deferred Tax Assets for Unrealised Losses;
- IAS 28 (Amended) - Long-term Interests in Associates and Joint Ventures;
- IAS 40 (Amended) - Transfers of Investment Property;
- IFRIC 22 - Foreign Currency Transactions and Advance Payments;
- IFRIC 23 - Uncertainty over Income Tax Treatments;
- "Annual Improvement Project (2014-2016)".

44. EDP Branch in Spain

The aim of EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, interests in EDP Servicios Financieros (España), S.A.U. and Hidroeléctrica del Cantábrico S.A.U. are directly allocated to the assets of EDP Sucursal, as well as the majority interests in EDP Renováveis, S.A.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and direct representation on iberian ambit EDP Management Committee.

The Executive Committee is composed essentially by five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP in Spain, namely the Department of M&A ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Administration and Finance ("Direcção de Administração e Finanças"), Department of Human Resources ("Direcção de Recursos Humanos"), Department of Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of EDP Spain Foundation ("Direcção da Fundação EDP Espanha") and IT Department ("Direcção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory, being provided with 162 human resources as at 30 September 2017, including 99 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.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

The condensed statement of financial position of the Branch is as follows:

Thousand Euros	EDP Branch	
	Sep 2017	Dec 2016
Investments in subsidiaries:		
- EDP Renováveis, S.A.	3,854,811	3,854,811
- Hidroeléctrica del Cantábrico, S.A.U.	2,105,002	2,105,002
- EDP Servicios Financieros (España), S.A.U.	482,695	482,695
- EDP International Investments and Services, S.L.	281,854	281,854
Deferred tax assets	71,527	66,652
Other debtors and others assets (see note 22)	1,041,352	1,397,592
Total Non-Current Assets	7,837,241	8,188,606
Debtors and other assets	726,963	600,756
Tax receivable	42,378	29,600
Cash and cash equivalents	1,358	1,627
Total Current Assets	770,699	631,983
Total Assets	8,607,940	8,820,589
Equity	6,179,503	6,141,016
Employee benefits	2,355	2,062
Trade and other payables (see note 35)	1,464,796	2,577,517
Provisions	260	260
Total Non-Current Liabilities	1,467,411	2,579,839
Trade and other payables	950,213	96,638
Tax payable	10,813	3,096
Total Current Liabilities	961,026	99,734
Total Liabilities	2,428,437	2,679,573
Total Equity and Liabilities	8,607,940	8,820,589

45. Transfers of Financial Assets - Tariff Adjustments

In Portugal, Decree - Law 237-B/2006 of 19 December and Decree - Law 165/2008 of 21 August, refer to the transfer to third parties of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, through which the EDP Group has made, since 2008, a number of transfer operations of financial assets.

For the following operations, assets were transferred to securitisation companies, that financed their purchases through debt securities registered in the Securities Commission (CMVM):

- In May 2013, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2012 overcost of the acquisition of electricity activity from special regime production, in the amount of 422,692 thousand Euros. The transaction was performed by the amount of 450,000 thousand Euros, generating a gain of 22,510 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 400 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 4,695 thousand Euros, both maturing in 2017. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 81 thousand Euros, as at 30 September 2017;
- In April 2014, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2013 overcost of the acquisition of electricity activity from special regime production, in the amount of 694,857 thousand Euros. The transaction was performed by the amount of 750,000 thousand Euros, generating a gain of 50,141 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 473 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 5,588 thousand Euros, both maturing in 2018. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 583 thousand Euros, as at 30 September 2017;
- In December 2014, EDP Distribuição de Energia, S.A., sold without recourse to Tagus, the right to recover part of the 2012 CMEC compensation adjustment in the amount of 228,826 thousand Euros. The transaction was performed by the amount of 239,832 thousand Euros generating a gain of 10,711 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Distribuição de 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 1,331 thousand Euros, as at 30 September 2017;

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 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 1,166 thousand Euros, as at 30 September 2017;

- In August 2016, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2016 overcost of the acquisition of electricity activity from special regime production, in the amount of 598,883 thousand Euros. The transaction was performed by the amount of 599,987 thousand Euros, generating a loss of 7,417 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 381 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 3,635 thousand Euros, both maturing in 2021. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 3,380 thousand Euros, as at 30 September 2017.

Under IAS 39, the assets (tariff adjustments) transferred in these operations were derecognised from the Statement of Financial Position of EDP Group.

46. Investigation process about CMEC and DPH

In 2012, the European Commission ("EC") and the Portuguese authorities (Public Prosecution Services) received complaints concerning the early termination of the Power Purchase Agreements ("PPAs") and the costs for the maintenance of the contractual balance ("CMEC"), as well as in respect of EDP's rights to use the Public Hydro Domain ("DPH").

The above-mentioned investigation conducted by the Portuguese authorities is still pending.

As part of the liberalisation of the power sector in Portugal following changes in European Union legislation, Decree-Law no. 240/2004 was introduced which provided for the early termination of PPAs that were signed in 1996. As a result of this required early termination, EDP and REN - Rede Eléctrica Nacional, S.A. ("REN") agreed in 2005 and in 2007 to the early termination of their long-term PPAs, with effect from 1 July 2007. The methodology which was used to determine the amount of the compensation that EDP was entitled to receive in connection with such early termination, the CMEC, was approved by the EC in 2004 (Decision N161/2004) which considered the compensation as effectively and strictly necessary.

On 8 March 2008, the Government, REN and EDP Produção signed several service concession arrangements for which EDP Produção paid approximately 759 million Euros as consideration of the economic and financial balance for the use of the public hydro domain.

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

In May 2017, the EC formally concluded its investigation into the DPH concession rights and stated that the compensation paid in connection with such concessions was compatible with market conditions. As a result, the EC concluded that the financial methodology used to assess the price of the concessions was appropriate and resulted in a fair market price, and therefore, no state aid had been granted to EDP.

On 2 June 2017, EDP became aware of Portugal's Public Prosecution Services investigation in relation to the amounts due to EDP for the termination of the PPAs and compensation paid by EDP for the DPH concessions. Portugal's Public Prosecution Services stated that the investigations continue and the facts may relate to active and passive corruption and economic participation in business and searches were conducted at the offices of EDP, grid operator REN and the local division of a consulting group. In the context of the Investigation, the Portuguese Public Prosecution Services stated that certain members of EDP's Executive Board of Directors, as well as former EDP directors, that had signed the relevant contracts were named as targets of the Investigation.

EDP does not accept any accusations of wrongdoing on its part or on the part of any member of the EDP Group and believes that the amounts due for the termination of PPAs under the CMEC and the amount paid for the DPH concession rights were fair and in compliance with market conditions and based on arm's length transactions. However, if the Investigation would determine otherwise there is a risk that members of EDP Group or of its corporate bodies could become subject to penalties or other sanctions. It is difficult to predict any outcome at this stage in the process.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

47. Operating Segments

In accordance with IFRS 8, an operating segment is a Group component:

- (i) that engages in business activities from which it may earn revenues and incur expenses;
- (ii) whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- (iii) for which discrete financial information is available.

The Group develops a set of regulated and liberalised activities in the energy sector, with special emphasis in generation, distribution and supply of electricity and gas.

The Group manages its activities based on several business segments, which includes the activities in Iberia. Moreover, the EDP Group also makes a separate analysis of the electricity generation business through wind and solar power sources, which is achieved in a specific segment (EDP Renováveis). Finally, taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Brasil).

The Executive Board of Directors regularly reviews segmental reports, using Operating Profit to assess and release each business operating performance, as well as to allocate resources.

The management of financial activities of all EDP Group entities (except Brazil) is undertaken centrally by the Financial Department at holding level, in accordance with policies approved by the Executive Board of Directors. As a result of this management, all financial operations and financial results are disclosed only at Group level.

Following the legislation issued in December 2016 (article 170 of Law 42/2016 - State Budget for 2017), which determined that the final adjustment of the CMEC would be determined and based on a study prepared and presented by ERSE (initially estimated to be issued until the end of the first semester of 2017), power plants held by EDP - Gestão da Produção de Energia, S.A., covered by the CMEC mechanism included in the "LT Contracted Production" segment migrated to the free-market production regime on 1 July 2017. Thus, the EDP Group started to present the segments previously denominated "LT Contracted Production" and "Liberalised Activities" in the segment "Generation and Supply in the Iberian Peninsula".

For comparability purposes and regarding the changes occurred in the segments composition, a corresponding change was made in the homologous previous year information.

The segments defined by the Group are the following:

- Generation and Supply in Iberia;
- Regulated Networks in Iberia;
- EDP Renováveis;
- EDP Brasil.

The Generation and Supply segment in Iberia corresponds to the activity of regulated and liberalised generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A.;
- Fisigen - Empresa de Cogeração, S.A.;
- Pebble-Hydro - Consultoria, Investimentos e Serviços, Lda.;
- EDP Small-Hydro, S.A.;
- Empresa Hidroeléctrica do Guadiana, S.A.;
- Hidroeléctrica Del Cantábrico, S.A.U.;
- Central Térmica Ciclo Combinado Grupo 4, S.A.;
- EDP Comercial - Comercialização de Energia, S.A.;
- Hidrocantábrico Energia, S.A.U.;
- Naturgás Comercializadora, S.A.;
- EDP Gás.Com - Comércio de Gás Natural, S.A.;
- Greenvouga - Sociedade Gestora do Aproveitamento Hidroeléctrico do Ribeiradio-Ermida, S.A.;
- EDP Energia 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.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

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.;
- Hidrocanábico Distribución Eléctrica, S.A.U.;
- EDP Gás Distribuição, S.A.;
- EDP Gás Serviço Universal, S.A.;
- Naturgás Energia Distribución, S.A.U. (until the closing date);
- EDP España Distribución Gas, S.A. (until the closing date);
- Naturgas Suministro GLP, S.A.U. (until the closing date).

The EDP Renováveis segment corresponds to the power generation activity through wind and solar energy resources and includes all the companies of EDPR Europe, EDPR North America and EDPR Brasil subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies composing this segment, including consolidation adjustments.

The EDP Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the holding EDP Energias do Brasil, S.A. and all its subsidiaries. As in the EDP Renováveis segment, this segment includes all the adjustments for the companies composing this segment, including consolidation adjustments.

Segment Definition

The amounts reported in each operating segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position captions of each subsidiary and business unit, as well as income statement captions for each operating segment, are determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

In each business segment, Assets include the Property, Plant and Equipment, Intangible Assets, Goodwill, Trade Receivables and Inventories captions. The captions Debtors and other assets are allocated to each segment according to its nature. The remaining assets are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

In each business segment, Liabilities include the Provisions and Employee benefits captions. The captions Trade and other payables are allocated to each segment according to its nature. The remaining liabilities are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

Under IFRS 8, the EDP Group discloses as Operating investment, additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore, in each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment 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 17.

In consolidated financial statements, Joint Ventures and associated companies are accounted under the equity method, in accordance with the Group accounting policy. These equity accounted investees are disclosed by business segment under IFRS 8 and presented in the business segment correspondent to its operating activity.

**EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016**

Restatement of items of the Condensed Consolidated Income Statement

As mentioned in note 2, and for comparative purposes, EDP Group restated as at 30 September 2016, the captions Revenues from energy sales and services and Other income, in the amount of 50,401 thousand Euros, related with the indemnity amount's revaluation of their IFRIC 12 concessions in segment EDP Brasil.

EDP Group Operating Segments Information
 for the nine-month period ended 30 September 2017

	Iberia			EDP Renováveis	EDP Brasil	Total Segments
	Generation and Supply	Regulated Networks				
Thousand Euros						
Revenues from energy sales and services and others	5,832,360	4,062,035	1,202,881	2,443,094	13,540,370	
Revenues inter-segments	36,355	1,634,850	214,234	1,011	1,886,450	
Revenues from third parties	5,796,005	2,427,185	988,647	2,442,083	11,653,920	
Gross Profit	973,265	1,241,961	1,179,323	734,748	4,129,297	
Other income	38,356	37,129	226,505	2,927	304,917	
Supplies and services	-221,021	-247,178	-233,160	-129,968	-831,327	
Personnel costs and employee benefits	-115,500	-105,981	-75,079	-98,201	-394,761	
Other costs	-156,781	-208,466	-106,844	-45,537	-517,628	
Gross Operating Profit	518,319	717,465	990,745	463,969	2,690,498	
Provisions	558	2,369	-39	-4,293	-1,405	
Amortisation and impairment	-285,685	-225,377	-384,959	-122,496	-1,018,517	
Operating Profit	233,192	494,457	605,747	337,180	1,670,576	
Equity method in joint ventures and associates	5,234	100	1,895	-2,090	5,139	
Assets	11,367,800	5,918,830	15,243,540	4,353,161	36,883,331	
Equity accounted Investments in joint ventures and associates	23,380	148	308,322	380,411	712,261	
Liabilities	2,453,090	1,944,375	1,218,906	981,659	6,598,030	
Operating Investment	101,756	216,752	714,512	138,157	1,171,177	

Reconciliation of information between Operating Segments and Financial Statements for September 2017

Thousand Euros	
Total Revenues from energy sales and services and others of Reported Segments	13,540,370
Revenues from energy sales and services and others from Other Segments	302,128
Adjustments and Inter-segments eliminations*	-2,188,569
Total Revenues from energy sales and services and others of EDP Group	11,653,929
Total Gross Profit of Reported Segments	4,129,297
Gross Profit from Other Segments	301,875
Adjustments and Inter-segments eliminations*	-308,795
Total Gross Profit of EDP Group	4,122,377
Total Gross Operating Profit of Reported Segments	2,690,498
Gross Operating Profit from Other Segments **	574,263
Adjustments and Inter-segments eliminations*	4,276
Total Gross Operating Profit of EDP Group	3,269,037
Total Operating Profit of Reported Segments	1,670,576
Operating Profit from Other Segments	543,402
Adjustments and Inter-segments eliminations*	-913
Total Operating Profit of EDP Group	2,213,065
Total Assets of Reported Segments	36,883,331
Assets Not Allocated	4,887,399
Financial Assets	2,241,931
Taxes Assets	1,175,920
Other Assets	1,469,548
Assets from Other Segments	828,655
Inter-segments assets eliminations*	-719,113
Total Assets of EDP Group	41,880,272
Total Equity accounted Investments in joint ventures and associates of Reported Segments	712,261
Equity accounted Investments in joint ventures and associates from Other Segments	134,975
Total Equity accounted Investments in joint ventures and associates of EDP Group	847,236
Total Liabilities of Reported Segments	6,598,030
Liabilities Not Allocated	21,917,742
Financial Liabilities	17,226,212
Institutional partnership in USA	1,927,956
Taxes Liabilities	1,131,462
Other payables	1,630,538
Hydrological correction account	1,574
Liabilities from Other Segments	514,936
Inter-segments Liabilities eliminations*	-950,133
Total Liabilities of EDP Group	28,080,575
Total Operating Investment of Reported Segments	1,171,177
Operating Investment from Other Segments	-93,168
Total Operating Investment of EDP Group	1,078,009
Discommission of Tangible Assets	9,361
Emission of CO2 Licenses and Green Certificates	17,196
Investment Grants	8,688
Other Investments ***	162,262
Total Fixed Assets additions of EDP Group (Notes 15 e 16)	1,275,516

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	304,917	619,046	-27,316	896,647
Supplies and services	-831,327	-203,192	327,378	-707,141
Personnel costs and employee benefits	-394,761	-116,773	12,127	-499,407
Other costs	-517,628	-26,692	881	-543,439
Provisions	-1,405	-8,977	8,999	-1,383
Amortisation and impairment	-1,018,517	-21,884	-14,188	-1,054,589
Equity method in joint ventures and associates	5,139	5,592	-	10,731

* Mainly related with intragroup balances and transactions eliminations

** Includes 558 million Euros related with the gain on Naturgás sale

*** The caption Other Investments is mainly due to the in-kind contribution of the Lisbon headquarter (+ 120 million Euros), lease contract of the Lisbon headquarter (+ 55 million Euros), partially compensated by the held for sale reclassification of the investment in the intangible assets of Portgás (-14 million Euros)

EDP Group Operating Segments Information
for the nine-month period ended 30 September 2016 *

Thousand Euros	Iberia				Total Segments
	Generation and Supply	Regulated Networks	EDP Renováveis	EDP Brasil	
Revenues from energy sales and services and others					
Revenues inter-segments	5,654,922	4,109,507	1,090,287	1,727,362	12,582,078
Revenues from third parties	34,059	1,643,988	249,112	765	1,927,924
	5,620,863	2,465,519	841,175	1,726,597	10,654,154
Gross Profit	1,335,458	1,291,016	1,067,904	633,419	4,327,797
Other income	6,738	21,935	178,270	71,344	278,287
Supplies and services	-215,875	-246,628	-221,518	-111,589	-795,610
Personnel costs and employee benefits	-94,543	-108,816	-68,780	-85,224	-357,363
Other costs	-176,069	-208,087	-109,238	-43,866	-537,260
Gross Operating Profit	855,709	749,420	846,638	464,084	2,915,851
Provisions	24,289	-5,887	33	-3,491	14,944
Amortisation and impairment	-268,264	-253,606	-442,670	-105,466	-1,070,006
Operating Profit	611,734	489,927	404,001	355,127	1,860,789
Equity method in joint ventures and associates	3,106	86	-2,142	-7,858	-6,808
Assets (31 December 2016)	11,482,269	7,830,709	15,662,361	4,456,809	39,432,148
Financial assets - Investments in joint ventures and associates (31 December 2016)	18,146	712	340,119	344,224	703,201
Liabilities (31 December 2016)	2,180,188	2,523,921	1,475,553	910,376	7,090,038
Operating Investment	217,438	278,639	582,634	107,001	1,185,712

* Segments report restatement due to the segment change and by the restatement of the indemnity amount's revaluation in Brazil distribution companies (see note 2)

Reconciliation of information between Operating Segments and Financial Statements for September 2016

Thousand Euros	
Total Revenues from energy sales and services and other of Reported Segments	12,582,078
Revenues from energy sales and services and others from Other Segments	348,235
Adjustments and Inter-segments eliminations*	-2,295,342
Total Revenues from energy sales and services and other of EDP Group	10,634,971
Total Gross Profit of Reported Segments	4,327,797
Gross Profit from Other Segments	332,278
Adjustments and Inter-segments eliminations*	-346,256
Total Gross Profit of EDP Group	4,313,819
Total Gross Operating Profit of Reported Segments	2,915,851
Gross Operating Profit from Other Segments	-9,956
Adjustments and Inter-segments eliminations*	-13,356
Total Gross Operating Profit of EDP Group	2,892,539
Total Operating Profit of Reported Segments	1,860,789
Operating Profit from Other Segments	-42,882
Adjustments and Inter-segments eliminations*	-25,459
Total Operating Profit of EDP Group	1,792,448
Total Assets of Reported Segments (31 December 2016)	39,432,148
Assets Not Allocated	4,846,130
Financial Assets	2,299,697
Taxes Assets	1,398,916
Other Assets	1,147,517
Assets from Other Segments	1,144,234
Inter-segments assets eliminations*	-1,338,766
Total Assets of EDP Group (31 December 2016)	44,083,746
Total Equity accounted Investments in joint ventures and associates of Reported Segments (31 December 2016)	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 (31 December 2016)	820,565
Total Liabilities of Reported Segments (31 December 2016)	7,090,038
Liabilities Not Allocated	23,692,678
Financial Liabilities	18,102,530
Institutional partnership in USA	2,339,425
Taxes Liabilities	1,675,665
Other payables	1,573,484
Hydrological correction account	1,574
Liabilities from Other Segments	910,829
Inter-segments Liabilities eliminations*	-1,346,171
Total Liabilities of EDP Group (31 December 2016)	30,347,374
Total Operating Investment of Reported Segments	1,185,712
Operating Investment from Other Segments	19,696
Total Operating Investment of EDP Group	1,205,408
Discomission of Tangible Assets	3,587
Emission of CO2 Licenses and Green Certificates	63,957
Investment Grants	4,856
Other Investments	-253
Total Fixed Assets additions of EDP Group (Notes 15 e 16)	1,277,555

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	278,287	28,617	-6,644	300,260
Supplies and services	-795,610	-205,709	326,903	-674,416
Personnel costs and employee benefits	-357,363	-139,543	10,112	-486,794
Other costs	-537,260	-25,599	2,529	-560,330
Provisions	14,944	99	-3	15,040
Amortisation and impairment	-1,070,006	-33,025	-12,100	-1,115,131
Equity method in joint ventures and associates	-6,808	4,007	-	-2,801

* Mainly related with intragroup balances and transactions eliminations

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month periods ended 30 September 2017 and 2016

48. Explanation Added for Translation

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

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04
Annexes

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The 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

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LIMITED REVIEW REPORT ON CONDENSED 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.)

Introduction

We have performed a limited review of the accompanying condensed consolidated financial statements of **EDP – Energias de Portugal, S.A.** (the Entity), which comprise the condensed consolidated statements of financial position as of 30 September 2017 (that presents a total of Euro 41,880,272 thousand and total equity attributable to the shareholders of the Entity of Euro 9,798,319 thousand, including a consolidated net profit attributable to the shareholders of the Entity of Euro 1,146,568 thousand), the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

Executive Board of Directors' responsibilities

The Executive Board of Director is responsible for the preparation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements. Our work was performed in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). These standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared in all material respects in accordance with the International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A limited review of condensed consolidated financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of making inquiries and applying analytical procedures and subsequent assessment of the evidence obtained.



The procedures performed in a limited review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these condensed consolidated financial statements.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of EDP – Energias de Portugal, S.A. as at 30 September 2017, are not prepared in all material respects, in accordance with the International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

Lisbon, 2 November 2017

A handwritten signature in blue ink, appearing to read 'Vitor Manuel da Cunha', written over a horizontal line.

KPMG & Associados

Sociedade de Revisores Oficiais de Contas, S.A. (nr 189)

represented by

Vítor Manuel da Cunha Ribeirinho (ROC nr 1081)



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LIMITED REVIEW REPORT ON CONDENSED 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.)

Introduction

We have performed a limited review of the accompanying condensed financial statements of **EDP – Energias de Portugal, S.A.** (the Entity), which comprise the condensed statements of financial position as of 30 September 2017 (that presents a total of Euro 23,098,006 thousand and total equity of Euro 7,048,997 thousand, including a net profit of Euro 343,941 thousand), the condensed statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended, and the accompanying explanatory notes to these condensed financial statements.

Executive Board of Directors' responsibilities

The Executive Board of Director is responsible for the preparation of these condensed financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system to enable the preparation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

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A limited review of condensed financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of making inquiries and applying analytical procedures and subsequent assessment of the evidence obtained.

The procedures performed in a limited review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these condensed financial statements.



Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying condensed financial statements of EDP – Energias de Portugal, S.A. as at 30 September 2017, are not prepared in all material respects in accordance with the International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

Lisbon, 2 November 2017

A handwritten signature in blue ink, appearing to read 'Vitor Manuel da Cunha Ribeirinho', written over a horizontal line.

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr 189)
represented by
Vítor Manuel da Cunha Ribeirinho (ROC nr 1081)

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