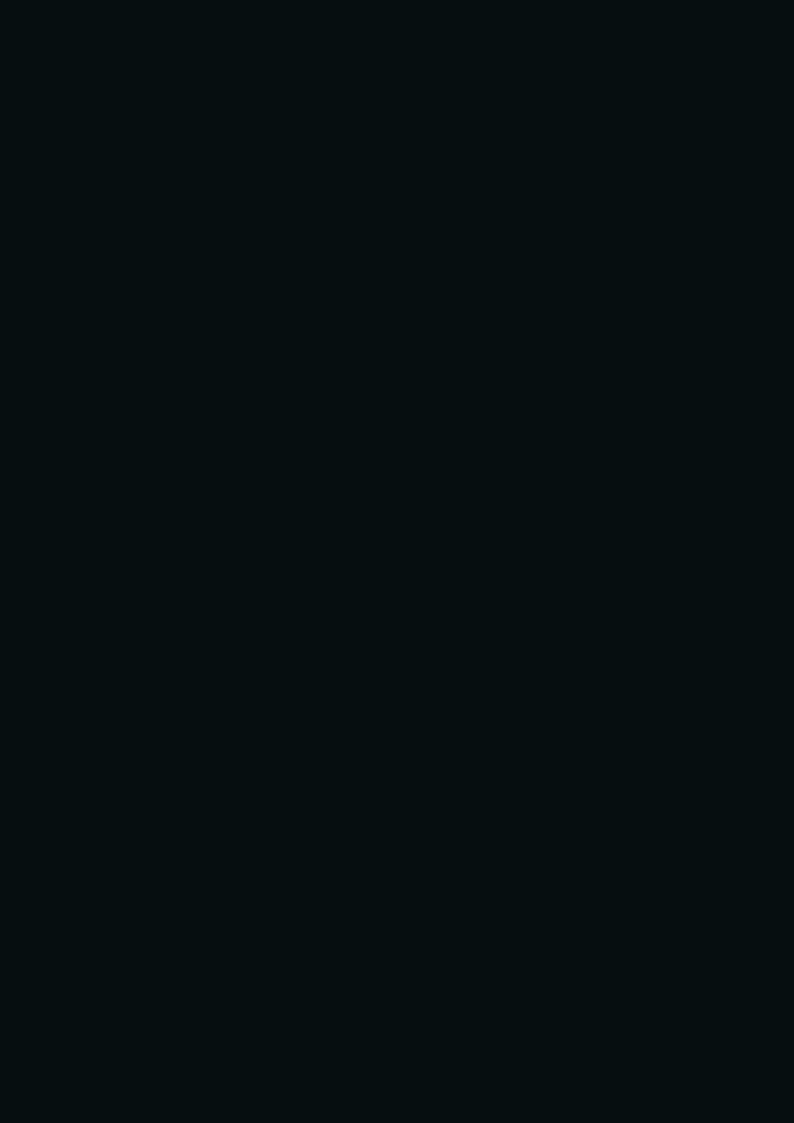
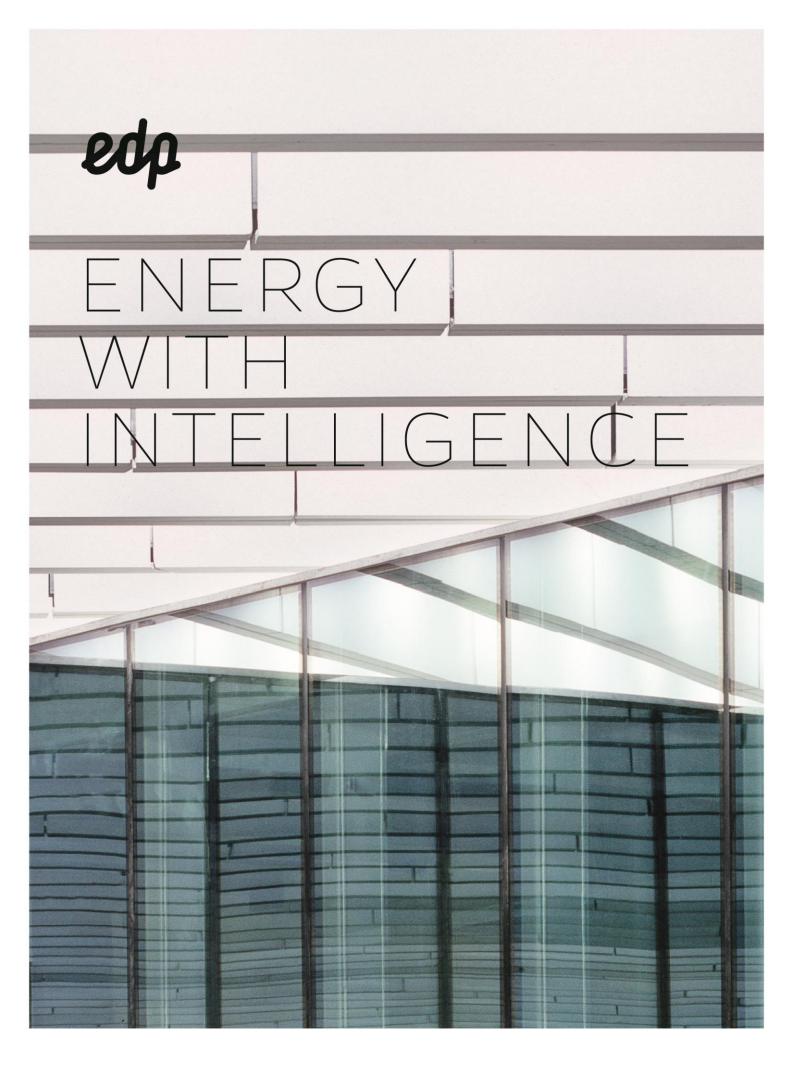


ENERGY WITH INTELLIGENCE

INTERIM REPORT

30th september 2016







edp ENERGY INTELLIGENCE

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EDP

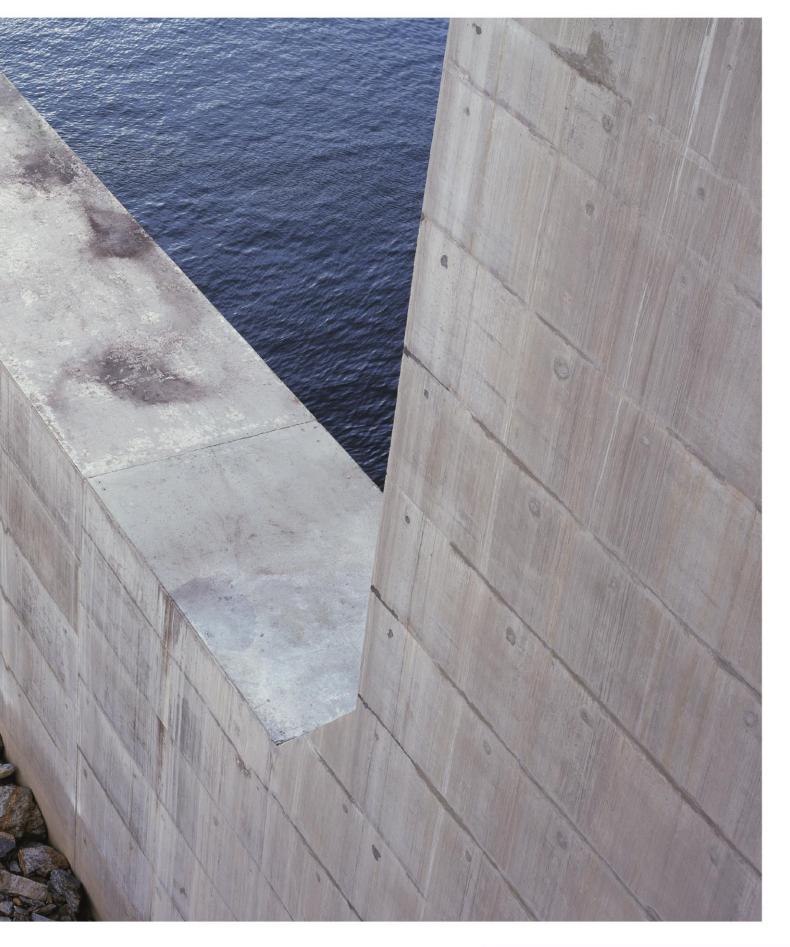
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ANNEXES



ENERGY WITH INTELLIGENCE



Reflecting ingenuity



Present in 14 countries

CANADA

UNITED STATES OF AMERICA

POLAND
BELGIUM
FRANCE ROMANIA

MEXICO

BRAZIL

ANGOLA

and has 9.8MILLION electricity customers



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

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

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

EDP is one of the largest wind power operator worldwide with windfarms for energy generation in the Iberian Peninsula, the United States, Canada, Brazil, France, Belgium, Italy, Poland and Romania, has capacity under construction in 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 forth largest private supplier in the liberalised market.

EDP has a relevant presence in the world energy landscape, being present in 14 countries, with **9.8** million electricity customers, **1.5** million gas customers and about **12** thousand employees around the world. On the first nine months of 2016, EDP had an installed capacity of **24.6** GW and generated **53TWh**, of which **68%** from renewable sources.

edp

in the world

PORTUGAL

6,563 employees

5,436,883 electricity customers

632,413 gas customers

10,428 MW installed

23,945 GWh net generation

32 MW

installed capacity equity²

33,412 GWh electricity distributed

5,271 GWh gas distributed

1,019 MW capacity under construction

SPAIN

1,884 employees

1,056,314 electricity customers

847,235 gas customers

5,723 MW installed capacity

10,228 GWh net generation

187 MW

installed capacity equity²

6,915 GWh electricity distributed

19,775 GWh gas distributed



FRANCE

51 employees

388 MW installed capacity

582 GWh net generation



18 MW capacity under construction

BELGIUM

2 employees

71 MW installed capacity **95 GWh**net generation



ITALY

23 employees

100 MW installed capacity
189 GWh net generation



14 MW capacity under construction

POLAND

40 employees

418 MW capacity



625 GWh net generation

ROMANIA

34 employees

521 MW capacity





UNITED KINGDOM

33 employees

CHINA

2 employees

ANGOLA

office

MEXICO

5 employees

200 MW

capacity under construction

BRAZIL

2,943 employees

electricity customers

2,670 MW installed capacity

7,169 GWh net generation

296 MW installed capacity equity²

18,308 GWh electricity distributed



127 MW capacity under construction 231 MW capacity under construction equity²

USA

388 employees

4,203 MW installed capacity



8,981 GWh net generation

179 MW installed capacity equity²

429 MW capacity under construction

CANADA

5 employees

30 MW installed capacity

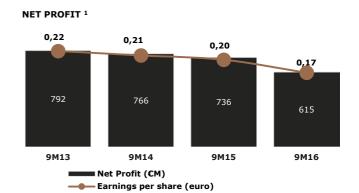


52 GWh net generation

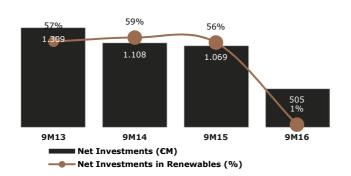
 $^{^{\}rm 1}$ Includes hydro, wind and solar $^{\rm 2}$ Accounted according to the Equity Method

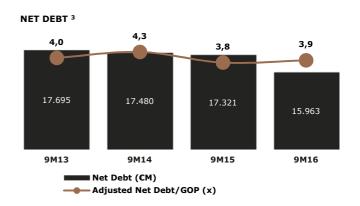
in numbers

GROSS OPERATING PROFIT 26% 28% 27% 27% 2.991 2.893 2.800 2.708 9M13 9M14 9M15 9M16 Gross Operating Profit (€M) OPEX/Gross Profit ⁴

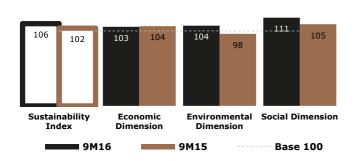


NET INVESTMENTS 2

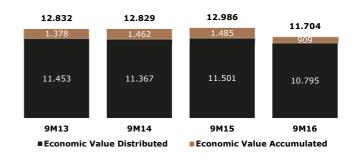




EDP SUSTAINABILITY INDEX



ECONOMIC VALUE GENERATED (€M)



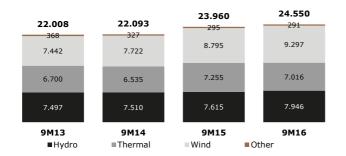
Net Profit attributable to EDP Equity holders.
 From 2016, considers Capex (excluding REPSOL assets aquisition), organic Financial Investments and Divestments ("Asset Rotation") including granted and/or sold shareholder loans.

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

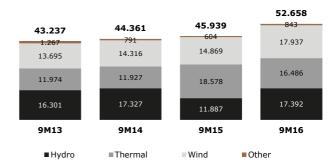
4 (Supplies and Services + Personnel Costs and Employee Benefits – Curtailment) / (Gross Profit + Income arising from Institutional

Partnerships).

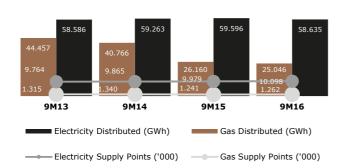
ELECTRICITY GENERATION INSTALLED CAPACITY (MW)



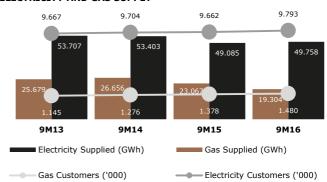
ELECTRICITY GENERATION NET GENERATION (GWh)



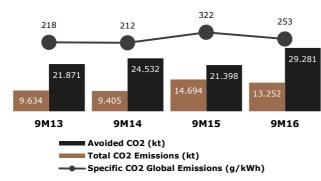
ELECTRICITY AND GAS DISTRIBUTION



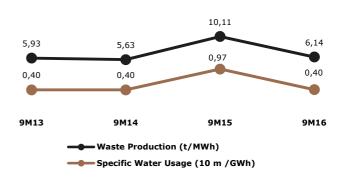
ELECTRICITY AND GAS SUPPLY



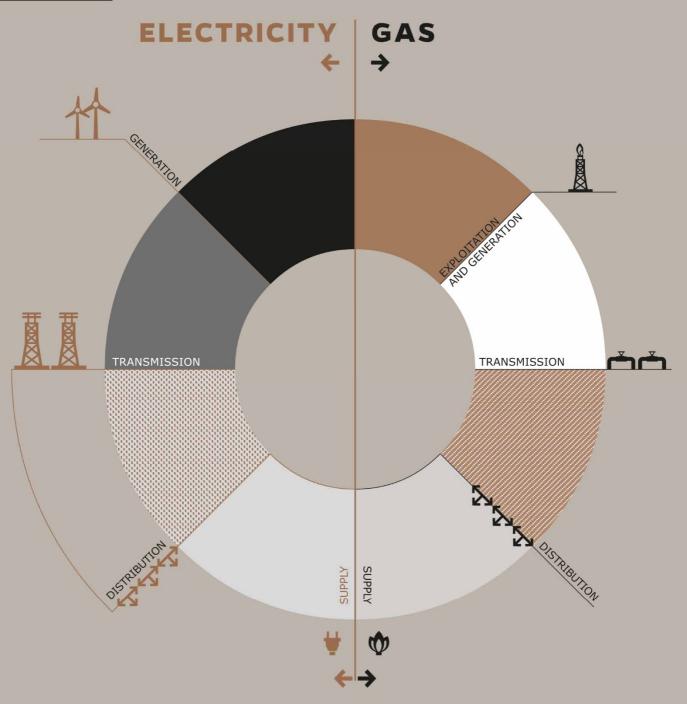
CO₂ EMITED AND AVOIDED



WATER USAGE AND WASTE PRODUCTION



edp value chain



edp 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 toward the development of the regions in which we are operating.
- . We avoid specific greenhouse gas emissions with the energy we produce.
- . We ensure the participatory, competent and honest governance of our business.

PEOPLE

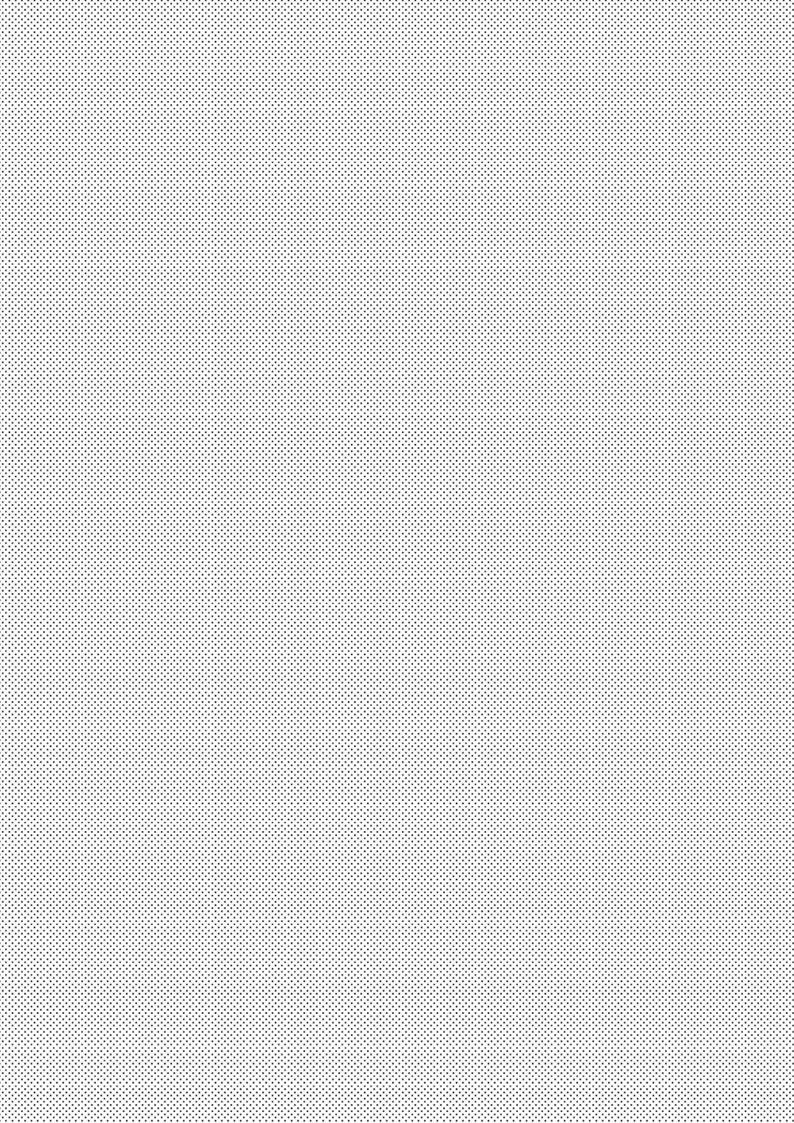
- . We join conduct and professional rigour to enthusiasm and initiative, emphasizing team work.
- . We promote the development of skills and merit.
- . We believe that the balance between private and professional life is fundamental in order to be successful.

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 clients and answer in a simple and clear manner.
- . We surprise our clients by anticipating their needs.



edp business structure

IBERIA		EDP RENOVÁVI	EIS	EDP BRASIL	
Portugal	Spain				
ELECTRICIT	TY GENERATIO	ON N			
EDP Produção	HC Cogeneración	EDP Renováveis Portugal	EDP Renewables España	Energest	Porto do Pecém
EDP Produção Bioeléctrica*	Bioastur	EDP Renewables France	EDP Renewables Belgium	Lajeado Energia	CEJA (Jari)*
Diocrectina		EDP Renewables Polska	EDP Renewables Romania	Enerpeixe	Cachoeira Caldeirão*
	HC Energía	EDP Renewables North America	EDP Renewables Canada	São Manoel*	
		EDP Renewables Italia	EDP Renováveis Brasil		
		EDPR UK			
ELECTRICIT	TY AND GAS D	ISTRIBUTI	ON		
EDP Distribuição	HC Distribución			Bandeirante	Escelsa
EDP Gás Distribuição	Naturgas Distribución				
ELECTRICIT	TY AND GAS S	UPPLY AN	D TRADING		
EDP Serviço Universal	HC Energía		**	EDP Comercializadora	EDP Grid
EDP Comercial	CIDE HC Energia*			APS-Soluções de	Energia
EDP Gás Serviço Universal	NE Comercializ.				
EDP Gás.Com	HC Gas				

^{*} Equity Consolidated Method

RECOGNITION CORPORATE

MAR - EDP IN THE ETHISPHERE INSTITUTE RANKING

For the fifth consecutive year, EDP has been included in the international ranking of the most ethical companies in the world, "The World's Most Ethical Companies - WME", by the Ethisphere Institute, an organisation that is a world leader in promoting standards of ethical business practices. EDP is the only Portuguese company to feature in the international ranking and one of the four electricity utilities globally.

JUN - EDP IN THE EUROPEAN **RANKING OF SUPPORT FOR** START-UPS

EDP was ranked 10th in the Classification of Europe's 25 Corporate Start-up Stars. This ranking is made by the Nesta Innovation Foundation, with the support of the Startup Europe Partnership, an entity created by the European Commission to accelerate the globalization of European startups.

SEPT - EDP AMONG THE FIVE BEST ENERGY BRANDS IN THE WORLD

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

SEPT - EDP DISTINGUISHED FOR THE PROMOTION OF EQUAL **OPPORTUNITIES IN THE WORKPLACE**

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

SEPT - EDP IS PART OF THE DOW JONES SUSTAINABILITY WORLD **INDEX**

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

PORTUGAL

JAN - EDP COMERCIAL IS **HONOURED IN THE GREEN PROJECT AWARDS 2015**

EDP Comercial's Autoconsumption Solar Energy service has been awarded an Honourable Mention in the Green Project Awards 2015 in the "Products and Services" category. This service allows the massification of energy production in a decentralised, economically attractive way (15% to 30% savings on bills), that is environmentally clean and promotes local economic development by using local partners for the installation of solutions.

JAN - EDP WINS FIVE STAR AWARD

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

MAR - EDP RECOGNISED AS A TRUSTED BRAND BY READERS **DIGEST SELECTIONS**

EDP was recognised as the most trusted brand in the 16th edition of the study by Reader's Digest Selections in the "public utilities" category. This is an annual study whose purpose is to identify the "Trusted Brands" amongst the Portuguese in 65 categories of products or services. The brands are mentioned "spontaneously, through a questionnaire with open questions without any suggestion, targeted at the 13,200 subscribers to the magazine".

MAY - EDP SELECTED AS THE BEST COMPANY IN THE HUMAN RESOURCES AWARDS 2015

EDP is the company for which the readers of Human Resources would most like to work. The company also won the prize for best President / CEO for the 5th consecutive year, which went to António Mexia, and first place in the "Mobility" and "Internal Communication" categories.

JUN - EDP FOUNDATION WINS TWO CRIATIVITY MEDALS

The illustrations of the Electricity Museum's Education Service were awarded gold in the "Design" category at the Portuguese Creatives Club Festival. Meanwhile the EDP Foundation "New Artists Award" won a prize in the European Design Awards.

JUN - EDP RECOGNISED IN THE **MARKETEER AWARDS**

EDP was awarded the best company in the "Energy" category for the second consecutive year. It was also the winner in the "Art and Culture" category, with EDP Foundation's exhibition "7 Mil Milhões de Outros" (7 Billion Others).

SEPT - EDP CHOSEN AS COMPANY OF THE YEAR IN THE M&P COMMUNICATION AWARDS

EDP won nine awards, including "Company of the Year". The M&P Communication Awards rewards the best communications and public relations consultancy work, as well as projects developed by companies for communication with internal and external audiences.

SEPT - EDP COMERCIAL IS HONOURED IN THE PORTUGAL DIGITAL AWARDS 2016

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

EDP RENOVÁVEIS

JAN - EDP RENOVÁVEIS VOTED THE BEST RENEWABLE ENERGY **COMPANY IN FRANCE BY WEALTH & FINANCE** INTERNATIONAL

The aim of these awards is to honour companies that have used innovative methods and exceptional results to transform how the sector is perceived. The award is based on an analysis carried out by a research team from the publication Wealth & Finance International. EDP Renováveis is one of the largest players on the French market. At the time of the award, it had an installed capacity of 340MW through 170 wind turbines scattered across the country.

JUL - EDP RENOVÁVEIS (EDPR) **WITH THE BEST REPORT & ACCOUNTS IN THE NON-FINANCIAL SECTOR**

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

JUL - EDP RENOVÁVEIS **POLÓNIA ELECTED AS THE BEST WIND COMPANY OF THE YEAR**

The award given in the 4th edition of the CEE Clean Energy Awards recognises operational excellence, strategic forward-thinking and the most innovative leadership among producers, suppliers and distributors of clean energies in Central and Fastern Furone.

EDP BRASIL

JAN - ROLAND BERGER PUTS EDP BRASIL AMONG THE BEST ELECTRICITY COMPANIES IN THE WORLD

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

JUN - MIGUEL SETAS ONE OF THE BEST BRAZILIAN CEO'S **ACCORDING TO FORBES MAGAZINE**

The CEO of EDP in Brazil was elected as one of the most influential Brazilian businessmen, with an appearance on Forbes Magazine's "Best CEOs in Brazil" list. In all, 34 executives were recognized for excellence in their business sectors, based on the suggestions of the most important consultancies in the country.

GOALS AND TARGETS

STRATEGIC PRIORITIES	TARGET	DATE
	EBITDA Average Annual Growth Rate: +3% per year *	2015-2020
Focused Growth: Long-term contracted renewable assets in core markets	Average Annual Net Investments: ~0.4bn per year	2016-2020
	LT Contracted Renewables: +3.9GW **	2016-2020
	Net Debt/EBITDA: ~3.0x	2020
Financial Deleverage: Reinforce visibility on medium term Free Cash Flow	FFONet Debt: ~24%	2020
	Average Cost of Debt: 4.2%	2020
Controlled Diely Chrone uninht of seasylated and LT appropriate and initial	Regulated LT Contracted EBITDA: ~75% of total EBITDA	2020
Controlled Risk: Strong weight of regulated and LT contracted activities	Average Residual asset life: ~21 years	2020
	Opex/Gross Profit: 26%	2020
Reinforce Efficiency: Continued efforts on efficiency improvement	OPEX IV target annual cost savings: 4200M	2020
	Accumulated Opex Savings: €700m	2016-2020
Attractive returns: Sustainable and predictable dividend policy	Payout ratio between 65% and 75% of recurrent net profit with a minimum of 0.19 per share (+3%)	2016-2020
A made to control. Section and preciously divided policy	EPS Average Annual Growth Rate: +4% *	2015-2020
SUSTAINABILITY AGENDA		
SOS FAINABIETT FACENDA		
OCCUPATION OF THE PROPERTY OF	Achieve 75% of clean capacity	2020
	Achieve 75% of clean capacity Surpass 90% of smart meters in Iberia	2020
Generate Economic Value		
	Surpass 90% of smart meters in Iberia Provide energy efficiency products to reduce overall consumption by more than	2030
	Surpass 90% of smart meters in Iberia Provide energy efficiency products to reduce overall consumption by more than fTWh ***	2030
Generate Economic Value	Surpass 90% of smart meters in Iberia Provide energy efficiency products to reduce overall consumption by more than fTWh *** Invest €200m in innovative projects *****	2030 2020 2020
	Surpass 90% of smart meters in Iberia Provide energy efficiency products to reduce overall consumption by more than fTWh *** Invest €200m in innovative projects ***** Reduce CO₂ specific emissions by 75%******	2030 2020 2020 2030
Generate Economic Value	Surpass 90% of smart meters in Iberia Provide energy efficiency products to reduce overall consumption by more than 1TWh *** Invest €200m in innovative projects ***** Reduce CO₂ specific emissions by 75%****** Achieve 100% environment certification ****	2030 2020 2020 2030 2030
Generate Economic Value	Surpass 90% of smart meters in Iberia Provide energy efficiency products to reduce overall consumption by more than fTWh *** Invest @00m in innovative projects ***** Reduce CO2 specific emissions by 75%****** Achieve 100% environment certification **** Internalize the concept of circular economy and promote energy efficiency	2030 2020 2020 2030 2020 2020
Generate Economic Value	Surpass 90% of smart meters in Iberia Provide energy efficiency products to reduce overall consumption by more than fTWh *** Invest €200m in innovative projects ***** Reduce CO₂ specific emissions by 75%****** Achieve 100% environment certification **** Internalize the concept of circular economy and promote energy efficiency Valuate environmental externalities among EDP Group	2030 2020 2020 2030 2020 2020
Generate Economic Value Manage Climate & Environmental Issues	Surpass 90% of smart meters in Iberia Provide energy efficiency products to reduce overall consumption by more than fTWh *** Invest €00m in innovative projects ***** Reduce CO₂ specific emissions by 75%****** Achieve 100% environment certification **** Internalize the concept of circular economy and promote energy efficiency Valuate environmental externalities among EDP Group Keep employee engagement level >75%	2030 2020 2020 2030 2020 2020 2020
Generate Economic Value Manage Climate & Environmental Issues	Surpass 90% of smart meters in Iberia Provide energy efficiency products to reduce overall consumption by more than fTWh *** Invest €200m in innovative projects ***** Reduce CO₂ specific emissions by 75%****** Achieve 100% environment certification **** Internalize the concept of circular economy and promote energy efficiency Valuate environmental externalities among EDP Group Keep employee engagement level >75% Promote diversity increase (+15% of women)	2030 2020 2020 2030 2020 2020 2020 2020
Generate Economic Value Manage Climate & Environmental Issues Develop Our People	Surpass 90% of smart meters in Iberia Provide energy efficiency products to reduce overall consumption by more than fTWh *** Invest €00m in innovative projects ***** Reduce CO₂ specific emissions by 75%****** Achieve 100% environment certification **** Internalize the concept of circular economy and promote energy efficiency Valuate environmental externalities among EDP Group Keep employee engagement level >75% Promote diversity increase (+15% of women) Achieve 100% of H&S certification **** Maintain EDP part of the world most ethical companies of the Ethisphere	2030 2020 2020 2030 2020 2020 2020 2020
Generate Economic Value Manage Climate & Environmental Issues	Surpass 90% of smart meters in Iberia Provide energy efficiency products to reduce overall consumption by more than fTWh *** Invest @00m in innovative projects ***** Reduce CO2 specific emissions by 75%****** Achieve 100% environment certification **** Internalize the concept of circular economy and promote energy efficiency Valuate environmental externalities among EDP Group Keep employee engagement level >75% Promote diversity increase (+15% of women) Achieve 100% of H&S certification **** Maintain EDP part of the world most ethical companies of the Ethisphere Institute	2030 2020 2020 2030 2020 2020 2020 2020

^{*} Based on recurrent and weather adjusted EBITDA and Net Profit in 2015
** Including Equity Method Consolidation
*** 2015 onwards
**** Including suppliers with high impacts

^{****} vs 2015 levels

^{*****} vs 2005 levels



02. performance

23 EDP GROUP BUSINESS EVOLUTION

KEY INDICATORS

- 26 ELECTRICITY GENERATION
 28 ELECTRICITY DISTRIBUTION
 29 GAS DISTRIBUTION
- 30 ELECTRICITY AND GAS SUPPLY

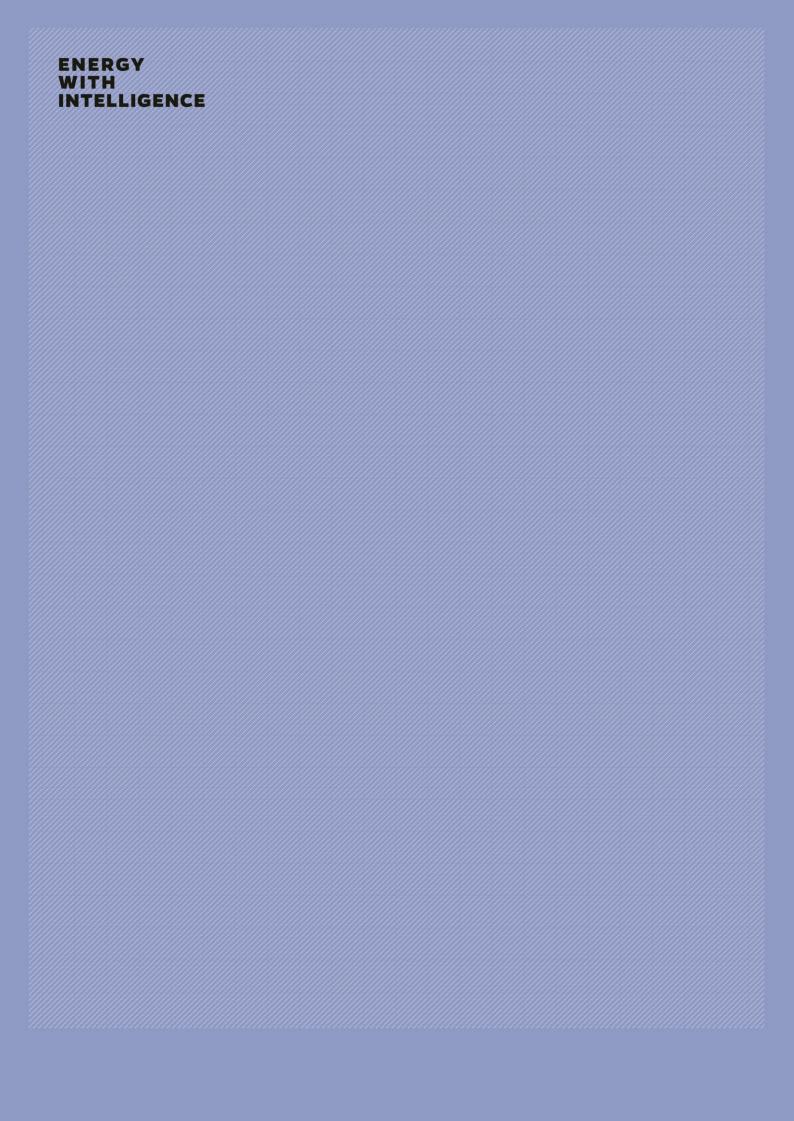
COMPLEMENTARY INDICATORS

- 31 ENVIRONMENTAL INDICATORS
- 32 SOCIAL INDICATORS
 33 ECONOMIC INDICATORS



ENERGY WITH INTELLIGENCE





EDP GROUP BUSINESS EVOLUTION

Consolidated EBITDA amounted to EUR 2,893 million in the first nine months of 2016 (-3% year-on-year), impacted by lower by some events on both comparable periods: i) +EUR 424 million in the first nine months of 2015, in the wake of the bargain purchase of 50% stake in Pecém from Eneva's (+EUR 295 million, of which EUR 267 million at EDP Brasil's sub-group level), sale of gas assets in Spain (+EUR 89 million) and at EDP Renováveis' level, events worth EUR 40 million related with the provisional revaluation of the former EDPR's stake in ENEOP (+EUR 102 million) net of the write-offs in the period of assets ongoing and under construction (-EUR 62 million); and (ii) +EUR 54 million in the first nine months of 2016, following the sale of the Pantanal mini-hydros, in Brazil (EUR 61 million) and HR restructuring costs in Iberia (-EUR 7 million). Excluding these impacts, EBITDA rose by 11% year-on-year (+EUR 272 million), to EUR 2,839 million in the first nine months of 2016, reflecting improved weather conditions in Iberia and Brazil; and avg. portfolio expansion (+7%). ForEx impact was negative by EUR 61 million of EBITDA, mainly due to BRL 11% avg. depreciation vs. Euro. Adjusted by the above mentioned events: i) in Iberia, EBITDA advanced 11% year-on-year, propelled by new capacity on stream, strong hydro resources and price volatility (particularly when compared to 2015's poor hydro and price context) and improving regulatory terms in electricity distribution in Spain; ii) EDP Renováveis's 14% rise in EBITDA was mainly prompted by higher average capacity on stream (+14% year-on-year), mainly resulting from the initiation of the full consolidation of ENEOP's subsidiaries and by the new wind parks coming online in the USA, partially offset by the market prices in Spain; and iii) EDP Brasil's contribution to EBITDA was 4% higher in euro terms: the adverse ForEx impact largely mitigated EBITDA growth in local currency, driven by the full consolidation of Pecém I plant as of May 2015 and by the improvement on the reservoir levels, and by the impact of the concessions assets revaluation in Brasil's networks business.

Excluding HR restructuring costs booked in the third quarter of 2016 (EUR 7 million), EDP Group operating costs were 2% higher year-on-year, at EUR 1,154 million in the first nine months of 2016 driven by: (i) flat costs in Iberia reflecting higher costs with client services (on expansion of the number of clients in the liberalized segment) and a 1% decline in average headcount; (ii) 8% year-on-year increase at EDP Renováveis level, mainly reflecting portfolio expansion; (iii) 1% year-on-year increase in Brazil, reflecting the wider consolidation perimeter (Pecém) on one hand; and the BRL depreciation vs. Euro and tight cost control on the other hand. Other net operating costs/(revenues) rose from a EUR 60 million revenue in the first nine months of 2015 to EUR 210 million cost in the first nine months of 2016, mainly supported by lower gains year-on-year (with the abovementioned bargain purchase of Pecém I and the sale of gas assets in Spain, partially offset by the impact with the sale of Pantanal and by the abovementioned impact of the concessions assets revaluation in Brasil's networks business.

EBIT fell by 7%, to EUR 1,792 million in the first nine months of 2016, reflecting EBITDA evolution and higher depreciation, mainly backed by portfolio expansion. Financial results amounted to -EUR 635 million in the first nine months of 2016 (were EUR 9 million lower year-on-year), including: i) lower interest costs (-14% year-onyear); ii) lower gains related with the sale of tariff deficit (-EUR 22 million year-on-year); iii) an impairment of EUR 31 million in the first nine months of 2016 related with our financial stake in BCP (-EUR 9 million year-onyear); iv) lower capitalised expenses (-EUR 22 million year-on-year); v) costs with early cancelation and optimization of some project finance in Europe (-EUR 27 million in the first nine months of 2016).

Income taxes totalled EUR 300 million (+EUR 64 million vs. the first nine months of 2015), with an effective tax rate of 26% in the first nine months of 2016, with the year-on-year effect reflecting the non-taxation on the taxable profit obtained with the sale of some gas assets, on the taxable profit obtained in the revaluation of the stake formerly held in ENEOP, and on part of the taxable profit obtained with the acquisition of Pecém I. Additionally, EDP contributed with EUR 61 million in the first nine months of 2016 to the extraordinary tax on the energy sector in Portugal.

Non-controlling interests fell by EUR 61 million year-on-year, to EUR 179 million in the first nine months of 2016, reflecting the impacts in the first nine months of 2015 with the gain booked on the acquisition of Pecém at EDP Brasil's level concerning non-controlling interests, the capital gain booked on the sale of gas assets at Naturgas level (5% minority stake), the increase in net profit at EDP Brasil and EDPR's level, partially offset by higher non-controlling interests at EDPR level in the first nine months of 2016, mostly due to the sale of minority stakes in some wind parks.

Overall, net profit attributable to EDP shareholders stood at EUR 615 million in the first nine months of 2016, which compares to EUR 730 million in the first nine months of 2015.

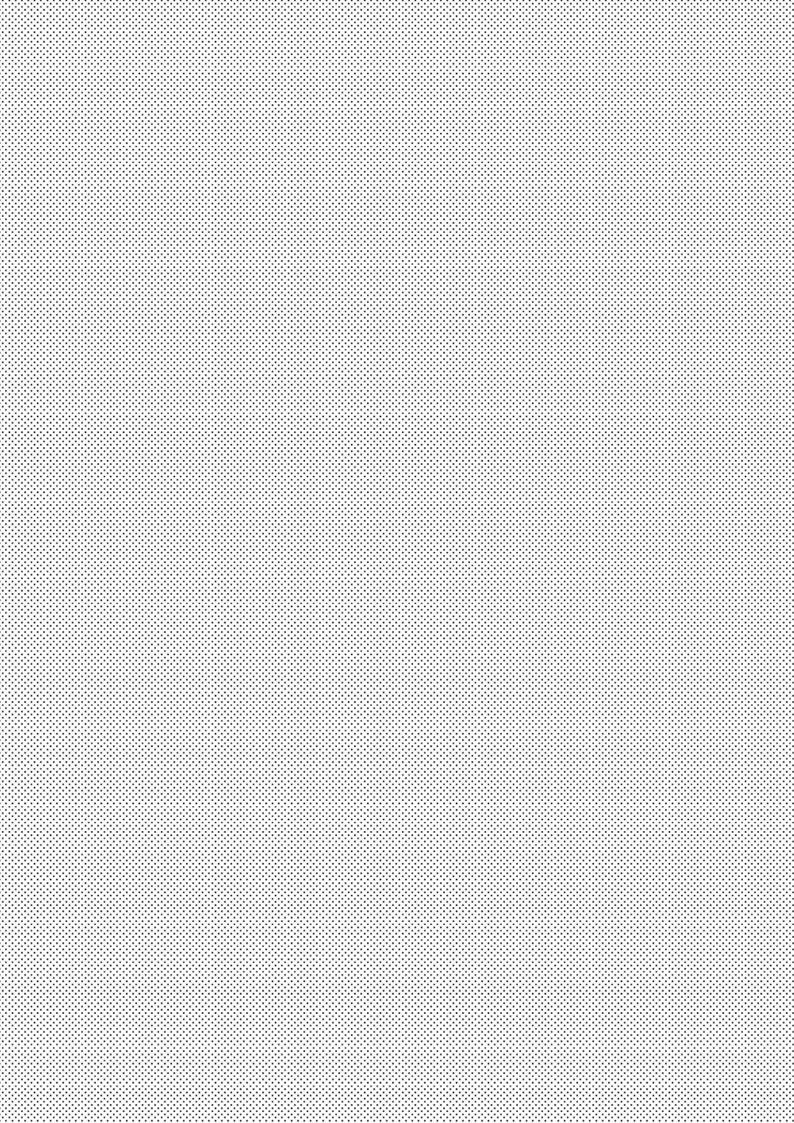
Net investments¹ totalled EUR 505 million in the first nine months of 2016, of which EUR 1,160 million relate to capex (disconsidering the inital EUR 45 million impact of the acquisition of gas assets from Repsol), which was partially offset by the asset rotation policy followed by EDP Renováveis. Expansion capex totalled EUR 721 million in the first nine months of 2016, driven by the ongoing construction of new hydro and wind capacity, while maintenance capex stood at EUR 439 million in the first nine months of 2015.

Net debt² decreased from EUR 17.4 billion in December 2015 to EUR 16.0 billion in September 2016, mainly supported by regulatory receivables reduction of EUR 1.4 billion essentially due to sale and securitisation deals for the tariff deficit in Portugal, by proceeds from asset rotation deals by EDP Renováveis, and by cash-flow generated through EDP's operational acitivity, partially offset by the payment of dividends and by the capex in the period.

¹ From 2016, considers Capex (excluding REPSOL assets aquisition), organic Financial Investments and Divestments ("Asset Rotation")

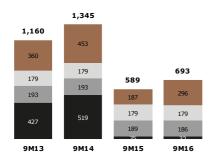
including granted and/or sold shareholder loans.

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



KEY INDICATORS

INSTALLED CAPACITY EQUITY² (MW)



■ Portugal ■ Spain ■ North America ■ Brazil

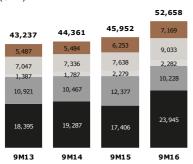
$\begin{array}{c} \textbf{INSTALLED CAPACITY} \\ (\text{M W}) \end{array}$

24,550 23,960 22,008 22,093 4,233 3,934 3,476 3,506 10.428 9,500 9,307 9M13 9M14 9M15 9M16

■ Portugal ■ Rest of Europe ■ North America ■ Brazil

NET ELECTRICITY GENERATION

(GWh)



Rest of Europe ■ Portugal **■** Spain

■ North America ■ Brazil 3

EDP Renováveis MW 356 356 841 748 Brazil 1 MW 296 187 453 360 мw Capacity under Construction Equity 2 231 341 609 296 341 296 609 NET ELECTRICITY GENERATION 52,658 45,952 44,361 43,237 GWh Contracted Generation in Iberian Market GWh 12.679 11.542 13.461 14.553 PPA/CMEC GWh 11,049 12,040 12,723 13,319 GWh 3,850 6,934 Hydro 6,232 7,475 Coal GWh 5.809 7.199 5,789 5,844 GWh Fuel GWh 493 1,234 Special Regime 638 738 Portugal - Hydro GWh 499 243 444 456 355 Portugal - Thermal GWh 139 145 162 105 131 n.a. Liberalised Electricity Generation in Iberian GWh 13,319 9,622 15,196 11,219 Market Portugal GWh 8,950 4,728 3,098 4.752 GWh 3,006 6,933 2,566 CCGT GWh 2,016 1.746 395 531 Fuel GWh 0 GWh 6,247 8,567 6,491 6,524 Spain Hydro GWh 839 680 748 925 CCGT GWh 910 674 304 363 GWh 6,329 4,402 Coal 3,513 4,574 Nuclear GWh 885 865 834 Cogeneration and Waste GWh 88 n a n a n a EDP Renováveis GWh 18.054 14.994 14.369 13.728 GWh Portugal 1,218 Spain GWh 3 982 3.705 3 845 3 974 Rest of Europe GWh 2.282 2.279 1.787 1.387

UN

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1,180

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n.a

8,678

5,150

3.111

2.039

3,528

426

1,698

1,224

156

25

9,379

1.251

2.194

1,497

4,233

2.466

1,745

1,807

1,019

788

693

32

10

720

204

9M15

23.960

4,683

4,470

3.290

1,180

164

24

25

7,882

4.140

2 10 1

2.039

3,743

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1,463

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1.243

2.194

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3,934

2.517

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1.368

549

589

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8.878

213

9M14

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24

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7,777

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1.797

1,797

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9M13

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5,274

4.094

1,180

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93

7,125

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3,743

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3,476

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285

412

32

19

1,160

1,798

7,493

22,008

GWh

GWh

GWh

GWh

GWh

9,033

6.729

3.389

3,341

645

440

7,638

6.097

4.352

1,745

654

156

7,336

5.311

5.311

770

173

7,047

5.334

5.334

1.185

153

ELECTRICITY GENERATION (1/2)

Contracted Generation in Iberian Market

Liberalised Electricity Generation in Iberian

INSTALLED CAPACITY

PPA/CMEC

Hvdro

Coal

Market

Special Regime

Portugal - Hydro

Spain - Thermal

Portugal

Hydro

Fuel

Hydro

CCGT

Coal

Nuclear

EDP Renováveis

Rest of Europe

North America

Portugal

Spain

Brazil

EDP Brasil

Hydro

Portugal¹

Portugal 1

North America

Brazil

EDP Brasil 3

Hvdro

Coal

Steam

Brazil 1

Spain 1

EDP Renováveis

Coal

Cogeneration and Waste

Capacity under Construction

Installed Capacity Equity 2

Spain

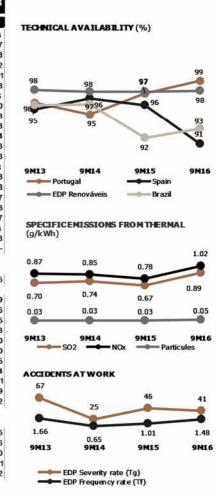
CCGT

Portugal - Thermal

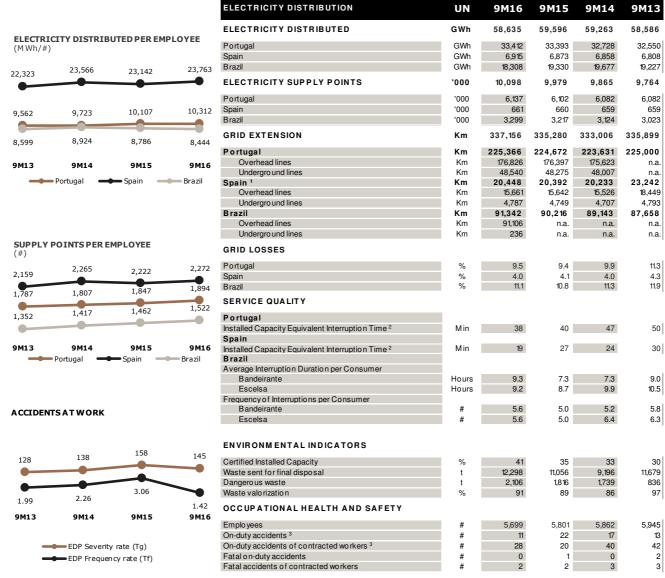
¹ Excludes EDP Renováveis | ² Accounted by the Equity Method | ³ 2014 and 2015 EDP Brasil figures revised in light of

[&]quot;Câmara de Comercialização de Energia Eléctrica" settlements

ELECTRICITY GENERATION (2/2)	UN	9M16	9M15	9M14	9M13
TECHNICAL AVAILABILITY					
Portugal 1	%	99	97	95	96
Hydro	%	94	98	95	97
CCGT	%	92	96	92	98
Coal	%	93	99	97	92
M Ini-hydro	%	96	90	91	91
Cogeneration	%	94	97	100	88
Spain 1	%	91	96	97	95
Hydro	%	100	100	100	100
CCGT	%	97	100	97	98
Coal	%	81	91	97	98
Nuclear	%	90	89	87	84
Cogeneration	%	98	98	99	93
Waste	%	93	95	88	93
EDP Renováveis	%	98	97	98	98
Portugal	%	98	98	98	98
Spain	%	97	97	97	98
Rest of Europe	%	98	97	97	97
North America	%	98	98	98	98
Brazil	%	99	99	98	97
Brazil 1	%	93	92	96	96
Hydro	%	96	97	96	93
Coal	%	87	87		-
ENVIROM ENTAL INDICATORS					
Certified Installed Capacity	%	91	92	80	75
Primary Energy Consumption	100				
Total Emissions	kt	7,924	8,846	4,996	5,549
CO2	kt	4	10	6	6
NOx	kt	4	8	5	5
SO2	kt	0.29	0.43	0.19	0.03
Particles	kt	23,185	16,227	19,641	17,230
Avoided CO2	t	220,366	283,834	105,201	132,330
Waste sent for final disposal	t	1,225	33,479	1,545	2,335
Dangero us waste	%	62	47	65	64
Waste valorization	t	335,642	237,899	212,238	189,591
Sub-pro ducts	t	64,483	126,229	107,705	96,609
Cooling water	t	271,159	111,670	104,533	92,982
OCCUPATIONAL HEALTH AND SAFETY					
Employees	#	3,218	3,229	2,968	3,085
On-duty accidents 2	#	5	1	3	6
On-duty accidents of contracted workers 2	#	63	44	56	80
Fatal on-duty accidents	#	0	0	0	1
Fatal accidents of contracted workers	#	0	1	3	2



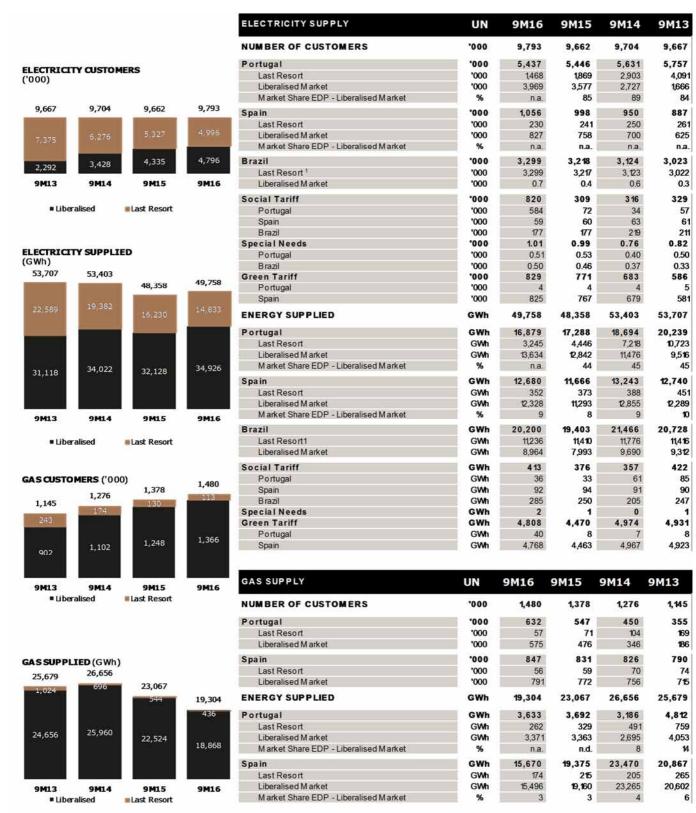
 $^{{}^1\}text{Excludes EDP Renováveis} \ | \, {}^2\text{Includes accidents with one or more days of absence and fatal accidents}.$



 $^{^{1}}$ 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	9M16	9M15	9M14	9M13	SUPPL	Y POINTS PER E	MPLOYEE	
GAS DISTRIBUTED	GWh	25,046	26,160	40,766	44,457	(#)		5,445	5,531
Portugal Spain	GWh GWh	5,271 19,775	5,135 21,025	5,088 35,678	5,120 39,337	5,022	5,147	3,443	=
GAS SUPPLIED	'000	1,262	1,241	1,340	1,315		5,096	5,092	5,207
Portugal Spain	'000 '000	338 924	326 915	316 1,024	301 1,014	4,696			
GRID EXTENSION	Km	13,041	12,420	14,696	14,376	9M13	9M14	9M15	9M16
Portugal Spain	Km Km	5,010 8,032	4,720 7,700	4,575 10,122	4,407 9,969		Portugal	Spain	
ENVIRONM ENTAL INDICATORS						6460	CTRIBUTED DEC	THE OVER	
Installed power certified	%	100	100	100	100	(MWh/	STRIBUTED PER	REMPLOYEE	
Waste sent for final disposal	t	22	13	34	22	,	•		
Dangero us waste	t	0	0	1	1	194,738	179,285		
Waste valorization	%	100	99	99	98	-		125,149	110 412
OCCUPATIONAL HEALTH AND SAFETY								123,149	118,412
Employees	#	229	232	261	266	•		- -	— ŏ
On-duty accidents 1	#	2	1	1	5	80,000	82,064	80,229	81,090
On-duty accidents of contracted workers 1	#	2	0	2	4	00,000	,	00/223	,
Fatal on-duty accidents	#	0	0	0	0	9M13	9M14	9M15	9M16
Fatal accidents of contracted workers	#	0	0	0	0	55	Portugal	Spain	2.120

 $^{^{\}rm 1}$ Includes accidents with one or more days of absence and fatal accidents.



¹Regulated Customers supplied by Distribution

COMPLEMENTARY INDICATORS

	UN	9M 16	9M 15	9M 14	9M 13
ENVIRONMENTAL CERTIFICATION (ISO 14001)					
Revenues from certified installations	%	53	53	51	33
PRIMARY ENERGY CONSUMPTION	TJ	155,301	178,604	114, 161	120,104
Coal	TJ	122,966	148,450	94,935	94,107
Fuel oil	TJ	339	214	312	335
Natural gas	TJ	22,760	19,474	8,681	14,925
Residual gases	TJ	8,867	10,129	9,910	8,087
Forestry waste	TJ	n.a.	n.a.	n.a.	2,418
Diesel oil	TJ	185	149	141	73
Fuel for vehicle fleet	TJ	184	188	182	159
ENERGY INTENSITY 1	MJ/EUR	14.7	15.4	9.7	10.1
ELECTRICITY CONSUMPTION					
Generation internal consumption	MWh	2,506,618	2,510,013	1,893,040	2,085,625
Administrative service	MWh	26,220	24,447	27,739	28,505
Grid losses	%	9	9	10	10
GHG EMISSION					
Direct emissions (scope 1)	ktCO _{2eq}	13,272	15,427	9,427	15,914
Stationary combustion ²	ktCO _{2eq}	13,252	15,410	9,405	15,885
SF6 Emissions	ktCO _{2eq}	3	2	2	4
Company fleet	ktCO _{2eq}	13	11	13	10
Natural gas consumption	ktCO _{2eq}	0	0	1	1
Natural gas losses	ktCO _{2eq}	4	4	6	14
Indirect emissions (scope 2) 3	ktCO _{2eq}	556	354	508	664
Electricity consumption in office buildings	ktCO _{2eq}	1	1	1	1
Electricity losses	ktCO _{2eq}	537	336	492	649
Renewable plants self-consumption	ktCO _{2eq}	18	18	16	14
GHG EMISSIONS INTENSITY 4	kgCO₂/EUR	1.3	1.4	0.8	1.4
SPECIFIC OVERALL EMISSIONS					
CO ₂ ²⁵	g/kWh	253	321	212	218
NO _x	g/kWh	0.32	0.32	0.23	0.26
SO ₂	g/kWh	0.28	0.27	0.20	0.21
Particulate matter	g/kWh	0.02	0.01	0.01	0.01
USE OF WATER					
Potable water	10 ³ x m ³	153	163	193	241
WASTE SENT TO FINAL DISPOSAL					
Total waste	t	321,621	461,273	249,075	267,759
Total hazard waste	t	4,382	4,992	6,044	5,690
Recovered Waste	%	63	48	59	62

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 2.131,1 ktCO2 in 2016; 2.496,4 ktCO2 in 2015; 2.448,2 ktCO2 in 2014; 2.119,9 ktCO2 in 2013. These emissions are allocated to the industrial sector.

³ Calculation according with GHG Protocol based location methodology. The 2015-2013 figures were revised to avoid double counting regarding scope

 $^{^{\}rm 4}$ Scope 1 and Scope 2 GHG emissions by turnover.

 $^{^{5}}$ Excludes fleet and consumption and loss of natural gas. This information is included in GHG emissions.

	UN	9M 2016	9M 2015	9M 2014	9M 2013
EMPLOYMENT	UN	9M 2016	9M 2U15	9M 2U14	9M 2013
EMPLOYMENT					
Employees	# #	11,975	12,019 8	11,908	12,174
Executive Board of Directors	#	739	700	699	7 761
Senior Management Supervisors	#	739	767	714	761 892
Specialists	#	3,976	3,867	3,705	3,398
Technicians	#	6,474	6,678	6,784	3,396 7,117
Male employees	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	76	77	77	7,117
Female employees	%	24	23	23	23
Employees by types of contract	#	11,975	12.019	11,908	12.174
Executive bodies	#	52	54	54	56
Male	#	49	51	53	53
Female	#	3	3	1	3
Permanent workforce	#	11,836	11,858	11,615	12,011
Male	#	9,054	9,134	8,910	9,295
Female	#	2,782	2,724	2,705	2,717
Fixed-term contracts	#	87	107	239	107
Male	#	49	72	211	79
Female	#	38	35	28	28
Employees by occupational contract	#	11,975	12,019	11,908	12,174
Full-Time	#	11,938	11,989	11,878	12,148
Male	#	9,147	9,251	9,170	9,422
Female	#	2,791	2,738	2,708	2,727
Part-time Part-time	#	37	30	30	26
Male	#	5	6	4	5
Female	#	32	24	26	21
New employees	#	529	585	321	513
Male .	#	368	418	235	366
Female	#	161	167	86	147
Rácio F/M de novas entradas	X	0.44	0.40	0.37	0.40
Employees leaving	#	645	613	496	597
Male	# "	507	477	401	501
Female	#	138	136	95	96
Turnover	%	4.88 45	5.03	3.39	4.54 46
Average age of workforce	years	_	45	46	
Absenteeism rate 1	%	3.62	3.39	3.51	3.25
Pay ratio by gender (F/M)	X	1.03	1.02	0.99	1.01
TRAINNING					
Total hours of training	hours	212,443	254,617	308,615	240,658
Average training per employee (h/p)	h/p	18	21.2	25.9	19.8
Employees with training	%	82	83	85	55
HEALTH AND SAFETY (H&S)					
Employees					
Accidents ²	#	22	32	26	28
Fatalaties	#	0	1	0	3
Total lost days due to accidents	#	1,411	1,641	1,989	1,986
Frequency rate	Tf	1.4	2.1	1.7	2.0
Severity rate	Tg	89	103	127	126
Contractors					
Accidents ²	#	124	102	166	163
Fatalaties	#	2	3	10	6
Total lost days due to accidents	#	6,586	6,755	8,827	7,610
Frequency rate	Tf	4.3	3.9	4.8	5.0
Severity rate	Tg	226	255	258	225
Employees + Contractors					
Frequency rate	Tf_total	3.3	3.2	3.8	4.0
Severity rate	Tg_total	178	255	217	193
Fatal electrical accidents envolving third parties ³	#	5	13	8	8
Near-miss situations	#	306	163	138	106
VOLUNTEER INVESTMENT IN THE COMMUNITY (LBG N	IETHODOLOG	Y)			
Volunteer investment/EBITDA	%	0.46	0.24	0.29	0.56
VOIGHTOOL HIVESTILICHTED IT DA	/0	0.40	0.24	0.29	0.30

 $^{^{1}}$ EDP Brasil doesn't have data available for this indicator. EDP consolidates with the last available value (2013).

² Accidents leading to an absence of one more calender day and fatalities.

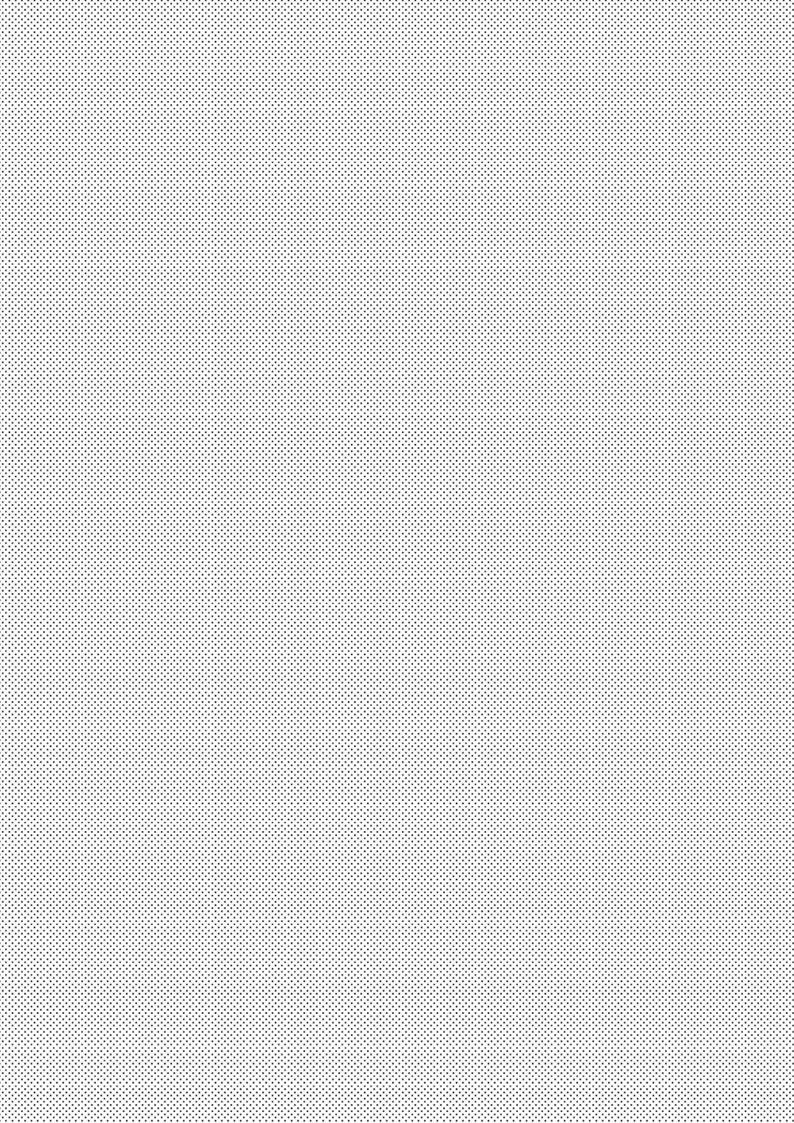
 $^{^{\}rm 3}$ Accidents ocurred in the permises of the company plants or equipment.

EDP GROUP	UN	9M 2016	9M 2015	9M 2014	9M 2013
ECONOMIC VALUE GENERATED	'000€	11,704,487	12,986,260	12,829,334	12,831,622
Econo mic value distributed	'000€	10,795,383	11,501,369	11,366,942	11,453,187
Eco no mic value accumulated	'000€	909,104	1,484,891	1,462,392	1,378,435
ENERGY EFFICIENCY AND SUPLEMENTARY ENERGY SERVICES REVENUES 1	'000€	814,512	779,823	n.d.	n.d.
Energy efficiency services revenues ²	'000€	34,114	33,943	36,802	37,878
Suplementary energy services revenues ³	'000€	780,398	745,880	n.d.	n.d.
FINES AND PENALTIES	'000€	5,623	3,387	4,937	5,125
ENVIRONMENTAL MATTERS	'000€	95,154	57,459	45,778	60,932
Investments	'000€	52,754	26,862	19,599	26,497
Expenses	'000€	42,400	30,597	26,179	34,435
SOCIAL MATTERS					
Personnal costs	'000€	435,306	427,605	436,094	443,757
Employee benefits	'000€	51,488	44,124	-88,447	43,427
Direct training investment	'000€	2,796	5,738	4,344	3,383
Direct training investment per employee	€р	0.23	0.48	0.36	0.28
HC ROI per employee	%	0.17	0.19	0.27	0.19

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

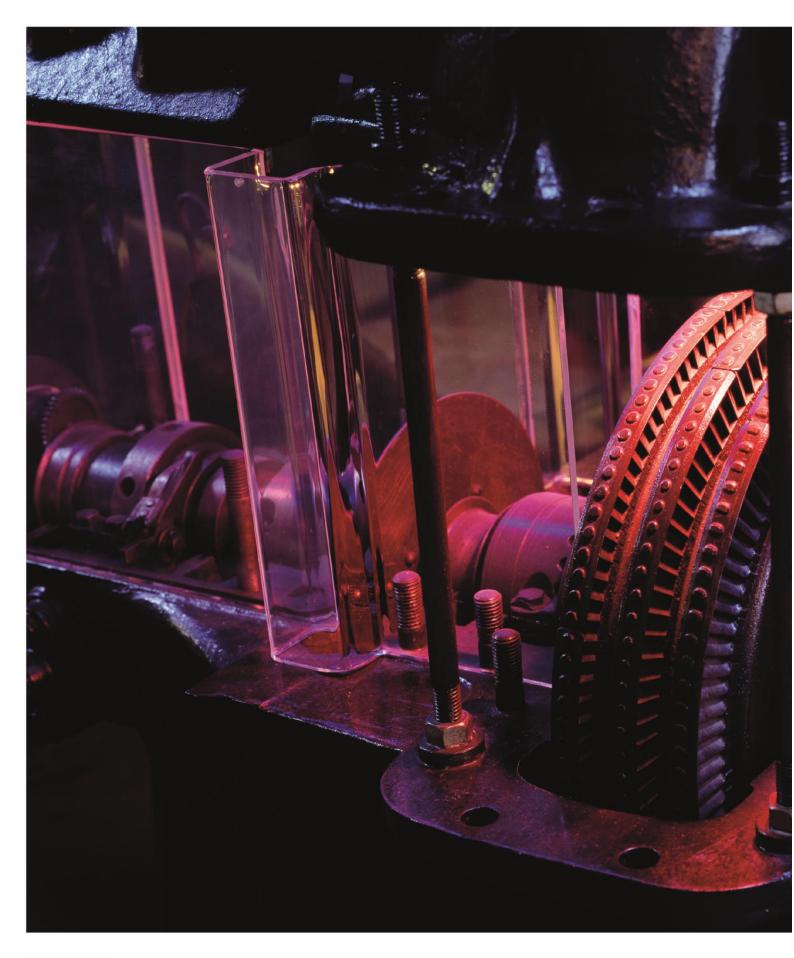
² Efficiency Energy Services: Indicator formely known as Energy Services Invoicing. The 20 5 figure is restated to reflect the methodological changes introduced to calculate the indicator, such as a greater range of energy efficiency revenues.

³ Suplementary 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.

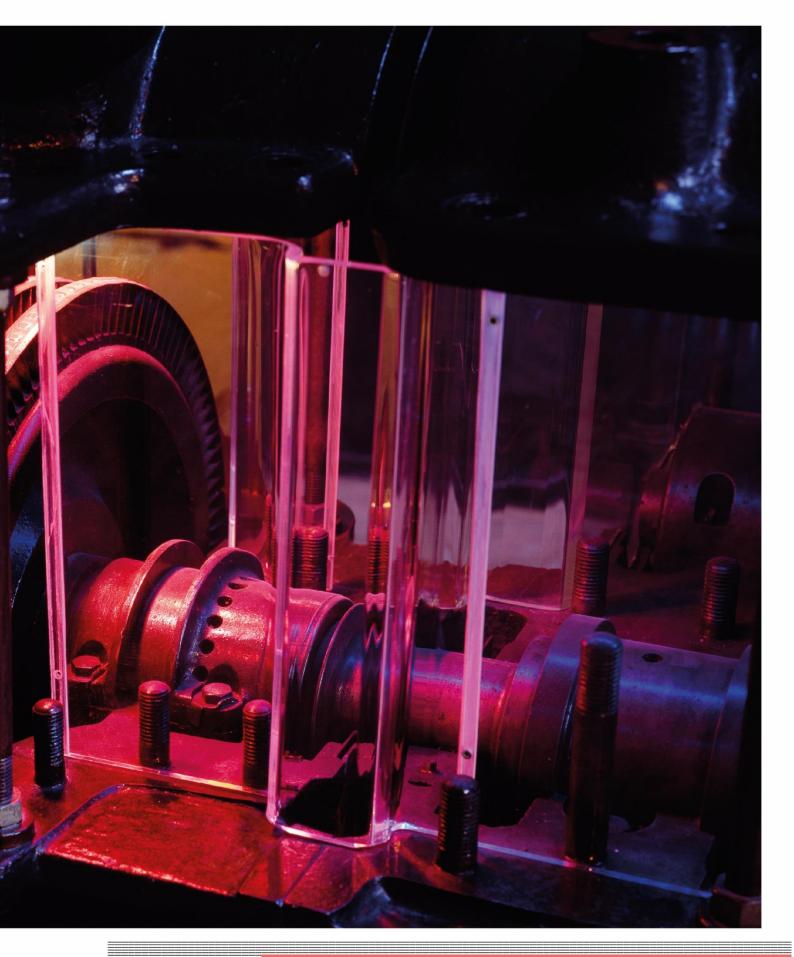


edp ENERGY WITH INTELLIGENCE

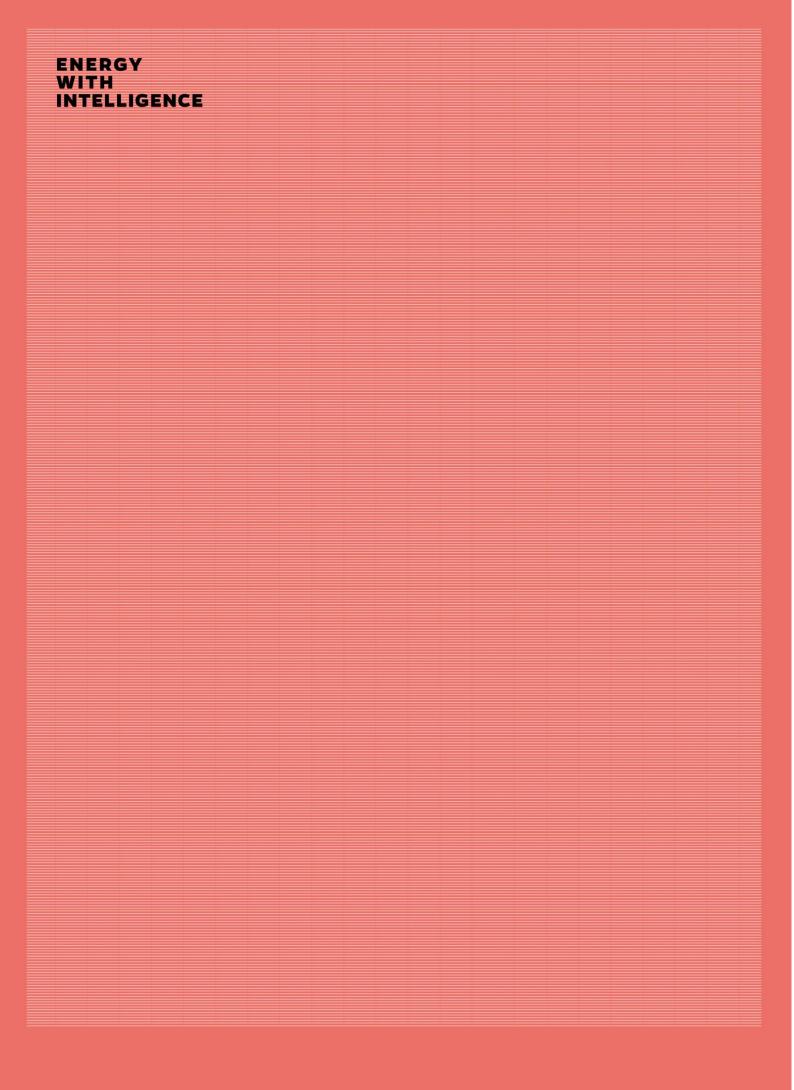
03. financial statements



ENERGY WITH INTELLIGENCE



The past projected into the future



CONDENSED FINANCIAL STATEMENTS 30 September 2016

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Condensed Consolidated Income Statement for the nine-month period ended at 30 September 2016 and 2015

7 8 9	10,584,570 -6,321,152 4,263,418 350,661 -674,416	11,604,777 -7,544,364 4,060,413 683,062
7 8	-6,321,152 4,263,418 350,661	-7,544,364 4,060,413
7 8	4,263,418 350,661	4,060,413
8	350,661	
8		683 062
. <u> </u>	671 114	005,002
0	-0/4,410	-657,964
9	-486,794	-471,729
10	-560,330	-622,687
	-1,370,879	-1,069,318
	2,892,539	2,991,095
11	15.040	-9,036
		-1,058,374
		1,923,685
	1,772,110	1,720,000
13	685,907	723,630
		-1,349,385
20	-2,801	-25,209
	1,154,698	1,272,721
14	-299,862	-235,871
15	-60,561	-60,863
-	-360,423	-296,734
	794,275	975,987
	615,028	735,919
33	179,247	240,068
	794,275	975,987
30	0.17	0.20
	11 12 13 13 20 14 15	-1,370,879 2,892,539 11

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT N.° 17,713

THE MANAGEMENT

Condensed Consolidated Statement of Comprehensive Income for the nine-month period ended at 30 September 2016 and 2015

	20	16	20	15
	Equity holders	Non-controlling	Equity holders	Non-controlling
Thousands of Euros	of EDP	Interests	of EDP	Interests
Net profit for the period	615,028	179,247	735,919	240,068
I tems that will never be reclassified to profit or loss (i)				
Actuarial gains/(losses)	-25,717	-5,145	35,770	-3,238
Tax effect from the actuarial gains/(losses)	7,628	1,750	-6,314	1,101
	-18,089	-3,395	29,456	-2,137
I tems that are or may be reclassified to profit or loss (i)				
Exchange differences arising on consolidation	164,207	223,272	-261,157	-385,725
Fair value reserve				
(cash flow hedge)	86,074	182	-33,925	3,036
Tax effect from the fair value reserve (cash flow hedge)	-23,520	426	10,044	-841
Fair value reserve				
(available for sale investments)	-15,258		3,389	
Tax effect from the fair value reserve				
(available for sale investments)	2,438		-827	
Share of other comprehensive income of joint ventures and associates, net of taxes	-1,541	234	9,374	-2,976
	212,400	224,114	-273,102	-386,506
Other comprehensive income for the period, net of income tax	194,311	220,719	-243,646	-388,643
Total comprehensive income for the period	809,339	399,966	492,273	-148,575

⁽i) See Condensed Consolidated Statement of Changes in Equity

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT N.° 17,713

THE MANAGEMENT

Condensed Consolidated Statement of Financial Position as at 30 September 2016 and 31 December 2015

Thousands of Euros	Notes	2016	2015
Assets	1/	22 024 004	22 772 747
Property, plant and equipment	16	23,034,884	22,773,716
Intangible assets Goodwill	<u>17</u> 18	5,470,437	5,524,634
Investments in joint ventures and associates	20	3,373,774	3,388,588 664,011
Available for sale investments	21	175,241	200,206
Investment property	22	32,753	36,465
Deferred tax assets	23	572,287	272,498
Trade receivables	25	67,249	101,087
Debtors and other assets from commercial activities	26	2,558,399	3,211,231
Other debtors and other assets	27	554,547	444,257
Collateral deposits associated to financial debt	35	30,543	66,855
Total Non-Current Assets		36,660,851	36,683,548
Inventories	24	223,831	204,206
Trade receivables	25	1,866,868	1,895,517
Debtors and other assets from commercial activities	26	1,194,481	1,573,383
Other debtors and other assets	27	252,504	443,118
Current tax assets	28	263,069	314,867
Financial assets at fair value through profit or loss	50	10,581	9,288
Collateral deposits associated to financial debt	35	45,828	13,060
Cash and cash equivalents	29	1,676,854	1,245,449
Assets held for sale	42	-	154,529
Total Current Assets		5,534,016	5,853,417
Total Assets		42,194,867	42,536,965
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-62,525	-62,691
Share premium	30	503,923	503,923
Reserves and retained earnings	32	4,253,762	3,659,302
Consolidated net profit attributable to equity holders of EDP		615,028	912,703
Total Equity attributable to equity holders of EDP		8,966,726	8,669,775
Non-controlling Interests	33	4,153,580	3,451,718
Total Equity		13,120,306	12,121,493
Liabilities			
Financial debt	35	15,964,653	15,653,876
Employee benefits	36	1,593,474	1,647,730
Provisions	37	470,334	481,439
Deferred tax liabilities	23	732,400	794,983
Institutional partnerships in USA	38	1,870,651	1,956,217
Trade and other payables from commercial activities	39	1,214,535	1,237,274
Other liabilities and other payables	40	652,169	548,136
Total Non-Current Liabilities		22,498,216	22,319,655
Financial debt	35	2,325,282	3,616,664
Employee benefits	36	174,601	175,763
Provisions	37	25,163	24,633
	34	4,081	11,417
Hydrological correction account	97		3,380,358
Trade and other payables from commercial activities	39	2,863,280	3,300,330
		2,863,280 280,360	
Trade and other payables from commercial activities	39		311,574
Trade and other payables from commercial activities Other liabilities and other payables	39 40	280,360	311,574 517,380 58,028
Trade and other payables from commercial activities Other liabilities and other payables Current tax liabilities	39 40 41	280,360	311,574 517,380 58,028
Trade and other payables from commercial activities Other liabilities and other payables Current tax liabilities Liabilities held for sale	39 40 41	280,360 903,578	3,380,336 311,574 517,380 58,028 8,095,817 30,415,472

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT N.º 17,713

Condensed Consolidated Income Statement for the three-month period from 1 July to 30 September 2016 and 2015

	004/	0045
Thousands of Euros	2016	2015
	0.404.057	0 / 57 000
Revenues from energy sales and services and other	3,436,957	3,657,083
Cost of energy sales and other	-2,143,294	-2,346,481
	1,293,663	1,310,602
Other income	111,365	157,163
Supplies and services	-238,673	-223,775
Personnel costs and employee benefits	-163,294	-147,509
Other expenses	-177,276	-236,334
	-467,878	-450,455
	825,785	860,147
Provisions	10,015	-5,761
Amortisation and impairment	-370,786	-369,195
·	465,014	485,191
Financial income	88,658	221,428
Financial expenses	-315,876	-482,936
Share of net profit in joint ventures and associates	1,785	-1,922
Profit before income tax	239,581	221,761
		,
Income tax expense	-57,002	-42,068
Extraordinary contribution to the energy sector (CESE)	-1,727	
	-58,729	-42,068
Net profit for the period	180,852	179,693
Attributable to:		
Equity holders of EDP	142,857	149,110
Non-controlling Interests	37,995	30,583
Net profit for the period	180,852	179,693
·		· ·
Earnings per share (Basic and Diluted) - Euros	0.04	0.04

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT N.° 17.713

THE MANAGEMENT

Consolidated Statement of Comprehensive Income for the three-month period from 1 July to 30 September 2016 and 2015

	2	016	20)15
Thousands of Euros	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	142,857	37,995	149,110	30,583
I tems that will never be reclassified to profit or loss				
Actuarial gains/(losses)	-1,530	-1,453	222	212
Tax effect from the actuarial gains/(losses)	520	494	-255	-72
	-1,010	-959	-33	140
I tems that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-1,252	-14,870	-205,985	-309,723
Fair value reserve (cash flow hedge)	54,328	2,218	-66,561	-908
Tax effect from the fair value reserve (cash flow hedge)	-16,516	-890	18,691	195
Fair value reserve (available for sale investments)	7,813		-10,634	
Tax effect from the fair value reserve (available for sale investments)	-591	-	2,262	-
Share of other comprehensive income of joint ventures and associates, net of taxes	-926	-129	11,520	4,770
	42,856	-13,671	-250,707	-305,666
Other comprehensive income for the period (net of income tax)	41,846	-14,630	-250,740	-305,526
Total comprehensive income for the period	184,703	23,365	-101,630	-274,943

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT N.° 17,713

THE MANAGEMENT

Condensed Consolidated Statement of Changes in Equity as at 30 September 2016 and 31 December 2015

Thousands of Euros Balance as at 31 December 2014	Total Equity 11,969,144	Share capital (i) 3,656,538	Share premium (i) 503,923	Legal reserve (ii) 659,613	Reserves and retained earnings 4,064,527	Fair value reserve (Cash flow hedge) (ii) -47,781	Fair value reserve (AFS investments) (ii) 47,876	Exchange differences (ii) -133,300	Treasury stock (iii) -69,931	Equity attributable to equity holders of EDP 8,681,465	Non-controlling Interests (iv) 3,287,679
Comprehensive income: Net profit for the period	975,987	_	_	_	735,919	_	_	_	_	735,919	240,068
Changes in the fair value reserve	770,707				700,717					700,717	210,000
(cash flow hedge) net of taxes Changes in the fair value reserve (available for sale investments)	-21,686	-	-	-	-	-23,881	-	-	-	-23,881	2,195
net of taxes	2,562	-	-	-	-	-	2,562		-	2,562	-
Share of other comprehensive income of joint ventures and associates											
net of taxes	6,398		<u>-</u>	-	-	20,073	-	-10,699	-	9,374	-2,976
Actuarial gains/(losses) net of taxes	27,319			-	29,456	_			-	29,456	-2,137
Exchange differences arising on consolidation	-646,882	_	_	_	_	_	_	-261,157	_	-261,157	-385,725
Total comprehensive income for the period	343,698	-	-	-	765,375	-3,808	2,562	-271,856	- "	492,273	-148,575
Transfer to legal reserve Dividends paid	-672,308	-	-	39,289	-39,289 -672,308	-	-		-	-672,308	-
Dividends attributable to non-controlling	50.047										50.047
interests Purchase and sale of treasury stock	-58,216 3,293				524				2,769	3,293	-58,216
Share-based payments	1,501			-			-		1,501	1,501	-
Sale without loss of control of windfarms in the USA	303, 209				-8,976	-1,141		-4,848		-14,965	318,174
Sale without loss of control of						-1,171					
solar farms in the USA Sale without loss of control of	25,474	-		-	357	-		-737		-380	25,854
windfarms in Brazil	65,615			_	6,705			5,053		11,758	53,857
Changes resulting from acquisitions/sales and equity increases/decreases	-47,822	-	-	-	27,922	-3,592	-	-860	-	23,470	-71,292
Other reserves arising on consolidation	-1,041				-653					-653	-388
Balance as at 30 September 2015	11,932,547	3,656,538	503,923	698,902	4,144,184	-56,322	50,438	-406,548	-65,661	8,525,454	3,407,093
Comprehensive income:	271 155				17/ 704					17/ 704	04 271
Net profit for the period Changes in the fair value reserve	271,155	-			176,784	-	-			176,784	94,371
(cash flow hedge) net of taxes Changes in the fair value reserve	997					835				835	162
(available for sale investments)											
net of taxes Share of other comprehensive income of joint ventures and associates	8,021	-		-	-	-	7,899			7,899	122
net of taxes Actuarial gains/(losses)	2,067			-	-	92	-	1,172		1,264	803
net of taxes Exchange differences arising on	-70,579	-	-	-	-62,462	-	-		-	-62,462	-8,117
consolidation	87,075	-	-	-		-		11,469		11,469	75,606
Total comprehensive income for the period Dividends attributable to non-controlling	298,736	-	-	-	114,322	927	7,899	12,641	-	135,789	162,947
interests	-88,337		-	-	-	-					-88,337
Purchase and sale of treasury stock Sale without loss of control of	2,930	-		-	-40	-	-		2,970	2,930	
windfarms in the USA Sale without loss of control of	1,163	-	-	-	-499	-	-	659		160	1,003
solar farms in the USA	72	-			50	_	-	_		50	22
Sale without loss of control of windfarms in Brazil	-4,335				-1,712			291		-1,421	-2,914
Changes resulting from acquisitions/sales	-21,479				5,335	-909	1,042			6,328	-27,807
and equity increases/decreases Other reserves arising on consolidation	196				485	-404	1,042	860		485	-27,807
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 Changes in the fair value reserve	794,275	-	-	-	615,028	-	-		-	615,028	179,247
(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 Actuarial gains/(losses)	-1,307	-				-838		-703	-	-1,541	234
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 Dividends paid	-672,537			40,122	-40,122 -672,537		-			-672,537	
Dividends attributable to non-controlling											-87,629
interests Purchase and sale of treasury stock	-87,629 -1,844	-	-	-	-720	-			-1,124	-1,844	-87,629
Share-based payments Sale without loss of control of	1,290	-	-	-	-	-			1,290	1,290	-
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 and equity increases/decreases and other	17,726	_	_	_	55,169	17	_	4,326	-	59,512	-41,786

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT N.º 17,713

THE MANAGEMENT

⁽i) See note 30 (ii) See note 32 (iii) See note 31 (iv) See note 33

Condensed Consolidated and Company Statement of Cash Flows for the nine-month period ended at 30 September 2016 and 2015

	Group		Company		
Thousands of Euros	Sep 2016	Sep 2015	Sep 2016	Sep 2015	
Operating activities					
Cash receipts from customers	9,848,967	10,936,855	1,823,743	2,028,296	
Proceeds from tariff adjustments sales	2,058,263	699,461	-	-	
Payments to suppliers	-6,992,846	-8,097,168	-1,784,590	-2,200,559	
Payments to personnel	-624,182	-626,756	-48,046	-28,179	
Concession rents paid	-209,342	-211,505	_	-	
Other receipts/(payments) relating to operating activities	-209,248	-277,563	41,812	-26,815	
Net cash flows from operations	3,871,612	2,423,324	32,919	-227,257	
Income tax received/(paid)	-341,860	-23,003	-27,026	80,372	
Net cash flows from operating activities	3,529,752	2,400,321	5,893	-146,885	
Investing activities					
Cash receipts relating to:					
Sale of assets/subsidiaries with loss of control (i)	95,434	242,627	-	-	
Other financial assets and investments (ii)	33,934	1,971	92	267	
Changes in cash resulting from consolidation perimeter					
variations	-	110,832	-	-	
Property, plant and equipment and intangible assets	8,545	9,870	3,427	19,674	
Other receipts relating to tangible fixed assets	6,611	6,939	-	-	
Interest and similar income	59,127	53,138	255,169	272,665	
Dividends	18,903	33,439	400,207	462,258	
Loans to related parties	32,933	4,799	26,126	315,426	
	255,487	463,615	685,021	1,070,290	
Cash payments relating to:					
Acquisition of assets/subsidiaries (iii)	-129,702	-134,341	-41	-11,401	
Other financial assets and investments	-112,761	-54,904	-	-	
Changes in cash resulting from consolidation perimeter variations (iii)	-956	_	-	-	
Property, plant and equipment and intangible assets	-1,574,850	-1,401,456	-12,606	-48,613	
Loans to related parties	-63,887	-20,285	-456,224	-80,175	
	-1,882,156	-1,610,986	-468,871	-140,189	
Net cash flows from investing activities	-1,626,669	-1,147,371	216,150	930,101	
Financing activities	700 122	1 505 051	/ 00 F0 4	711 004	
Receipts/(payments) relating to loans Interest and similar costs including hedge derivatives	-780,132	-1,535,351 -781,557	680,504 -287,447	-711,324 -324,131	
Share capital increases/(decreases) by non-controlling	-723,305 130,782	-761,557	-201,441	-324,131	
Receipts/(payments) relating to derivative financial	18,540	29,986	48,377	-6,560	
Dividends paid to equity holders of EDP (iv)	-672,537	-672,308	-672,817	-672,588	
Dividends paid to equity floiders of EDF (iv) Dividends paid to non-controlling interests	-159,359	-69,065	-072,017	-072,366	
Treasury stock sold/(purchased) (iv)	-1,844	3,293	-554	4.794	
Sale of assets/subsidiaries without loss of control (v)			-554	4,794	
Receipts/(payments) from institutional partnerships - USA (vi)	551,820 77,333	394,934 -3,870	-		
Net cash flows from financing activities	-1,558,702	-2,671,420	-231,937	-1,709,809	
Changes in cash and cash equivalents	344,381	-1,418,470	-9,894	-926,593	
Effect of exchange rate fluctuations on cash held	87,024	-101,706	-2,170	185	
Cash and cash equivalents at the beginning of the period	1,245,449	2,613,995	523,270	1,344,731	
Cash and cash equivalents at the end of the period *	1,676,854	1,093,819	511,206	418,323	

- (i) On a consolidated basis, refers to the sale of the assets of the business of electricity generation of Pantanal and J&Z (transactions included in notes 5, 7 and 42);
- (ii) On a consolidated basis, includes the sale of the business of electricity generation of Tejo Energia and Inch Cape (transactions included in notes 5, 13 and 42);
- (iii) On a consolidated basis, mainly refers to payments for the acquisition of the companies disclosed in note 5;
- (iv) See Consolidated and Company Statement of Changes in Equity;(v) On a consolidated basis, includes: the sale without loss of control by EDPR NA of part of shareholding in several american companies; and by EDPR EU of part of shareholding in several spanish, portuguese, belgian and french companies as disclosed in note 5;
- (vi) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in note 38).
- * See details of Cash and cash equivalents in note 29 of the Condensed Financial Statements.

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT

THE MANAGEMENT

Condensed Company Income Statement for the nine-month period ended at 30 September 2016 and 2015

Thousands of Euros	Notes	2016	2015
Revenues from energy sales and services and other	6	1,808,728	2,108,399
Cost of energy sales and other	6	-1,607,050	-1,969,991
		201,678	138,408
Other income		7,951	9,196
Supplies and services	8	-114,416	-127,455
Personnel costs and employee benefits	9	-48,695	-31,962
Other expenses		-11,397	-15,805
		-166,557	-166,026
		35,121	-27,618
Provisions	11	92	-1,107
Amortisation and impairment	12	-15,280	-10,475
		19,933	-39,200
5			
Financial income	13	1,608,371	1,433,634
Financial expenses	13	-1,228,912	-903,052
Profit before income tax		399,392	491,382
Profit before income tax		399,392	491,302
Income tax expense	14	20,142	20,813
Net profit for the period		419,534	512,195

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT N.º 17,713

Company Condensed Statement of Comprehensive Income for the nine-month period ended at 30 September 2016 and 2015

Thousands of Euros	2016	2015
Net profit for the period	419,534	512,195
Items that will never be reclassified to profit or loss (i)		
Actuarial gains / (losses)	172	
Items that are or may be reclassified to profit or loss (i)		
Fair value reserve (cash flow hedge)	13,553	13,500
Tax effect from the fair value reserve (cash flow hedge)	-3,998	-3,979
Fair value reserve (available for sale investments)	-3,292	4,886
Tax effect from the fair value reserve (available for sale investments)	965	-1,439
	7,228	12,968
Other comprehensive income for the period (net of income tax)	7,400	12,968
Total comprehensive income for the period	426,934	525,163

⁽i) See Company Condensed Statement of Changes in Equity

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT N.º 17,713

Condensed Company Statement of Financial Position as at 30 September 2016 and 31 December 2015

Thousands of Euros	Notes	2016	2015
Assets			
Property, plant and equipment	16	198,189	206,054
Intangible assets		2,148	2,371
Investments in subsidiaries	19	11,163,693	10,965,580
Investments in joint ventures and associates	20	6,597	6,597
Available for sale investments	21	50,418	53,679
Investment property	22	32,519	32,522
Deferred tax assets	23	61,989	35,140
Debtors and other assets from commercial activities		710	1,659
Other debtors and other assets	27	7,960,588	7,799,328
Total Non-Current Assets		19,476,851	19,102,930
Trade receivables	25	124,270	167,089
Debtors and other assets from commercial activities	26	303,999	427,621
Other debtors and other assets	27	1,405,244	2,126,996
Current tax assets	28	16,928	89,603
Cash and cash equivalents	29	511,206	523,270
Total Current Assets		2,361,647	3,334,579
Total Assets		21,838,498	22,437,509
Equity Share capital	30	3,656,538	3,656,538
Treasury stock	31	-56,430	-56,596
Share premium	30	503,923	503,923
Reserves and retained earnings	32	2,529,633	2,393,324
Net profit for the period	- 32	419,534	802,446
Total Equity		7,053,198	7,299,635
Liabilities			
Financial debt	35	9,677,368	9,540,894
Employee benefits	36	23,682	22,828
Provisions	37	7,183	12,207
Trade and other payables from commercial activities	40	2,777	4,037
Other liabilities and other payables Total Non-Current Liabilities	40	2,653,961	2,739,715
Total Nott-Current Liabilities		12,364,971	12,319,681
Financial debt	35	1,059,800	1,803,482
Employee benefits	36	346	346
Provisions	37	634	1,262
Hydrological correction account	34	4,081	11,417
Trade and other payables from commercial activities	39	408,407	550,616
Other liabilities and other payables	40	942,373	396,852
Current tax liabilities	41	4,688	54,218
Total Current Liabilities		2,420,329	2,818,193
Total Liabilities Total Equity and Liabilities		14,785,300 21,838,498	15,137,874 22,437,509

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT N.º 17,713

Company Income Statement for the three-month period from 1 July to 30 September 2016 and 2015

Thousands of Euros	2016	2015
Revenues from energy sales and services and other	598,633	
Cost of energy sales and other	-523,641	-658,671
	74,992	56,151
Other income	2.500	2.504
Other income	2,590	3,594
Supplies and services	-40,094	
Personnel costs and employee benefits	-16,082	
Other expenses	-1,053	
	-54,639	-52,110
	20,353	4,041
Provisions	-481	-130
Amortisation and impairment	-5,204	-3,617
·	14,668	294
Financial income	299,306	279,606
Financial expenses	-281,671	-233,078
Profit before income tax	32,303	46,822
Income tax expense	-344	7,460
Net profit for the period	31,959	54,282

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT N.° 17,713

THE MANAGEMENT



Company Statement of Comprehensive Income for the three-month period from 1 July to 30 September 2016 and 2015

Thousands of Euros	2016	2015
Net profit for the period	31,959	54,282
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	26,536	-19,401
Tax effect from the fair value reserve (cash flow hedge)	-7,828	5,724
Fair value reserve (available for sale investments)	1,308	2,681
Tax effect from the fair value reserve (available for sale investments)	-386	-788
	19,630	-11,784
Other comprehensive income for the period (net of income tax)	19,630	-11,784
Total comprehensive income for the period	51,589	42,498

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT THE MANAGEMENT N.º 17,713

Company Condensed Statement of Changes in Equity as at 30 September 2016 and 31 December 2015

Thousands of Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings	Fair value reserve (Cash flow hedge) (ii)	Fair value reserve (AFS investments) (ii)	Treasury stock (iii)
Balance as at 31 December 2014	7,150,968	3,656,538	503,923	659,613	2,387,747	-12,138	19,121	-63,836
Comprehensive income:								
Net profit for the period	512,195				512,195			
Changes in the fair value reserve (cash flow hedge) net of taxes	9,521					9,521		
Changes in the fair value reserve (available for sale investments) net of taxes	3,447						3,447	
Total comprehensive income for the period	525,163	-	-	-	512,195	9,521	3,447	-
Transfer to legal reserve	-			39,289	-39,289			
Dividends paid	-672,588				-672,588			
Purchase and sale of treasury stock	3,293				524	-	-	2,769
Share-based payments	1,501							1,501
Balance as at 30 September 2015	7,008,337	3,656,538	503,923	698,902	2,188,589	-2,617	22,568	-59,566
Comprehensive income:								
Net profit for the period	290,251				290,251			
Changes in the fair value reserve (cash flow hedge)	0.045					0.045		
net of taxes Changes in the fair value reserve (available for sale	-3,215					-3,215		
investments) net of taxes	1,477						1.477	
Actuarial gains / (losses) net of taxes	-145				-145		- 1,477	
Total comprehensive income for the period	288,368				290.106	-3,215	1.477	
Purchase and sale of treasury stock	2.930				-40	3,213		2.970
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:	7,277,033	3,030,330	303,723	070,702	2,470,033	-5,632	24,043	-30,370
Net profit for the period	419,534	_	_	_	419,534	_	_	_
Changes in the fair value reserve (cash flow hedge)	117,001				117,001	-		
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 1,290				-720			-1,124
Share-based payments								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

LISBON, 3 NOVEMBER 2016

THE CERTIFIED ACCOUNTANT N.º 17,713

THE MANAGEMENT

⁽i) See note 30 (ii) See note 32 (iii) See note 31



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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 2015.

During the nine-month period ended 30 September 2016, we emphasize the following changes, with significant impact in the economic activity of the EDP Group:

Activity in the energy sector in Portugal

Electricity - Portugal

Generation

On 14 September 2016, ERSE published in the Official Gazette 177, 2nd series, the Directive 15/2016 on the competitive balance scheme of the wholesale market, which determines the information that producers must send to ERSE in order to allow it to calculate the values associated with non-market events occurred in the Portuguese market, as well as the values of installed capacity contained in the operating licenses or production for the determination of the social tariff cost to be supported by each power-generating plant. This directive also defines the treatment to be given either in billing for the concept of net production of pumping or the billing relative with the natural gas combined cycle plants for which it is provided that the application of the net power will only be made from the moment it reaches the operating threshold defined in Decree 225/2015 of 30 July.

In 2016, the criteria of social tariff attribution was amended by Law 7-A/2016 of 30 March, "Law on State Budget 2016". This amendment allows the extension of the current number of effective beneficiaries, pursuant to Decree-Law 138-A/2010 of 28 December, as amended by Decree-Law 172/2014, of 14 November, and Decree-Law 102/2011, of 30 September, without reducing the applicable current discount.

The existing social discounts, until the entry into force of this regulatory change, comprise the regime of extraordinary social support to the energy consumer (ASECE) and social tariff of 13.8% and 20% of the invoice, respectively. On 8 April 2016, Order 5138-A/2016 repeal ASECE and approved that the social tariff started to include this component. Therefore, the social discount rate supported by the social tariff was 33.8 % of the invoice from 1 July 2016. As at 24 June, was published in the Official Gazette 120, series 2, the Directive 12/2016 of ERSE that approves the social tariff in force from 1 July to 31 December 2016. The social tariff is supported by the electricity suppliers under the ordinary regime and by the hydroelectric plants with capacity greater than 10MW, in proportion of the installed capacity in each electric power plant.

On 8 March 2016, ERSE Directive 6/2016 was published in the Official Gazette 47, series 2, concerning the booking and reporting of power transactions by market participants in specific remuneration schemes. Such measure turns mandatory for producers of electricity covered by CMEC in accordance with the Commercial Relations Regulation (RRC) and the Tariff Regulation, to send to ERSE information on trading transactions and orders.

Following the Order 4694/2014, it was published on 5 September 2016, in the Official Gazette 170, series 2, the Order 10840/2016 of the State Energy Secretary's Office, with the audit conclusions on the determination of an overcompensation risk in the CMEC revisibility calculation in relation to the power plants covered by this mechanism in the system services market. Given the audit conclusions, this Order determines the following:

- i) Maintain, until the end of the annual revisibility mechanism of CMEC, the mechanism for the calculation of the system services prices and the proportion of energy generated by CMEC power plants, established in articles 2 and 3 of the Order 4694/2014 of 21 February, from the State Energy Secretary;
- ii) Forward the audit report and the Monitoring Committee's opinion to ERSE for monitoring purposes regarding the above mentioned prices and, if appropriate given the results obtained in these reports, find the best regulatory and punitive ways to treat them; iii) Forward the audit report and the Monitoring Committee's opinion to the Portuguese Authority of Energy and Geology (DGEG).

INTERIM REPORT 9M2016

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

Activity in the energy sector in Spain

Electricity - Spain

Distribution

On 10 June 2016, the Spanish Government has published the Ministerial Order IET/980/2016, that has set the final compensation amount from HC's electricity distribution business for 2016. In addition, new regulation has set the regulatory average remaining life of HC's existing assets as at 31 December 2014 at 25.13 years. Consequently, HC evaluated the accounting criteria of the regulated activity, starting to recognize income according to the amortization pace of its assets, considering the limit of 25.13 years.

Activity in the energy sector in Brazil

Electricity - Brazil

Some concessions attributed to distribution companies have been anticipated, so they had to enter into a new contract. Others, including EDP Bandeirante and EDP Escelsa, regardless of the maturity of their contracts, may adhere to the amendment proposed by ANEEL, using the methodology that is being evaluated in the Public Hearing 58/2016. This amendment brings changes in the calculation of portions A and B, namely: i) calculation of portion B shall be determined by the market of the test-year and by the tariff prevailing in the last tariff process, ceasing to be obtained by the difference between the verified revenue and portion A; ii) unrecoverable revenues, demand surplus, exceeding demand and other income are now a part of Portion A; iii) ONS becomes part of portion B; iv) DIT losses will be allocated to the technical losses; and v) neutral energy and transportation.

On 28 March 2016, was published Normative Resolution No. 703, of 15 March 2016, through which ANEEL changed some regulatory procedures affecting the calculation of sectorial assets and liabilities relating to: (i) Variation Compensation Account of the A items amounts (CVA)"; (ii) Energy over contracting and Short Term Market Exposure (MCP); (iii) Other financial components; and (iv) Limits of the Power Purchase Costs Transfer.

The main changes with impact for the distribution companies are: (i) "glosa" calculation of the outstanding balance for power purchase CVA; (ii) exclusion of hydrological risk for the composition of contracts price in the "glosa" calculation, except for availability contracts; (iii) use of the carrying amounts of energy contracts and short-term market performance for the calculation of the outstanding balance of the power purchase CVA and for the System Service Charge (ESS) and the Reserve Energy Charge (EER); and (iv) calculation of the short-term market results through specific financial component.

On 7 August 2016, ANEEL approved the result of the 7th Periodic Tariff Review of EDP Escelsa. The average effect for consumers was - 2.80% and -6.18% for high voltage consumers and -0.67% for low voltage consumers. Portion B, designed to cover the costs of the electricity distribution activities was set at 862 millions of Brazilian Reais, which deducted from Other shared revenues results in 846 millions of Brazilian Reais. From 2017 to 2019, the annual Productivity component (Pd) of factor X was set at 1.15%, while the transition component (T) of the same factor X has become zero. Technical losses were set at 7.14% under the injected energy and non-technical losses were fixed at 11.45% for low voltage.

On 19 September 2016, ANEEL approved, through Normative Resolution 733/2016, the conditions for the application of a new tariff, the White Tariff.

The White Tariff is a new option that indicates to consumers the variation of the energy value according to the day and time of consumption. This tariff is offered to low voltage consumers, known as group B. With this rate, the consumer will be able to pay different amounts depending on the time and day of the week.

On weekdays, the value of the white tariff varies depending on three periods: peak, intermediate and off-peak. The peak, intermediate and off-peak periods are approved by ANEEL in the periodic revisions of each distributor. To adhere to the white tariff, consumers need to formalize their choice with their distributor. Who does not opt for this system, will continue to be charged according with the conventional tariffs.

The adherence to this new system can be made since January 2018, as follows: (i) immediately for new connections and for consumers with average annual consumption exceeding 500 kWh/month; (ii) up to 12 months for consumers with average annual consumption exceeding 250 kWh/month; and (iii) up to 24 months for the remaining consumers. Consumers may return to the Conventional Tariff.

The Provisional Measure 735, published on 23 June 2016, restructures the management of the sector funds: Energy Development Account - CDE, Global Reversion Reserve - RGR and Fuel Consumption Account - CCC, whose values today are approximately of 20 billions of Brazilian Reais, transferring this management from Eletrobrás to the Electric Energy Trading Chamber - CCEE.

This Provisional Measure indicates a reduction of the sector charges to determine that the Granting Authority shall submit a Structural Reduction Expenditure Plan for CDE until 31 December 2017 and also limits the fuel reimbursement for the Northern Region distributors to 3.5 billion Brazilian Reais until 2017, which are subject to budgetary and financial availability. From 2030, the cost distribution of the CDE between concessionaires and licensees will be proportional to their markets. The transition between the current allocation, which overloads the regions S/SE/MW, and the markets' proportional allocation, will happen between 2017 and 2030.

Additionally, it creates favourable conditions for the transfer of the shareholder's control of concessions, simplifying the bidding process and the terms of the payment to the Union.

Finally, it authorizes the transfer of the Union debts to Itaipu for the end-consumers tariffs and it revokes the possibility of concessions extension for companies whose start of operations has been postponed, even if it recognizes the exclusion of the company's responsibility.

The above-mentioned Provisional Measure will still be submitted to the legislative process of the National Congress, where it may be changed.

On 23 September 2016, Empresa de Energia Cachoeira Caldeirão and ECE Participações filed the request for the renegotiation of the hydrological risk in the regulated system to ANEEL for approval, with effect from 1 January 2017.

The Decree 8,828/2016 of 4 August 2016, eliminated the obligation of contracting the installed capacity of the plants that correspond to the maximum load demand ("Lastro de potência") and the penalties associated with their eventual failure. In addition, it removed the limitation of transfer costs to the tariff, when it needs to recontract energy, which volume is less than 96% of the Replacement Amount, for cases when there is an excess of contracts on the supply load measured in year A-1 (Existing Energy). The exclusion of the transfer limit on over contracting situations will bring more flexibility to the distributors, making them able to mitigate - in a very limited way though - the effects of reducing the existing volume of energy in their portfolios.

Additionally, the withdrawal of the mandatory "monômia" tariff for low voltage consumers, allowed the proposal of implementation of the "binomial" (energy and demand) tariff, seeking to encourage the efficient use of the distribution' networks and ensure the expansion and the sustainability of the incentive program for renewable energy and localized production.

Activity in the Renewable Energies Sector

Electricity - Renewable

Regulatory framework for the activities in the United States of America

On 5 May 2016, the US Internal Revenue Service issued guidance that wind farms have four years from their start of construction to be placed in service and qualify for the Production Tax Credits (PTC). As a result, projects that start construction prior to year-end 2019 and are placed in service prior to year-end 2023 will be eligible for the PTC.

Regulatory framework for the activities in Poland

On 19 February 2016 the PiS MPs party proposed a draft law on wind investments covering localization, realizations and operation of wind farms, the so-called Wind Turbine Investment Act. After a long approval process in which the renewable sector succeeded in introducing some amendments to the original draft the law was finally approved and published in the Polish Official Gazette in June 2016. The main measures of this new law include minimum distance restrictions for new wind farms and increased real estate tax burden.

On the other hand, and following the delay of implementation of the RES Act Chapter 4 introduced in late December 2015, PiS' government has introduced to Polish parliament a more comprehensive amendment proposal to the RES Act in early May 2016. After having gone through Poland's parliamentary appreciation process the amendments were finally approved and published in late June, in line with the intentions to have the Chapter 4 in force since 1 July 2016. While keeping the core of the new auction system introduced by the new 2015 RES Act these new amendments have also introduced some modifications (namely introducing technology baskets for future tenders and improving the treatment of biomass, biogas and cofiring technologies).

Regulatory framework for the activities in France

On 15 April 2016 France's Conseil d´État published a decision ordering the government to start recovering interests that the feed-in tariff received from 2008 to 2014 has generated.

This decision is based on the fact that the French Government failed to notify the Ministerial Order of the European Commission approving the Feed-in tariff back in 2008. Following a claim filled by an anti-wind non-governmental organization, the European Court of Justice confirmed on 19 December 2013 that the feed-in tariff scheme constituted State Aid, and therefore, that the French Government had failed to follow the notification process. For this reason, the Order was withdrew by the Conseil d´État on May 2014 and a new one, (containing the same parameters than the former one), appropriately notified, was approved on June 2014.

Nevertheless, despite the new decree came into force with retroactive effects and without affecting the existing PPAs, the Conseil d'État decided, in line with European jurisprudence, that generators would need to reimburse the interest that the amount of the aid (allegedly "illegally" received) has generated. This recovery should be undertaken within 6 months from April's decision, subject to a penalty for non-compliance of 10 thousands of Euros/day.

However, many uncertainties remain, most particularly concerning the interests' amount calculation and its reimbursement implementation (payment terms).



Additionally, on 24 April 2016 the French Government endorsed the so-called "Programmation pluriannuelle des Investissements" (PPI) which objective is to set different renewables' capacity targets by technology, in order to achieve the objectives of the "Loi de Transition Énergétique" (framework law aimed to define France's long-term energy and climate policy, formally approved in August 2015). The PPI provides short-term (2018) and medium term (2023) renewables' capacity targets and also includes a provisional timetable of the next renewable tenders to be launched between 2016 and 2019.

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying consolidated and company condensed 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 2016.

EDP S.A.'s Executive Board of Directors approved the condensed consolidated and company financial statements (referred to as "financial statements") on 3 November 2016. The financial statements are presented in thousands of 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 2016 were prepared in accordance with IFRS as adopted by the E.U. until 30 September 2016 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 as of and for the year ended 31 December 2015.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 48.

The financial statements were prepared under the historical cost convention, modified by the application of the fair value accounting to derivative financial instruments, financial assets and liabilities at fair value through profit or loss and available-for-sale investments, except those for which fair value is not available. Assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the hedged risk. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell. Liabilities for defined benefit plans are recognised at the present value of the obligation net of plan assets fair value.

In accordance with IFRS 3 - Business Combinations, if the initial purchase price allocation of assets, liabilities and contingent liabilities acquired is identified as provisional, in the subsequent 12 months after the business combination transaction, the legal acquirer should make the final allocation of the purchase price related to the fair value of the assets, liabilities and contingent acquired. These adjustments with impact on the amount of goodwill determined and booked in previous periods, originates a restatement of the comparative information, which are reflected on the Statement of financial position, with effect from the date of the business combinations transactions liabilities.

The preparation of financial statements in conformity with IFRS requires the Executive Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant, are presented in note 3 - Critical accounting estimates and judgments in preparing the financial statements.

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements.

b) Basis of consolidation

The accompanying consolidated financial statements reflect the assets, liabilities and results of EDP, S.A. and its subsidiaries (Group or EDP Group) and the equity and results attributable to the Group, through the investments in associates and jointly controlled entities.

As from 1 January 2010 onwards, the EDP Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in accounting policies resulting from the application of IFRS 3 (revised) were applied prospectively.

Controlled entities

Investments in subsidiaries where the EDP Group has control are fully consolidated from the date the Group assumes control over their financial and operating activities until the moment that control ceases to exist.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of the percentage of voting rights held.

Until 31 December 2009, when the accumulated losses of a subsidiary attributable to non-controlling interests exceed the non-controlling interests in its equity, the excess was attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary were recognised as profits of the Group until the losses attributable to the non-controlling interests previously recognised by the Group have been recovered. As from 1 January 2010, the due proportion of accumulated losses are attributed to non-controlling interests, implying that the Group can recognise negative non-controlling interests.

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any investee previously held is booked against the income statement when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement, as well as any gain or loss resulting from the disposal.

Jointly controlled entities

EDP Group classifies an arrangement as a joint arrangement when the jointly control is contractually established. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

After determining the existence of joint control, the Group classifies joint arrangements into two types - joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement, so the assets and liabilities (and related revenues and expenses) in relation to its interest in the arrangement are recognised and measured in accordance with relevant IFRSs applicable.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement, so this investment is included in the consolidated financial statements under the equity method.

The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of joint ventures, included under the equity method. When the Group's share of losses exceeds its interest in a jointly controlled entity, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation to cover such losses on behalf of that entity.

Entities over which the Group has significant influence

Investments in associates are included in the consolidated financial statements under the equity method from the date the Group acquires significant influence to the date it ceases. Associates are entities over which the Group has significant influence, but not control, over its financial and operating policies.

The existence of significant influence by the Group is usually evidenced by one or more of the following:

- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel; and
- Provision of essential technical information.

The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of associates, included under the equity method. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation to cover such losses on behalf of the associate.

Accounting for investments in subsidiaries in the company's financial statements

Investments in subsidiaries not classified as held for sale or not included in a disposal group which is classified as held for sale are accounted for at cost in the company's financial statements, and are subject to periodic impairment tests, whenever indication exists that certain financial investment may be impaired.

Goodwill

Following the transition to International Financial Reporting Standards (IFRS) on 1 January 2004 and as permitted under IFRS 1 - First-time Adoption of International Financial Reporting Standards, the EDP Group decided to maintain the goodwill resulting from business combinations that occurred prior to the transition date, calculated in accordance with the Group's previous accounting policies.

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December 2009.



As from 1 January 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

As from 1 January 2010 onwards, the EDP Group has the possibility to book non-controlling interests at fair value or at cost, implying that the full amount of goodwill can be booked in the financial statements, including the portion attributable to the non-controlling interests, against non-controlling interests, if the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the period the business combination occurs.

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless of the existence of any impairment triggers. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against goodwill. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

Purchases of non-controlling interests and dilution

Until 31 December 2009, in the acquisition of non-controlling interests, the difference between the fair value of the non-controlling interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The difference between the non-controlling interests acquired and the fair value of the liability, was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability were recognised as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Until 31 December 2009, when an interest in a subsidiary was disposed, without a loss of control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurs when the percentage of interest in a subsidiary decreases without any sale of interest in that subsidiary, for example, if the Group does not participate proportionally in the share capital increase of that subsidiary. Until 31 December 2009, the Group recognised the gains or losses resulting from a dilution of the interest in a subsidiary following a sale or capital increase, in the income statement.

As from 1 January 2010 onwards, in an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the consideration paid, is accounted against reserves. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding).

Investments in foreign operations

The financial statements of the foreign subsidiaries and associates of the Group are prepared using their functional currency, defined as the currency of the primary economic environment in which they operate. In the consolidation process, the assets and liabilities of foreign subsidiaries are translated into Euros at the official exchange rate at the balance sheet date.

Regarding the investments in foreign operations that are consolidated using the full consolidation method and equity method, the exchange differences between the amount of equity expressed in Euros at the beginning of the period and the amount translated at the official exchange rates at the end of the period, on a consolidated basis, are booked against reserves.

Foreign currency goodwill arising on the acquisition of these investments is remeasured at the official exchange rate at the balance sheet date directly against reserves.

The income and expenses of foreign subsidiaries are translated into Euros at the approximate exchange rates at the dates of the transactions. Exchange differences from the translation into Euros of the net profit for the period, arising from the differences between the rates used in the income statement and those prevailing at the balance sheet date are recognised in reserves.

On disposal of a foreign subsidiary, the related exchange differences previously recognised in reserves, are accounted for in the income statement

Balances and transactions eliminated on consolidation

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

Business combinations achieved in stages

In a business combination achieved in stages, on the date of obtaining control, the excess of the aggregate of (i) the consideration transferred, (ii) the amount of any non-controlling interest recognized in the acquiree (iii) the fair value of the previously held equity interest in the acquired business; over the net of amounts of the identifiable assets acquired and liabilities assumed, is recognised as goodwill.

If applicable, the negative difference, after evaluating the consideration transferred, of the amount of any non-controlling interest recognised in the acquiree, the fair value of the previously held equity interest in the acquired business; over the net value of the identifiable assets acquired and liabilities assumed, is recognised in the income statement. The Group recognises the difference between the fair value of the previously held equity interest in the acquired business and the carrying value in consolidated results according to its previous classification. Additionally, the Group reclassifies the deferred amounts in other comprehensive income relating to the previously held equity interest to the income statement or consolidated reserves, according to their nature.

c) Foreign currency transactions

Foreign currency transactions are translated at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into Euros at the exchange rates at the balance sheet date. These exchange differences arising on translation are recognised in the income statement.

Foreign currency non-monetary assets and liabilities accounted for at historical cost are translated using the exchange rates at the dates of the transactions. Foreign currency non-monetary assets and liabilities stated at fair value are translated into Euros at the exchange rates at the dates the fair value was determined.

d) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised on the trade date at fair value. Subsequently, the fair value of derivative financial instruments is remeasured on a regular basis, being the gains or losses on remeasurement recognised directly in the income statement, except for derivatives designated as cash flow hedging instruments. Recognition, in the income statement, of the resulting gains and losses on remeasurement of hedging derivatives depends on the hedge model used.

The fair value of derivative financial instruments corresponds to their market value, if available, or is determined by external entities through the use of valuation techniques.

Hedge accounting

The Group uses financial instruments to hedge interest rate risk, exchange rate risk and price risk resulting from its operational and financing activities. Derivatives not qualified for hedge accounting under IAS 39 are accounted for as trading instruments.

Hedging derivatives are recorded at fair value, being the gains and losses recognised in accordance with the hedge accounting model applied by the Group. Hedge relationship exist when:

- (i) At the inception of the hedge there is formal documentation of the hedge;
- (ii) The hedge is expected to be highly effective;
- (iii) The effectiveness of the hedge can be reliably measured;
- (iv) The hedge is revalued on an on-going basis and is considered to be highly effective throughout the reporting period;
- (v) The forecast transaction being hedged must be highly probable and must be exposed to changes in cash flows that could ultimately affect profit or loss.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets and liabilities or group of hedged assets and liabilities that are attributable to the hedged risk. When the hedging relationship ceases to comply with the requirements for hedge accounting, the accumulated gains or losses concerning the fair value of the risk being hedged are amortised over the residual period to maturity of the hedged item.



Cash flow hedge

Changes in the fair value of derivatives qualified as cash flow hedges are recognised in reserves.

The cumulative gains or losses recognised in reserves are reclassified to the income statement when the hedged item affects the income statement.

When a hedging relation of a future transaction is discontinued, the changes in the fair value of derivative recognised in reserves remain recognised in reserves until the future hedged transaction occurs. When the future transaction is no longer expected to occur, the cumulative gains or losses recognised in reserves are recorded immediately in the income statement.

Net investment hedge

The net investment hedge model is applied on a consolidated basis to investments in subsidiaries in foreign currencies. This model allows that the exchange differences recognised in the exchange differences consolidated reserves to be offset by the foreign exchange differences in foreign currency loans or currency derivatives contracted. The ineffective portion of the hedging relationship is recognised in the income statement.

The accumulated foreign exchange gains and losses regarding the net investment and the related hedging instrument recognised in equity are transferred to the income statement when the foreign entity is sold, as part of the gain or loss resulting from the disposal.

Effectiveness

For an hedge relationship to be classified as such, in accordance with IAS 39, its effectiveness must be demonstrated. Therefore, the Group performs prospective tests at the inception date of the hedge and prospective and retrospective tests in each balance sheet date, to demonstrate its effectiveness, showing that any adjustments to the fair value of the hedged item attributable to the risk being hedged are offset by adjustments to the fair value of the hedging instrument. Any ineffectiveness is recognised in the income statement when it occurs.

e) Other financial assets

The Group classifies its other financial assets at acquisition date, considering the underlying purpose, in the following categories:

Financial assets at fair value through profit or loss

This category includes: (i) financial assets at fair value through profit or loss, acquired for the purpose of being traded in the short term, and (ii) other financial assets designated at fair value through profit or loss at inception (fair value option).

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets which: (i) the Group intends to hold for an undetermined period of time, or (ii) are designated as available-for-sale on initial recognition.

Initial recognition, measurement and derecognition

Purchases and sales of: (i) financial assets at fair value through profit or loss, and (ii) available-for-sale investments, are recognised on the trade date, which is the date on which the Group commits to purchase or sell these financial assets.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, in which the transaction costs are recognised directly in the income statement.

Financial assets are derecognised when: (i) the contractual rights to receive their future cash flows have expired, (ii) the Group has transferred substantially all risks and rewards of ownership or (iii) although retaining some, but not substantially all of, the risks and rewards of ownership, the Group has transferred control over the assets.

Subsequent measurement

After initial recognition, financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value recognised in the income statement in the period in which they arise.

Available-for-sale investments are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in equity until the financial assets are derecognised or impaired. When this occurs, the cumulative gains or losses previously recognised in equity are immediately recognised in the income statement. Foreign exchange differences relating to these assets are also recognised in fair value reserves if arising from shares, and in the income statement if arising from debt instruments. Interest, calculated using the effective interest rate method, as well as dividends received, are recognised in the income statement.

The fair value of listed investments in active markets is based on current bid prices. The Group determines the fair value of unlisted securities through (i) valuation methodologies, such as the price of similar recent arm's length transactions and discounted cash flow techniques, and (ii) valuation assumptions based on market information.

The remaining financial assets whose fair value cannot be reliably measured are stated at cost, with any subsequent impairment loss being booked against the income statement.

Reclassifications between categories

The Group does not transfer financial instruments into or out of fair value through profit or loss.

Impairment

At each balance sheet date, an assessment is performed as to whether there is objective evidence of impairment, including any impairment resulting in an adverse effect on estimated future cash flows of the financial asset or group of financial assets and when it can be reliably measured.

For the financial assets that present evidence of impairment, the respective recoverable amount is determined, and the impairment losses are recognised in the income statement.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) in the case of listed securities, a significant or prolonged decline in the listed price of the security, and (ii) in the case of unlisted securities, when that event (or events) has an impact on the estimated amount of the future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

If there is objective evidence of impairment on available-for-sale investments, the cumulative potential loss recognised in fair values reserves, corresponding to the difference between the acquisition cost and the fair value at the balance sheet date, less any impairment loss on that financial asset previously recognised in the income statement, is transferred to the income statement.

For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in the income statement up to the amount of the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised. In the case of equity instruments, impairment losses cannot be reversed and any subsequent event that results in a fair value increase is recognised in equity under fair value reserves.

f) Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for the issuer to liquidate capital and/or interests, through delivering cash or other financial asset, regardless of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method. All financial liabilities are booked at amortised cost, with the exception of the financial liabilities hedged at fair value hedge, which are stated at fair value on risk component that is being hedged.

g) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or other financial asset to another entity, regardless of its legal form, and there is a residual interest in the assets of an entity after deducting all its liabilities.

Costs directly attributable to the issuance of equity instruments are recognised in equity, as a deduction to the amount issued. Amounts paid or received relating to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Distributions related to equity instruments are deducted from equity, as dividends, when declared.

Preference shares issued by the Group are considered as an equity instrument when there is no contractual obligation to redeem the shares and dividends are paid at the discretion of the Group. Preference shares issued by subsidiaries, classified as equity instruments and held by third parties, are recognised as non-controlling interests.

h) Property, plant and equipment

Property, plant and equipment is stated at acquisition cost less accumulated depreciation and impairment losses. On transition to IFRS, on 1 January 2004, the Group decided to consider as deemed cost the revalued amount of Property, plant and equipment in accordance with the Group's previous accounting policy, which was comparable in general terms to the depreciated cost determined in accordance with IFRS.

Subsequent costs are recognised as property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group. Repair and maintenance costs are charged in the income statement as incurred, according to the accrual principle.

The Group carries out impairment tests whenever events or circumstances may indicate that the book value of an asset exceeds its recoverable amount, being any impairment recognised in the income statement.

The recoverable amount is the higher of fair value less costs to sell and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Land is not depreciated. Depreciation of tangible assets is calculated on a straight-line basis over their estimated useful lives, as follows:

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
- Hydroelectric generation	30 to 75
- Thermoelectric generation	25 to 45
- Renewable generation	25
- Electricity distribution	10 to 40
- Other plant and machinery	4 to 25
Transport equipment	4 to 25
Office equipment and tools	2 to 16
Other property, plant and equipment	3 to 50

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change in the expected economic benefits flowing from the assets occurs as well as when the technical use planned for the assets differs from previous estimates. Changes occurring in the depreciation charge for the year are accounted prospectively.

Capitalisation of borrowing costs and other directly attributable costs

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of interest costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on those assets. The capitalisation rate corresponds to the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. The capitalisation of borrowing costs begins when expenditure for the assets is being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Other expenses directly attributable to the acquisition and construction of the assets, such as cost of consumed materials and personnel costs, are also capitalised as part of the cost of the assets.

Government grants

Government grants are initially booked as deferred revenue, under non current liabilities only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for expenses incurred are booked in the income statement on a linear basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in the income statement over the related assets useful life.

Transfers of assets from customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, the interpretation IFRIC 18 - Transfers of Assets from Customers. This interpretation was approved by the European Commission on 27 November 2009, being applicable for periods beginning after 31 October 2009. For EDP Group, the first period after the approval of this interpretation is the year 2010.

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of Property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:

- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition;
- accounting for the transfer of money from customers.

The Group adopted this interpretation for the allowances received from customers, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life.

i) Intangible assets

The Group's intangible assets are booked at acquisition cost less accumulated amortisation and impairment losses.

The Group performs impairment tests whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, being any impairment recognised in the income statement. The recoverable amount is the higher of fair value less costs to sell and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Acquisition and development of software

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

Costs incurred by the Group directly related to the development of software, that are expected to generate economic benefits beyond one year, are recognised as intangible assets. Such costs include employee costs directly associated to the project and are amortised on a straight-line basis over its estimated useful life.

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

Concession rights on distribution of electricity and gas

The concession rights on distribution of electricity in Brazil and the concession rights related to the distribution of gas in Portugal, are recorded as intangible assets and amortised on a straight-line basis over the concessions period, not exceeding 30 and 40 years, respectively.

Concession rights to use the public hydric domain

Portuguese concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which currently does not exceed 45 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever these compensations are paid and for all the Group subsidiaries.

The accounting policy related to intangible assets assigned to concessions is described in note 2aa), Group concession activities.

Industrial property and other rights

Industrial property and other rights are amortised on a straight-line basis over the estimated useful life of the assets, which does not exceed 6 years.

j) Leases

The Group classifies its lease transactions as finance leases or operating leases based on the substance of the transaction rather than its legal form. A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

Lease payments under operating lease contracts are recognised as an expense in the period to which they relate.

Finance leases

Finance leases are recognised by the lessee, at the inception of the lease, as assets and liabilities at the fair value of the leased assets which is equivalent to the present value of the future lease payments.

Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Lessors record assets held under finance leases as leased capital, by the net amount invested in the lease.

Lease payments include the financial income and the amortisation of the outstanding principal.

Financial results recognised reflect a constant periodic rate of return on the outstanding net balance of the lessor.



Determining whether an Arrangement contains a Lease

Following the issuance by International Financial Reporting Interpretations Committee (IFRIC) of IFRIC 4 - Determining whether an arrangement contains a lease, applicable from 1 January 2006, arrangements including transactions that, although do not take the form of a lease, convey the right to use an asset in return for a payment, are recognised as leases, provided that, in substance, they comply with the requirements defined in the interpretation.

k) Investment property

The Group classifies as investment property, property held for capital appreciation and/or for rental purposes.

Investment property is recognised initially at acquisition or production cost, including directly attributable transaction costs, and is subsequently measured at cost less accumulated depreciation and any impairment losses.

Subsequent expenditures on investment property are only added to the cost of the asset when it is probable that additional future economic benefits will arise when compared to initial recognition.

I) Inventories

Inventories are measured at the lower of acquisition cost and net realisable value. The cost of inventories includes purchases, conversion and other costs incurred in bringing the inventories to their present location and condition. The net realisable value is the estimated selling price in the ordinary course of business less the estimated selling costs.

The cost of inventories is determined by using the weighted average method.

CO2 licences held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

m) Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost and being presented in the statement of financial position net of impairment losses which are associated.

Impairment losses are recorded based on the regular assessment of the existence of objective evidence of impairment resulting from doubtful accounts receivable as of the balance sheet date. Impairment losses are recognised in the income statement, being subsequently reversed through the income statement if the estimated losses decrease, in a later period.

n) Employee benefits

According to IAS 34 and IAS 19 no updated actuarial valuations are obtained for interim periods, except if there have been significant changes in the plans or unexpected significant changes in market conditions.

Pensions

Some EDP Group companies grant post-retirement benefits to employees under defined benefit and defined contribution plans, namely pension plans that grant complementary retirement benefits for age and early retirement pensions.

Defined benefit plans

In Portugal, the defined benefit plan is assured by (i) a closed pension fund managed by an external entity, covering responsibilities with benefits that are complementary to those provided under the Social Security System (namely retirement and early retirement pensions), and (ii) by a complementary specific provision, recognised in EDP Group company's statement of financial position. Benefits are generally determined and assigned through the combination of one or more factors, such as age, years of service and the relevant base retribution (pensionable salary).

In Brazil, Bandeirante and Escelsa have defined benefit plans managed by a closed complementary welfare entity, external to EDP Group, covering responsibilities associated with retirement and early retirement pensions, according to factors such as age, years of service and the relevant base retribution.

The Group's pension liability for each plan is calculated by independent experts annually, for each plan, at the balance sheet date, using the projected unit credit method. The discount rate used in the calculation is determined based on market interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and that have similar maturity to the related pension liability.

Actuarial gains and losses resulting from: (i) differences between financial and actuarial assumptions used and actual amounts; and (ii) changes in the actuarial assumptions are recognised against equity.

The increase in past service costs arising from early retirements (retirements before the normal retirement age) or plan amendments are recognised in the income statement when incurred.

The Group recognises as operational results, in the income statement, current and past service costs. Net interest on the net defined benefit liability (asset) is recognised in financial results.

The assets of the plan comply with the recognition criteria established by IFRIC 14 - IAS 19 and the minimum funding requirements established by law or by contract.

Defined contribution plans

In Portugal, Spain and Brazil, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan. These contributions represent a percentage of the fixed and variable remuneration of the employees included in this plan and are accounted for as cost for the period in which they are due.

Other benefits granted

Medical benefits

Some EDP Group companies provide medical benefits under which employees and immediate eligible family members have favourable conditions in medical assistance and health care services, namely:

- Concerning to EDP Group companies in Portugal, through the provision of medical assistance that is complementary to the one provided under the National Health System, provided using infrastructures owned and managed internally;
- Concerning to EDP Group companies in Brazil, through the share of costs in eligible medical and heath expenses, in an external agreed network.

The medical benefits plans are classified as defined benefit plans, the liability being covered by provisions booked in the Group's statement of financial position. Measurement and recognition of the medical benefits liabilities are similar to the defined benefit pension plans liabilities, explained above.

Other benefits

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, death benefits, survival benefits, life insurance, antiquity and retirement benefits, power and gas tariff discounts, among others.

Benefits included in each Plan for Portugal and Brazil are detailed in EDP's Collective Labor Agreement, published in the Labor Bulletin of 8 October 2014 and in the website of the Plan management entity Enerprev (www.enerprev.com.br), respectively.

o) Provisions

Provisions are recognised when: (i) the Group has a present legal, or constructive obligation; (ii) it is probable that settlement will be required in the future; and (iii) a reliable estimate of the obligation can be made.

Provisions for dismantling and decommissioning in electric power plants

The Group accounts for provisions for dismantling and decommissioning of assets when there is a legal, contractual or constructive obligation at the end of the assets' useful life. Therefore, such provisions have been booked for the electric power plants to cover the cost of restoring the location and land to their original condition. The provisions are calculated at the present amount of the expected future liability and are accounted for as part of the cost of the related property, plant and equipment being depreciated on a straight-line basis over the useful life of those assets.

Decommissioning and dismantling provisions are remeasured on an annual basis based on the best estimate of the settlement amount. The unwinding of the discount at each balance sheet date is charged to the income statement.

p) Recognition of costs and revenues

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

Revenue in EDP Group arises essentially from electricity generation and energy (electricity and gas) distribution and supply activities.

Revenue related to the sale of energy and access tariffs to energy distribution network is measured at fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after elimination of intra-group sales.

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Revenue recognition occurs when the significant risks and rewards of ownership are transferred to the buyer, the entity retains neither continuing managerial involvement to the extent usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

The moment when an entity has transferred the significant risks and rewards of ownership to the buyer varies depending on the activities carried out by the Group companies.

Regarding the **electricity generation**, this transfer occurs when the energy is generated and injected into the transport/distribution grids. The electricity generated is sold under free market conditions or through the establishment of medium/long term power purchase agreements.

The **energy distribution** is a regulated activity, which is remunerated through tariffs set by each country Regulatory Body (ERSE in Portugal, CNE in Spain and ANEEL in Brazil).

In Portugal and Spain, revenue arises mainly from the sale of access tariffs, as well as from the recovery, from the commercialisation entities, of the costs related to the global management activity of the system. In Brazil, revenue results from the electricity sales to final consumers, in the regulated market, based on the tariffs determined by ANEEL, which are included the use of the distribution and transport system tariff, among other components. In Portugal and Brazil, these activities are subject to public service concession arrangements (see aa)).

The **energy supply** is carried out in regulated and non-regulated markets. In non-regulated market, revenue is recognised based on commercial agreements. In regulated market, revenue is recognised according to the tariffs determined by each country Regulatory Body.

Revenue recognition includes two components: (i) energy sales already invoiced, based on actual consumption readings and/or in estimated consumption based on the historical data of each consumer; and (ii) estimates of energy supplied and not yet invoiced (energy into energy meter). Differences between estimated and actual amounts are recorded in subsequent periods.

Additionally, it should be noted that, in energy distribution and supply activities, there is a tariff adjustment mechanism through which gains or losses of a certain year are recognised in the period to which they relate and recovered in the future years tariffs – Tariff Adjustments (see x)).

The revenue recognition related with **services rendered** is based on the percentage of completion of the transaction at the reporting date. This occurs when the amount of revenue can be reliably measured, when it is probable the existence of economic benefits associated with the transaction to the entity who sells, when the percentage of completion of the transaction at the reporting date can be reliably measured and the costs incurred with the transaction and the costs to be incurred to complete the transaction can be reliably measured. Whenever it is not possible to reliably measure the completion of a transaction involving services rendered, revenue is only recognised to the extent of the expenses recognised as recoverable.

q) Financial results

Financial results include interest costs on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, realised gains and losses, as well as gains and losses on financial instruments and changes in the fair value of hedged risks, when applicable.

Interest is recognised in the income statement on an accrual basis. Dividend income is recognised on the date the right to receive is established.

Financial results also include impairment losses on available-for-sale investments.

r) Income tax

Income tax recognised in the income statement includes current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity.

Deferred taxes arising from the revaluation of available-for-sale investments and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

Current tax is the tax expected to be paid on the taxable income for the period, using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the balance sheet liability method, considering temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, using the tax rates enacted or substantively enacted at the balance sheet date for each jurisdiction and that are expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not be reversed in the future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes.

The Group offsets, as established in IAS 12, the deferred tax assets and liabilities if, and only if:

- (i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

s) Earnings per share

Basic earnings per share are calculated by dividing the consolidated and the company net profit attributable to the equity holders of EDP, S.A. by the weighted average number of ordinary shares outstanding during the period, excluding the average number of shares held by the Group and by EDP, S.A., respectively.

For the diluted earnings per share calculation, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares, such as convertible debt and stock options granted to employees. The dilution effect corresponds to a decrease in earnings per share resulting from the assumption that the convertible instruments are converted or the options granted are exercised.

t) Share based payments

The stock options remuneration program enables the Group's employees to acquire EDP, S.A. shares. The exercise price of the options is calculated based on the listed price of the shares at the grant date.

The fair value of the options granted, determined at the grant date, is recognised in the income statement against equity during the vesting period, based on their market value calculated at the grant date.

If the option is exercised, the Group acquires shares in the market to grant them to employees.

Shareholders of EDP Brasil structured and implemented a Share based Compensation Policy, which began in June 2016. The referred policy comprises two types of programs to be assigned to certain employees (incentive and retention programs), being the eligible beneficiaries and assignment requirements subject to the conditions established.

u) Non-current assets held for sale and discontinued operations

Non-current assets or groups of non-current assets held for sale (groups of assets and related liabilities that include at least one non-current asset) are classified as held for sale when their carrying amounts will be recovered mainly through sale, the assets or groups of assets are available for immediate sale and the sale is highly probable.

The Group also classifies as non-current assets held for sale, non-current assets or groups of assets acquired exclusively for its subsequent resale, that are available for immediate sale and the sale is highly probable.

The measurement of all non-current assets and all assets and liabilities included in a disposal group, is adjusted in accordance with the applicable IFRS standards, immediately before their classification as held for sale. Subsequently, these assets or disposal groups are measured at the lowest between their carrying amount and fair value less costs to sell.

v) Cash and cash equivalents

Cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and specific demand deposits in relation to institutional partnerships that are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in U.S.A.

w) Operating segments

The Group presents the operating segments based on internal management information.

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

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

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x) Tariff adjustments

In regulated activities, the regulator establishes, through the tariff adjustment mechanism, the criteria to recognise gains or losses of one period in future periods. The tariff adjustments accounted for in the EDP Group financial statements represent the difference between the amounts invoiced by Portuguese regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on actual costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity and gas tariffs charged to customers in subsequent periods.

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators of the electric sector to recover the tariff adjustments under a regime identical to the one used for the tariff deficits. Consequently, EDP Group booked under the income statement caption Revenues from energy sales and services and other - Electricity and network access, the effects resulting from the recognition of tariff adjustments, against Debtors and other assets from commercial activities. According to the referred Decree-Law, the tariff adjustments determined annually, will be recovered by the regulated operators even in case of insolvency or cease of operations. ERSE is the entity responsible to establish the method to ensure that the entity entitled to these rights continues to recover the tariff adjustments until its complete payment. The Decree-Law also allows the transfer of the right to receive the tariff adjustment to third parties, in whole or in part, through future electricity tariffs.

Decree-Law 87/2011 of 18 July establishes the unconditional right of regulated operators in the natural gas sector to recover tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations, and allows the transfer to third parties of the right to receive tariff adjustments. The EDP Group recorded in the income statement, under the caption Revenues from energy sales and services and other - Gas and network access, the effects of the recognition of tariff adjustments of Natural Gas, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

y) CO2 licences and greenhouse gas emissions

The Group holds CO2 licences in order to deal with gas emissions resulting from its operational activity and licences for trading. The CO2 and gas emissions licences held for its own use are booked as intangible assets and are valued at the quoted price in the market on the date of the transaction.

The licences held by the Group for trading purposes are booked under Inventories at acquisition cost and measured at fair value, at each balance sheet date. Gains and losses resulting from these measurement are recognised in the income statement of the period.

z) Statement of Cash Flow

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

The Group classifies cash flows related to interest and dividends paid as financing activities and interest and dividends received as investing activities.

aa) Group concession activities

The International Financial Reporting Committee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. IFRIC 12, was applied prospectively since it was impracticable to apply it retrospectively.

IFRIC 12 is applicable to public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of certain infrastructure as well as the price for such services and also controls any significant residual interest in the infrastructure.

According to IFRIC 12, the infrastructures allocated to concessions are not recognised by the operator as tangible fixed assets or as financial leases, as the operator does not control the assets. These infrastructures are recognised according to one of the following accounting models, depending on the type of remuneration commitment of the operator assumed by the grantor within the terms of the contract:

Financial Asset Model

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless the level of use of the infrastructure within the concession and results in a financial asset recognition, booked at amortised cost.

Intangible Asset Model

This model is applicable when the operator, within the concession, is remunerated on the basis of the level of use of the infrastructure (demand risk) and results in an intangible asset recognition.

Mixed Model

This model is applicable when the concession includes simultaneously guaranteed remuneration and remuneration based on the level of use of the infrastructure within the concession.

Under the terms of concession contracts of the EDP Group to which IFRIC 12 is applicable, construction activities are outsourced to external specialised entities, and therefore the EDP Group has no margin associated with the construction of assets assigned to concessions. Therefore, the revenue and the expenditure from the acquisition of these assets are equivalent (see note 6).

Intangible assets within concessions are amortised over their respective useful lives during the concession period.

The Group carries out impairment tests to the intangible assets within concessions whenever events or circumstances may indicate that the book value of an asset exceeds its recoverable amount, being any impairment recognised in the income statement.

Grants received from customers related to assets within concessions are delivered to the Group on a definitive basis, and, therefore, are not reimbursable. These grants are deducted from the value of the assets allocated to each concession.

The concession contracts that exist currently in EDP Group are based in the mixed model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil.

ab) Institutional partnerships in USA

The Group has entered in several partnerships with institutional investors in the United States, through limited liability Company operating agreements that apportion the cash flows generated by the wind farms between the investors and the Company and allocates the tax benefits, which include Production Tax Credits (PTCs), Investment Tax Credits (ITC) and accelerated depreciation, largely to the investor.

The institutional investors purchase their minority partnership interests for an upfront cash payment with an agreed targeted internal rate of return over the period that the tax credits are generated. This anticipated return is computed based on the total anticipated benefit that the institutional investors will receive and includes the value of PTC's / ITC's, allocated taxable income or loss and cash distributions received.

The control and management of these wind farms are a responsibility of EDPR Group and they are fully consolidated in these financial statements.

The upfront cash payment received is recognised under Institutional partnerships in USA and subsequently measured at amortised cost.

This liability is reduced by the value of tax benefits provided and cash distributions made to the institutional investors during the contracted period. The value of the tax benefits delivered, primarily accelerated depreciation and ITC are recognized as Income from institutional partnerships on a pro-rata basis over the 25 years useful life of the underlying projects (see note 7). The value of the PTC's delivered are recorded as generated. This liability is increased by an interest accrual that is based on the outstanding liability balance and the targeted internal rate of return agreed.

After the flip date, the institutional investor retains a non-significant interest for the duration of the structure. This non-controlling interest is entitled to distributions ranging from 2.5% to 6% and taxable income allocations ranging from 5% to 17%. EDPR NA has an option to purchase the institutional investor's residual interest at fair market value during a defined period following the flip date. The financial instruments held by the institutional investors issued by the partnerships represent compound financial instruments as they contain characteristics of both financial liabilities and equity. Post flip non-controlling interests is the portion of equity that is ascribed to the institutional investor in the institutional equity partnership at flip date. This amount is reclassified from the total equity attributable to the Parent to non-controlling interests caption in the period in which the flip date takes place.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN PREPARING THE FINANCIAL STATEMENTS

IFRS require the use of judgement and the making of estimates in the decision process regarding certain accounting treatments, with impact in total assets, liabilities, equity, costs and income. The actual effects may differ from these estimates and judgements, namely in relation to the effect of actual costs and income.

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

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

Impairment

Impairment of available-for-sale investments

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in their fair value.

Determination of a significant or prolonged decline requires judgement. In making this judgement, the Group assesses, among other factors, the normal share price volatility, assuming as significant a decline of more than 20% in listed shares. In addition, valuations are generally obtained through market prices or determined by external entities, or through valuation models that require assumptions or judgment in making the fair value estimates.

Alternative methodologies and the use of different assumptions and estimates could result in different impairment losses recognised with a consequent impact in results.

Impairment of long term assets and Goodwill

Impairment tests are performed whenever there is a trigger that the recoverable amount of property, plant, equipment and intangible assets is less than the corresponding net book value of the assets.

On an annual basis, the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The net interest in associates is reviewed when circumstances indicate the existence of impairment.

Considering the uncertainties regarding the recoverable amount of property, plant and equipment, intangible assets and goodwill as they are based on the best information available, changes in the assumptions could result in changes on the determination of the amount of impairment and, consequently, in results.

Impairment of receivables

Impairment losses related to doubtful debts are estimated by EDP based on the estimated recoverable amounts, the date of default, debt write offs and other factors. Certain circumstances and facts may change the estimated impairment losses of doubtful debts, namely changes in the economic environment, economic sector trends, client's credit risk and increases in the rate of defaults. Changes in the estimates and judgement could change the impairment test results, thereby affecting results.

Fair value 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 from those reported.

Contractual Stability Compensation - CMEC

Following a Portuguese Government decision to extinguish the Power Purchase Agreement (PPA), EDP and REN agreed to the early termination of the PPAs, with effect from 1 July 2007.

As a result of the PPAs termination and in accordance with the applicable legislation, a contractual stability compensation (CMEC) was granted to EDP Group. The mechanism for granting this compensation includes three types of compensation: initial compensation, compensation resulting from the revisable mechanism and final compensation.

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousands of Euros, booked at its net present value, against deferred income. Part of the initial compensation is recognised as operating income each year against a reduction of the deferred initial compensation. According to the applicable legislation, securitisation of this amount is possible. Compensation resulting from the revisable mechanism refers to the correction of the initial compensation for each period considering the actual conditions and is recognised as a loss or gain in the period to which it relates. Final compensation will be calculated in accordance with the terms defined by the legislation relating to the termination of the PPAs, after the end of the revisable mechanism period (10 years). Interest resulting from the discount rate used is booked in the period to which it relates, based on the respective implicit rate, against income for each period.

Contractual Stability Compensation - Revisable mechanism

The period I of the revisable mechanism consists in correcting on an annual basis, during a 10-year period after the termination of the PPAs, the positive and negative deviations between the estimates made for the initial stability compensation calculation and the actual amounts occurred in the market for each period. This mechanism gives rise to a compensation resulting from the correction of the estimate referred to as CMEC revisable mechanism. In each period, EDP Group calculates the CMEC considering market prices and the actual quantities sold, using the assumptions defined in the "Valor água" model, as established in the Decree-Law 240/2004. Later, Order 4694/2014 was published to define the guidelines of the revisibility calculation in what concerns the revenues from the system services market, regarding power plants under CMEC.

Consequently, the use of different methodologies and assumptions from the used model, could give rise to different financial results from those considered.

This later Order has determined the performance of an audit to evaluate the potential risk of overcompensation in the CMEC revisibility calculation in relation to the power plants covered by this mechanism in the system services market. In September 2016, the Order 10840/2016 was published with the audit conclusions and the audit reports were sent by the Energy State Secretary to the sector and competition Authorities. EDP Group, which is not aware of the conclusions, is not foreseeing any significant impact, once it has always complied with the legal and regulatory frameworks.

Review of the useful life of the assets

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

In the second quarter of 2011, EDPR Group changed the useful life of its wind farms from 20 to 25 years. The redefinition of the useful life of the wind generation assets was based on a technical study performed by an independent entity which considered the technical availability for an additional period of 5 years of useful life of these assets. The referred study covered 95% of wind installed capacity of EDPR Group, in its different geographies (Europe and North America), based on assumptions and estimates that required judgement.

The regulatory authority of Brazil, ANEEL, issued Normative Resolution 474 on 7 February 2012, which revised the economic useful life of assets assigned to distribution concessions, and established new annual depreciation rates with retroactive effect from 1 January 2012. The implementation of this change in annual depreciation rates led to an increase in the average useful life of Bandeirante's and Escelsa's assets from 22 to 24 years and 20 to 22 years, respectively.

In the third quarter of 2013, the Group reviewed and extended the useful life of the combined cycle plants from 25 to 35 years based on a technical study conducted by an independent entity that considered the technical availability for an additional period of 10 years. This study covered the combined cycle plants in Portugal (Lares and Ribatejo) and Spain (Castejon 1 and 3, Grupo 4 and Soto 5).

Useful lives of generation assets - Hydro independent generator in Brazil

The hydro generation assets in Brazil for Independent generators are amortised during their estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements. This includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by ANEEL, the respective contractual residual indemnification values at the end of each concession period, as well as related technical and legal opinions. The remaining period of amortisation and the indemnification values at the end of the concessions may be influenced by changes in the regulatory legal framework in Brazil.

Tariff adjustments

Portugal

Tariff adjustments in Portugal represent the difference between costs and income of the National Electricity and Gas System, estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the System established at the end of each period. The tariff adjustments assets or liabilities are recovered or returned through electricity tariffs to customers in subsequent periods.

Decree-Law 237-B/2006 of 19 December, and Decree-Law 165/2008 of 21 August, recognised an unconditional right of the operators of the electricity sector to recover the tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations. Additionally, the legislation allows the transfer to third parties of the right to receive tariff adjustments. Therefore, under this legislation, regulated companies may provide to third parties, in whole or in part, the right to receive the tariff adjustments through the electricity and gas tariffs. In accordance with the accounting policy in force, the EDP Group books under the caption Revenues from energy sales and services and other - Electricity and network access, the effects of the recognition of tariff adjustments in the electricity sector, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

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Decree-Law 87/2011 of 18 July also establishes the unconditional right of regulated operators in the natural gas sector to recover tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations, and allows the transfer to third parties of the right to receive tariff adjustments. EDP Group books under the caption Revenues from energy sales and services and other - Gas and network access, the effects of the recognition of tariff adjustments of Natural Gas, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

Spair

Royal Decree Law 6/2009, published on 7 May 2009, established, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electricity sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013 access tariffs would be sufficient to cover the cost of regulated activities, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, Royal Decree Law 6/2009 also provided for the passage of some costs included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO2 costs in market prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs associated with the management and treatment of radioactive waste from nuclear power plants and fuels consumed. However, Royal Decree Law 29/2012, endorsed on 28 December, abolished the regulatory requirement mentioned in paragraph (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

In 2010, Royal Decree Law 14/2010 addressed the correction of the tariff deficit of the electricity sector. Under this decree, the temporal mismatch of the settlements for 2010 tariff deficits came to be considered as a revenue deficit of the electricity system and a set of measures was established so that the various industry players contribute to the reduction of the tariff deficit. These measures included the establishment of generation rates, financing plans energy efficiency savings by the generation companies and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012, two decrees were adopted to reduce the tariff deficit in order to reach the limit set by Royal Decree Law 14/2010: (i) Royal Decree Law 1/2012, which temporarily suspended the inclusion of new facilities in the "pre-asignación" registrations maintained by the Minister of Industry, Energy and Tourism before the power plant is entitled to make use of the Spanish special regime; and (ii) Royal Decree Law 13/2012, which provided for reductions in the remuneration for distribution activity and an extraordinary decrease on other regulated activities.

In 2014, Royal Decree Law 1054/2014, establishes the procedures for the transfer of the right to receive the deficit of 2013 from the Spanish system, as well as, the methodology to define the interest rate applicable to this deficit, which main guidelines are:
(i) definition of a 15 years time frame during which the deficit amount will cumulate interest. This time frame consists in two periods: the first, which began in 1 January 2014 ending on the date of the additional liquidation of the provisional liquidation 14 of the year 2013; and the final period, from which the additional liquidation of the provisional liquidation 14 of the year 2013, is made, until 31 December 2028; and

(ii) the rights to receive (base amount plus interests) are expressly recognised, with their respective taxes and will be considered as system costs. These rights can be total or partially assigned, transferred, transmitted, discounted pledged to third parties, if properly communicated to CNMC ("Comisión Nacional de los Mercados y la Competencia").

Brazil

On 25 November 2014, ANEEL made addendums to the concession contracts with brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities that existed since 2010, when the IFRS were adopted in Brazil. As a consequence, the CPC issued on 28 November 2014, the OCPC 08 (Recognition of Certain Assets and Liabilities in Accounting and Financial Reports of Electric Distribution) which determines how to treat these regulatory assets/liabilities in the financial statements.

Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement, where it was established that, in the case of concession termination, the outstanding balances of any failure of payment or reimbursement by the tariff (assets and liabilities), will be considered on the indemnity calculation, based on the regulator pre-established regulations.

EDP Group considers, based on the issued legislation (Portugal, Spain and Brazil), that the requirements for the recognition of tariff deficits as receivables and payables against the income statement have been satisfied.

Revenue recognition

Energy sales revenue is recognised when the monthly energy invoices are issued, based on actual meter readings or estimated consumption based on the historical data of each consumer. Revenue relating to energy to be invoiced, regarding consumption up to the balance sheet date but not measured, is booked based on estimates that take into consideration factors such as consumption in prior periods and analysis relating to the energy balance of the operations.

The use of different estimates and assumptions could affect the Group's revenue and, consequently, its reported results.

Income taxes

The Group is subject to income taxes in several jurisdictions. Certain interpretations and estimates are required in determining the global amount of income tax.

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

In Portugal, the tax authorities are entitled to review EDP, S.A. and its subsidiaries' determination of their annual taxable earnings for a period of four years. In case of tax losses carried forward, this period is twelve years for annual periods starting from 2014, five years for 2013 and 2012, four years for 2011 and 2010 and six years for previous annual periods. In Spain the period is four years and in Brazil it is five years. In the United States of America, in general, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity, the period is three years from the date that the income tax return is filed by the taxpayer. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the EDP Group and its subsidiaries do not anticipate any significant changes to the income tax booked in the financial statements.

Pensions and other employee benefits

Determining pension and other employee benefits liabilities requires the use of assumptions and estimates, including actuarial projections, estimated rates of return on investments, discount rates and pension and salary growth and other factors that can impact the cost and liability of pension plans, medical plans and other benefits. Changes in the assumptions could materially affect the amounts determined

Provisions for dismantling and decommissioning of power generation units

There are legal, contractual or constructive obligations to dismantle and decommission of property, plant and equipment assets allocated to electricity generation operations. The Group records provisions in accordance with existing obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generation units are located. The calculation of the provisions is based on estimates of the present value of the expected future liabilities.

The use of different assumptions in the estimates and judgement from those referred could lead to different financial results than those considered.

Measurement criteria of the concession financial receivables under IFRIC 12

In 2012, the Provisional Measure 579/12 was published in Brazil, meanwhile converted into Law 12,783/13, which determines the amount of the indenisation payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indenisation amount (financial asset IFRIC 12) of Bandeirante and Escelsa, booked under IFRIC 12 terms, against Other income. This amount corresponds to the difference between the new replacement value versus the historical cost.

Entities included in the consolidation perimeter

In order to determine which entities must be included in the consolidation perimeter, EDP Group evaluates whether it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee ("de facto" control).

This evaluation requires judgement, assumptions and estimates in order to conclude whether the Group is in fact exposed to the variability of returns and has the ability to affect those returns through its control over the investee.

Other assumptions and estimates could lead to a different consolidation perimeter of the Group, with direct impact on the consolidated financial statements.

Business combination

Under IFRS 3 (Business Combination) in a business combination, the acquirer shall recognise and measure in the consolidated financial statements the assets acquired and liabilities assumed at fair value at the acquisition date. The difference between the purchase price and the fair value of the assets and liabilities acquired leads to the recognition of goodwill or a gain from a purchase at a low price (bargain purchase).

The fair value determination of the assets acquired and liabilities assumed is carried out internally or by independent external evaluators, using the discounted cash flows method, using the replacement cost or other fair value determination techniques, which rely on the use of assumptions and estimates including macroeconomic indicators such as inflation rates, interest rates, exchange rates, discount rates, sale and purchase prices of energy, cost of raw materials, production estimates and business projections. Consequently, the determination of the fair value and goodwill or gain from a purchase at a low price is subject to numerous estimates and judgments and therefore changes in assumptions could result in different impacts on results.

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Fair value measurement of contingent consideration

The contingent consideration, from a business combination or a sale of a financial investment is measured at fair value at the acquisition date as part of the business combination or at the date of the sale in the event of a sale of a financial investment. The contingent consideration is subsequently remeasured at fair value at balance sheet date. Fair value is based on discounted cash flows. The main assumptions consider the probability of achieving each objective and the discount factor, corresponding to the best estimates of management at each balance sheet date. Changes in assumptions could have significant impact on the values of contingent assets and liabilities recognised in the financial statements.

4 FINANCIAL RISK MANAGEMENT POLICIES

Financial risk management

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

The management of financial risks of EDP, S.A. and other EDP Group entities is undertaken centrally by the Financial Department of EDP, S.A., in accordance with policies approved by the Executive Board of Directors. The Financial Department identifies, evaluates and submits 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 Local Risk Management Department is responsible for the management of financial risks arising from fluctuation in interest and exchange rates. This management is performed according to the principles/policies set by the EDP Group for this geographical area.

Exchange-rate risk management

EDP, S.A.'s Financial Department is responsible for managing exchange rate risk exposure resulting from foreign currency financial debt, entered into with the aim of funding the EDP Group's investments in the currency of its respective cash flows. Seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the EDP Group companies and, consequently, on the consolidated results, the Group resorts to exchange rate derivative financial instruments and/or other hedging structures.

The policy implemented by the EDP Group consists of undertaking derivative financial instruments to hedge exchange rate risk with characteristics similar to those of the hedged asset or liability. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

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

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

The exchange rate and interest rate risk on the GBP, CHF and JPY bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments has been hedged as from their issuing date.

Sensitivity analysis - exchange rate

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 30 September 2016 and 2015, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

	Sep 2016				
	Profit o	r loss	Equ	ity	
Thousands of Euros	+10%	-10%	+10%	-10%	
USD	728	-890	-31,265	38,212	
·	728	-890	-31,265	38,212	

		Sep 2015				
	Profit o	or loss	Equi	ty		
Thousands of Euros	+10%	-10%	+10%	-10%		
USD	49,149	-60,071	-22,204	27,138		
	49,149	-60,071	-22,204	27,138		

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 into interest rate derivative financial instruments to hedge the cash flows associated with future interest payments, which have the effect of converting floating interest rate loans into fixed interest rate loans.

Long-term loans engaged at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments designed to level them to current and expected market conditions.

All the operations are undertaken on liabilities in the EDP Group's debt portfolio and mainly involve perfect hedges, resulting in a high level of correlation between the changes in the fair value of the hedging instrument and the changes in fair value of the interest rate risk or future cash flows.

The EDP Group has a portfolio of interest rate derivatives with maturities up to 12 years. The Group's Financial Departments undertake sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the hedging effect of the derivatives 52% of the Group's liabilities are at fixed rate.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Based on the debt portfolio engaged by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 30 September 2016 and 2015 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

	Sep 2016				
	Profit o	or loss	Equ	ity	
	50 bp	50 bp 50 bp		50 bp	
Thousands of Euros	increase	decrease	increase	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		-	
	-34,979	23,379	12,456	-20,291	

		Sep 2015				
	Profit o	Profit or loss		iity		
	50 bp	50 bp	50 bp	50 bp		
Thousands of Euros	increase	decrease	increase	decrease		
Cash flow effect:						
Hedged debt	-16,421	16,421	-	-		
Unhedged debt	-19,965	19,965	-	-		
Fair value effect:			_			
Cash flow hedging derivatives	-	-	20,737	-21,717		
Trading derivatives (accounting perspective)	207	-4,309	-	-		
	-36,179	32,077	20,737	-21,717		

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 on 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 market data for the last 2 years and observation of the relationship between the different prices and markets, the model generates a series of scenarios for changes in market prices.

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

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

	VaR		
Thousands of Euros	Sep 2016	Dec 2015	
Exchange rate risk	89	202	
Interest rate risk	7,170	4,870	
Diversification effect	-106	-240	
	7,153	4,832	

Counterparty credit risk management

EDP Group's policy in terms of counterparty risk on financial transactions is managed through an analysis of the technical capacity, competitiveness, credit rating and exposure to each counterparty, avoiding significant concentrations of credit risk. Counterparties in derivative financial instruments are institutions with high credit rating so the risk of counterparty default is not considered to be significant. Therefore, guarantees and other collaterals are not typically required for these transactions.

EDP Group has documented its financial operations in accordance with international standards. Derivative financial instruments are mainly contracted under ISDA Master Agreements.

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 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 exists that have not been recognised as such and provided for.

Liquidity risk management

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions as well as term deposits, allowing immediate access to funds. These credit lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see notes 29 and 35).

Energy market risk management

In its operations in the non-regulated Iberian electricity market, EDP Group purchases fuel to generate electric energy and sells the electric energy generated by its plants in the organised market (OMIE and OMIP) as well as to third parties. The Group is exposed to energy market risks namely in its operations in the non-regulated market. Some electricity generating plants despite operating in the market, are subject to the CMEC legislation, and the changes in the operating margins are determined essentially by the difference between the prices in the market and the reference indexes defined in the contracts.

As a result of its energy management operations, EDP Group has a portfolio of operations related to electric energy, carbon emissions (CO2) and fuel (coal, fuel 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, fuel and coal) 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:

		P@R Distribution by risk factor			
Thousands of Euros		Sep 2016 Dec 2015			
Risk factor					
Negotiation		1,000	2,000		
Fuel	_	19,000	20,000		
CO2		5,000	10,000		
Electricity		23,000	47,000		
Hydrological		103,000	123,000		
Diversification effect		-50,000	-119,000		
		101,000	83,000		

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (e.g. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of netting agreements. The EDP Group's exposure to credit risk rating is as follows:

	Sep 2016	Dec 2015
Credit risk rating (S&P)		_
AAA to AA-	-	15.32%
A+ to A-	47.69%	60.38%
BBB+ to BBB-	37.73%	14.04%
BB+ to B-	0.21%	0.24%
No rating assigned	14.37%	10.02%
	100.00%	100.00%

Capital management

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

Additionally, management describes this aspect of its strategic objectives in the chapters "Strategic Agenda" and "Value Creation to Shareholders" of the Annual Report of 2015.

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 2016, the following changes occurred in the EDP Group consolidation perimeter:

Companies acquired:

- EDP Renovables España, S.L acquired 15% of the share capital of Eólica La Brújula, S.A.;
- EDPR UK, S.L. acquired 33% of the share capital of Moray Offshore Renewables Ltd. with a subsequent increase to 100% of share interest in: MacColl Offshore Windfarm Ltd., Stevenson Offshore Windfarm Ltd. and Telford Offshore Windfarm Ltd.;
- EDP Gás S.G.P.S., S.A. acquired 25% of the share capital of EDP Gás Distribuição, S.A. (new designation of former Portgás Sociedade de Produção e Distribuição de Gás, S.A.) with the subsequent increase of 25% of share interest in EDP Gás GPL Comércio de Gás de Petróleo Liquefeito, S.A. and EDP Gás Serviço Universal, S.A.;
- EDP Renewables Polska S.P. ZO.O. acquired 35% of the share capital of Molen Wind IT S.P. ZO.O. helding 100% of the share capital, and 100% of the share capital of Miramit Investments SP.Z O.O. and EDP Renewables Polska HoldCo, S.A.;
- The acquisition by EDP Renováveis Brasil, S.A. of 80% of the companies Central Eólica Babilônia I S.A., Central Eólica Babilônia II S.A., Central Eólica Babilônia III S.A., Central Eólica Babilônia IV S.A. and Central Eólica Babilônia V S.A. from Casa dos Ventos Energias Renováveis, S.A. and Salus Fundo de Investimento em Participações, was classified as an asset purchase, out of the scope of IFRS 3 Business Combinations, due to the substance of the transaction, the type of assets acquired and the very early stage of the projects;
- The acquisition by EDP Renewables, SGPS, S.A. of 100% of the companies Parque Eólico do Cabeço Norte, S.A., Parque Eólico do Pinhal do Oeste, S.A., Parque Eólico do Planalto, S.A., Parque Eólico da Serra do Oeste, S.A. and Parque Eólico de Torrinheiras, S.A. from Ventinveste S.A., was classified as an asset purchase, out of the scope of IFRS 3 Business Combinations, due to the substance of the transaction, the type of assets acquired and the very early stage of the projects;
- EDP Renewables Europe, S.L. acquired 15% of the share capital of EDP Renewables Romania, S.R.L., increasing to 100% its share interest in the company;

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- EDP France Holding, S.A.S acquired 100% of the share capital of the Parc Éolien Champagne Berrichonne, S.A.R.L.;
- EDP Renewables Italia Holding, S.R.L. acquired 100% of the share capital of Tivano, S.R.L., San Mauro, S.R.L. and Conza Energia, S.R.L.;
- EDP Gas Iberia, S.L. exercised the call option on 5% of the share capital of Naturgás Energía Grupo, S.A. increasing to 100% its share interest in the company, with a subsequent increasing of the share interests in the following companies:
 - EDP Comercializadora de Ultimo Recurso, S.A.;
 - EDP Empresa de Servicios Energeticos, S.L.;
 - EDP Soluciones Comerciales, S.A.;
 - Inkolan, A.I.E.;
 - Kosorkuntza, A.I.E.;
 - Naturgas Energia Comercializadora, S.A.;
 - Naturgás Energía Distribución, S.A.U.;
 - Naturgás Energía Servicios, S.A.;
 - Tolosa Gasa, S.A.

This transaction was treated as an acquisition of non-controlling interests and therefore the positive difference between the book value and the fair value of the non-controlling interests acquired, totalling 70,625 thousands of Euros, was booked against reserves under the corresponding accounting policy.

Disposal of non-controlling interests without loss of control:

- In the first quarter of 2016, EDP Renewables North America LLC. concluded the sale to Axium Infrastructure, L.L.C., by 275,103 thousands of Euros that equals 307,024 thousands of US Dollar (which corresponds to a sale price of 307,500 thousands of US Dollar deducted from transaction costs of 476 thousands of US Dollar), of:
 - (i) 49% of its interests in the following companies:
 - Waverly Wind Farm, L.L.C.;
 - Arbuckle Mountain Wind Farm, L.L.C.;
 - Rising Tree Wind Farm III, L.L.C.;
 - 2015 Vento XIII, L.L.C.;
 - 2015 Vento XIV, L.L.C.
 - EDPR Wind Ventures XIII, L.L.C.;
 - EDPR Wind Ventures XIV, L.L.C.;
 - (ii) 24% of its interests in the following companies:
 - Cloud County Wind Farm, L.L.C.;
 - Pioneer Prairie Wind Farm I, L.L.C.;
 - Arlington Wind Power Project L.L.C.;
 - 2008 Vento III, L.L.C.;
 - Horizon Wind Ventures IC, L.L.C.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 18,042 thousands of Euros, was booked against reserves under the corresponding accounting policy:

- In the second quarter of 2016, EDP Renewables Europe, S.L. concluded the sale to Vortex Energy Investments II S.à r.l. by 273,001 thousands of Euros, equivalent to 550,000 thousands of Euros deducted from loans totalling 272,740 thousands of Euros and from transaction costs in the amount of 4,259 thousands of Euros, of 49% of its interests in the following companies:
 - EDPR Participaciones, S.L.U.;
 - Parc Éolien de Dammarie, S.A.S.;
 - Eólica Don Quijote, S.L.U.;
 - Eólica Dulcinea, S.L.U.;
 - Eólica Alfoz, S.L.U.;
 - Eólica do Cachopo, S.A.;
 - Eólica do Castelo, S.A.;
 - Eólica da Lajeira, S.A.;
 - Eólica do Velão, S.A.;
 - Parc Éolien d'Escardes, S.A.S.;
 - Parc Éolien de Françourville, S.A.S.:
 - Green Wind S.A.;
 - Eólica La Navica, S.L.U.;
 - Parc Éolien de Montagne Fayel. S.A.S.;
 - Parc Éolien de Preuseville, S.A.S.;
 - Eólica de Radona, S.L.U.;
 - Bon Vent de L'Ebre, S.L.U.;
 - Bon Vent de Vilalba, S.L.U.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 83,149 thousands of Euros, was booked against reserves under the corresponding accounting policy.

Companies sold and liquidated:

- EDPR UK, S.L. sold 49% of Inch-Cape Offshore Ltd. by 15,802 thousands of Euros and generated a gain of 2,324 thousands of Euros (see note 13);
- EDP Renewables Polska S.P. ZO.O. sold 60% of J&Z Wind Farms Sp. ZO.O. by 12,891 thousands of Euros and generated a gain of 6,958 thousands of Euros (see note 7);
- EDP Energias do Brasil, S.A. sold 100% of Pantanal Energética, Lda. by 90,661 thousands of Euros and generated a gain of 60,916 thousands of Euros (see note 7);
- EDP MOP Operações de Pontos de Carregamento de Mobilidade Elétrica, S.A. liquidated IME IE Mobil Electrica, ACE;
- EDP Gas Iberia, S.L. liquidated Cogeración Bergara, A.I.E. and Cogeración Montjuic, S.L.U.;
- EDP Renovables España, S.L. liquidated Cultivos Energéticos de Castilla S.A.;
- Enercouto S.A. liquidated Couto Magalhães Energia, S.A.

Companies incorporated:

- EDPR Vento IV Holding, L.L.C.;
- Redbed Plains Wind Farm, L.L.C.;
- 2016 Vento XV, L.L.C. *
- 2016 Vento XVI, L.L.C. *
- EDPR Wind Ventures XV, L.L.C.;
- EDPR Wind Ventures XVI, L.L.C.;
- Parc Éolien de Citernes, S.A.S.;
- Parc Éolien de Flavin, S.A.S.;
- Parc Éolien de Louvières, S.A.S.;
- Parc Éolien de Prouville, S.A.S.;
- EDPR Participaciones, S.L.U.;
- MORL Hold Co Limited;
- Meadow Lake Wind Farm VI, L.L.C. *;
- EDP Ventures Sociedade de capital de risco, S.A.;
- Horse Mountain Wind Farm, L.L.C. *;
- Hidalgo Wind Farm II, L.L.C. *;
- Blue Marmot I, L.L.C. *;
- Blue Marmot II, L.L.C. *;
- Blue Marmot III, L.L.C. *;
- Blue Marmot IV, L.L.C. *;
- Blue Marmot V, L.L.C. *;
- Blue Marmot VI, L.L.C. *;
- Blue Marmot VII, L.L.C. *:
- Blue Marmot VIII, L.L.C. *;
- Blue Marmot IX, L.L.C. *;
- Blue Marmot X, L.L.C. *;
- Blue Marmot XI, L.L.C. *;Paulding Wind Farm V, L.L.C. *.
- * EDP Group holds, through EDP Renováveis and its subsidiaries EDPR NA, a set of subsidiaries legally established in the United States without share capital and that, as at 30 September 2016, do not have any assets, liabilities, or any operating activity.

Other changes:

- EDPR Renewables Italia, S.R.L. increased its interest in the company Re Plus, S.R.L from 80% to 100% through the dilution of the shareholding interest of the other shareholder in the company:
- EDP Renewables Europe, S.L. diluted its financial interest in Eólica de Coahuila, S. de R.L. de C.V. from 99.99% to 51% due to a share capital increase fully subscribed by other shareholders.

6. REVENUES FROM ENERGY SALES AND SERVICES AND OTHER

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

	Gro	Group		pany
Thousands of Euros	Sep 2016	Sep 2015	Sep 2016	Sep 2015
Electricity and network access	9,449,615	10,276,921	1,622,724	1,846,331
Gas and network access	747,578	1,003,224	35,460	154,626
Sales of CO2 licences	-	60	32,623	61
Revenue from assets assigned to concessions	278,209	242,427	-	-
Other	109,168	82,145	117,921	107,381
	10,584,570	11,604,777	1,808,728	2,108,399



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

			Sep 2016		
Thousands of Euros	Iberia	Brazil	U.S.A.	Other	Group
Electricity and network access	7,316,289	1,559,610	374,463	199,253	9,449,615
Gas and network access	747,578	-	-	-	747,578
Revenue from assets assigned to concessions	190,723	87,486	-	-	278,209
Other	53,575	54,141	-	1,452	109,168
	8,308,165	1,701,237	374,463	200,705	10,584,570

			Sep 2015		
Thousands of Euros	Iberia	Brazil	U.S.A.	Other	Group
Electricity and network access	7,740,154	1,979,552	351,916	205, 299	10,276,921
Gas and network access	1,003,224	-	-	-	1,003,224
Sales of CO2 licences	60	-	-	-	60
Revenue from assets assigned to concessions	186,150	56,277	-	-	242,427
Other	71,080	10,605	214	246	82,145
	9,000,668	2,046,434	352,130	205,545	11,604,777

The Revenues from energy sales and services and other, in Iberia, includes 5,700,608 thousands of Euros in Portugal and 2,607,557 thousands of Euros in Spain (30 September 2015: 5,843,460 thousands of Euros in Portugal and 3,157,208 thousands of Euros in Spain).

On 30 September 2016, the caption Electricity and network access in Iberia, on a consolidated basis, includes a net revenue of 1,119,598 thousands of Euros (income in 30 September 2015: 1,030,495 thousands of Euros) regarding the tariff adjustments of the period in Portugal (see notes 26 and 39), as described under accounting policy 2 x). This caption also includes a net cost of 177,183 thousands of Euros related to recognition of tariff adjustments for the period in Brazil, booked as Debtors and other assets from commercial activities and Trade and other payables from commercial activities (30 September 2015: net profit of 175,237 thousands of Euros).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 164,899 thousands of Euros (30 September 2015: 155,783 thousands of Euros) related to the contractual stability compensation (CMEC) as a result of the power purchase agreements (PPA) termination.

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

Cost of energy sales and other are analysed as follows:

	Gro	oup	Com	pany
Thousands of Euros	Sep 2016	Sep 2015	Sep 2016	Sep 2015
Cost of electricity	4,891,651	5,784,525	1,538,950	1,815,290
Cost of gas	567,641	721,636	-	
Expenditure with assets assigned to concessions	278,209	242,427	-	
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	305,705	403,713	-	-
Gas	90,730	210,542	35,460	154,626
CO2 licences	84,036	96,915	32,622	65
Own work capitalised	-64,820	-46,278	-	-
Other	168,000	130,884	18	10
	583,651	795,776	68,100	154,701
	6,321,152	7,544,364	1,607,050	1,969,991

On a company basis, Cost of electricity includes costs of 782,086 thousands of Euros (30 September 2015: 851,793 thousands of Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

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

	Group		
Thousands of Euros	Sep 2016	Sep 2015	
Revenue from assets assigned to concessions	278,209	242,427	
Expenditure with assets assigned to concessions			
Subcontracts and other materials	-203,392	-168,971	
Personnel costs capitalised (see note 9)	-68,601	-67,482	
Capitalised borrowing costs (see note 13)	-6,216	-5,974	
	-278,209	-242,427	
	-	-	

7. OTHER INCOME

Other income, for the Group, is analysed as follows:

	Group	
Thousands of Euros	Sep 2016	Sep 2015
Income arising from institutional partnerships - EDPR NA	142,463	116,897
Gains related with business combinations	-	397,417
Gains on disposals - electricity and gas business assets	67,874	89,008
Remeasurement of IFRIC 12 indenisation amount in Brazil concessions (see note 26)	50,401	8,689
Gains from contractual indemnities and insurance companies	29,145	10,777
Other	60,778	60,274
	350,661	683,062

On 9 December 2014, EDP Brasil entered into an agreement for the acquisition of the 50% of Porto do Pecém share capital, owned by Eneva, S.A., starting to hold full control of this company. This transaction was subject to approval and authorisation of the competition authority, of ANEEL, of the funding banks of Porto do Pecém and Eneva (BNDES and Banco Interamericano de Desenvolvimento – BID) and other creditors of Eneva. Additionally, the transaction conclusion was dependent on other measures of corporate and contractual nature, in particular, the approval of the Eneva's recovery plan. This transaction was concluded in May 2015 and occured in two stages, the first through the debt capitalisation of Porto do Pecém with Eneva, resulting in a reduction of EDP's original shareholding of 50% to 41.27% and the second with the acquisition, by 300,000 thousands of Brazilian Reais, of 58.73% of Porto do Pecém by EDP. The gross gain, in the amount of 294,938 thousands of Euros, recognised in Gains related with business combinations, includes the following effects: i) dilution effect in the capital increase by Eneva; ii) gain on the revaluation of the previously held interest; and iii) bargain purchase.

Additionally, in September 2015, the ENEOP consortium members reached an agreement on the consortium's assets split which had been created for a wind power tender launched by the Portuguese Government in 2005-2006. Under this agreement, EDP Group gained the exclusive control of the following wind farm portfolio: Eólica do Alto da Lagoa, S.A., Eólica da Serra das Beiras, S.A., Eólica do Cachopo, S.A., Eólica do Castelo, S.A., Eólica da Coutada, S.A., Eólica do Espigão, S.A., Eólica da Lajeira, S.A., Eólica Alto do Mourisco, S.A., Eólica dos Altos de Salgueiros-Guilhado, S.A., Eólica Alto da Teixosa, S.A., Eólica da Terra do Mato, S.A. and Eólica do Velão, S.A. This transaction was treated as a business combination achieved in stages and generated a gain on the revaluation of the previously held interest and of the acquired assets fair value in the total amount of 102,479 thousands of Euros.

Gains on disposals - electricity and gas business assets are related with (i) the gain on the sale of 100% of Pantanal Energética, Ltda to Cachoeira Escura Energética, S.A. in the amount of 60,916 thousands of Euros; and (ii) the gain on the sale of 60% of J&Z Wind Farms, SP. ZO.O. to Geo Renewables Limited in the amount of 6,958 thousands of Euros (see notes 5 and 42). On 30 September 2015, this caption is related with the gain on the sale of the assets allocated to gas transmission business in Murcia as well as in other Spanish regions (mainly in Extremadura and Gerona) to Redexis Gas, S.A.

8. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

	Gro	oup	Com	pany
Thousands of Euros	Sep 2016	Sep 2015	Sep 2016	Sep 2015
Consumables and communications	37,270	39,031	6,116	6,327
Rents and leases	92,288	82,010	32,652	31,249
Maintenance and repairs	256,642	230,086	18,342	15,512
Specialised works:				
- Commercial activity	130,586	123,832	5,729	3,572
- IT services, legal and advisory fees	41,132	55,795	14,368	16,663
- Other services	33,972	39,132	13,619	13,278
Provided personnel	-		10,691	25,275
Other supplies and services	82,526	88,078	12,899	15,579
	674,416	657,964	114,416	127,455

9. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

	Group Company		oany	
Thousands of Euros	Sep 2016	Sep 2015	Sep 2016	Sep 2015
Personnel costs				-
Board of Directors remuneration	11,857	11,382	4,944	4,291
Employees' remuneration	366,154	364,794	24,747	13,482
Social charges on remuneration	90,352	89,788	6,325	3,490
Performance, assiduity and seniority bonus	54,258	54,245	9,217	8,533
Other costs	19,176	16,575	211	120
Own work capitalised:				
- Assigned to concessions (see note 6)	-68,601	-67,482	-	-
- Other (see note 16)	-37,890	-41,697	-	-
	435,306	427,605	45,444	29,916
Employee benefits				
Pension plans costs	20,459	20,464	1,144	664
Medical plans costs and other benefits	8,004	6,174	426	115
Past service cost (Curtailment/Plan amendments)	7,492	-	-	-
Other	15,533	17,486	1,681	1,267
	51,488	44,124	3,251	2,046
	486,794	471,729	48,695	31,962

Pension plans costs include 9,035 thousands of Euros (30 September 2015: 9,422 thousands of Euros) related to defined benefit plans (see note 36) and 11,424 thousands of Euros (30 September 2015: 11,042 thousands of Euros) related with defined contribution plans. Medical plans costs and other employee benefits is related with the charge of the period (see note 36).

Past service cost (Curtailment/Plan amendments) is related to the increase in liabilities under the permanent employees reduction program that covered 25 Portugal employees (see note 36).

In the first nine-months of 2016, EDP Group distributed treasury stocks to employees (429,962 shares) totalling 1,290 thousands of Euros.

The variation in EDP, S.A. is explained by the employee reallocation into companies where they actually provide services, occurred at the end of 2015.

10. OTHER EXPENSES

Other expenses, are analysed as follows:

	Group		
Thousands of Euros	Sep 2016	Sep 2015	
Concession rents paid to local authorities and others	208,900	204,416	
Direct and indirect taxes	217,124	238,480	
Donations	15,968	24,385	
Impairment losses:			
- Trade receivables	51,904	40,683	
- Debtors	-577	-1,024	
Write-off of tangible assets - EDP Renováveis Group	4,811	62,473	
Other	62,200	53,274	
	560,330	622,687	

The caption Concession rents paid to local authorities and others includes essentially the rents paid to the local authorities under the terms of the low tension electricity distribution concession contracts and rents paid to city councils where the power plants are located.

The caption Direct and indirect taxes includes a tax of 7% over electricity generation in Spain since 1 January 2013, following the publication of Law 15/2012 of 27 December.

As at 30 September 2015, the caption Write-off of tangible assets - EDP Renováveis Group includes the write-off of assets under construction (see note 16), which mainly refers to: (i) 40,499 thousands of Euros related to the abandonment of ongoing projects in EDPR NA subgroup, which were considered to be economically unviable under current market conditions, due to the recent publication of new legislation – the final version of Clean Power Plan and Renewable Portfolio Standards; (ii) 16,589 thousands of Euros related to the abandonment of ongoing projects in EDPR EU subgroup, following the reduced probability of their future development; and (iii) 5,385 thousands of Euros, due to damage in the measurement tower in the offshore wind park Moray Offshore Renewables Limited (held by EDPR UK Limited).

11. PROVISIONS

Provisions are analysed as follows:

	Group		Group		Com	pany
Thousands of Euros	Sep 2016	Sep 2015	Sep 2016	Sep 2015		
Charge for the period	20,904	22,654	724	1,297		
Write-back for the period	-35,944	-13,618	-816	-190		
	-15,040	9,036	-92	1,107		

Provisions for the period, at 30 September 2016, include a net increase in provisions for: labour, legal and other contingencies in Brazil in the amount of 3.5 millions of Euros (30 September 2015: net increase of 6.2 millions of Euros); provisions for contractual, legal and other liabilities in Portugal of 6.2 millions of Euros (30 September 2015: 0.5 millions of Euros) and includes a net decrease in Spain of 24.7 millions of Euros (30 September 2015: 2.5 millions of Euros), which are classified as probable contingencies (see note 37).

12. AMORTISATION AND IMPAIRMENT

Amortisation and impairment are analysed as follows:

	Cravin		Group Company		
Thousands of Euros	Sep 2016	Sep 2015	Sep 2016	Sep 2015	
Property, plant and equipment					
Buildings and other constructions	11,166	8,290	3,513	128	
Plant and machinery	786,868	720,659	10	9	
Other tangible assets	46,777	46,744	12,362	8,691	
Impairment loss	48	11,706	-		
	844,859	787,399	15,885	8,828	
Intangible assets					
Concession rights and impairment	59,854	61,712	-	-	
Intangible assets assigned to concessions - IFRIC 12	221,420	228,616	-		
Other intangibles	3,880	2,158	222	2	
	285,154	292,486	222	2	
Investment property					
Amortisation	398	651	176	1,645	
Impairment loss	6,362		-	_	
	6,760	651	176	1,645	
	1,136,773	1,080,536	16,283	10,475	
Compensation of amortisation and depreciation					
Partially-funded property, plant and equipment	-22,780	-22,338	-1,003	-	
Impairment of Goodwill	1,138	176	-	-	
	1,115,131	1,058,374	15,280	10,475	

During the nine-month period ended 30 September 2015, and taking into consideration the increasing uncertainty on the Romanian market, EDPR Romania has downgraded their future estimates namely the price of green certificates. Following this analysis it was recognised an impairment loss on fixed assets of 16,326 thousands of Euros.

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

13. FINANCIAL INCOME AND EXPENSES

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

	Gro	oup
Thousands of Euros	Sep 2016	Sep 2015
Financial income		
Interest income from bank deposits and other investments	42,223	29,135
Interest income from loans to joint ventures and associates	4,049	19,527
Interest from derivative financial instruments	14,394	119,766
Derivative financial instruments	328,701	286,310
Other interest income	42,054	37,621
Foreign exchange gains	80,346	45,257
CMEC	31,396	34,266
Gains on the sale of financial investments	12,948	-
Other financial income	129,796	151,748
	685,907	723,630
Financial expenses		
Interest expense on financial debt	639,867	726,077
Capitalised borrowing costs:		
- Assigned to concessions (see note 6)	-6,216	-5,974
- Other	-36,885	-59,514
Interest from derivative financial instruments	-2,076	95,525
Derivative financial instruments	366,541	214,274
Other interest expense	22,339	17,761
Impairment of available-for-sale investments	30,844	21,996
Foreign exchange losses	53,026	163,449
CMEC	10,070	11,696
Unwinding of discounted liabilities	99,190	87,093
Net interest on the net pensions plan liability (see note 36)	10,332	12,568
Net interest on the medical liabilities and other benefits (see note 36)	22,758	20,812
Other financial expenses	111,066	43,622
	1,320,856	1,349,385
Financial income/(expenses)	-634,949	-625,755

The caption Financial income - CMEC is related essentially to interest on the initial CMEC included in the annuity for 2016 in the amount of 21,527 thousands of Euros (30 September 2015: 22,840 thousands of Euros) and the financial effect considered in the calculation of the initial CMEC in the amount of 9,869 thousands of Euros (30 September 2015: 11,414 thousands of Euros).

The caption Gains on the sale of financial investments includes the gain on the sale of 49% of Inch-Cape Offshore Limited in the amount of 2,324 thousands of Euros and the gain on the sale of the shareholding of 11.11% in Tejo Energia, S.A., in the amount of 10,434 thousands of Euros (see note 42).

The captions Other financial income/expenses include essentially 33,788 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (30 September 2015: 57,743 thousands of Euros) and 23,700 thousands of Euros related to net gains, on the sale of part of the electricity tariff deficit related to the over cost with the acquisition of electricity from Special Regime Generators in Portugal of 2014, 2015 and 2016 (30 September 2015: 46,184 thousands of Euros) (see note 26). Additionally, as at 30 September 2015, these captions also include 641 thousands of Euros related with interest income on tariff deficit in Spain.

Capitalised borrowing costs includes the interest capitalised in assets under construction according to the accounting policy described in paragraph 2 h). Regarding the rate applicable to borrowing costs related with tangible/intangible assets under construction that is used in the determination of the amount of borrowing costs eligible for capitalization (see note 16 and 17), 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.

The caption Impairment of available-for-sale investments includes 30,552 thousands of Euros (30 September 2015: 21,987 thousands of Euros) related to the increase of impairment of the investment held in Banco Comercial Português, S.A. as a result of the devaluation of the market value of this shares (see note 21).

Financial expenses - CMEC is related mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 39).

The Unwinding of discounted liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for generation assets of 5,728 thousands of Euros (30 September 2015: 4,999 thousands of Euros), (ii) the implied financial return in institutional partnerships in USA which amounted to 67,877 thousands of Euros (30 September 2015: 58,098 thousands of Euros) (see note 38), and (iii) the financial expenses related to the discount of the concessions of Alqueva/Pedrógão, Investco and Enerpeixe associated debt, in the total amount of 16,175 thousands of Euros (30 September 2015: 17,058 thousands of Euros).



The caption Other financial expenses includes 26,600 thousands of Euros related to early cancellation and optimization of certain project finance in Europe.

The captions Other financial income and Other financial expenses include 8,703 thousands of Euros related with interest income on tariff deficit in Brazil (30 September 2015: 10,073 thousands of Euros) (see notes 26 and 39).

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

	Com	pany
Thousands of Euros	Sep 2016	Sep 2015
Financial income		
Interest income from loans to subsidiaries and related parties	306,635	319,244
Interest from derivative financial instruments	127,930	127,057
Derivative financial instruments	755,929	475,699
Income from equity investments	400,207	462,260
Gains on the sale of financial investments	93	38,987
Other financial income	17,577	10,387
	1,608,371	1,433,634
Financial expenses		
Interest expense on financial debt	341,238	326,282
Interest from derivative financial instruments	102,038	112,581
Derivative financial instruments	768,983	442,298
Foreign exchange losses	8,632	18,665
Other financial expenses	8,021	3,226
	1,228,912	903,052
Financial income/(expenses)	379,459	530,582

In the context of the corporate restructuring of the gas activity in Iberia, carried out during the second quarter of 2014, in 22 December 2014, EDP, S.A. sold to EDP Gas Iberia, S.L. 100% of the share capital of EDP Gás - SGPS, S.A. for the amount of 462,591 thousands of Euros, of which 285,422 thousands of Euros correspond to the sale value of equity shares and 177,169 thousands of Euros correspond to supplementary capital and loans. As at 31 December 2014, this transaction was recognised in accordance with the fair value model, under the company's accounting policy, and a gain in the amount of 282,352 thousands of Euros was booked on a company basis. The final amount of the transaction was subject to price adjustments under the purchase agreement, whereby in 2015 was recognised an additional gain of 38,968 thousands of Euros on a company basis in the caption Gains on the sale of financial investments. This price adjustment includes the fair value of a contingent price in the amount of 28,429 thousands of Euros related to a litigation that is still ongoing. These intra-group transactions were performed using market values, as if they were independent entities, and with the individual gains being eliminated on the consolidation process of EDP Group.

14. INCOME TAX

The guiding principles regarding EDP Group's tax mission and policy are disclosed in EDP's site, in http://www.edp.pt/en/aedp/sobreaedp/principiosepoliticas/Paqes/MissaoPoliticaFiscal.aspx

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 20	16 Sep 2015
Europe:		
Portugal	21% - 29	.5% 21% - 29.5%
Spain	25% - 2	28% 25% - 28%
Netherlands	2	25% 25%
America:		
Brazil	3	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.

According to the currently applicable legislation, in general terms, tax periods may be subject to review and reassessment by the various tax authorities during a subsequent period. Statutes of limitation differ from country to country, as follows: in 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; in Spain 4 years; in USA and the Netherlands 3 years; and in Brazil 5 years.

Tax losses generated in a particular year are also subject to tax authorities review and reassessment and may be deducted from taxable income assessed in the subsequent periods, as follows: in Portugal, 4 years (for tax losses of 2010 and 2011), 5 years (for tax losses of 2012 and 2013), 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 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 power remuneration in this country, and represent an extra source of revenue per unit of electricity (\$23/MWh in 2016 and 2015), over the first 10 years of the asset's life.

EDP Group's transfer pricing policy follows the rules, guidelines and international best practices applicable in the geographies where the Group operates, in strict compliance with the applicable Law.

Changes in the law with relevance to the EDP Group in 2015 and 2016

In Spain, the Law 27/2014, published on 28 November 2014, reduced the CIT rate from 30% to 25% in 2016 (with an interim 28% rate applicable in 2015), introduced limits on the deduction of tax losses carried forward up to a maximum of 60% of taxable income in 2016, and 70% from 2017 onwards and eliminated the time limit in which tax losses can be carried forward. In addition, this Law established that the impairment losses on investment properties, property, plant and equipment and intangible assets including goodwill, as well as capital losses generated in intra-group transactions becomes non-deductible and replaced the tax deduction of goodwill limited to 5%. In Navarra, the CIT was also reduced from 28% to 25%, as per Foral Law 29/2014 of 24 December, with effect from 1 January 2015 onwards.

Corporate income tax provision

Income tax expense is analysed as follows:

	Group Co		Group Company	
Thousands of Euros	Sep 2016	Sep 2015	Sep 2016	Sep 2015
Current tax	-673,097	-182,652	-2,473	-129
Deferred tax	373,235	-53,219	22,615	20,942
	-299,862	-235,871	20,142	20,813

Reconciliation between the nominal and the effective income tax rate

The effective income tax rate is analysed as follows:

	Group		Group Compar		oany
Thousands of Euros	Sep 2016	Sep 2015	Sep 2016	Sep 2015	
Profit before tax	1,154,698	1,272,721	399,392	491,382	
Income tax	-299,862	-235,871	20,142	20,813	
Effective income tax rate	26.0%	18.5%	-5.0%	-4.2%	

The difference between the nominal and the effective tax rate, results from the application of the law provisions in the determination of the tax base, as demonstrated below.

The reconciliation between the nominal and the effective income tax rate for the Group, as at September 2016, is analysed as follows:

		Sep 2016	
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax *	29.5%	1,154,698	340,636
Different tax rates (includes state surcharge)	0.4%	14,210	4,192
Tax losses and tax credits	-2.0%	-76,895	-22,684
Tax benefits	-1.5%	-57,356	-16,920
Differences between tax and accounting gains and losses	0.3%	13,620	4,018
Other adjustments and changes in estimates	-0.7%	-31,797	-9,380
Effective tax rate and total income tax	26.0%	1,016,480	299,862

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



The reconciliation between the nominal and the effective income tax rate for the Group, as at September 2015, is analysed as follows:

		Sep 2015					
Thousands of Euros	Rate %	Tax basis	Tax				
Nominal rate and income tax *	22.5%	1,272,721	286,362				
Different tax rates (includes state surcharge)	7.8%	439,564	98,902				
Tax losses and tax credits	-0.5%	-28,911	-6,505				
Dividends	-0.4%	-23,258	-5,233				
Tax benefits	-1.3%	-72,307	-16,269				
Differences between tax and accounting gains and losses	-9.4%	-533,889	-120,125				
Other adjustments and changes in estimates	-0.2%	-5,604	-1,261				
Effective tax rate and total income tax	18.5%	1,048,316	235,871				
+							

^{*} Statutory Corporate Income Tax rate applicable in Portugal (21%) and municipal surcharge (1.5%)

The variation in effective tax rate is mainly due to non-taxation of capital gain generated on the sale of gas distribution assets in Spain, non-taxation of the gain generated with the revaluation of the previously held equity interest in the ENEOP consortium and with the non-taxation of the partial gain with the control acquisition of Porto do Pecém under the applicable tax law.

The reconciliation between the nominal and the effective income tax rate for the Company, as at September 2016, is analysed as follows:

	Sep 2016			
Thousands of Euros	Rate %	Tax basis	Tax	
Nominal rate and income tax *	29.5%	399,392	117,821	
Tax losses and tax credits	-3.7%	-49,614	-14,636	
Dividends	-29.3%	-397,010	-117,118	
Other adjustments and changes in estimates	-1.5%	-21,047	-6,209	
Effective tax rate and total income tax	-5.0%	-68,279	-20,142	

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

The reconciliation between the nominal and the effective income tax rate for the Company, as at September 2015, is analysed as follows:

	Sep 2015			
Thousands of Euros	Rate %	Tax basis	Tax	
Nominal rate and income tax *	29.5%	491,382	144,958	
Tax losses and tax credits	-4.3%	-71,214	-21,008	
Dividends	-27.6%	-459,064	-135,424	
Difference between tax and accounting gains/losses	-2.4%	-39,478	-11,646	
Other adjustments and changes in estimates	0.6%	7,820	2,307	
Effective tax rate and total income tax	-4.2%	-70,554	-20,813	

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

15. EXTRAORDINARY CONTRIBUTION TO THE ENERGY SECTOR (CESE)

The Law no. 83-C/2013, of 31 December (State Budget for 2014), established the Extraordinary Contribution to the Energy Sector (CESE). The application of this Contribution has been extended for the years 2015 and 2016, by Law no. 82-B/2014, of 31 December (State Budget for 2015) and Law no. 159-C/2015, of 30 December (Extension of revenue provided in the State Budget for 2015). The law proposal of the State Budget for 2017, presented in October 2016, considers the extension of this contribution to 2017. Note that the Stability Programme 2016-2020, published in April 2016 by the Portuguese Government had already provided the duration of the CESE until 2020.

This Contribution aims to finance mechanisms that promote the systemic sustainability of the energy sector, through the establishment of a fund that aims to contribute for the reduction of tariff debt and to finance social and environmental policies in the energy sector. The contribution is due by EDP companies that operate in the generation and distribution of electricity and in the distribution of natural gas.

CESE is calculated based on the assets value with reference to the first day of financial year 2016 (1 January 2016) which respect, cumulatively, to Tangible assets; Intangible assets, with the exception of elements of industrial property; Financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets (i.e the amount recognised by ERSE for the calculation of allowed revenues as at 1 January 2016) if it is higher than the value of the previous referred assets. Given its legal framework, CESE is not considered a deductible expense in determining the taxable income.

Therefore, the Group booked under the caption Current tax liabilities - Other taxes, against results, the estimated responsibility concerning to CESE for the period 2016, in the amount of 60,561 thousands of Euros (30 September 2015: 60,863 thousands of Euros) (see note 41).

This contribution is also applicable to EDP Gestão da Produção de Energia, S.A. power plants that are subject to the legal regime that establishes the compensation mechanism to maintain the contractual balance, and so this contribution amount was recognised according to the Decree-Law n.° 240/2004 of 27 December.

16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

	Group			Company	
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015	
Cost	•		•		
Land and natural resources	103,916	99,487	21,388	23,877	
Buildings and other constructions	552,868	489,377	133,881	114,411	
Plant and machinery:					
- Hydroelectric generation	9,813,159	8,746,274	254	5,912	
- Thermoelectric generation	8,607,906	8,569,641	-	-	
- Renewable generation	15,654,844	15,171,961	-	-	
- Electricity distribution	1,551,777	1,544,519	-	-	
- Gas distribution	1,041,485	990,047	-	-	
- Other plant and machinery	73,517	72,598	196	196	
Other	967,245	980,409	162,466	170,395	
Assets under construction	2,461,914	3,212,012	18,375	15,068	
	40,828,631	39,876,325	336,560	329,859	
Accumulated amortisation and impairment losses					
Amortisation charge of the period	-844,811	-1,053,992	-15,885	-13,251	
Accumulated amortisation in previous periods	-16,823,656	-15,922,931	-117,704	-105,772	
Impairment losses of the period	-48	-24,043	-		
Impairment losses in previous periods	-125,232	-101,643	-4,782	-4,782	
	-17,793,747	-17,102,609	-138,371	-123,805	
Carrying amount	23,034,884	22,773,716	198,189	206,054	

The movements in Property, plant and equipment, for the Group, for the nine-month period ended 30 September 2016 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari- sations	Balance at 30 September
Cost							
Land and natural resources	99,487	103	-616		7,385	-2,443	103,916
Buildings and other constructions	489,377	995	-1,753	21,456	42,727	66	552,868
Plant and machinery	35,095,040	61,486	-174,445	1,559,903	199,502	1,202	36,742,688
Other	980,409	14,748	-21,405	-4,890	-600	-1,017	967,245
Assets under construction	3,212,012	838,496	-5,617	-1,576,469	-8,289	1,781	2,461,914
	39,876,325	915,828	-203,836		240,725	-411	40,828,631

Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari- sations	Balance at 30 September
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	133,133	11,166	-951	163	10,025	27	153,563
Plant and machinery	16,208,258	786,915	-167,119	-32	28,258	-1,281	16,854,999
Other	757,186	46,778	-20,949	-131	-647	-1,084	781,153
	17,102,609	844,859	-189,019		37,636	-2,338	17,793,747

Assets under construction are analysed as follows:

Thousands of Euros	Sep 2016	Dec 2015
Wind farms in USA	824,963	698,693
Wind farms in Europe	211,216	335,292
Hydric Portugal	1,001,967	1,755,399
Other assets under construction	423,768	422,628
	2,461,914	3,212,012

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

Thousands of Euros	Sep 2016
Subcontracts and other materials	837,363
Dismantling and decommissioning costs	3,587
Personnel costs (see note 9)	37,890
Borrowing costs (see note 13)	36,885
	915,725

As at 30 September 2016, the expected entry into operation, the accumulated capitalised costs and the commitments in the principal hydroelectric investments, are as follows:

	Expected entry into		
Thousands of Euros	operation	Capitalised costs	Commitments
Foz Tua	1st Semester 2017	436,502	54,796
Venda Nova III	4th Quarter 2016	416,340	22,701
		852,842	77,497

The entry into operation of hydroelectric investments depends of external factors to EDP Group.

Additions include the investment in wind farms by the subgroups EDPR NA, EDPR EU, EDPR BR and EDPR Poland. In the Portuguese generation activity, the Group is performing hydroelectric investments in the construction of several new power plants and power enhancement projects (Foz Tua and Venda Nova III).

Disposals/Write-offs on Plant and machinery includes 132,249 thousands of Euros related to the coal power plant Soto 2 descomissioning.

Transfers refer mainly to wind farms of EDP Renováveis subgroup that become operational in the United States of America, Poland, France, Brazil, Italy and Portugal and to the entry into operation of the Baixo Sabor upstream hydroelectric plant and the Salamonde II hydroelectric plant. After further analysis, certain items, initially classified as plant and machinery and administrative equipment, were identified as an integrant part of the new headquarters building in Lisbon, and therefore, were transferred to Buildings and other constructions.

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

As at 30 September 2016, future lease payments from Property, plant and equipment financed through lease contracts, are detailed as follows: (i) less than 1 year: 4,209 thousands of Euros, (ii) from 1 to 3 years: 4,346 thousands of Euros; and (iii) from 3 to 5 years: 349 thousands of Euros.

As at 30 September 2016, the Group has an agreement, which constitutes a financial lease as defined by IFRIC 4, in which the net value of the assets allocated amounts to 18,518 thousands of Euros (30 September 2015: 19,912 thousands of Euros).

The movements in Property, plant and equipment, for the Group, for the nine-month period ended 30 September 2015 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari- sations	Balance at 30 September
Cost							
Land and natural resources	129,589	442	-2,174	484	-13,566	-611	114,164
Buildings and other constructions	450,017	743	-582	-7,028	-84,841	66,863	425,172
Plant and machinery	31,466,143	551,790	-7,002	1,025,096	-165,345	1,782,880	34,653,562
Other	871,444	23,359	-4,784	43,901	1,344	3,978	939,242
Assets under construction	3,436,839	782,682	-75,995	-1,103,605	4,333	26,186	3,070,440
	36,354,032	1,359,016	-90,537	-41,152	-258,075	1,879,296	39,202,580

Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari- sations	Balance at 30 September
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	145,987	8,290	-527	-5,748	-18,373	5,361	134,990
Plant and machinery	14,977,971	732,365	-5,850	-11,269	-3,304	239,666	15,929,579
Other	702,942	46,744	-4,405	-133	1,484	2,343	748,975
	15,830,932	787,399	-10,782	-17,150	-20,193	247,370	16,817,576

Additions include the investment in wind farms by the subgroups EDPR NA, EDPR EU, EDPR BR and EDPR Poland. In the Portuguese generation activity, the Group was carrying out hydroelectric investments in the construction of several new power plants and power enhancement projects (Baixo Sabor, Foz Tua, Venda Nova III and Salamonde II).

Charge/Impairment losses includes 16,326 thousands of Euros related with impairments in the subgroup EDPR Romania (see note 12).

Disposals/Write-offs includes 62,473 thousands of Euros disaggregated in: (i) 40,499 thousands of Euros related to the abandonment of ongoing projects in EDPR NA; (ii) 16,589 thousands of Euros related to the abandonment of ongoing projects in EDPR EU; and (iii) 5,385 thousands of Euros, due to damage in the offshore wind park held by Moray (see note 10).

Transfers includes Brazil generation assets of Pantanal Energética Ltda, which were classified as assets held for sale as at 30 September 2015, in the amount of 24,002 thousands of Euros (see note 42). In relation to Transfers from assets under construction into operation, the amount refers mainly to solar and wind farms of EDP Renováveis that become operational in Romania, United States of America, Poland and Italy and to the entry into operation of the Baixo Sabor downstream hydroelectric plant and the Ribeiradio-Ermida hydroelectric plant.

Perimeter Variations/Regularisations includes: (i) the impact of the acquisition of 50% of the share capital of Porto do Pecém, in the net amount of 1,042,797 thousands of Euros (3,358,535 thousands of Reais); and (ii) the impact of the consolidation of new wind farms in EDP Group as a result of the ENEOP consortium's deal, in the net amount of 594,507 thousands of Euros. Additionally, additions include the effect of the revaluation of the assets of Porto do Pecém amounting to 158,982 thousands of Euros (560,275 thousands of Reais) and ENEOP of 224,018 thousands of Euros.

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

The movements in Property, plant and equipment, for the Company, for the nine-month period ended 30 September 2016 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regulari- sations	Balance at 30 September
Cost						
Land and natural resources	23,877	-	-2,489	-		21,388
Buildings and other constructions	114,411	-	-1,252	20,722	-	133,881
Other	176,503	5,317	-561	-18,343	-	162,916
Assets under construction	15,068	5,686		-2,379		18,375
	329,859	11,003	-4,302	-		336,560

Thousands of Euros	Balance at 1 January	Charge/ 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	14,940	3,513	-950	163	170	17,836
Other	104,833	12,372	-535	-163	-4	116,503
	123,805	15,885	-1,485	-	166	138,371

After further analysis during 2016, certain items, initially classified as plant and machinery and administrative equipment, were identified as an integrant part of the new headquarters in Lisbon, and therefore, were transferred to Buildings and other constructions.

As at 30 September 2016, on a company basis, the future lease payments of Property, plant and equipment financed through lease contracts by maturity are detailed as follows: (i) less than 1 year: 876 thousands of Euros, (ii) from 1 to 3 years: 870 thousands of Euros; and (iii) from 3 to 5 years: 56 thousands of Euros.

The movements in Property, plant and equipment, for the Company, for the nine-month period ended 30 September 2015 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regulari- sations	Balance at 30 September
Cost						
Land and natural resources	24,130	-	-288	-	35	23,877
Buildings and other constructions	16,536	-	-247	-	-	16,289
Other	126,942	12,599	-1,203	1,729	-	140,067
Assets under construction	81,910	24,927		-1,729		105,108
	249,518	37,526	-1,738	-	35	285,341

Thousands of Euros	Balance at 1 January	Charge/ 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	15,052	128	-247	-	-	14,933
Other	92,942	8,700	-998	-		100,644
	112,026	8,828	-1,245	-	-	119,609

Additions include the investment in the new head-office of EDP Group in Lisbon in the amount of 21,247 thousands of Euros.

17. INTANGIBLE ASSETS

This caption is analysed as follows:

	Gro	oup
Thousands of Euros	Sep 2016	Dec 2015
Cost		
Concession rights	15,194,917	14,808,407
CO2 licences	43,035	142,509
Other intangibles	264,103	243,879
Intangible assets in progress	666,147	560,553
	16,168,202	15,755,348
Accumulated amortisation and impairment losses		
Amortisation of concession rights of the period	-281,274	-384,442
Amortisation of other intangibles of the period	-3,880	-3,283
Accumulated amortisation in previous periods	-10,372,496	-9,803,051
Impairment losses of the period	-	-14,780
Impairment losses in previous periods	-40,115	-25,158
	-10,697,765	-10,230,714
Carrying amount	5,470,437	5,524,634

The concession rights over the electricity distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straight-line basis over the concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the natural gas distribution network (EDP Gás Distribuição), being amortised on a straight-line basis over the concession period, until 2047, as well as the concession of the public hydric domain for hydroelectric generation (EDP Produção and Hidroeléctrica do Guadiana), which useful life currently does not exceed 75 years.

The concession rights over electricity production in Brazil, namely for Lajeado Energia and Investco, are amortised on a straight-line basis over the concession period, until 2032.

The movements in Intangible assets during the nine-month period ended 30 September 2016, for the Group, are analysed as follows:

Thousands of 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	1,013,392		-		57,989		1,071,381
- Gas Portugal	138,354		-		-		138,354
- Hydric Portugal	1,419,988		-		-	-511	1,419,477
CO2 licences	142,509	51,582	-151,056		-		43,035
Assigned to concessions (IFRIC 12)	:						
- Intangible assets	12,236,673	537	-42,801	102,030	269,234	32	12,565,705
- Intangible assets in progress	134,643	277,672	-759	-195,148	8,783	-98	225,093
Other intangibles	243,879	16,201	-425	299	637	3,512	264,103
Other intangible in progress	425,910	15,735	-176	-299	2,662	-2,778	441,054
	15,755,348	361,727	-195,217	-93,118	339,305	157	16,168,202

Thousands of Euros	Balance at	Charge/ Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 September
Accumulated amortisation and							•
impairment losses							
Concession rights:							
- Distribution and generation Brazil	565,750	25,734	-		20,445		611,929
- Gas Portugal	37,733	2,358	-	-	-	-	40,091
- Hydric Portugal	345,202	31,762	-		-		376,964
Assigned to concessions (IFRIC 12)	9,215,011	221,420	-36,648		197,241	49	9,597,073
Other intangibles	67,018	3,880	-48		858		71,708
	10,230,714	285,154	-36,696	-	218,544	49	10,697,765

The contracts assigned to concessions (IFRIC 12) that currently exist in EDP Group fall within the Mixed Model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil, as referred to in note 2 aa).

Additions of CO2 Licences include 42,465 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and Spain and 9,117 thousands of Euros of licences purchased in the market for own consumption. The disposals/write-off of CO2 licences correspond to the licences consumed during 2015 and delivered to regulatory authorities.

The caption Other intangible in progress, includes the concession rights of hydric projects in Portugal namely Fridão and Foz Tua, in the amount of 287,343 thousands of Euros (31 December 2015: 287,343 thousands of Euros) and 89,222 thousands of Euros (31 December 2015: 87,974 thousands of Euros), respectively.

Transfers refer to the net transfers of intangible assets in progress assigned to concessions of 93,118 thousands of Euros relate to increases of the financial assets under IFRIC 12, transferred to Debtors and other assets from commercial activities (see note 26).

The caption Other intangibles includes 98,150 thousands of Euros (31 December 2015: 100,987 thousands of Euros) related to wind generation licenses of EDPR NA subgroup and 69,338 thousands of Euros related with deferred green certificates in Romania (31 December 2015: 55,990 thousands of Euros).

The capitalised costs of the period related to construction of intangible assets are included in own work capitalised in notes 6, 9 and 13.

The movements in Intangible assets during the nine-month period ended 30 September 2015, for the Group, are analysed as follows:

Thousands of 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	1,085,306	30,321	-	-909	-111,780	-1,019	1,001,919
- Gas Portugal	138,354		-		-		138,354
- Hydric Portugal	1,419,622	183	-		-	170	1,419,975
CO2 licences	162,389	31,260	-132,959	-6,450	-		54,240
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,525,574	311	-17,006	136,785	-535,727	483	12,110,420
- Intangible assets in progress	107,335	242,116	-582	-177,262	-7,256		164,351
Other intangibles	197,272	14,193	-	834	5,659	14,656	232,614
Other intangible in progress	411,344	8,439	-1,575	-1,174	-5,114	11,281	423,201
	16,047,196	326,823	-152,122	-48,176	-654,218	25,571	15,545,074

Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 30 September
Accumulated amortisation and							
impairment losses							
Concession rights:							
- Distribution and generation Brazil	547,862	27,678	-	-273	-36,678	-82	538,507
- Gas Portugal	34,589	2,358	-		-		36,947
- Hydric Portugal	302,825	31,676	-		-	170	334,671
Assigned to concessions (IFRIC 12)	9,288,159	228,616	-11,664		-378,296	532	9,127,347
Other intangibles	60,735	2,158	-	-132	-535	431	62,657
	10,234,170	292,486	-11,664	-405	-415,509	1,051	10,100,129



Additions of CO2 Licences include 535 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and 30,725 thousands of Euros of licences purchased in the market for own consumption. The disposals/write-off of CO2 licences correspond to the licences consumed during 2014 and delivered to regulatory authorities. The amount booked in Transfers is relate to the net effect of CO2 licenses transferred from Intangible assets to Inventories, in the amount of 6,450 thousands of Euros, as a result of allocation of licenses initially held for consume, in order to cover the need for CO2 licenses arising from consumptions (own use), to the trading portfolio.

The caption Other intangible in progress, includes essentially the concession rights of hydric projects in Portugal namely Fridão (287,343 thousands of Euros) and Foz Tua (87,549 thousands of Euros).

Transfers includes Brazil generation assets which were classified as assets held for sale, as at 30 September 2015, in the amount of 845 thousands of Euros. In relation to Transfers from assets under construction into operation, the amount refers mainly to the net transfers of intangible assets in progress assigned to concessions of 40,476 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities (see note 26).

Perimeter Variations/Regularisations of Other intangibles includes: (i) the impact of the acquisition of 50% of the share capital of Porto do Pecém, in the net amount of 817 thousands of Euros (2,632 thousands of Reais); and (ii) the effect of ENEOP consortium's asset division decided by the consortium members wich results in an impact of 22,437 thousands of Euros with the introdution of new wind farms in EDP Group. Additionally, additions includes the fair value recognition of the authorisation agreement for energy production of Porto do Pecém thermoelectric power station in the amount of 30,627 thousands of Euros (107,933 thousands of Reais) under the purchase price allocation process at fair value of identifiable assets and liabilities, to be amortised until 2043.

18. GOODWILL

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

	Group		
Thousands of Euros	Sep 2016	Dec 2015	
HC Energia Group	1,940,712	1,940,712	
EDP Renováveis Group	1,344,146	1,361,305	
EDP Brasil Group	48,398	46,053	
Other	40,518	40,518	
	3,373,774	3,388,588	

The movements in Goodwill, during the nine-month period ended 30 September 2016, are analysed as follows:

						Balance at
	Balance at				Exchange	30
Thousands of Euros	1 January	Increases	Decreases	Impairment	differences	September
HC Energia Group	1,940,712		-	-	-	1,940,712
EDP Renováveis Group	1,361,305	95	-	-	-17,254	1,344,146
EDP Brasil Group	46,053	-	-	-1,138	3,483	48,398
Other	40,518	-	-	-	-	40,518
	3,388,588	95	-	-1,138	-13,771	3,373,774

The movements in Goodwill, during the nine-month period ended 30 September 2015, are analysed as follows:

						Balance at
	Balance at				Exchange	30
Thousands of Euros	1 January	Increases	Decreases	Impairment	differences	September
HC Energia Group	1,940,712	-	-	-	-	1,940,712
EDP Renováveis Group	1,287,004	2,568	-2,000	-176	53,241	1,340,637
EDP Brasil Group	53,052	-	-723	-	-3,693	48,636
Other	40,518	-	-	-	-	40,518
	3,321,286	2,568	-2,723	-176	49,548	3,370,503

EDP Renováveis Group

During 2015, EDP Renováveis Group presents a decrease in goodwill movement in the amount of 2,000 thousands of Euros and an increase in the amount of 2,568 thousands of Euros that mainly related to the contingent price revision related to the purchase agreements of three projects in EDPR Spain and several projects in EDPR Poland, respectively. These contracts were signed before 1 January 2010, date of the adoption of the revised IFRS 3 as mentioned in the accounting policy 2 b).

EDP Brasil Group

During 2016, it was recognised an impairment loss in the amount of 1,138 thousands of Euros related to APS Soluções em Energia, S.A., due to non-compliance with performance indices (see note 12).

On 30 September 2015, goodwill related to the company Pantanal Energética Ltda was reclassified to non-current assets held for sale in the amount of 723 thousands of Euros (see note 42).

19. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

	Company	
Thousands of Euros	Sep 2016	Dec 2015
Acquisition cost	12,180,594	11,982,481
Effect of equity method (transition to IFRS)	-785,593	-785,593
Equity investments in subsidiaries	11,395,001	11,196,888
Impairment losses on equity investments in subsidiaries	-231,308	-231,308
	11,163,693	10,965,580

On the date of transition to IFRS, EDP, S.A. ceased to apply the equity method of accounting to its investments in its separate financial statements, having considered this method in the determination of the deemed cost at transition date.

The variation in the caption Investments in subsidiaries, on a company basis, results from the conversion of loans to share capital in EDP IS - Investimentos e Serviços, Lda (ex-Balwerk) (140,305 thousands of Euros) and the conversion of loans to cover negative retained earnings (57,808 thousands of Euros).

20. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This caption is analysed as follows:

	Group		Group Company		pany
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015	
Investments in joint ventures	745,163	615,223	6,597	6,597	
Investments in associates	45,574	48,788	-	-	
	790,737	664,011	6,597	6,597	

The movement in Investments in joint ventures is mainly explained by capital increases in the amount of 108,361 thousands of Euros, namely the capital increase in Empresa de Energia São Manoel, S.A. in the amount of 95,336 thousands of Euros.

As at 30 September 2016, for the Group, this caption includes goodwill in investments in joint ventures of 42,226 thousands of Euros (31 December 2015: 42,730 thousands of Euros) and goodwill in investments in associates of 9,223 thousands of Euros (31 December 2015: 9,248 thousands of Euros).

21. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Banco Comercial Português, S.A.	16,635	53,276	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	48,649	51,920	48,649	51,920
Zephyr Fund (Energia RE portfolio)	71,740	61,277	-	-
Other	38,217	33,733	1,769	1,759
	175,241	200,206	50,418	53,679

During the nine-month period ended 30 September 2016, the market value of the financial investment held in BCP has decreased 36,641 thousands of Euros, which was recorded under fair value reserves (see note 32). As at 30 September 2016, following the decrease in BCP market value, an impairment loss in the amount of 30,552 thousands of Euros was booked under Financial expenses (see note 13).

During 2016, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., decreased by 3,271 thousands of Euros being the increase booked against fair value reserves (see note 32).

The Zephyr Fund represents participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During 2016, Energia RE increased this participation by 10,000 thousands of Euros, and had an increase in fair value of 463 thousands of Euros, which was booked against fair value reserves (see note 32).



Under IFRS 13 (note 46), Available for sale investments are classified into three levels of fair value: level 1 includes essentially financial investment held in Banco Comercial Português, S.A. and REN - Redes Energéticas Nacionais, SGPS, S.A. since they 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.

Available-for-sale investments are booked at fair value being the changes since the date of acquisition, net of impairment losses, recorded against fair value reserves (see note 32). The fair value reserve attributable to the Group is analysed as follows:

Thousands of Euros	Sep 2016	Dec 2015
Banco Comercial Português, S.A.	-	6,089
REN - Redes Energéticas Nacionais, SGPS, S.A.	22,829	26,100
Tejo Energia, S.A.	-	10,859
Zephyr Fund (Energia RE portfolio)	7,370	6,907
Other	16,108	11,610
	46,307	61,565

In the first quarter of 2016, EDP Gestão da Produção de Energia, S.A. concluded the sale of 11.11% of share capital in Tejo Energia, S.A. The fair value reserve of 10,859 thousands of Euros was then transferred to results (see note 13 and 42).

22. INVESTMENT PROPERTY

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Cost	63,016	58,821	41,080	40,127
Accumulated amortisation and impairment losses	-30,263	-22,356	-8,561	-7,605
Carrying amount	32,753	36,465	32,519	32,522

The investment properties are mainly land and buildings held to obtain rents or for capital appreciation and are not materially relevant. During the first semester of 2016, the EDP Group booked an impairment of 6,362 thousands of Euros related to investment properties in Spain based on an independent evaluation of the fair value of these assets (see note 12).

23. DEFERRED TAX ASSETS AND LIABILITIES

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

	Net deferre	d tax assets	Net deferred	tax liabilities
Thousands of Euros	Sep 2016	Sep 2015	Sep 2016	Sep 2015
Balance as at 1 January	272,498	218,747	-794,983	-804,744
Tariff adjustment for the period	-9,058	-30,065	393,993	85,731
Provisions	51,288	-5,309	-	-
Property, plant and equipment, intangible assets and				
accounting revaluations	-34,243	-29,832	28,594	3,910
Deferred tax over CMECs in the period	-	-	-9,210	-33,334
Tax losses and tax credits	-50,553	101,133	-	
Financial and available-for-sale investments	6,534	3,321	-506	-2,021
Allocation of fair value adjustments to assets and liabilities acquired	-641	-671	-13,813	-132,526
Other temporary differences	-20,895	12,173	20,882	23,510
Netting of deferred tax assets and liabilities	357,357	-11,638	-357,357	11,638
Balance as at 30 September	572,287	257,859	-732,400	-847,836

As at 30 September 2016 the 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.

As at 30 September 2015, the Allocation of fair value adjustments to assets and liabilities acquired, essentially reflects the tax effect of the acquisition transaction of 50% of the Porto do Pecém, namely 49,079 thousands of Euros (223,812 thousands of Reais) related to the deferred tax of the fair value of identifiable assets and liabilities adjustments, 26,802 thousands of Euros (120,109 thousands of Reais) related to the tax effect of the gain resulting from the bargain purchase and the tax effect of the preliminary allocation of fair value adjustments to assets and liabilities acquired of ENEOP in the amout of 49,840 thousands of Euros.

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

	Net deferred tax assets		Net deferred	tax liabilities
Thousands of Euros	Sep 2016	Sep 2015	Sep 2016	Sep 2015
Balance as at 1 January	35,140	27,434	-	
Tax losses and tax credits	-5,979	24,817	-	-
Financial and available-for-sale investments	-596	-2,135	-	-
Fair value of derivative financial instruments	-2,106	-3,759	-1,892	-19
Other temporary differences	617	627	36,805	10
Netting of deferred tax assets and liabilities	34,913	-9	-34,913	9
Balance as at 30 September	61,989	46,975	-	

24. INVENTORIES

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2016	Dec 2015
Merchandise	20,547	21,993
Finished, intermediate products and sub-products	26,460	21,857
Raw and subsidiary materials and consumables (coal and other fuels)	81,355	77,530
Nuclear fuel	18,701	18,758
Others	76,768	64,068
	223,831	204,206

25. TRADE RECEIVABLES

Trade receivables, for the Group, are analysed as follows:

	Gro	oup
Thousands of Euros	Sep 2016	Dec 2015
Trade receivables - Non-Current		
Corporate sector and individuals:		
- Iberia	20,382	4,407
- Brazil	22,557	12,089
Public Sector:		
- Iberia	44,342	109,226
- Brazil	6,271	6,349
	93,552	132,071
Impairment losses	-26,303	-30,984
	67,249	101,087
Trade receivables - Current		
Corporate sector and individuals:		
- Iberia	1,433,320	1,464,827
- Brazil	520,436	505,125
- U.S.A.	43,515	65,353
- Other	44,715	66,911
Public Sector:		
- Iberia	127,024	61,587
- Brazil	45,383	38,909
	2,214,393	2,202,712
Impairment losses	-347,525	-307,195
	1,866,868	1,895,517
	1,934,117	1,996,604

Trade receivables, for the Company, are analysed as follows:

	Coi	mpany
Thousands of Euros	Sep 2016	Dec 2015
Trade receivables - Current		
Corporate sector and individuals:		
- Iberia	134,22	7 177,046
	134,22	7 177,046
Impairment losses	-9,95	79,957
	124,27	167,089

26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

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

	Group		
Thousands of Euros	Sep 2016	Dec 2015	
Amounts receivable from tariff adjustments - Electricity - Portugal	496,577	1,440,282	
Amounts receivable from tariff adjustments - Electricity - Brazil	10,960	22,783	
Amounts receivable from tariff expenses - Gas - Spain	66,958	69,000	
Amounts receivable relating to CMEC	718,513	653,359	
Amounts receivable from concessions - IFRIC 12	1,154,451	949,914	
Sundry debtors and other operations	114,147	79,108	
	2,561,606	3,214,446	
Impairment losses on debtors	-3,207	-3,215	
	2,558,399	3,211,231	

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

	Group		Group Co		Com	pany
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015		
Amounts receivable from tariff expenses - Electricity - Spain	4,525	1,000	-	-		
Amounts receivable from tariff adjustments - Electricity - Portugal	564,560	791,662	-			
Amounts receivable from tariff adjustments - Electricity - Brazil	20,620	154,095	-	-		
Receivables relating to other goods and services	33,134	94,537	28,104	47,445		
Amounts receivable relating to CMEC	128,284	174,470	-	-		
Accrued income relating to energy sales activity	109,789	120,656	225,026	239,052		
Sundry debtors and other operations	354,726	258,093	51,872	142,063		
	1,215,638	1,594,513	305,002	428,560		
Impairment losses on debtors	-21,157	-21,130	-1,003	-939		
	1,194,481	1,573,383	303,999	427,621		

The caption Amounts receivable relating to CMEC amounts to 846,797 thousands of Euros, and includes 718,513 thousands of Euros as non-current and 128,284 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 538,790 thousands of Euros as non-current and 43,964 thousands of Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the annuities for the years 2007 to 2016. The remaining 179,723 thousands of Euros as noncurrent and 84,320 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2014 to

As referred in the note 2 aa), the concession contracts currently in force in EDP Group are based in the Mixed Model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil. Therefore, the caption Amounts receivable from concessions - IFRIC 12 in the amount of 1,154,451 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model. The variation in the period includes: (i) the effect of the appreciation of Brazilian Real against Euro in the amount of 63,307 thousands of Euros; (ii) transfers from intangible assets assigned to concessions in the amount of 93,118 thousands of Euros (see note 17); and (iii) the remeasurement of IFRIC 12 indemnisation amount in Brazil concessions of 50,401 thousands of Euros (see note 7).

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments booked in Bandeirante and Escelsa with the accumulated amount as at 30 September 2016 of 20,566 thousands of Euros (31 December 2015: 115,657 thousands of Euros) and 11,014 thousands of Euros (31 December 2015: 61,221 thousands of Euros), respectively. The period variation respects to: (i) tariff adjustment for the period of 128,809 thousands of Euros (see note 6); (ii) transfer to tariff adjustment payable of 217.387 thousands of Euros (see note 39); (iii) amounts received through the electric energy tariff of 113,406 thousands of Euros; (iv) unwinding of 38,187 thousands of Euros (see note 13); and (v) positive exchange differences of 18,499 thousands of Euros.

The caption Receivables relating to other goods and services as at 31 December 2015 includes the recognition, by Hidrocantábrico, of the best estimated amount to be recovered following a court law decision. The Ministerial Order ITC 3315/2007 (MO) determined a reduction of the retribution for the electricity generation activity in 2006, in the amount equivalent to the CO2 emission allowances allocated free of charge by the Spanish State. Hidrocantábrico, as the remaining companies of the sector, contested the figures settled by CNMC (former CNE) in particular with respect to the applicability of this MO to bilateral agreements. In the course of the third quarter of 2015, and following a favourable decision of the Supreme Court in Spain, Hidrocantábrico recorded a gain of 40.6 millions of Euros, corresponding to the chargeback of the amounts paid to CNMC regarding this process. This amount was received in the first semester of 2016.

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

		Non-
Thousands of Euros	Current	Current
Balance as at 1 January 2015	1,063,661	1,341,117
Receipts through the electric energy tariff	-789,325	-
Partial sale of 2014 over costs for the special regime generators	-650,954	-
Tariff adjustment of 2014	30,320	9,929
Tariff adjustment for the period	285,108	840,127
Transfer to/from tariff adjustment payable	939	-
Interest income	57,513	230
Transfer from Non-Current to Current	797,732	-797,732
Balance as at 30 September 2015	794,994	1,393,671
Receipts through the electric energy tariff	-244,434	-
Partial sale of 2014 over costs for the special regime generators	-93,280	-
Partial sale of 2015 over costs for the special regime generators	-100,000	-
Tariff adjustment of 2014	24,811	-9,929
Tariff adjustment for the period	144,428	302,526
Transfer to/from tariff adjustment payable	3,455	-
Interest income	15,702	-
Transfer from Non-Current to Current	245,986	-245,986
Balance as at 31 December 2015	791,662	1,440,282
Receipts through the electric energy tariff	-434,295	-
Partial sale of 2014 over costs for the special regime generators	-93,844	-
Partial sale of 2015 over costs for the special regime generators	-872,527	-
Partial sale of 2016 over costs for the special regime generators	-1,047,078	-
Tariff adjustment of 2015	4,849	1,616
Tariff adjustment for the period	1,188,326	48,406
Transfer to/from tariff adjustment payable	-48	-
Interest income	33,642	146
Transfer from Non-Current to Current	993,873	-993,873
Balance as at 30 September 2016	564,560	496,577

The partial sale of the overcosts related to the acquisition of electricity from special regime generators, are as follows:

- During the first quarter of 2015, a EDP Serviço Universal, S.A. (EDP SU) sold without recourse to Tagus Sociedade de Titularização de Créditos, S.A., a portion of the 2014 tariff deficit in the amount of 465,418 thousands of Euros, and respective interest. The 2014 tariff deficit resulted from the deferral, for a period of 5 years, of the recovery of the 2014 overcosts (including the adjustments for 2012 and 2013) related to the acquisition of electricity from special regime generators. The sale price amounted to 499,461 thousands of Euros and generated a gain net of transaction costs of 31,737 thousands of Euros (see notes 13 and 50);
- During the second and fourth quarter of 2015, EDP SU agreed to sell, in two independent operations, a portion of the 2014 tariff deficit, which resulted from the deferral, for a period of 5 years, of the recovery of the 2014 overcosts related to the acquisition of electricity from special regime generators (including the adjustments for 2012 and 2013), in the amount of 278,816 thousands of Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 300,000 thousands of Euros and generated a gain net of transaction costs of 20,903 thousands of Euros (see note 13);
- During the fourth quarter of 2015, EDP SU agreed to sell a portion of the 2015 tariff deficit, which resulted from the deferral, for a period of 5 years, of the recovery of the 2015 overcosts related to the acquisition of electricity from special regime generators (including the adjustments for 2013 and 2014), in the amount of 100,000 thousands of Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 103,609 thousands of Euros and generated a gain net of transaction costs of 2,960 thousands of Euros (see note 13);
- During the first quarter of 2016, EDP SU agreed to sell a portion of the 2014 tariff deficit, which resulted from the deferral, for a period of 5 years, of the recovery of the 2014 overcosts related to the acquisition of electricity from special regime generators (including the adjustments for 2012 and 2013), in the amount of 93,844 thousands of Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 100,000 thousands of Euros and generated a gain net of transaction costs of 6,141 thousands of Euros (see note 13);

- During the second quarter of 2016, EDP SU agreed to sell, in two independent operations, a portion of the tariff deficit, which resulted from the deferral, for a period of 5 years, of the recovery of the 2015 overcosts related to the acquisition of electricity from special regime generators (including the adjustments for 2013 and 2014), in the total amount of 772,527 thousands of Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 803,785 thousands of Euros and generated a gain net of transactions costs of 27,015 thousands of Euros (see note 13);
- During the second quarter of 2016, EDP SU agreed to sell, in two independent operations, a portion of the tariff deficit, which resulted from the deferral, for a period of 5 years, of the recovery of the 2016 overcosts related to the acquisition of electricity from special regime generators, in the total amount of 348,195 thousands of Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 350,000 thousands of Euros and generated a loss net of transaction costs of 4,491 thousands of Euros (see note 13);
- During the third quarter of 2016, EDP SU agreed to sell, in two independent operations, 200,000 thousands of euros of the 2015 and 2016 tariff deficit, of the recovery overcosts related to the acquisition of electricity from special regime generators. The 2015 tariff deficit resulted from the deferral, for a period of 5 years, of the recovery of the 2015 overcosts related to the acquisition of electricity from special regime generators (including the adjustments for 2013 and 2014). The 2016 tariff deficit resulted from the deferral, for a period of 5 years, of the recovery of the 2016 overcosts related to the acquisition of electricity from special regime generators. In these sales transactions of assets, EDP SU gave in, fully and without recourse, the right to receive such amounts and interests. The total sale price amounted to 204,491 thousands of Euros and generated a gain net of transaction costs of 2,452 thousands of Euros (see note 13);
- During the third quarter of 2016, EDP SU sold a portion of the 2016 tariff deficit in the amount of 598,883 thousands of Euros. The 2016 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2016 over costs related to the acquisition of electricity from special regime generators. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 599,987 thousands of Euros and generated a loss net of transaction costs of 7,417 thousands of Euros (see notes 13 and 50).

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 2016:

Thousands of Euros	Deficit	Tariff	Sales	Total
Year:				
2012	1,564	_		1,564
2013	139,152	-	-	139,152
2014	319,842	52,196	-93,844	278,194
2015	1,252,895	67,889	-872,527	448,257
2016	1,047,078	193,970	-1,047,078	193,970
	2,760,531	314,055	-2,013,449	1,061,137

27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

	Group		Com	oany
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Debtors and other assets - Non-Current				_
Loans to subsidiaries	-		7,307,153	7,065,870
Loans to related parties	52,116	8,413	90	90
Guarantees rendered to third parties	50,762	40,862	-	-
Derivative financial instruments	296,883	261,894	622,418	733,209
Excess of the pension fund financing	44,395	58,724	159	159
Sundry debtors and other operations	110,391	74,364	30,768	-
	554,547	444,257	7,960,588	7,799,328
Debtors and other assets - Current				
Loans to subsidiaries	-	-	880,986	836,870
Loans to related parties	82,133	65,479	14,800	14,794
Receivables from the State and concessors	37,935	36,165	-	_
Derivative financial instruments	86,920	271,436	290,713	461,786
Subsidiary companies	-		206,847	801,842
Sundry debtors and other operations	45,516	70,038	11,898	11,704
	252,504	443,118	1,405,244	2,126,996
	807,051	887,375	9,365,832	9,926,324

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 4,566,360 thousands of Euros (31 December 2015: 4,295,300 thousands of Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 2,327,472 thousands of Euros (31 December 2015: 2,297,781 thousands of Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 45). Additionally, this caption include 893,448 thousands of Euros (31 December 2015: 893,616 thousands of Euros) of loans granted to EDP Servicios Financieros España, S.A. through EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España (see notes 45 and 49).

Loans to related parties - Non-Current and Current, mainly includes loans granted to Empresa de Energia Cachoeira Caldeirão, S.A., Empresa de Energia São Manoel S.A. and Eólica de Coahuila, S. de R.L. de C.V., which totalize 73,437 thousands of Euros (31 December 2015: 24,786 thousands of Euros).

Sundry debtors and other operations - Non-Current includes 40,080 thousands of Euros (31 December 2015: 33,717 thousands of Euros) of financial assets advance payments regarding to Banzi Project by EDP Renewables Italia, S.R.L.

Subsidiary Companies - Current, for the Company, mainly includes receivables from the EDP Group's financial system in the amount of 166,555 thousands of Euros (31 December 2015: 772,630 thousands of Euros) (see note 45).

28. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Income tax	104,405	118,240	10,184	34,366
Value added tax (VAT)	127,069	179,805	5,890	51,189
Other taxes	31,595	16,822	854	4,048
	263,069	314,867	16,928	89,603

On an individual basis, the decrease in Value Added Tax (VAT), relates to the receipt in 2016 of VAT refunds, submitted by EDP S.A. in 2015.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

	Gro	Group		up Company		oany
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015		
Cash	221	59	14	8		
Bank deposits						
Current deposits	349,274	395,639	13,300	15,937		
Term deposits	1,291,895	811,691	417,892	397,325		
Specific demand deposits in relation to institutional partnerships	10,452	38,048	-	-		
Other deposits	12	12	-	-		
	1,651,633	1,245,390	431,192	413,262		
Operations pending cash settlement						
Current deposits	25,000		80,000	110,000		
	1,676,854	1,245,449	511,206	523,270		

Specific demand deposits in relation to institutional partnerships corresponds to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 38), under the accounting policy 2 v).

As at 30 September 2016, in company basis, the caption Operations pending cash settlement represents commercial paper issued by EDP, S.A., which is booked as financial debt at the issuance trade date, under the Group accounting policy. This caption includes: (i) 55,000 thousands of Euros issued on 30 September 2016, acquired by EDP Finance B.V., which settlement date occurred on 4 October 2016; and (ii) 25,000 thousands of Euros issued on 29 September 2016, which settlement date occurred on 3 October 2016.

30. SHARE CAPITAL AND SHARE PREMIUM

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

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

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

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

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

EDP - Energias de Portugal S.A. shareholder structure as at 30 September 2016 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
CNIC	110,435,491	3.02%	3.02%
Capital Group Companies, Inc.	548,071,919	14.99%	14.99%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
BlackRock, Inc.	182,733,180	5.00%	5.00%
Senfora, BV	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	89,139,594	2.44%	2.44%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
Norges Bank	76,012,158	2.08%	2.08%
EDP (Treasury stock)	21,676,438	0.59%	
Remaining shareholders	1,266,480,172	34.63%	
	3,656,537,715	100.00%	

Share capital and Share premium are analysed as follows:

	Group and Company		
	Share Share		
Thousands of Euros	capital	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		Com	pany
Sep 2016	Sep 2015	Sep 2016	Sep 2015
615,027,500	735,918,783	419,534,046	512,195,219
615,027,500	735,918,783		
3,635,097,823	3,634,176,412	3,636,610,823	3,635,689,412
3,635,097,823	3,634,176,412	3,636,610,823	3,635,689,412
0.17	0.20		
0.17	0.20		
0.17	0.20		
0.17	0.20		
	Sep 2016 615,027,500 615,027,500 3,635,097,823 3,635,097,823 0.17 0.17	Sep 2016 Sep 2015 615,027,500 735,918,783 3,635,097,823 3,634,176,412 3,635,097,823 3,634,176,412 0.17 0.20 0.17 0.20 0.17 0.20 0.17 0.20 0.17 0.20 0.17 0.20	Sep 2016 Sep 2015 Sep 2016 615,027,500 735,918,783 419,534,046 615,027,500 735,918,783 3,635,097,823 3,635,097,823 3,634,176,412 3,636,610,823 0.17 0.20 0.17 0.20 0.17 0.20 0.17 0.20 0.17 0.20

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 2016	Sep 2015	Sep 2016	Sep 2015
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-21,439,892	-22,361,303	-19,926,892	-20,848,303
Average number of shares during the period	3,635,097,823	3,634,176,412	3,636,610,823	3,635,689,412
Effect of stock options	-	-	-	-
Diluted average number of shares during the period	3,635,097,823	3,634,176,412	3,636,610,823	3,635,689,412

31. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Book value of EDP, S.A.'s treasury stock (thousands of Euros)	62,525	62,691	56,430	56,596
Number of shares	21,676,438	21,424,972	20,163,438	19,911,972
Market value per share (in Euros)	2.989	3.321	2.989	3.321
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	64,791	71,152	60,269	66,128

Shares' transactions occurred between 1 January and 30 September 2016:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	2,285,908	
Average purchase price (in Euros)	2.938	-
Total purchases (thousands of Euros)	6,716	_
Volume sold (number of shares)	-2,034,442	_
Average selling price (in Euros)	3.032	
Total sales (thousands of Euros)	6,168	
Final position (number of shares)	20,163,438	1,513,000
Highest market price (in Euros)	3.267	
Lowest market price (in Euros)	2.568	_
Average market price (in Euros)	2.985	

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). The treasury stock is recognised at acquisition cost.

32. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

	Gro	Group		pany
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Legal reserve	739,024	698,902	739,024	698,902
Fair value reserve (cash flow hedge)	10,681	-73,866	5,337	-8,216
Tax effect of fair value reserve (cash flow hedge)	-6,100	17,562	-1,614	2,384
Fair value reserve (available for sale investments)	46,307	61,565	18,470	21,762
Tax effect of fair value reserve (available for sale investments)	252	-2,186	3,248	2,283
Exchange differences arising on consolidation	-220,422	-392,097	-	-
Treasury stock reserve (EDP, S.A.)	56,430	56,596	56,430	56,596
Other reserves and retained earnings	3,627,590	3,292,826	1,708,738	1,619,613
	4,253,762	3,659,302	2,529,633	2,393,324

Legal reserve

In accordance with Article 295 of "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)

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

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:

	Group		
Thousands of Euros	Increases	Decreases	
Balance as at 1 January 2015	545,152	-498,175	
Changes in fair value	6,279	-24,681	
Transfer of impairment to profit or loss	21,996	-	
Transfer to the income statement relating to assets sold	-	-205	
Balance as at 30 September 2015	573,427	-523,061	
Changes in fair value	12,384	-2,227	
Changes in perimeter	1,042	-	
Balance as at 31 December 2015	586,853	-525,288	
Changes in fair value	6,329	-41,572	
Transfer of impairment to profit or loss	30,844	-	
Transfer of reserves from assets sold to profit or loss	-	-10,859	
Balance as at 30 September 2016	624,026	-577,719	

Changes in fair value reserve attributable to the EDP Group during the period ended 30 September 2016 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	-	-36,641
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-3,271
Others	6,329	-1,660
	6,329	-41,572

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:

		Exchange rates at Sep 2016		Exchange rates at Dec 2015		Exchange rates at Sep 2015	
			Average		Average		Average
		Closing	exchange	Closing	exchange	Closing	exchange
Currency		rates	rate	rates	rate	rates	rate
US Dollar	USD	1.116	1.116	1.089	1.110	1.120	1.115
Brazilian Real	BRL	3.621	3.958	4.312	3.699	4.481	3.524
Macao Pataca	MOP	8.914	8.923	8.691	8.862	8.943	8.901
Canadian Dollar	CAD	1.469	1.475	1.512	1.419	1.503	1.404
Polish Zloty	PLN	4.319	4.358	4.264	4.184	4.245	4.158
Romanian Leu	RON	4.454	4.485	4.524	4.446	4.418	4.442
Pound Sterling	GBP	0.861	0.803	0.734	0.726	0.739	0.727
South African Rand	ZAR	15.524	16.684	16.953	14.172	15.498	13.703
Mexican Peso	MXN	21.739	20.422	18.915	17.617	18.977	17.368
Chinese Yuan	CNY	7.446	7.345	7.061	7.039	7.121	7.147

Treasury stock reserve (EDP, S.A.)

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

Dividends

On 19 April 2016, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2015 in the amount of 676,459 thousands of Euros, corresponding to a dividend of 0.185 Euros per share (including the treasury stock dividend owned by EDP, S.A. and Energia RE in the amount of 3,643 thousands of Euros and 280 thousands of Euros, respectively). This distribution occurred on 18 May 2016.

33. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

	Gro	oup
Thousands of Euros	Sep 2016	Dec 2015
Non-controlling interests in income statement	179,247	334,439
Non-controlling interests in equity and reserves	3,974,333	3,117,279
	4,153,580	3,451,718

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

	Group		
Thousands of Euros	Sep 2016	Dec 2015	
EDP Renováveis Group	2,610,497	2,203,157	
EDP Brasil Group	1,575,013	1,107,100	
Other	-31,930	141,461	
	4,153,580	3,451,718	

The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits attributable to non-controlling interests of 84,496 thousands of Euros; (ii) a negative impact of 42,443 thousands of Euros related to dividends attributable to non-controlling interests; (iii) a negative impact of 6,653 thousands of Euros resulting from exchange differences; (iv) a negative impact resulting from share capital increases/decreases and other acquisitions/sales without change of control of 76,292 thousands of Euros; (v) sale without change of control of EDPR EU subsidiaries attributable to non-controlling interests with a positive impact of 189,852 thousands of Euros (see note 5); and (vi) sale without loss of control of EDPR NA subsidiaries attributable to non-controlling interests with a positive effect of 241,459 thousands of Euros (see note 5).

The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 97,088 thousands of Euros of profits attributable to non-controlling interests; (ii) an increase of 230,402 thousands of Euros resulting from exchange differences; (iii) a negative impact of 35,562 thousands of Euros related to dividends attributable to non-controlling interests; (iv) a negative impact of 3,397 thousands of Euros from recognised actuarial losses (net of taxes); and (v) a positive impact of 178,927 thousands of Euros through the exercise of the pre-emption right in the subscription of 62,640,292 new ordinary shares of the capital increase of EDP - Energias do Brasil, S.A.

The movement in non-controlling interests of Other is mainly related to acquisitions without change of control, of 25.34% of EDP Gás Distribuição, S.A. with a negative impact of 52,975 thousands of Euros and of 5.00% of Naturgás Energía Grupo, S.A. with a negative impact of 108,611 thousands of Euros (see note 5).

34. HYDROLOGICAL ACCOUNT

The movements in the Hydrological account are analysed as follows:

	Group and Company		
Thousands of Euros	Sep 2016	Sep 2015	
Balance at the beginning of the period	11,417	1,010	
Amounts received/(paid) during the period	-7,606	7,607	
Financial charges	270	153	
Balance at the end of the period	4,081	8,770	

35. FINANCIAL DEBT

This caption is analysed as follows:

	Group		Com	oany
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	364,206	413,002	364,206	422,115
- EDP Finance B.V.	2,139,271	2,336,111	-	
- EDP Brasil Group	719,326	766,476	-	
- EDP Renováveis Group	731,775	935,218	-	
- EDP Produção	81,090	82,906	-	-
- EDP Gás Distribuição	11,547	21,329	-	
	4,047,215	4,555,042	364,206	422,115
Non-convertible bond loans:				
- EDP, S.A.	300,000	300,000	8,150,000	8,150,000
- EDP Finance B.V.	9,677,961	9,202,141	-	-
- EDP Brasil Group	549,600	432,452	-	-
	10,527,561	9,934,593	8,150,000	8,150,000
Hybrid bond:				
- EDP, S.A.	739,168	739,147	739,168	739,147
	739,168	739,147	739,168	739,147
Commercial paper:				
- EDP, S.A.	423,994	229,632	423,994	229,632
	423,994	229,632	423,994	229,632
Other loans	21,597	20,669	-	
	15,759,535	15,479,083	9,677,368	9,540,894
Accrued interest	-	3,033	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	205,118	171,760	-	
Total Debt and borrowings	15,964,653	15,653,876	9,677,368	9,540,894
Collateral Deposits - Non-current *	-30,543	-66,855	-	-
	15,934,110	15,587,021	9,677,368	9,540,894

	Group		Company		
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015	
Debt and borrowings - Current					
Bank loans:					
- EDP, S.A.	113,784	69,770	120,574	69,770	
- EDP Finance B.V.	199,249	199,789	-		
- EDP Brasil Group	109,413	83,241	-		
- EDP Renováveis Group	137,248	134,728	-		
- Others	11,731	9,955	-		
	571,425	497,483	120,574	69,770	
Non-convertible bond loans:					
- EDP Finance B.V.	1,062,227	2,248,970	-	-	
- EDP Brasil Group	124,851	108,036	-	-	
	1,187,078	2,357,006	-	-	
Commercial paper:					
- EDP, S.A.	410,497	418,352	816,497	1,633,352	
	410,497	418,352	816,497	1,633,352	
Other loans	13,655	14,669	-		
	2,182,655	3,287,510	937,071	1,703,122	
Accrued interest	221,001	329,154	122,729	100,360	
Other liabilities:					
- Fair value of the issued debt hedged risk	-78,374		-		
Total Debt and borrowings	2,325,282	3,616,664	1,059,800	1,803,482	
Collateral Deposits - Current *	-45,828	-13,060	-	-	
	2,279,454	3,603,604	1,059,800	1,803,482	

^{*} 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 amount of 250,000 thousands of US Dollars and 200,000 thousands of Euros.

Main events of the period:

In March 2016, EDP issued a Eurobond of 600,000 thousands of Euros maturing in March 2023.

In August 2016, EDP issued a Eurobond of 1,000,000 thousands of Euros maturing in February 2024.

The nominal value of outstanding Bond loans placed with external counterparts, as at 30 September 2016, is analysed as follows:

Issuer	Issue date	Interest rate	Type of hedge	Conditions/ Redemption	Nominal Value in Million	Thousands	of Euros
					Currency	Group	Company
Issued by EDP S.A.							
EDP, S.A. (ii)	May-08	Variable rate (iii)	n.a.	May-18	300 EUR	300,000	300,000
						300,000	300,000
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
		n Term Notes program					
EDP Finance B.V. (i)	Aug-02	Fixed rate GBP 6.625%	Fair Value	Aug-17	200 GBP	320,000	-
EDP Finance B.V.	Dec-02	Fixed rate EUR (iii)	n.a	Dec-22	93 EUR	93,357	-
EDP Finance B.V. (i)	Jun-05	Fixed rate EUR 4.125%	n.a	Jun-20	300 EUR	300,000	-
EDP Finance B.V.	Nov-07	Fixed rate USD 6.00%	Net Investment		1,000 USD	895,977	-
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	93,692	-
EDP Finance B.V.	Sep-09	Fixed rate USD 4.90%	Net Investment	Oct-19	1,000 USD	895,977	-
EDP Finance B.V.	Sep-12	Fixed rate EUR 5.75%	n.a.	Sep-17	750 EUR	750,000	-
			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		750 USD	671,983	-
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		100 USD	89,598	-
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		750 USD	671,983	-
EDP Finance B.V. (i)	Apr-15	Fixed rate EUR 2.00%	Fair Value	Apr-25	750 EUR	750,000	-
EDP Finance B.V.	Mar-16	Fixed rate EUR 2.375%	n.a.	Mar-23	600 EUR	600,000	-
EDP Finance B.V. (i)	Aug-16	Fixed rate EUR 1.125%	n.a.	Feb-24	1,000 EUR	1,000,000	-
				_		10,806,803	-
•	•	Brasil Group in the Brazil					
Energest	Apr-12	CDI + 0.98%	n.a.	Apr-17	60 BRL	16,570	-
Lajeado Energia	Nov-13	CDI + 1.20%	n.a.	Nov-19	450 BRL	124,275	-
Bandeirante	Apr-14	CDI + 1.39%	n.a.	Apr-19	300 BRL	82,850	-
Escelsa	Aug-14	CDI + 1.50%	n.a.	Aug-20	177 BRL	48,826	-
Energias do Brasil	Oct-15	IPCA + 8.3201%	n.a.	Sep-21	195 BRL	53,846	-
Energias do Brasil	Oct-15	CDI + 1.74%	n.a.	Sep-18	664 BRL	183,445	-
Energias do Brasil	Oct-15	IPCA + 8.2608%	n.a.	Sep-24	52 BRL	14,388	-
Bandeirante	Feb-16	CDI + 2.30%	n.a	Feb-20	100 BRL	27,617	-
Escelsa	Feb-16	CDI + 2.30%	n.a.	Feb-20	120 BRL	33,140	-
Energias do Brasil	Apr-16	IPCA + 8.3479%	n.a.	Apr-22	257 BRL	70,926	-
Energest	Apr-16	CDI + 2.25%	n.a.	Apr-18	54 BRL	14,913	-
Energest	Apr-16	CDI + 2.265%	n.a.	Apr-20	36 BRL	9,942	-
						680,738	-
						12,537,541	1,050,000

- (i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.
- (ii) Fixed in each year, varies over the useful life of the loan.
- (iii) These issues correspond to private placements.
- (iv) There is a call option exercisable at par by EDP at March 2021, March 2026 and subsequently on each date of interest payment.
- (v) Fixed rate in the first 5.5 years, subsequently updated every 5 years.

EDP Group has various credit facilities it uses for liquidity management. EDP Group has short-term credit facilities of 330,000 thousands of 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 2016 are totally available. Also EDP Group has Commercial Paper programs of 100,000 thousands of Euros with guaranteed placement, being fully available as at 30 September 2016. EDP Group has a medium term Revolving Credit Facility (RCF) of 3,150 millions of Euros, with a firm underwriting commitment and maturing in 2019, which as at 30 September 2016 is totally available, and a RCF of 500,000 thousands of Euros, with a firm underwriting commitment and maturing in 2020, which as at 30 September 2016 is totally available.

As at 30 September 2016, future debt and borrowing payments and interest by type of loan and currency are analysed as follows:

						Following	
Thousands of Euros	Sep-2017	Dec-2017	Dec-2018	Dec-2019	Dec-2020	years	Total
Bank loans:							
Euro	425,128	35,773	303,021	112,410	1,764,927	478,237	3,119,496
Brazilian Real	136,548	28,325	160,335	142,372	96,813	408,673	973,066
US Dollar	1,932	-	-	313,096	-	-	315,028
Others	32,163	7,523	21,459	22,228	23,741	128,645	235,759
	595,771	71,621	484,815	590,106	1,885,481	1,015,555	4,643,349
Bond loans:							
Euro	1,089,622	-	416,711	655,750	1,084,143	4,726,960	7,973,186
Brazilian Real	146,111	57,991	219,241	123,760	51,618	96,991	695,712
US Dollar	45,610	-	895,084	1,070,406	668,445	665,216	3,344,761
	1,281,343	57,991	1,531,036	1,849,916	1,804,206	5,489,167	12,013,659
Hybrid Bond:							
Euro	21,979					739,168	761,147
	21,979	-	-	-	-	739,168	761,147
Commercial paper:							
Euro	410,858	-	-	-	-	200,000	610,858
US Dollar	1,206			223,994		-	225,200
	412,064	_	_	223,994	_	200,000	836,058
Other loans:							
Euro	9,458	583	29	8	-	-	10,078
Brazilian Real	4,667	764	2,409	1,958	865	14,981	25,644
	14,125	1,347	2,438	1,966	865	14,981	35,722
	2,325,282	130,959	2,018,289	2,665,982	3,690,552	7,458,871	18,289,935

As at 31 December 2015, future debt and borrowing payments and interest by type of loan and currency are analysed as follows:

						Following	
Thousands of Euros	Dec-2016	Dec-2017	Dec-2018	Dec-2019	Dec-2020	years	Total
Bank loans:							
Euro	392,938	333,317	316,389	122,639	1,614,446	584,466	3,364,195
Brazilian Real	77,537	117,088	156,781	108,396	72,016	279,978	811,796
US Dollar	3,303			481,046			484,349
Others	43,911	39,451	37,634	38,392	37,264	218,950	415,602
	517,689	489,856	510,804	750,473	1,723,726	1,083,394	5,075,942
Bond loans:							
Euro	2,462,908	1,031,632	417,185	652,675	1,078,639	2,828,942	8,471,981
Brazilian Real	124,920	153,562	147,847	79,275	30,563	21,206	557,373
US Dollar	64,057		917,129	1,082,114	684,508	980,898	3,728,706
	2,651,885	1,185,194	1,482,161	1,814,064	1,793,710	3,831,046	12,758,060
Hybrid Bond:							
Euro	11,785	-	-	-	-	739,147	750,932
	11,785		-		_	739,147	750,932
Commercial paper:							
Euro	420,636	-	-	-	-	-	420,636
US Dollar				229,632	_	-	229,632
	420,636		-	229,632	_	-	650,268
Other loans:							
Euro	9,191	1,221	-	-	-	-	10,412
Brazilian Real	5,478	2,710	1,985	1,644	727	12,382	24,926
	14,669	3,931	1,985	1,644	727	12,382	35,338
	3,616,664	1,678,981	1,994,950	2,795,813	3,518,163	5,665,969	19,270,540

Some of the loans contracted by the EDP Group, mainly debt issued under the EMTN programme, include some usual clauses in this type of operations, namely, "change-of-control", "negative pledge", "pari-passu" and "cross-default" clauses, each one only applicable under a restricted set of circumstances.

The Group has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As at 30 September 2016 and 31 December 2015 these loans amounted to 996,391 thousands of Euros and 1,609,375 thousands of Euros, respectively (see note 44).

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

	Sep 2	Sep 2016		2015
	Carrying	Market	Carrying	Market
Thousands of Euros	amount	value	amount	value
Debt and borrowings - Non-Current	15,964,653	16,551,952	15,653,876	16,291,289
Debt and borrowings - Current	2,325,282	2,150,257	3,616,664	3,397,597
	18,289,935	18,702,209	19,270,540	19,688,886

In accordance with accounting policies - note 2 d) and f), the financial liabilities whose risks are being hedged by derivative financial instruments and that comply with hedge accounting requirements of IAS 39, are accounted at fair value. The financial liabilities are booked at amortised cost.

For fair value of debt purposes, the Hybrid bond was valued considering the maturity of the first call date (March 2021).

36. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

	Group		Com	oany
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Provisions for social liabilities and benefits	808,540	883,447	13,806	13,303
Provisions for medical liabilities and other benefits	959,535	940,046	10,222	9,871
	1,768,075	1,823,493	24,028	23,174

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Non-Current	1,593,474	1,647,730	23,682	22,828
Current	174,601	175,763	346	346
	1,768,075	1,823,493	24,028	23,174

As at 30 September 2016, Provisions for social liabilities and benefits are related to retirement pension defined benefit plans.

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

	Group			
Thousands of Euros	Sep 2016 Sep 20			
Balance at the beginning of the period	883,447	930,291		
Charge for the period	19,367	21,990		
Past service cost (Curtailment/Plan amendments)	7,492	-		
Actuarial (gains)/losses	28,645	-34,038		
Charge-off	-116,280	-122,403		
Surplus / (Deficit) pension funding (see note 27)	-14,329	-		
Transfers, reclassifications and exchange differences	198	-2,189		
Balance at the end of the period	808,540	793,651		

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

	Sep 2016			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	6,972	2,209	-145	9,035
Past service cost (Curtailment/Plan amendments)	7,492		-	7,492
Operational component (see note 9)	14,464	2,209	-145	16,527
Net interest on the net pensions plan liability	9,604	1,198	-470	10,332
Financial component (see note 13)	9,604	1,198	-470	10,332
	24,068	3,407	-615	26,859

	Sep 2015			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	7,277	2,347	-202	9,422
Operational component (see note 9)	7,277	2,347	-202	9,422
Net interest on the net pensions plan liability	10,784	1,243	541	12,568
Financial component (see note 13)	10,784	1,243	541	12,568
	18,061	3,590	339	21,990

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

	Group		
Thousands of Euros	Sep 2016 Sep 2015		
Balance at the beginning of the period	940,046	949,982	
Charge for the period	30,762	26,986	
Actuarial (gains)/losses	2,217	1,506	
Charge-off	-34,386	-32,709	
Transfers, reclassifications and exchange differences	20,896	-29,707	
Balance at the end of the period	959,535	916,058	

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

	Sep 2016			Sep 2015		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	7,299	705	8,004	5,761	413	6,174
Operational component (see note 9)	7,299	705	8,004	5,761	413	6,174
Net interest on the medical liabilities						
and other benefits	11,737	11,021	22,758	11,874	8,938	20,812
Financial component (see note 13)	11,737	11,021	22,758	11,874	8,938	20,812
Net cost for the period	19,036	11,726	30,762	17,635	9,351	26,986

As at 30 September 2016, the net movement for the period in Provisions for social liabilities and benefits corresponds to a decrease of 74,907 thousands of Euros (30 September 2015: 136,640 thousands of Euros), from which 70,564 thousands of Euros correspond to the negative net movement occurred in Portugal (30 September 2015: 125,091 thousands of Euros) and 4,343 thousands of Euros correspond to the negative net movement occurred in Spain and Brazil (30 September 2015: 11,549 thousands of Euros). The variation in Portugal relates essentially to a negative effect of benefit payments of 98,435 thousands of Euros, actuarial gains arising from return on assets in the positive amount of 18,132 thousands of Euros and a positive charge for the period of 16,576 thousands of Euros.

The net movement for the period in Provisions for medical liabilities and other benefits corresponds to an increase of 19,488 thousands of Euros (30 September 2015: 33,924 thousands of Euros), from which 26,827 thousands of Euros correspond to the positive net movement occurred in Brazil (30 September 2015: 27,706 thousands of Euros) and 7,339 thousands of Euros correspond to the negative net movement occurred in Portugal (30 September 2015: 6,218 thousands of Euros).

During the third quarter of 2016, under the employees' reduction program, EDP Group entered into early retirement and anticipation of early retirement agreements with 25 portuguese employees that will cease their services in 2017. This increase in liabilities with employee benefits was measured and recognised in the income statement in the amount of 7,492 thousands of Euros (see note 9).

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: 256,047 thousands of Euros, (ii) from 1 to 3 years: 470,988 thousands of Euros, (iii) from 3 to 5 years: 425,387 thousands of Euros, and (iv) more than 5 years: 862,333 thousands of Euros.

As at 30 September 2016 and 2015, the current service cost and net interest cost recognised were based on the estimated cost for the period determined actuarially on 31 December 2015 and 2014, respectively.

37. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

	Gro	Group		pany
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Provision for legal and labour matters and other contingencies	92,396	75,991	-	-
Provision for customer guarantees under current operations	992	3,295	-	-
Provision for dismantling and decommissioning	284,425	276,072	-	-
Provision for other liabilities and charges	117,684	150,714	7,817	13,469
	495,497	506,072	7,817	13,469

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Non-Current	470,334	481,439	7,183	12,207
Current	25,163	24,633	634	1,262
	495,497	506,072	7,817	13,469

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

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

- i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa in the amount of 12,178 thousands of Euros (31 December 2015: 9,363 thousands of 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 thousands of Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, at 30 September 2016, the estimated liability amounts to 5,709 thousands of Euros, corresponding to the indemnity discounted amount. This process is in a foreclosure stage and an appeal was filled by EDP Produção;
- iii) During April 2015, ERSE has notified EDP Comercial on its decision regarding the opening of an administrative infraction proceeding, within the framework of the Energy Sector Sanctions Regime (RSSE), requesting several information. In July 2015, ERSE sent a statement of objection to EDP Comercial whose response with defense arguments was prepared and submitted within the deadlines set by law. On 10 December 2015, ERSE issued a decision condemning EDP Comercial to a fine of 7,500 thousands of Euros. It was decided to appeal the decision within the legal deadline set for this purpose, and a provision in the above mentioned amount has been recognised;
- iv) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

In accordance with IFRS 3, in the course of an acquisition, the acquiring company must recognise, at the acquisition date, a contingent liability for the present obligations resulting from past events which fair value can be reliably measured. Within the process of acquisition of control of Porto do Pecém, the Board of Directors identified a contingency, which estimated responsibility amounts to 6,005 thousands of Euros (21,745 thousands of Brazilian Reais) as at 30 September 2016.

As at 30 September 2016, Provision for dismantling and decommissioning includes the following situations:

- i) The Group has recognised a provision of 36,062 thousands of Euros (31 December 2015: 35,471 thousands of 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 of wind farms of 122,946 thousands of Euros (31 December 2015: 117,228 thousands of Euros) to cover the costs of bringing the sites to their original conditions, of which 63,128 thousands of Euros refer to the wind farms of the EDPR NA Group, 58,576 thousands of Euros refer to the wind farms of the EDPR EU Group, 944 thousands of Euros refer to the wind farms of the EDPR Brasil Group and 298 thousands of Euros refer to the wind farms of the EDPR Canada Group;
- 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 2016, the provision amounts to 80,355 thousands of Euros (31 December 2015: 79,455 thousands of Euros) and 42,785 thousands of Euros (31 December 2015: 42,100 thousands of Euros) for the electric power plants located in Portugal and Spain, respectively.

As at 30 September 2016, the caption Provision for other liabilities and charges includes a provision related with an agreement between EDM - Eletricidade de Moçambique E.P and EDP. As part of the institutional collaboration, it was agreed in 2012 the rehabilitation and the conversion of 2 gas turbines of 16 MW decommissioned from Tunes Thermoelectric plant to be installed in Chokwé - Mozambique in open cycle mode. In 2014, EDM requested the transfer of the project to the Nacala area, where the turbines now need to be adapted to work on diesel. It is estimated that from this conversion a negative impact of 8,006 thousands of Euros will arise (31 December 2015: 8,006 thousands of 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 losses of these processes, considered as possible, do not require the recognition of provisions and are periodically reassessed. At 30 September 2016, there were no significant changes compared to 31 December 2015, with the following exceptions:

- i) On 29 July 2016, the Portuguese Competition Authority has notified EDP, S.A. and EDP Comercial, S.A. with a notice for alleged violation of competition laws, regarding the process about the commercial campaign done in partnership with Modelo Continente, designated as "Plano EDP Continente". This was an occasional campaign, limited to two years, which was one of several campaigns of this kind, very common in Portugal, usually performed by several other market agents. EDP Group is convinced that this campaign has clearly benefited consumers and competition in these both sectors. As at 30 September 2016, EDP Group and its legal advisors believe this is a possible contingency. However, considering the defense arguments presented and the lack of jurisprudence in this matter, the respective risk value can still not be determined:
- ii) There is a civil judicial proceeding in Empresa Hidroeléctrica do Guadiana resulting from inconsistencies of interpretation of the exploration agreement of hydroelectric plant of Alqueva and Pedrógão, entered into with EDIA. In particular, regarding the determining of the investment made with the construction of power increase of Alqueva for the effects of adjustment of the annual financial compensation foreseen in the agreement. As at 30 September 2016, the contingency amounts approximately to 7,791 thousands of Euros (31 December 2015: 7,000 thousands of Euros);
- iii) Bandeirante is involved in a lawsuit with the client White Martins, S.A., on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tariff charged between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that the customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints. In June 2015, the decision was favourable to Bandeirante. In December 2015, White Martins, S.A. was entitled to appeal against this decision, which did not occurred during the first semester of 2016. Therefore, the favourable decision to Bandeirante became effective, thus the process was closed (31 December 2015: 30,020 thousands of
- iv) EDP Distribuição has a tax judicial process resulting from an external inspection work done by the Tax Authority for the year 2000. EDP S.A. does not agree with the proposed corrections and, as a parent company of the companies' Group taxed under Special Taxation of Corporate Groups Scheme, presented a legal appeal contesting the most relevant correction associated with the opening balance of the EDP Distribuição taxed provisions. As at 30 September 2016, the contingency associated with this adjustment, classified as possible, amounts to 11,620 thousands of Euros.

As at 30 September 2016, there were no significant changes in the contingencies classified with a remote risk identified as at 31 December 2015, namely:

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 millions of Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 30 September 2016, the amount of this tax contingency totals 262 millions of Euros (31 December 2015: 255 millions of Euros).

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

Bearing the above in mind, and given that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional assessments. As a result of the administrative appeal dismissal, EDP presented a judicial claim, on 6 June 2012, which is still being analysed.

38. INSTITUTIONAL PARTNERSHIPS IN USA

The caption Institutional partnerships in USA is analysed as follows:

	Gro	oup
Thousands of Euros	Sep 2016	Dec 2015
Deferred income related to benefits provided	765,791	791,444
Liabilities arising from institutional partnerships in USA	1,104,860	1,164,773
	1,870,651	1,956,217

EDPR North America recognises under this caption the receipts of institutional investors associated with wind and solar projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, and recognised over the useful life of 25 years of the related projects (see note 7). Additionally, this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 13).

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

	Gr	oup
Thousands of Euros	Sep 2016	Sep 2015
Balance at the beginning of the period	1,956,217	1,801,963
Proceeds received from institutional investors	213,482	144,217
Cash paid for deferred transaction costs	-2,936	-5,800
Cash paid to institutional investors	-133,213	-142,287
Income (see note 7)	-142,463	-116,897
Unwinding (see note 13)	67,877	58,098
Exchange differences	-48,022	151,440
Others	-40,291	-2,903
Balance at the end of the period	1,870,651	1,887,831

During the nine-month period ended 30 September 2015, EDPR NA has secured 117 millions of US Dollars (approximately 105 millions of Euros) of institutional equity financing from MUFG Union Bank N.A. and another institutional investor in exchange for an interest in the Vento XIII portfolio and 43 millions of US Dollars (approximately 39 millions of Euros) of institutional equity financing from Bankers Commercial Corporation (Union Bank) in exchange for an interest in the Vento XII portfolio.

Additionally in 2015, EDPR Group has secured 238 millions of US Dollars (approximately 213 millions of Euros) of institutional equity financing from an affiliate of Google Inc. in exchange for an interest in the Vento XIV portfolio, which proceeds have been received in 2016.

39. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

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

	Group		
Thousands of Euros	Sep 2016	Dec 2015	
Investment government grants	580,178	612,438	
Amounts payable for tariff adjustments - Electricity - Portugal	56,043	18,269	
Amounts payable for tariff adjustments - Electricity - Brazil	20,042	6,447	
Energy sales contracts - EDPR NA	19,973	24,223	
Deferred income - CMEC	199,686	260,233	
Amounts payable for concessions	231,622	208,823	
Other creditors and sundry operations	106,991	106,841	
	1,214,535	1,237,274	

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

	Group		Company	
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Suppliers	821,870	979,482	157,137	263,102
Accrued costs related with supplies	362,579	451,891	195,520	252,424
Property, plant and equipment suppliers and accruals	483,646	768,159	1,252	2,489
Holiday pay, bonus and other charges with employees	156,837	165,133	25,251	27,198
CO2 emission licences	63,540	124,354	-	
Amounts payable for tariff adjustments - Electricity - Portugal	128,739	196,662	-	
Amounts payable for tariff adjustments - Electricity - Brazil	129,748		-	
Deferred income - CMEC	37,420	45,921	-	-
Other creditors and sundry operations	678,901	648,756	29,247	5,403
	2,863,280	3,380,358	408,407	550,616

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

Thousands of Euros	Current	Non- Current
Balance as at 1 January 2015	214,227	15,409
Payment through the electricity tariff	-162,729	-
Tariff adjustment of the period	63,981	30,759
Interest expense	1,149	205
Transfer to/from tariff adjustment receivable	939	-
Transfer from Non-Current to Current	11,557	-11,557
Balance as at 30 September 2015	129,124	34,816
Payment through the electricity tariff	-54,242	-
Tariff adjustment of 2014	1,023	-
Tariff adjustment of the period	112,681	-12,491
Interest expense	565	-
Transfer to/from tariff adjustment receivable	3,455	-
Transfer from Non-Current to Current	4,056	-4,056
Balance as at 31 December 2015	196,662	18,269
Payment through the electricity tariff	-147,961	-
Tariff adjustment of the period	65,773	51,361
Interest expense	611	115
Transfer to/from tariff adjustment receivable	-48	-
Transfer from Non-Current to Current	13,702	-13,702
Balance as at 30 September 2016	128,739	56,043

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments booked in Bandeirante and Escelsa in the accumulated amount of 132,743 thousands of Euros and 17,047 thousands of Euros, respectively. The variation occurred includes: (i) the tariff deficit for the period of 305,992 thousands of Euros (see note 6); (ii) transfer from tariff adjustment receivable of 217,387 thousands of Euros (see note 26); (iii) unwinding in the amount of 29,484 thousands of Euros (see note 13); (iv) amounts received through the electricity tariff of 11,926 thousands of Euros; and (v) positive exchange differences of 13,328 thousands of Euros.

Investment government grants are depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 12). This caption includes grants received by EDPR NA subgroup under the American Recovery and Reinvestment Act promoted by the United States of America Government.

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

Deferred income - CMEC Current and Non-Current in the amount of 237,106 thousands of Euros (31 December 2015: 306,154 thousands of Euros) refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2016 and including unwinding (see note 13).

Amounts payable for concessions includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 152,093 thousands of Euros (31 December 2015: 144,490 thousands of 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 78,773 thousands of Euros (31 December 2015: 63,513 thousands of Euros).

The caption CO2 emission licenses includes the CO2 consumptions during 2016 in Portugal and Spain, in the amount of 40,687 thousands of Euros and 22,853 thousands of Euros, respectively. This decrease in comparison with 2015 relates to the delivery in 2016 of the 2015 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 2016, under the transfer to these entities of assets recovered through the tariffs, these payables amount to 110,749 thousands of Euros and 75,898 thousands of Euros in Portugal and Spain, respectively (31 December 2015: 88,682 thousands of Euros and 117,317 thousands of Euros). Additionally, this caption includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2015: 14,317 thousands of Euros) and 112,296 thousands of Euros related to the antecipated sale of tariff deficit of 2016 (see note 26), which right to be received by EDP Serviço Universal will occur in the last guarter of 2016.

40. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

	Gro	oup	Com	oany
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	427,443	208,082	-	-
Derivative financial instruments	142,127	267,354	185,594	209,096
Group companies	-	-	2,439,364	2,497,923
Amounts payable for acquisitions and success fees	28,118	15,978	-	-
Lease contract with EDP Pension Fund	29,003	29,383	29,003	29,383
Other creditors and sundry operations	25,478	27,339	-	3,313
	652,169	548,136	2,653,961	2,739,715
Other liabilities and other payables - Current				
Loans from non-controlling interests	89,932	87,057	-	-
Dividends attributed to related companies	6,326	63,422	-	-
Derivative financial instruments	165,035	122,131	133,307	260,859
Group companies	-		794,385	102,603
Put options over non-controlling interest liabilities	-	3,690	-	-
Amounts payable for acquisitions and success fees	3,070	3,557	-	-
Lease contract with EDP Pension Fund	2,484	2,484	2,484	2,484
Other creditors and sundry operations	13,513	29,233	12,197	30,906
	280,360	311,574	942,373	396,852
	932,529	859,710	3,596,334	3,136,567

The caption Loans from non-controlling interests includes the loan payable to CTG following the sale process of EDPR Portugal to CTG in 2013. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and its interest is paid half-yearly. At 30 September 2016 this loan amounts to 74,801 thousands of Euros (31 December 2015: 81,315 thousands of Euros), from which 66,381 thousands of Euros are classified as Non-Current and 8,420 thousands of Euros as Current (see note 45). This caption also includes loans from Sonatrach to Central Térmica Ciclo Combinado Grupo 4 in the amount of 58,220 thousands of Euros (31 December 2015: 58,220 thousands of Euros), from which 9,327 thousands of Euros are classified as Non-Current and 48,892 thousands of Euros as Current.

Additionally, the caption Loans from non-controlling interests Non-Current and Current includes: i) loans granted by Vortex Energy Investments II due to the sale in 2016 of 49% of shareholding in EDPR Participaciones S.L. and subsidiaries (see note 5) for a total amount, including accrued interests, of 256,088 thousands of Euros, bearing interest at a fixed rate of a range between 3.3% and 7.55% and ii) 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, including accrued interests, of 68,822 thousands of Euros, bearing interest at a fixed rate of a range between 3.1% and 7.18%.

The Amounts payable for acquisitions and success fees comprises the amounts related to the contingent prices of several European (mainly in Poland, Romania and Italy) and Brazilian projects. Additionally this caption includes the best estimation of the contingent price related with the acquisition of the 25.3% participation in EDP Gás Distribuição, S.A. (see note 5).

The caption Group companies Non-Current, on a Company basis, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group (see notes 45 and 49).

The caption Group companies Current, on a Company basis, includes 31,803 thousands of Euros (31 December 2015: 36,705 thousands of Euros) related to the debt financing obtained by EDP S.A. Sucursal en España through EDP Finance B.V. (see note 49). Additionally, this caption includes the amounts to be paid under the EDP Group's financial system (see note 45).

The caption Lease Contract with EDP Pension Fund corresponds to the lease contract regarding the building units of Porto headquarters acquired by EDP Pension Fund in December 2015. Given the substance of this lease contract, the underlying assets corresponding to the building component were booked as an asset of EDP, S.A. in Property, Plant and Equipment - Buildings and other constructions at the present value of the minimum lease payments. The lease contract is for a period of 25 years, with a monthly income of 270 thousands of Euros and an implicit rate of 6.42%. As at 30 September 2016, it amounts to 31,487 thousands of Euros (31 December 2015: 31,867 thousands of Euros) (see note 45).

41. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Income tax	499,327	140,723	2,051	50,753
Withholding tax	45,407	55,860	1,072	1,098
Value Added Tax (VAT)	94,260	96,103	650	1,558
Turnover tax (Brazil)	52,603	51,185	-	-
Social tax (Brazil)	18,570	40,900	-	_
Other taxes	193,411	132,609	915	809
	903,578	517,380	4,688	54,218

As at 30 September 2016, for the Group, the caption Other taxes includes taxes regarding HC Energia Group (include NG Energia) of 96,910 thousands of Euros (31 December 2015: 99,080 thousands of Euros) and the amount of 60,561 thousands of Euros, related with the Extraordinary Contribution to the Energy Sector (CESE) for the year 2016 (see note 15).

42. ASSETS AND LIABILITIES HELD FOR SALE

The criteria for classifying assets and liabilities as held for sale and discontinued operations, as well as their presentation in the EDP Group's consolidated financial statements, are presented under accounting policies - note 2 u).

This caption is analysed as follows:

	Group		
Thousands of Euros	Sep 2016	Dec 2015	
Assets held for sale			
Assets of the business of electricity generation - Pantanal	-	27,624	
Assets of the business of electricity generation - Tejo Energia	-	17,214	
Assets of the business of electricity generation - Inch Cape	-	40,164	
Assets of the business of electricity generation - J&Z	-	69,527	
	-	154,529	
Liabilities held for sale			
Liabilities of the business of electricity generation - Pantanal	-	-2,622	
Liabilities of the business of electricity generation - J&Z	-	-55,406	
	-	-58,028	
	-	96,501	

On 15 July 2015, EDP – Energias do Brasil S.A. (EDP Brasil), 51% controlled by EDP, signed a sale and purchase agreement with Cachoeira Escura Energética S.A. for the sale of 100% of Pantanal Energética Ltda (Pantanal). The conclusion of the transaction occured in 29 January 2016 after the necessary regulatory approvals with a sale price of 90,661 thousands of Euros, generating a gain of 60,916 thousands of Euros (see notes 5 and 7). At the transaction date, Pantanal held 3,449 thousands of Euros in the caption Cash and cash equivalents.

On 20 July 2015, EDPR UK Limited signed a sale and purchase agreement with Repsol Nuevas Energías S.A. for the sale of 49% of Inch Cape Offshore Limited. The conclusion of the transaction was subject of the approval of the "The Crown Estate" and other regulatory approvals, being concluded at March 2016. The sale price of this financial interest amounted to 15,802 thousands of Euros, generating a gain of 2,324 thousands of Euros, see notes 5 and 13.

In October 2015, EDPR Group committed to a plan to do a cross sale of two wind farms in Poland. EDPR Group would be acquiring the remaining 35% in the Company Molen Wind II, S.P. ZO.O and would sell 60% of Company J&Z Wind Farms SP. ZO.O. At March 2016, the EDPR Group concluded the operation with Geo Renewables Limited with a sale price of 12,891 thousands of Euros, generating a gain of 6,958 thousands of Euros, see notes 5 and 7. At the transaction date, J&Z had no Cash and cash equivalents.

On 6 November 2015, EDP Gestão da Produção de Energia, S.A. reached an agreement with Trust Energy, B.V. for the sale of its 11.11% share capital in Tejo Energia, S.A. On 8 January 2016, it has completed the sale of 6.2% to Trust Energy, B.V. The conclusion of the sale of the remaining share capital occurred on 30 March 2016 to Endesa Generación, S.A., which had preemptive rights. The sale price amounted to 16,789 thousands of Euros, generating a gain of 10,434 thousands of Euros, as referred in note 13.

43. DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with IAS 39, the Group classifies derivative financial instruments as fair value hedge of a recognised asset or liability (Fair value hedge), as cash flow hedge of recognised liabilities and highly probable future transactions (Cash flow hedge) and as net investment hedge in foreign operations (Net investment hedge).

The fair value of the derivative financial instruments portfolio as at 30 September 2016 and 31 December 2015 is analysed as follows:

	Group		Com	oany
Thousands of Euros	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Derivatives held for trading	-56,877	39,153	60,104	144,220
Fair value hedge	170,411	230,846	529,992	589,035
Cash flow hedge	-43,671	-70,092	4,134	-8,215
Net Investment hedge	6,778	-56,062	-	
	76,641	143,845	594,230	725,040

The fair value of derivative financial instruments is booked in Other debtors and other assets (see note 27) and Other liabilities and other payables (see note 40), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities, which are compared in each date of report to fair values available in common financial information platforms. Therefore, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of level 2 (see note 46) and no changes of level were made during this period. These entities use generally accepted discounted cash flow techniques and data from public markets.

Derivative financial instruments classified as trading are financial hedging instruments contracted for economic hedging at EDP Group level (see note 4), however such instruments are not eligible for hedge accounting under IFRS.

During the nine-month period ended 30 September 2016 and the year 2015 the following market inputs were considered for the fair value calculation:

Instrument	Market input
	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Libor 3M, Libor 6M, Daily
Cross-curr. int. rate swaps	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
interest rate swaps	CAD Libor 3M.
Currency forwards	Fair value indexed to the following exchange rates: EUR/USD, EUR/RON, EUR/PLN, EUR/BRL,
currency for wards	EUR/CAD and USD/BRL.
Commodition swaps	Fair value indexed to the market quotes of the following commodities: Brent, NBP Natural Gas,
Commodities swaps	Electricity, Henry Hub, TTF, Coal and CO2.
Currency forwards Commodities swaps	Fair value indexed to the following exchange rates: EUR/USD, EUR/RON, EUR/PLN, EUR/BRL, EUR/CAD and USD/BRL. Fair value indexed to the market quotes of the following commodities: Brent, NBP Natural Gas,

44. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 30 September 2016 and 31 December 2015, are analysed as follows:

	Group		Com	pany
Thousands of Euros	Sep 2016 Dec 2015		Sep 2016	Dec 2015
Financial guarantees				
EDP, S.A.	7,600	35,970	7,600	35,970
EDP Brasil Group	1,518,805	1,209,612	-	-
Other	69,611	16,066	-	-
	1,596,016	1,261,648	7,600	35,970
Operating guarantees				
EDP, S.A.	537,855	507,591	537,855	507,591
HC Energia Group	245,752	262,579	-	
EDP Brasil Group	433,461	408,345	-	
EDP Renováveis Group	2,734,458	2,276,476	-	-
Other	6,001	7,183	-	-
	3,957,527	3,462,174	537,855	507,591
Total	5,553,543	4,723,822	545,455	543,561
Real guarantees	704	28,521	-	-

The financial guarantees contracted as at 30 September 2016 and 31 December 2015 include 1,105,487 thousands of Euros and 947,145 thousands of Euros, respectively, related with loans obtained by Group companies and are already included in the consolidated debt.

The operating guarantees contracted as at 30 September 2016 and 31 December 2015, in the amounts of 358,796 thousands of Euros and 552,146 thousands of Euros, respectively, refer to corporate guarantees provided by EDP Renováveis relating to EDPR Renováveis Group commercial commitments already reflected in the Statement of Financial Position. Additionally, EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 30 September 2016 and 31 December 2015, 235,213 thousands of Euros and 299,982 thousands of 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 2016 and 31 December 2015, EDPR's obligations under the tax equity agreements, in the amount of 1,118,445 thousands of Euros and 1,165,270 thousands of Euros, respectively, are already reflected under the Institutional Partnerships in USA;
- ii) The Group has also project finance loans and deposits constituted as collateral for financial guarantee, which are disclosed in note 35.

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

	Sep 2016					
	Capital outstanding by maturity					
	Less From From More					
	than 1 1 to 3 3 to 5 than 5					
Thousands of Euros	Total	year	years	years	years	
Operating lease commitments	1,251,984	74,960	132,676	114,120	930,228	
Purchase obligations	21,138,535	4,131,641	4,681,809	3,237,279	9,087,806	
	22,390,519	4,206,601	4,814,485	3,351,399	10,018,034	

	Dec 2015					
	Capital outstanding by maturity					
	Less From From More					
	than 1 1 to 3 3 to 5 than 5					
Thousands of Euros	Total	year	years	years	years	
Operating lease commitments	1,128,896	52,282	97,521	90,268	888,825	
Purchase obligations	20,445,948	4,231,498	4,540,816	3,282,775	8,390,859	
	21,574,844	4,283,780	4,638,337	3,373,043	9,279,684	

The Group's contractual commitments shown above relate essentially to agreements and commitments required for current business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy to its customers in Europe, United States of America and Brazil and to comply with medium and long term investment objectives of the Group.

Purchase obligations include 13,502,514 thousands of 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:

Thousands of Euros	Sep 2016	Dec 2015
Purchase obligation - Present value	13,502,514	11,893,858
Purchase obligation - Notional value	19,614,798	16,690,140

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

The nature of purchase obligations breaks down as follows:

Thousands of Euros	Sep 2016	Dec 2015
Fuel acquisitions	4,690,327	5,224,697
Electricity acquisition	12,848,013	11,235,011
O&M contracts	1,226,662	1,274,937
Fixed assets, equipment and miscellaneous materials acquisition	929,269	1,705,345
Work contracts	626,628	547,057
Other supplies and services	817,636	458,901
	21,138,535	20,445,948

The increase of purchase obligations of electricity results mainly from the apreciation of Brazilian Real (BRL) against the Euro.

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

			Sep 2016			
		Capital outstanding by maturity				
		Less From From Mor				
		than 1	1 to 3	3 to 5	than 5	
Thousands of Euros	Total	year	years	years	years	
Fuel acquisitions	4,690,327	911,866	1,480,093	1,099,696	1,198,672	
Electricity acquisition	12,848,013	1,501,544	2,292,903	1,895,216	7,158,350	
	17,538,340	2,413,410	3,772,996	2,994,912	8,357,022	

	Dec 2015					
	Capital outstanding by maturity					
	Less From From More than 1 1 to 3 3 to 5 than 5					
Thousands of Euros	Total	year	years	years	years	
Fuel acquisitions	5,224,697	1,043,572	1,393,116	1,306,895	1,481,114	
Electricity acquisition	11,235,011	1,087,575	1,965,927	1,714,876	6,466,633	
	16,459,708	2,131,147	3,359,043	3,021,771	7,947,747	

As at 30 September 2016, purchase obligations of fixed assets, equipment and miscellaneous materials acquisition corresponds to: (i) 700,677 thousands of Euros relating to property, plant and equipment acquisition; (ii) 95,492 thousands of Euros relating to intangible assets acquisition; and (iii) 133,099 thousands of Euros relating to equipment and miscellaneous materials acquisition.

The commitments relating to future lease payments under finance leases and to short and medium-long term financial debt are disclosed in notes 16 and 35, respectively. The commitments relating to pension and medical plans and other benefits are disclosed in note 36.

As at 30 September 2016, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option held by third party, related to 15% of the share capital of Rowy. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of: (i) two years following the beginning of construction date or (ii) 31 December 2019:
- EDP has, through its subsidiary EDP Renewables Europe, S.L. a commitment to sell up to 9% of the share capital of Acampo Arias, S.L. that can be executed if new projects are awarded to the wind farm since a third party holds a call option over the 9% of the share capital of the company;
- Put option held by third party related to 25% of the share capital of Tivano, exercisable under certain conditions, between the sixth month from the closing date of the operation and 2020;
- Put option held by third party related to 25% of the share capital of San Mauro, exercisable under certain conditions, between the sixth month from the closing date of the operation and 2021.

Some of the disposal of non-controlling interests transactions retaining control carried out in 2015 and in previous years, namely the disposal of 49% of EDPR Portugal and disposal of 49% of certain subsidiaries of EDPR Brasil, 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:

Sep 2016					
Capital outstanding by maturity					
	Less	From	From	More	
	than 1	1 to 3	3 to 5	than 5	
Total	year	years	years	years	
120,199	11,285	26,112	18,912	63,890	
120,784	60,327	60,457	-	-	
240,983	71,612	86,569	18,912	63,890	
	120,199 120,784	Less than 1 Total year 120,199 11,285 120,784 60,327	Capital outstanding by no property in the color of the color	Capital outstanding by maturity Less From from than 1 1 to 3 3 to 5 Total year years years 120,199 11,285 26,112 18,912 120,784 60,327 60,457 -	

Dec 2015					
Capital outstanding by maturity					
Less From From More					
than 1 1 to 3 3 to 5 than 5					
Total	year	years	years	years	
125,878	7,154	25,947	26,436	66,341	
946,074	218,722	411,544	315,808	-	
1,071,952	225,876	437,491	342,244	66,341	
	125,878 946,074	Less than 1 Total year 125,878 7,154 946,074 218,722	Capital outstanding by Less From than 1 1 to 3 year years 125,878 7,154 25,947 946,074 218,722 411,544	Capital outstanding by maturity Less From than 1 From 3 to 5 Total year years years 125,878 7,154 25,947 26,436 946,074 218,722 411,544 315,808	



In December 2015, the caption Purchase obligations includes mainly the gas purchase obligation under the contract signed with Galp, in the amount of 789,520 thousands of Euros. As at 30 de September 2016, the decrease in this caption mainly results of the contractual position transfer of the above mentioned gas purchase contract from EDP, S.A. to Gás.Com. In September 2016, this caption relates to O&M contracts.

45. RELATED PARTIES

Balances and transactions with companies of China Three Gorges Group

In June 2013, in accordance with the EDP/CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control, of 49% equity shareholding in EDP Renováveis Portugal, S.A. As a result, the Group recognised non-controlling interests of 111,231 thousands of Euros and an impact in reserves attributable to Group of 112,566 thousands of Euros. Following the conclusion of the sale, CTG became holder of a loan over EDPR Group in the amount of 111 millions of Euros. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and interests are paid half-yearly. At 30 September 2016, this loan amounts to 74,801 thousands of Euros (see note 40) also were booked interests in the amount of 3,323 thousands of Euros (30 September 2015: 3,673 thousands of Euros).

In the second quarter of 2016, EDPR Portugal paid dividends to CTG in the amount of 24,790 thousands of Euros.

On 19 May 2015, EDP Renováveis, S.A. has completed the sale to CTG, of a 49% equity shareholding in selected wind farms in Brazil. This transaction was recognised as a sale without loss of control, having the Group recognised non-controlling interests of 50,943 thousands of Euros and an impact in reserves attributable to the Group of 10,337 thousands of Euros in 2015.

Balances with EDP Pension Fund

In December 2015, EDP, S.A. signed a lease contract related with the building units of the Porto headquarters (sold to the EDP Pension Fund in late December) for a period of 25 years with an implicit rate of 6.42%.

As at 30 September 2016, the present value of the contract amounts to 31,487 thousands of Euros (31 December 2015: 31,867 thousands of Euros), which given the nature of it, was booked as Property, Plant and Equipment against Other creditors and other liabilities (see note 40).

Balances and transactions with subsidiaries, joint ventures and associates

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

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

Credits held

	September 2016			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
EDP IS (ex- Balwerk)	3,524	190,979	38	194,541
EDP Comercial	21,780	75,480	216,629	313,889
EDP Distribuição		2,327,472	95,977	2,423,449
EDP Finance B.V.			41,791	41,791
EDP Produção	111,738	4,566,360	104,535	4,782,633
EDP Imobiliária e Participações	1,925	104,470	319	106,714
EDP Renováveis	<u> </u>		537,432	537,432
EDP Servicios Financieros España	<u> </u>	893,448	7,272	900,720
EDP Serviço Universal	<u> </u>		342,028	342,028
Other	27,588	44,730	175,712	248,030
	166,555	8,202,939	1,521,733	9,891,227

	December 2015			
	Intra-Group Financial	Loans and Interests	Other	
Thousands of Euros	Mov.	receivable	Credits	Total
EDP IS (ex- Balwerk)	854	206,193	917	207,964
EDP Comercial	43,934	75,457	207,930	327,321
EDP Distribuição	244,016	2,297,781	125,055	2,666,852
EDP Finance B.V.	-	-	132,760	132,760
EDP Produção	470,701	4,295,300	120,781	4,886,782
EDP Imobiliária e Participações		105,535	376	105,911
EDP Renováveis	-	-	597,504	597,504
EDP Servicios Financieros España		893,616	7	893,623
Other	13,125	43,652	323,464	380,241
	772,630	7,917,534	1,508,794	10,198,958

Debits held

		September 2016			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total	
EDP Distribuição	674,429		43,191	717,620	
EDP Finance B.V.	<u> </u>	10,758,796	179,531	10,938,327	
EDP Produção	<u> </u>		260,031	260,031	
EDP Soluções Comerciais	44,997			44,997	
Pebble Hydro	<u> </u>	66,007	809	66,816	
Naturgas Comercializadora	-	-	34,586	34,586	
Other	32,207	10,949	105,331	148,487	
	751,633	10,835,752	623,479	12,210,864	

The amount of 10,758,796 thousands of Euros includes 5 intragroup bonds issuance by EDP Finance B.V. to EDP S.A. as at 30 September 2016, in the total amount of 7,940,826 thousands of Euros, with variable rate at medium-long term (5, 7 and 10 years).

	December 2015			
	Intra-Group	Loans and		
	Financial	Interests	Other	
Thousands of Euros	Mov.	payable	Debits	Total
EDP Finance B.V.	-	11,618,920	111,774	11,730,694
EDP Produção			330,002	330,002
EDP Soluções Comerciais	31,508		1,233	32,741
Hidroeléctrica del Cantábrico		7	34,270	34,277
Pebble Hydro	-	64,014	1,575	65,589
Naturgas Comercializadora	-	-	114,844	114,844
Other	34,383		88,180	122,563
	65,891	11,682,941	681,878	12,430,710

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

Expenses

		September 2016				
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	Total		
EDP Finance B.V.	-	-284,304	-215,606	-499,910		
EDP Produção		-	-914,482	-914,482		
Naturgas Comercializadora		-	-99,119	-99,119		
Other	-57	-152	-132,501	-132,710		
	-57	-284,456	-1,361,708	-1,646,221		

	September 2015			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	Total
EDP Finance B.V.		-277,422	-67,713	-345,135
EDP Produção		_	-874,452	-874,452
Naturgas Comercializadora	-	-	-51,446	-51,446
Other	-973	-328	-103,411	-104,712
	-973	-277,750	-1,097,022	-1,375,745

Income

		September 2016			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total	
EDP Comercial	392	1,855	736,404	738,651	
EDP Distribuição	881	112,082	156,041	269,004	
EDP Produção	2,114	157,632	299,038	458,784	
EDP Finance B.V.		-	103,344	103,344	
Naturgas Comercializadora	-	-	87,831	87,831	
Other	585	31,094	315,523	347,202	
	3,972	302,663	1,698,181	2,004,816	

		September 2015			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total	
EDP Comercial	187	1,155	737,680	739,022	
EDP Distribuição	1,332	130,606	141,998	273,936	
EDP Gás.Com	51	-	101,208	101,259	
EDP Produção	1,737	173,555	384,350	559,642	
EDP Renováveis	-	-	51,957	51,957	
Other	449	10,172	339,014	349,635	
	3,756	315,488	1,756,207	2,075,451	

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

Assets and Liabilities

	Se	eptember 201	6
Thousands of Euros	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioeléctrica	15,288	4,388	10,900
Eólica de Coahuila	16,651		16,651
Empresa de Energia Cachoeira Caldeirão	31,304	1,204	30,100
Empresa de Energia São Manoel	26,802		26,802
Cide HC Energía	9,710	16,234	-6,524
Other	13,898	7,952	5,946
	113,653	29,778	83,875
Associates			
Eoliennes en Mer Dieppe Le Tréport	4,374	-	4,374
Eoliennes en Mer Iles d'Yeu et Noirmoutier	4,636	-	4,636
MABE Construção e Administração de Projectos	4,875	-	4,875
Parque Eólico Sierra del Madero	12,784	-	12,784
Other	9,056	2,436	6,620
	35,725	2,436	33,289
	149,378	32,214	117,164

	December 2015		
Thousands of Euros	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioeléctrica	15,357	4,910	10,447
Cide HC Energía	9,185	2,290	6,895
HC Tudela Cogeneración	3,645	2,221	1,424
Other	31,195	3,451	27,744
	59,382	12,872	46,510
Associates			
MABE Construção e Administração de Projectos	3,582	2,231	1,351
Inch Cape Offshore Limited	25,731		25,731
Parque Eólico Sierra del Madero	12,787		12,787
Other	6,911	525	6,386
	49,011	2,756	46,255
	108,393	15,628	92,765

Transactions

	September 2016			
	Operating	Financial	Operating	Financial
Thousands of Euros	Income	Income	Expenses	Expenses
Joint Ventures				
EDP Produção Bioeléctrica	1,256	159	-32,296	-
Cide HC Energía	67,848	48	-228	-
Empresa de Energia Cachoeira Caldeirão	1,347	2,382	-6,220	-
Other	2,138	564	-3,096	-1
	72,589	3,153	-41,840	-1
Associates				
Korsokuntza, AIE	2,745	-	-	-
Other	1,598	896	-552	-2
	4,343	896	-552	-2
	76,932	4,049	-42,392	-3

		Septemb	per 2015	
	Operating	Financial	Operating	Financial
Thousands of Euros	Income	Income	Expenses	Expenses
Joint Ventures				
EDP Produção Bioeléctrica	1,369	182	-29,654	-
Cide HC Energía	71,886	16	-42	-
HC Tudela Cogeneración	49	88	-3,661	-4
Porto do Pecém	20,486	2,368	-8,722	-
Other	1,716	107	-1,014	-
	95,506	2,761	-43,093	-4
Associates				
ENEOP - Eólicas de Portugal	-	15,427	-	-
Korsokuntza, AIE	3,490	_		-
Setgás	4	361	-3,285	-
Other	1,410	978	-658	-2
	4,904	16,766	-3,943	-2
	100,410	19,527	-47,036	-6

46. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and liabilities, as at 30 September 2016 and 31 December 2015, is analysed as follows:

	e	Froup Sep 201	16	G	roup Dec 201	5
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	175,241	175,241		200,206	200,206	
Trade receivables	1,934,117	1,934,117	-	1,996,604	1,996,604	-
Debtors/other assets from commercial						
activities	3,752,880	3,752,880	-	4,784,614	4,784,614	-
Other debtors and other assets	423,248	423,248	-	354,045	354,045	-
Derivative financial instruments	383,803	383,803	-	533,330	533,330	_
Financial assets at fair value through profit						
or loss	10,581	10,581	-	9,288	9,288	-
Collateral deposits/financial debt	76,371	76,371	-	79,915	79,915	_
Cash and cash equivalents	1,676,854	1,676,854	-	1,245,449	1,245,449	-
	8,433,095	8,433,095	-	9,203,451	9,203,451	-
Financial liabilities						
Financial debt	18,289,935	18,702,209	412,274	19,270,540	19,688,886	418,346
Suppliers and accruals	1,305,516	1,305,516	-	1,747,641	1,747,641	-
Institutional partnerships in USA	1,870,651	1,870,651	-	1,956,217	1,956,217	-
Trade/other payables from commercial						
activities	2,192,121	2,192,121	-	2,257,553	2,257,553	-
Other liabilities and other payables	625,367	625,367	-	470,225	470,225	
Derivative financial instruments	307,162	307,162	-	389,485	389,485	
	24,590,752	25,003,026	412,274	26,091,661	26,510,007	418,346

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

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

According to IFRS 13 requirements, EDP Group established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 Fair value based on the available listed price (not adjusted) in the identified active markets for assets and liabilities;
- Level 2 Fair value based in market inputs not included in level 1, but observable in the market for the asset or liability, either directly or indirectly;
- Level 3 Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

	30	September 20	16	31	December 20	15
Thousands of Euros	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	65,284	71,740	38,217	105,196	61,277	33,733
Derivative financial instruments	-	383,803	-	-	533,330	-
Financial assets at fair value through profit						
or loss	<u> </u>	<u>-</u> ,	10,581		-	9,288
	65,284	455,543	48,798	105,196	594,607	43,021
Financial liabilities	·	·				
Derivative financial instruments		307,162	-		389,485	-
	-	307,162	-		389,485	-

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

		e for sale ments	Financial as value thro or l	ugh profit
Thousands of Euros	Sep 2016	Sep 2015	Sep 2016	Sep 2015
Balance at beginning of period	33,733	48,490	9,288	10,665
Change in fair value	4,498	930	-	-
Acquisitions	469	914	4,016	2,898
Disposals	-42	-405	-	-
Impairment	-292	-9	-	-
Other changes	-149	-38	-2,723	-3,321
Balance at the end of the period	38,217	49,882	10,581	10,242

47. RELEVANT OR SUBSEQUENT EVENTS

EDP Renováveis concludes the sale of minority stakes in Poland and Italy

On 28 December 2015, EDP Renováveis S.A. (EDPR), through its subsidiary EDP Renewables Europe, S.L., entered into an agreement with ACE Poland S.A.R.L. and ACE Italy S.A.R.L., both of which 100% owned by ACE Investment Fund LP – an entity participated of China Three Gorges Hong Kong Ltd, a fully-owned subsidiary of China Three Gorges (CTG) – to sell 49% of equity shareholding and shareholder loans in a portfolio of wind assets with 598 MW of capacity in Poland and Italy, for a total consideration of 392 millions of Euros. The transaction was subject to the usual regulatory and other approvals.

On 27 October 2016, after obtaining the above mentioned approvals, the transaction was concluded by the final amount of 363 million Euros and a portfolio of wind assets with 548 MW of capacity. The change in the final transaction consideration results mainly from: i) adjustment of the transaction perimeter, ii) cash already distributed by these wind farms, iii) usual price adjustments and iv) foreign exchange differences.

This transaction is made in the context of the Strategic Partnership between EDP and CTG namely in relation to the 2,000 million Euros investment by CTG (including co-funding capex) in EDP Group's operating and ready-to-build renewable energy projects.

EDP acquires gas distribution assets from Repsol in the north of Spain

On 25 January 2016, EDP, through its subsidiary for the gas business in Spain, Naturgas Energía Grupo, S.A. (Naturgas) has reached an agreement with Repsol, S.A. (Repsol), for the acquisition of gas distribution assets in the north of Spain.

The assets acquired comprise approximately 82,000 supply points of liquefied propane gas (LPG), in Naturgas incumbent areas (Basque Country, Cantabria and Asturias regions).

The agreed transaction price represents an enterprise value of 116 millions of Euros, with an expected incremental annual EBITDA of 13 millions of Euros.

During the third quarter of 2016, a first tranche of approximately 45 millions of Euros was acquired. The completion of the transaction is expected to occur in the last quarter of 2016.

The transaction will allow EDP to increase its gas distribution network in Spain by 9%, to approximately to 1 million of gas supply points, strengthening its strategic position as a leading player for gas distribution and supply in the Iberian market.

Auction 13/2015 - Investco

On 13 April 2016, was held the Auction 13/2015 by ANEEL, in which the company Transmissora Aliança de Energia Elétrica S.A. (Taesa), acquired the power transmission lines and Investos substation.

On 27 June 2016, Taesa signed the concession agreement and the implementation and commercial operation of the new facilities is limited to 27 December 2019. The respective Investco assets will be transferred to Taesa until 180 days after the effective entry into commercial operation of the new facilities. As at 30 September 2016, these assets are booked in the financial statements of Investco by 42 millions of Brazilian Reais (12 millions of Euros).

Entry into partial operation Cachoeira Caldeirão

During the first half of 2016, EDP Energias do Brasil S.A. received authorization from ANEEL to start the commercial operation of the first and second generating unit of Cachoeira Caldeirão, anticipating the entry into operation scheduled for 1 January 2017. During July 2016, the third generating unit received authorization from ANEEL to start its commercial operation.

Management transaction

On 3 October 2016, Mr. Rui Manuel Rodrigues Lopes Teixeira, member of the Executive Board of Directors informed EDP, that his spouse executed the acquisition of 670 shares at 2.947 Euros each.

After this transaction, 7,333 EDP shares are now imputable to Mr. Rui Manuel Rodrigues Lopes Teixeira.

Ordinance 268-B/2016

DGEG performed an investigation for the evaluation of public policies regarding the energy sector, in which it has come to the conclusion that the renewable energy generators with feed-in tariff have received, apart from this tariff incentive, public support for the promoting and development of renewable energy. DGEG's investigation estimates an amount of 140 millions of Euros as an excess over what they should have received.

On 13 October 2016, Ordinance 268-B/2016 was published, determining the recovery to SEN of the amount allegedly received in excess, through feed-in tariff reduction granted by the Last resource supplier (CUR). DGEG has now until 15 November to identify the producers and the amounts which one of them shouldn't have received, in order to calculate the new feed-in tariff (Eur/MWh) that allows this amount to be recovered as fast as it is possible.

For Renewable energy generators under this situation, which have already lost their right to feed-in tariffs, it establishes that it is the CUR who has the responsability to recover the amounts identified by DGEG, though it is not clear in what way will they recover these amounts. Half of the amount recovered under this mechanism will reduce tarif deficit, being the other half allocated to future yearly

At this date, EDP Group is evaluating the process and is not expecting any significant impacts.

ERSE announces proposal for electricity tariffs in 2017

On 16 October 2016, the Portuguese Electricity Regulator (ERSE) announced its proposal for electricity tariffs in 2017, which includes a 1.2% average increase for normal low voltage (NLV) electricity tariffs in Portugal mainland, applicable to all residential consumers.

For 2017, ERSE proposed regulated gross profit for EDP's regulated activities (excluding previous year adjustments) of: i) 1,199 millions of Euros for electricity distribution (operated by our subsidiary EDP Distribuição); and ii) 39 millions of Euros for last resort electricity supply (operated by our subsidiary EDP Serviço Universal).

According to ERSE's proposal, Portuguese electricity system's regulatory receivables are expected to decline by 547 millions of Euros over 2017, due to: i) a 321 millions of Euros decrease of Portuguese electricity system medium to long-term debt; and ii) 226 millions of Euros of previous year adjustments of regulated activities' allowed revenues to be recovered by regulated companies through 2017 tariffs.

The tariff update and decline in the system's regulatory receivables includes the impact of the government Ordinance nr. 268-B/2016, of 13 October 2016.

According to 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. Following that, ERSE will approve the final tariffs and parameters until 15 December 2016.

ANEEL approves a -23.53% tariff update at EDP Bandeirante

On 18 October 2016, the Brazilian electricity regulator (ANEEL) approved a -23.53% annual tariff readjustment index for EDP Bandeirante, for the period from 23 October 2016 to 22 October 2017.

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, as well as financial adjustments recognized by ANEEL in the Parcel A Items Variation Compensation Account (CVA) and other accounts.

Parcel B was readjusted by 9.54%, considering an IGP-M of 10.66% and an X-Factor of 1.12%, whose components are "Pd" (productivity gains) of 1.14%, "T" (trajectory to adequacy of operational costs) of -0.24% and "Q" (incentives to quality) of 0.22%.

EDP sells tariff deficit in Portugal

On 25 and 27 October 2016, EDP Serviço Universal, S.A., the last resort supplier of the Portuguese electricity system, 100% owned by EDP Group, agreed the sale of 100 and 76 millions of Euros of the 2016 tariff deficit, related with special regime generation.

The 2016 tariff deficit resulted from the 5-year deferral of the recovery of the 2016 overcost with the acquisition of energy from special regime generation.

Norges Bank qualified shareholding

On 25 October 2016, Norges Bank notified EDP that, in accordance with article 20 of the Portuguese Securities Code, it amended its title of imputation on its qualifying shareholding of 76,132,634 ordinary shares of EDP, which corresponds to 2.08% of EDP's share capital and of the respective voting rights.

Of the 76,132,634 shares held by Norges Bank, 73,567,330 (corresponding to 2.01% of the share capital) are held directly, while the remaining 2,565,304 shares (corresponding to 0.07% of the share capital) are attributable to Norges Bank through financial instruments, namely through a "shares on loan (right to call)" instrument, exercisable at any moment.

The total of shares held directly by Norges Bank increased above the 2.00% level of EDP's share capital on 24 October 2016.

Fitch affirms EDP at "BBB-" and outlook at stable

On 31 October 2016, Fitch Ratings (Fitch) has affirmed EDP and EDP Finance B.V.'s "BBB-" Longterm Issuer Default Ratings (IDR) and senior unsecured ratings, "F3" Short-term IDR and "BB" hybrid securities. Fitch also maintained its outlook at stable. Fitch has also affirmed Hidroelectrica del Cantabrico, S.A.'s "BBB-" Long-term IDR and "F3" Short term IDR.

48. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

The new standards and interpretations that have been issued and are already effective and that the Group has applied on its consolidated financial statements, with no significant impact, are the following:

- IFRS 10 (Amended), IFRS 12 (Amended) and IAS 28 (Amended) Investment Entities: Applying the Consolidation Exception;
- IFRS 11 (Amended) Accounting for Acquisitions of Interests in Joint Operations;
- IAS 1 (Amended) Disclosure Initiative;
- IAS 16 (Amended) and IAS 38 (Amended) Clarification of Acceptable Methods of Depreciation and Amortisation;
- IAS 19 (Amended) Employee Benefits: Defined Benefit Plans Employee Contributions;
- IAS 27 (Amended) Equity Method in Separate Financial Statements. EDP, S.A. did not change the measurement method of its investments in subsidiaries (see note 2b));
- Annual Improvement Project (2010-2012)
- Annual Improvement Project (2012-2014).

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

- 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 Financial Instruments;
- IFRS 14 Regulatory Deferral Accounts;
- IFRS 15 Revenue from the Contracts with Customers;
- IFRS 16 Leases
- IAS 7 (Amended) Initiative Disclosures:
- IAS 12 (Amended) Recognition of Deferred Tax Assets for Unrealised Losses.

49. EDP BRANCH IN SPAIN

The aim of EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, interests in EDP Servicios Financieros (España), S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), which is the owner of NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal, as well as the majority interests in EDP Renovávels, 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 of 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 170 human resources as at 30 September 2016, including 93 in its own payroll. Lastly, the Spanish branch of EDP has direct representation on iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

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

	EDP B	ranch
Thousands of Euros	Sep 2016	Dec 2015
Investments in subsidiaries:		
- EDP Renováveis, S.A.	3,854,811	3,854,811
- Hidroeléctrica del Cantábrico, S.A. (HC Energia)	2,105,002	2,105,002
- EDP Servicios Financieros (España), S.A.	482,695	482,695
- EDP International Investments and Services, S.L.	281,854	281,854
Deferred tax assets	64,975	45,305
Other debtors and others assets (see note 27)	1,292,130	1,337,506
Total Non-Current Assets	8,081,467	8,107,173
Trade receivables	10,247	5,898
Debtors and other assets	177,128	185,802
Tax receivable	6,128	27,300
Cash and cash equivalents	1,524	1,494
Total Current Assets	195,027	220,494
Total Assets	8,276,494	8,327,667
Equity	5,750,626	5,734,304
Employee benefits	1,708	1,558
Trade and other payables (see note 40)	2,439,364	2,497,923
Provisions	260	5,820
Total Non-Current Liabilities	2,441,332	2,505,301
Trade and other payables	82,182	86,110
Tax payable	2,354	1,952
Total Current Liabilities	84,536	88,062
Total Liabilities	2,525,868	2,593,363
Total Equity and Liabilities	8,276,494	8,327,667

50. TRANSFERS OF FINANCIAL ASSETS - TARIFF ADJUSTMENTS

As mentioned in note 3, in Portugal, Decree - Law 237-B/2006 of 19 December 2006 and Decree - Law 165/2008 of 21 August, refer to the transfer to third parties of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, through which the EDP Group has made, since 2008, a number of transfer operations of financial assets.

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

- In March 2009, EDP Serviço Universal, S.A. sold without recourse to Tagus Sociedade de Titularização de créditos, S.A. (Tagus), the right to receive the non-regular tariff adjustments (tariff deficit) related to 2007 and 2008 of 1,225,376 thousands of Euros. With the sale of those rights, EDP Group received 1,204,422 thousands of Euros, generating a loss of 22,969 thousands of Euros (including financial expenses incurred);
- In December 2009, EDP Serviço Universal, S.A. sold without recourse to Tagus, the right to receive the non-regular tariff adjustments (tariff deficit) related to the estimated special regime overcost related to 2009 of 447,469 thousands of Euros. The transaction totalised 434,720 thousands of Euros, net of expenses, and generated a loss of 12,749 thousands of Euros;
- In May 2013, EDP Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2012 overcost of the acquisition of electricity activity from special regime production, in the amount of 422,692 thousands of Euros. The transaction was performed by the amount of 450,000 thousands of Euros, generating a gain of 22,510 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Service of Class R Notes issued by Tagus at par value in the amount of 400 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 4,695 thousands of 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 617 thousands of Euros, as at 30 September 2016;

- In April 2014, EDP Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2013 overcost of the acquisition of electricity activity from special regime production, in the amount of 694,857 thousands of Euros. The transaction was performed by the amount of 750,000 thousands of Euros, generating a gain of 50,141 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal Service of Class R Notes issued by Tagus at par value in the amount of 473 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 5,588 thousands of 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 2,143 thousands of Euros, as at 30 September 2016;
- In December 2014, EDP Distribuição de Energia, S.A., sold without recourse to Tagus, the right to recover part of the 2012 CMEC compensation adjustment in the amount of 228,826 thousands of Euros. The transaction was performed by the amount of 239,832 thousands of Euros generating a gain of 10,711 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Distribuição of Expense Reserve Notes issued by Tagus at par value in the amount of 317 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,690 thousands of 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 1,888 thousands of Euros, as at 30 September 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 thousands of Euros. The transaction was performed by the amount of 499,461 thousands of Euros, generating a gain of 31,737 thousands of 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 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,488 thousands of 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 1,939 thousands of Euros, as at 30 September 2016:
- In August 2016, EDP Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2016 overcost of the acquisition of electricity activity from special regime production, in the amount of 598,883 thousands of Euros. The transaction was performed by the amount of 599,987 thousands of Euros, generating a loss of 7,417 thousands of 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 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 3,635 thousands of 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 3,993 thousands of Euros, as at 30 September 2016.

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

51. OPERATING SEGMENTS REPORT

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

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

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

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

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

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

The segments defined by the Group are the following:

- · Long Term Contracted Generation in Iberia;
- · Liberalised Activities in Iberia;
- · Regulated Networks in Iberia;
- · EDP Renováveis;
- EDP Brasil.

The Long Term Contracted Generation in Iberia segment corresponds to the activity of electricity generation of plants with CMEC and SRP plants in Portugal. This segment includes, namely, the following companies:

- EDP Gestão da Produção de Energia, S.A. (CMEC and SRP generation);
- Fisigen Empresa de Cogeração, S.A.;
- Pebble-Hydro Consultoria, Investimentos e Serviços, Lda.

The Liberalised Activities segment in Iberia corresponds to the activity of unregulated generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

- EDP Gestão da Produção de Energia, S.A. (liberalised generation);
- Empresa Hidroeléctrica do Guadiana, S.A.;
- · Hidroeléctrica Del Cantábrico, S.A.U.;
- · Central Térmica Ciclo Combinado Grupo 4, S.A.;
- EDP Comercial Comercialização de Energia, S.A.;
- · Hidrocantábrico Energia, S.A.U.;
- · Naturgás Comercializadora, S.A;
- EDP Gás.Com Comércio de Gás Natural, S.A.;
- Greenvouga Sociedade Gestora do Aproveitamento Hidroeléctrico do Ribeiradio-Ermida, S.A.;
- · EDP Energía Gás S.L.

Additionally, this segment includes the Iberian energy management business unit (UNGE) as well as the elimination of transactions between companies identified above. UNGE is the EDP Group unit responsible for the management of purchases and sales of energy in the Iberian market, and also for the related hedging transactions.

The Regulated Networks segment in Iberia corresponds to the activities of electricity and gas distribution in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

- EDP Distribuição Energia, S.A.;
- EDP Serviço Universal, S.A.
- Electra de Llobregat Energía, S.L.;
- · Hidrocantábrico Distribucion Eléctrica, S.A.U.;
- EDP Gás Distribuição, S.A.
- EDP Gás Serviço Universal, S.A.;
- Naturgás Energia Distribución, S.A.U.

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

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

Segment Definition

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

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

The income statement captions for each operating segment are based in the amounts booked directly in the companies financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

Nevertheless, since EDP - Gestão da Produção de Energia, S.A.'s assets belong to more than one business segment, namely the CMEC and SRP generation plants - allocated to the Long Term Contracted Generation - and the liberalised generation plants - allocated to the Liberalised Activities, it was necessary to allocate all its gains, costs, assets and liabilities to those power plants.

Preferentially, it was used analytical accounting reports to allocate gains, costs, assets and liabilities by plant. For the remaining information, since those reports don't comprise all the costs - namely the shared costs in the Supplies and Services and Personnel Costs captions, and since the applicability of the previous criteria it's not possible, the shared costs were allocated in the proportion of costs directly allocated to each plant in the total costs and the remaining assets and liabilities were allocated following the proportion of each plant net assets in the total assets.

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

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

Under IFRS 8, the EDP Group discloses as Operating investment, additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore, in each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment and in Intangible Assets, excluding CO2 licenses and Green certificates, net of increases in Government grants, Customers contributions for investment and Sales of properties in the period. Goodwill is in note 18.

The EDP Group by operating segment report is presented in Annex I.

52. 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.

EDP Group Operating Segments Report as at 30 September 2016

ANNEX I

Thousands of Euros	LT Contracted Generation	Liberal Liberalised Activities	Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Receipts from energy sales and services and others	698,308	6,107,256	4,109,507	1,090,287	1,676,961	13,682,319
Gross Profit	475,787	862,683	1,291,016	1,067,904	583,018	4,280,408
Other income	2,468	5,725	21,935	178,270	121,745	330,143
Supplies and services	-34,339	-186,399	-246,628	-221,518	-111,589	-800,473
Personnel costs and employee benefits	-39,569	-56,555	-108,816	-68,780	-85,224	-358,944
Other costs	680'6-	-166,979	-208,087	-109,238	-43,866	-537,259
Gross Operating Profit	395,258	458,475	749,420	846,638	464,084	2,913,875
Provisions	-448	24,735	-5,887	33	-3,491	14,942
Amortisation and impairment	-96,056	-172,268	-253,606	-442,670	-105,466	-1,070,066
Operating Profit	298,754	310,942	489,927	404,001	355,127	1,858,751
Equity method in joint ventures and associates	1,562	1,544	88	-2,142	-7,858	908'9-
Assets	3,345,737	7,848,571	7,881,756	14,667,691	4,249,081	37,992,836
Equity accounted Investments in joint ventures and associates	15,454	2,649	552	321,952	338,662	679,269
Liabilities	593,998	1,337,880	2,362,678	1,003,100	833,163	6,130,819
Operating Investment	21,234	196,204	278,639	582,634	107,001	1,185,712

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

Total Receipts from energy sales and services and others of	12 602 210
Receipts from energy sales and services and others from Other Segments	13,682,319 348,236
Adjustments and Inter-segments eliminations*	-3,445,985
Total Receipts from energy sales and services and others of EDP	-5,445,965
Group	10,584,570
Total Gross Profit of Reported Segments	4,280,408
Gross Profit from Other Segments	332,278
Adjustments and Inter-segments eliminations*	-349,268
Total Gross Profit of EDP Group	4,263,418
Total Gross Operating Profit of Reported Segments	2,913,875
Gross Operating Profit from Other Segments	-9,956
Adjustments and Inter-segments eliminations*	-11,380
Total Gross Operating Profit of EDP Group	2,892,539
Total Operating Profit of Reported Segments	1,858,751
Operating Profit from Other Segments	-42,882
Adjustments and Inter-segments eliminations* Total Operating Profit of EDP Group	-23,421
Total Operating Front of EDF Group	1,792,448
Total Assets of Reported Segments	37,992,836
Assets Not Allocated	3,978,016
Financial Assets Taxes Assets	1,939,047
Other Assets	835,356 1,203,613
Assets from Other Segments	872,395
Inter-segments assets eliminations*	-648,380
Total Assets of EDP Group	42,194,867
Total Equity accounted Investments in joint ventures and associates of Reported Segments	679,269
Equity accounted Investments in joint ventures and associates from Other	0/9,209
Seaments	111,468
Total Equity accounted Investments in joint ventures and	111/100
associates of EDP Group	790,737
Total Liabilities of Reported Segments	6,130,819
Liabilities Not Allocated	23,132,534
Financial Liabilities	18,289,935
Institutional partnership in USA	1,870,651
Taxes Liabilities Other payables	1,635,978
Hydrological correction account	1,331,889 4,081
Liabilities from Other Segments	845,726
Inter-segments Liabilities eliminations*	-1,034,518
Total Liabilities of EDP Group	29,074,561
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

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	330,143	28,617	-8,099	350,661
Supplies and services	-800,473	-205,709	331,766	-674,416
Personnel costs and employee benefits	-358,944	-139,543	11,693	-486,794
Other costs	-537,259	-25,599	2,528	-560,330
Provisions	14,942	99	-1	15,040
Amortisation and impairment	-1,070,066	-33,025	-12,040	-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 Group Operating Segments Report 30 September 2015

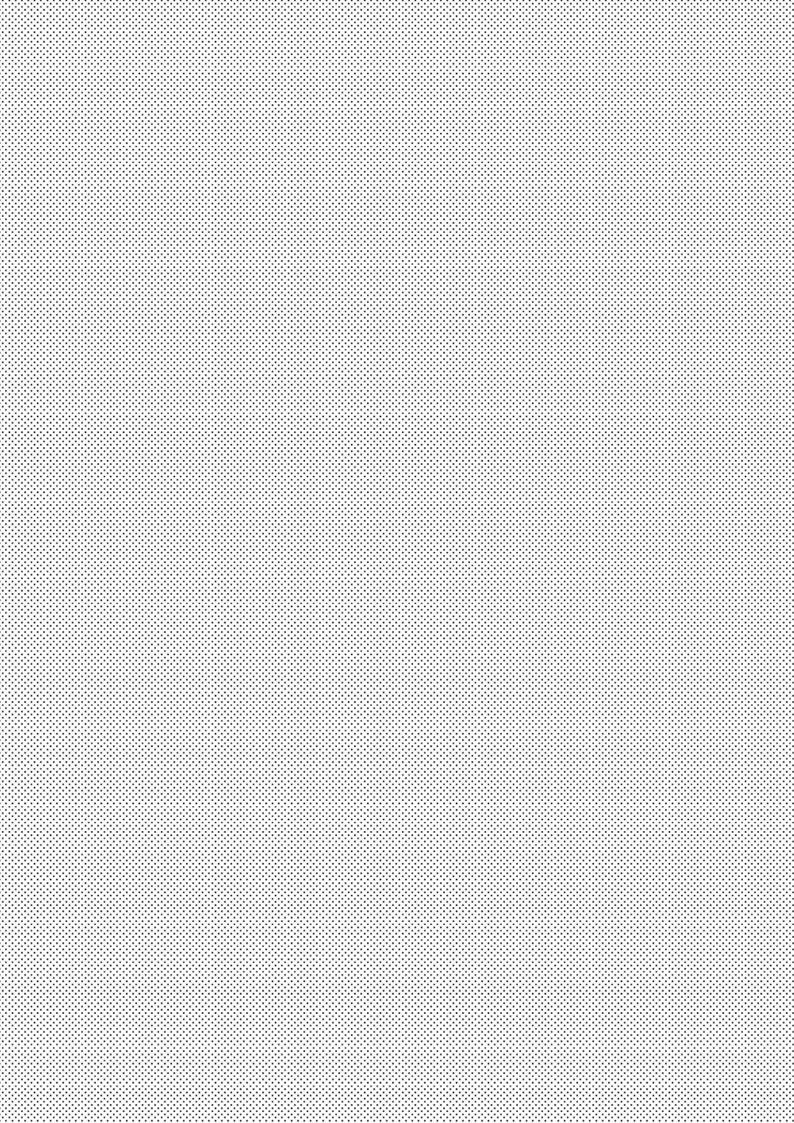
		Iberia				
Thousands of Euros Receipts from energy sales and services and others	LT Contracted Generation 847,691	Liberalised Activities 6,806,406	Regulated Networks 4,048,153	EDP Renováveis 978,424	EDP Brasil 2,031,588	Total Segments 14,712,262
Gross Profit	560,962	656,177	1,263,792	962,005	610,160	4,053,096
Other income	6,788	2,727	120,534	243,074	278,714	651,837
Personnel costs and employee benefits Other costs	-42,277 -46,416 -13,330	-132,302 -54,094 -176,601	-232,064 -108,235 -213,567	-60,749	-111,515 -82,906 -39,516	-786,982 -352,200 -596,736
Gross Operating Profit	465,727	275,647	810,440	782,062	655,139	2,989,015
Provisions Amortisation and impairment	285	-616	-2,956	151 -408,128	-6,194 -95,523	-9,330
Operating Profit	349,330	125,381	560,460	374,085	553,422	1,962,678
Equity method in joint ventures and associates	2,315	1,246	171	463	-33,984	-29,789
Assets (31 December 2015)	3,912,701	7,467,783	8,956,348	14,723,990	3,688,379	38,749,201
Equity accounted Investments in joint ventures and associates (31 December 2015)	13,979	1,625	741	333,800	197,427	547,572
Liabilities (31 December 2015)	830,429	1,459,691	2,510,031	1,304,758	641,577	6,746,486
Operating Investment	16,669	267,670	223,388	595,168	69,846	1,172,741

Reconciliation of information between Operating Segments and Financial Statements for September 2015

Thousands of Euros	
Total Revenues from energy sales and services and other of	
Reported Segments	14,712,262
Segments	354,321
Adjustments and Inter-segments eliminations*	-3,461,806
Total Revenues from energy sales and services and other of EDP	
Group	11,604,777
Total Gross Profit of Reported Segments	4,053,096
Gross Profit from Other Segments	337,845
Adjustments and Inter-segments eliminations*	-330,528
Total Gross Profit of EDP Group	4,060,413
Total Gross Operating Profit of Reported Segments	2,989,015
Gross Operating Profit from Other Segments	-16,632
Adjustments and Inter-segments eliminations*	18,712
Total Gross Operating Profit of EDP Group	2,991,095
Total Operating Profit of Reported Segments	1,962,678
Operating Profit from Other Segments	-36,483
Adjustments and Inter-segments eliminations*	-2,510
Total Operating Profit of EDP Group	1,923,685
Total Assets of Deposited Comments (21 December 2015)	20 740 201
Total Assets of Reported Segments (31 December 2015) Assets Not Allocated	38,749,201 3,552,120
Financial Assets	1,689,387
Taxes Assets	587,366
Other Assets	1,275,367
Assets from Other Segments	920,654
Inter-segments assets eliminations*	-685,010
Total Assets of EDP Group	42,536,965
Total Equity accounted Investments in joint ventures and	
associates of Reported Segments (31 December 2015)	547,572
Equity accounted Investments in joint ventures and associates from Other	116,439
Total Equity accounted Investments in joint ventures and	
associates of EDP Group	664,011
Total Liabilities of Reported Segments (31 December 2015)	6,746,486
Liabilities Not Allocated	23,883,488
Financial Liabilities	19,328,566
Institutional partnership in USA	1,956,217
Taxes Liabilities	1,312,363
Other payables	1,274,924
Hydrological correction account	11,418
Liabilities from Other Segments	996,774
Inter-segments Liabilities eliminations*	-1,211,276
Total Liabilities of EDP Group	30,415,472
Total Operating Investment of Reported Segments	1,172,741
Operating Investment from Other Segments	45,412
Total Operating Investment of EDP Group	1,218,153

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	651,837	29,307	1,918	683,062
Supplies and services	-766,982	-220,944	329,962	-657,964
Personnel costs and employee benefits	-352,200	-133,599	14,070	-471,729
Other costs	-596,736	-29,241	3,290	-622,687
Provisions	-9,330	-106	400	-9,036
Amortisation and impairment	-1,017,007	-19,745	-21,622	-1,058,374
Equity method in joint ventures and associates	-29,789	879	3,701	-25,209

^{*} Mainly related with intragroup balances and transactions eliminations



edp ENERGY WITH INTELLIGENCE

04. annexes



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KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.

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LIMITED REVIEW REPORT ON 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 consolidated financial statements of EDP – Energias de Portugal, S.A., which comprise the condensed consolidated statement of financial position as of 30 September 2016 (that presents a total of Euro 42,194,867 thousand and total equity attributable to the shareholders of Euro 8,966,726 thousand, including a consolidated net profit of Euro 615,028 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, including a summary of significant accounting policies.

Executive Board of Directors' responsibilities

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

Auditor's 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 the applicable technical and ethical standards and guidelines issued by the 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 that 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. for the nine month period ended 30 September 2016, 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, 3 November 2016

KPMG & Associados

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

represented by

Vítor Manuel da Cunha Ribeirinho (ROC nr 1081)



KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.

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LIMITED REVIEW REPORT ON 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 financial statements of EDP – Energias de Portugal, S.A., which comprise the condensed statement of financial position as of 30 September 2016 (that presents a total of Euro 21,838,498 thousand and total equity of Euro 7,053,198 thousand, including a net profit of Euro 419,534 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, including a summary of significant accounting policies.

Executive Board of Directors' responsibilities

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

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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 that 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. for the nine month period ended 30 September 2016, 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, 3 November 2016

KPMG & Associados

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

represented by

Vítor Manuel da Cunha Ribeirinho (ROC nr 1081)



THE EXECUTIVE BOARD OF DIRECTORS

António Luís Guerra Nunes Mexia (President)
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

INTERIM RPORT 1H2016

contacts

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EDP LINES

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Meter reading: 808 507 507 Technical assistance: 808 506 506

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