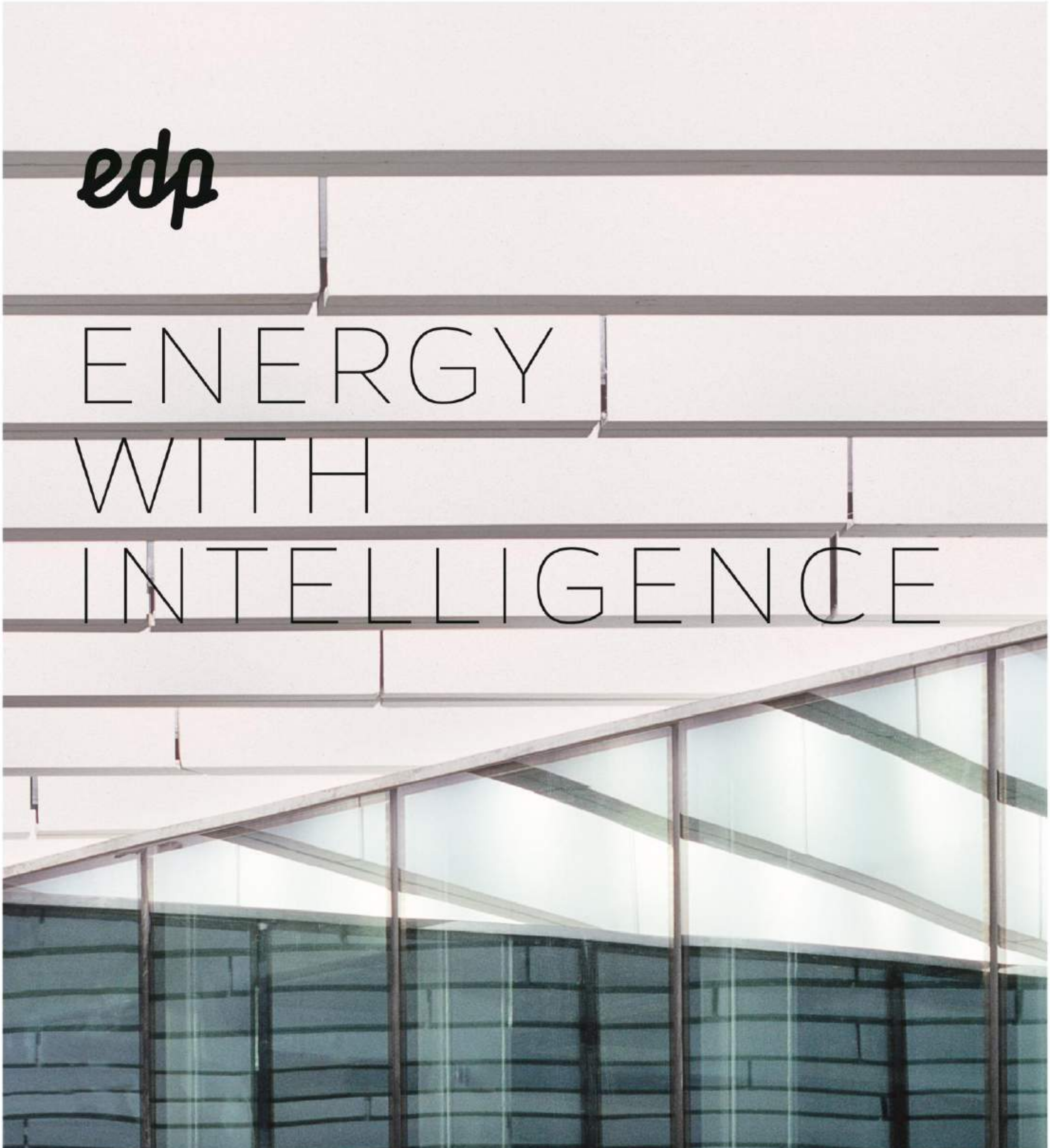
ENERGY WITH INTELLIGENCE

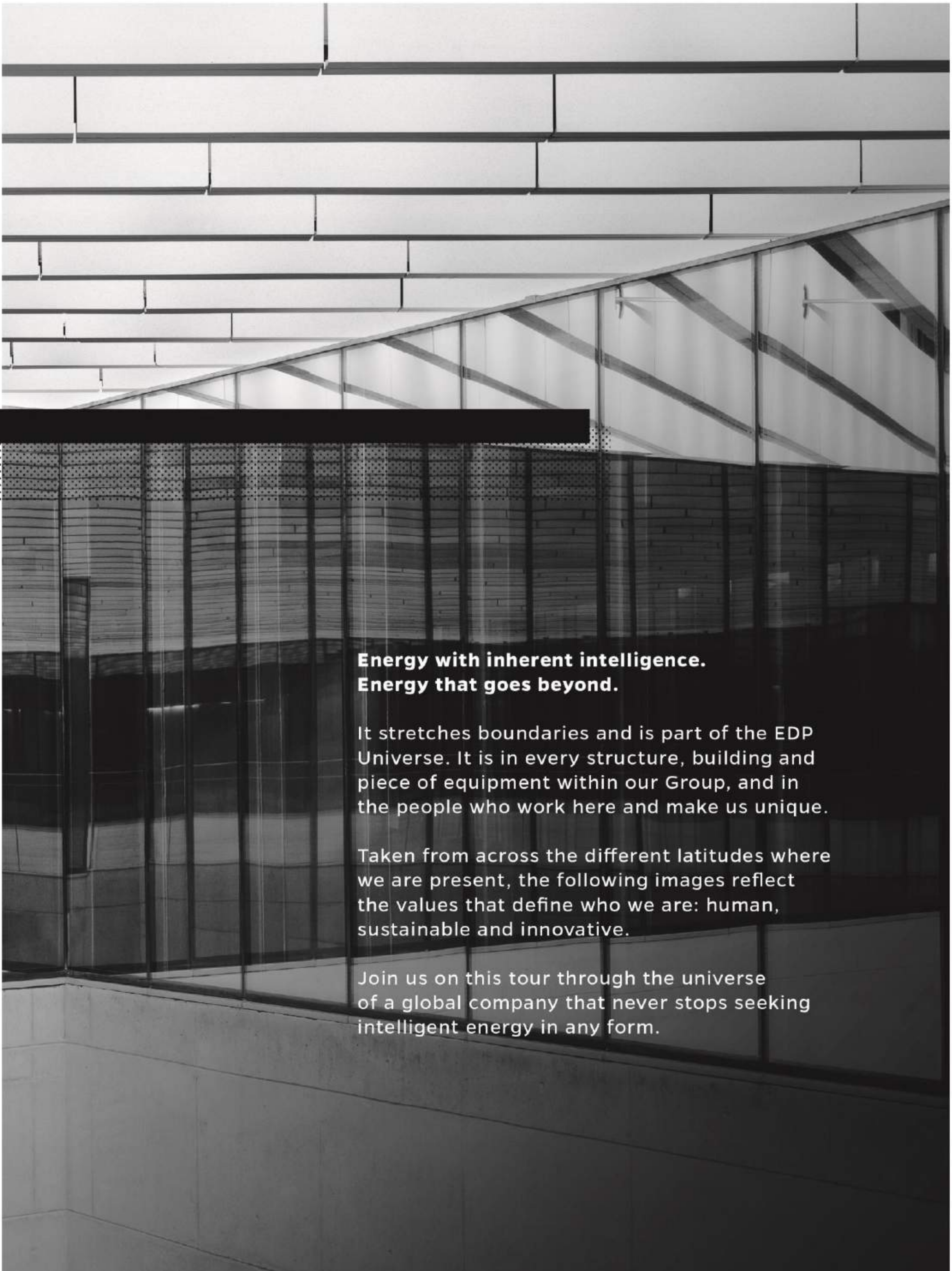
INTERIM REPORT

30th june 2016



edp

ENERGY WITH INTELLIGENCE



Energy with inherent intelligence.
Energy that goes beyond.

It stretches boundaries and is part of the EDP Universe. It is in every structure, building and piece of equipment within our Group, and in the people who work here and make us unique.

Taken from across the different latitudes where we are present, the following images reflect the values that define who we are: human, sustainable and innovative.

Join us on this tour through the universe of a global company that never stops seeking intelligent energy in any form.

ENERGY
WITH
INTELLIGENCE

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ENERGY
WITH
INTELLIGENCE

Reflecting ingenuity

Present in 14 countries

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 half of 2016, EDP had an installed capacity of **24.5 GW** and generated **38TWh**, of which **75%** from **renewable sources**.

in the world

PORTUGAL

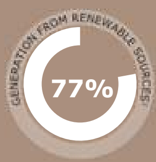
6,557 employees

5,448,110 **electricity customers**

611,511 **gas customers**

10,412 MW installed capacity

17,487 GWh net generation



32 MW installed capacity equity[2]

22,287 GWh electricity distributed

3,803 GWh gas distributed

1,019 MW capacity under construction

SPAIN

1,869 employees

1,045,402 **electricity customers**

842,916 **gas customers**

5,723 MW installed capacity

6,763 GWh net generation

186 MW installed capacity equity[2]

4,637 GWh electricity distributed

14,599 GWh gas distributed

FRANCE

54 employees

376 MW installed capacity

464 GWh net generation

12 MW capacity under construction

BELGIUM

2 employees

71 MW installed capacity

76 GWh net generation

ITALY

23 employees

100 MW installed capacity

132 GWh net generation

14 MW capacity under construction

POLAND

42 employees

418 MW installed capacity

472 GWh net generation

GENERATION FROM RENEWABLE SOURCES[1] 100%

ROMANIA

33 employees

521 MW installed capacity

583 GWh net generation

GENERATION FROM RENEWABLE SOURCES[1] 100%

UNITED KINGDOM

36 employees

CHINA

2 employees

ANGOLA

office

MEXICO

3 employees

200 MW capacity under construction

BRAZIL

2,908 employees

3,281,373 **electricity customers**

2,670 MW installed capacity

5,056 GWh net generation

260 MW installed capacity equity[2]

12,436 GWh electricity distributed

GENERATION FROM RENEWABLE SOURCES[1] 54%

231 MW capacity under construction equity[2]

USA

388 employees

4,203 MW installed capacity

6,712 GWh net generation

GENERATION FROM RENEWABLE SOURCES[1] 100%

179 MW installed capacity equity[2]

429 MW capacity under construction

CANADA

4 employees

30 MW installed capacity

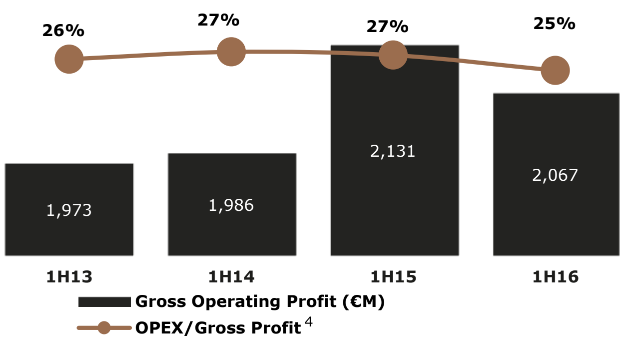
39 GWh net generation

GENERATION FROM RENEWABLE SOURCES[1] 100%

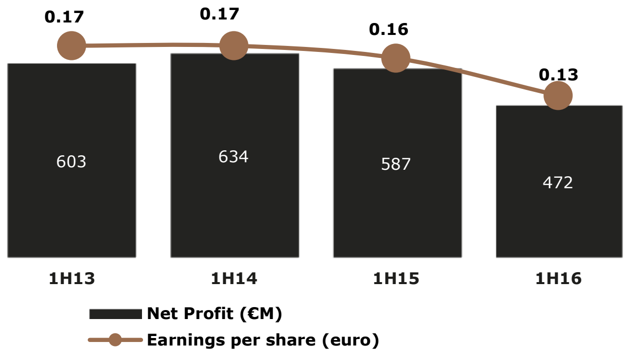
[1] Includes hydro, wind and solar
[2] Accounted according to the Equity Method

edp in numbers

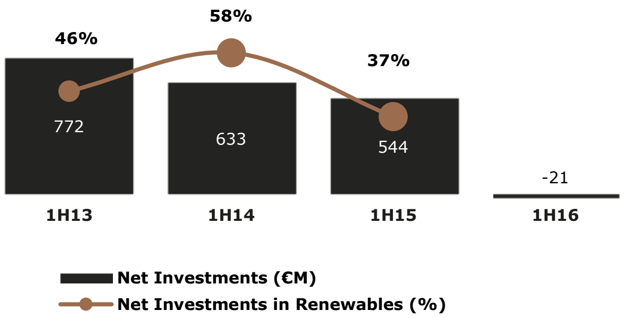
GROSS OPERATING PROFIT



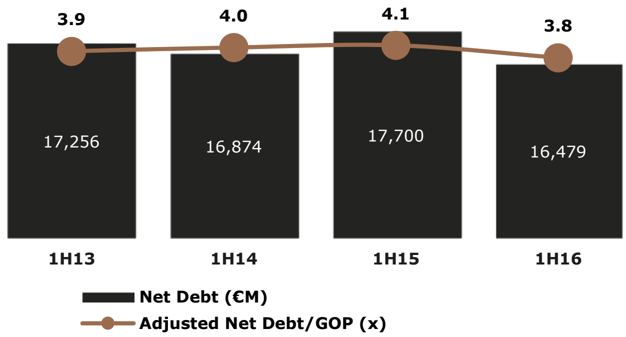
NET PROFIT [1]



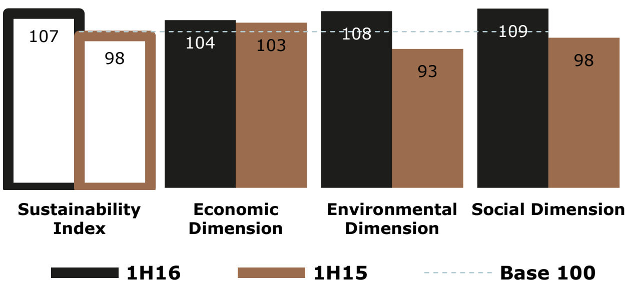
NET INVESTMENTS [2]



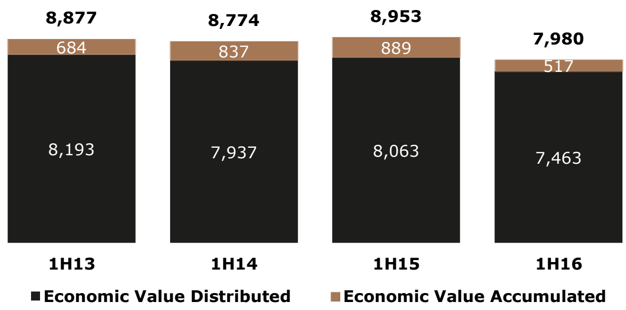
NET DEBT [3]



EDP SUSTAINABILITY INDEX

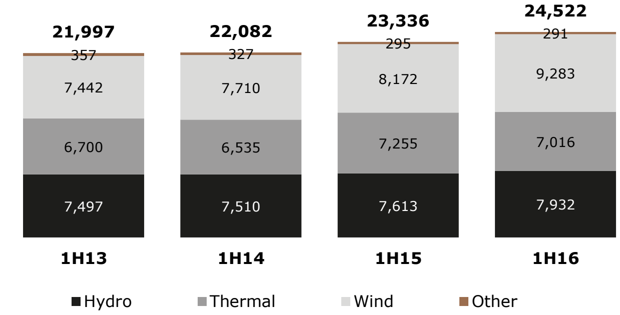


ECONOMIC VALUE GENERATED (€M)

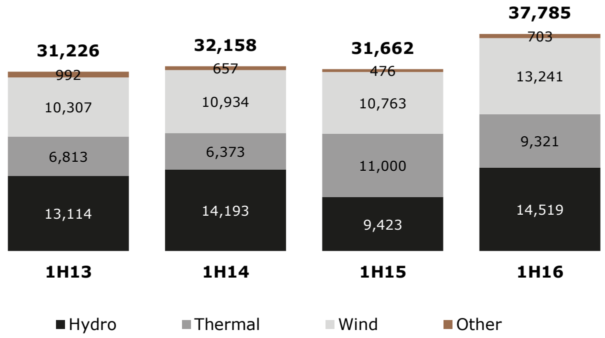


[1] Net Profit attributable to EDP Equity holders.
[2] From 2016, considers Capex, organic Financial Investments and Divestments ("Asset Rotation") including granted and/or sold shareholder loans.
[3] Includes Financial Debt, Cash and Equivalents, Short-term financial assets at fair-value, net investment 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).

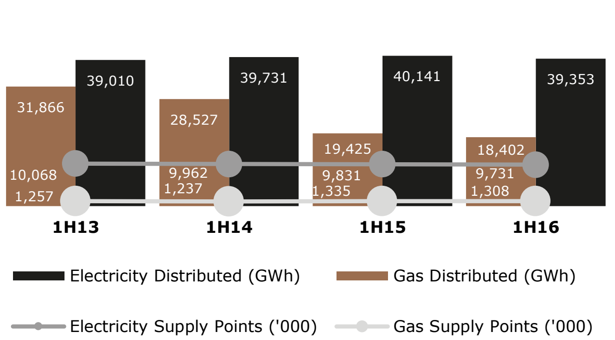
ELECTRICITY GENERATION
INSTALLED CAPACITY (MW)



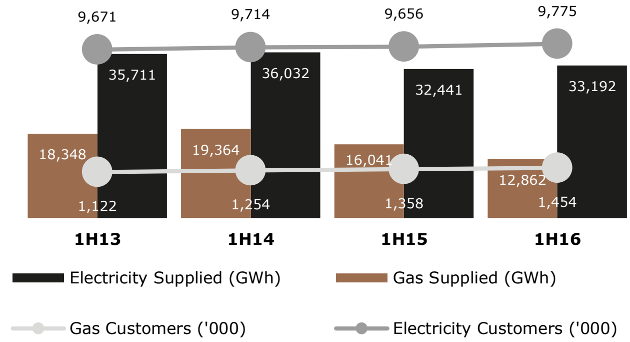
ELECTRICITY GENERATION
NET GENERATION (GWh)



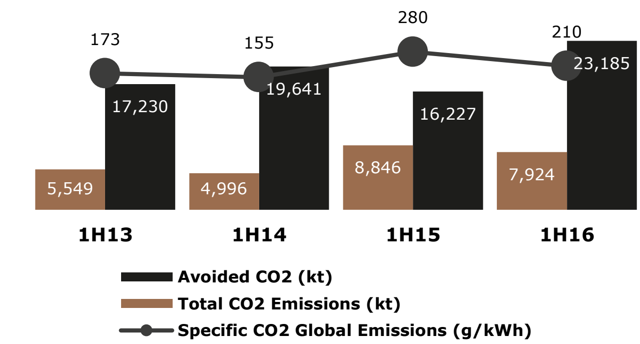
ELECTRICITY AND GAS DISTRIBUTION



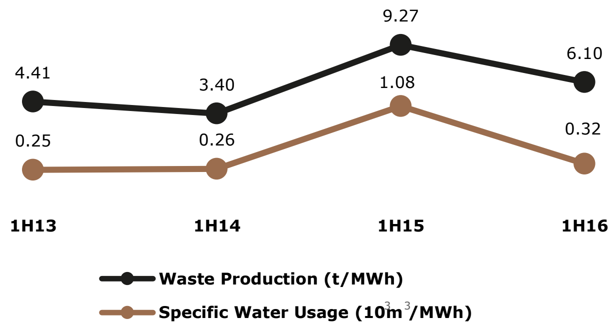
ELECTRICITY AND GAS SUPPLY

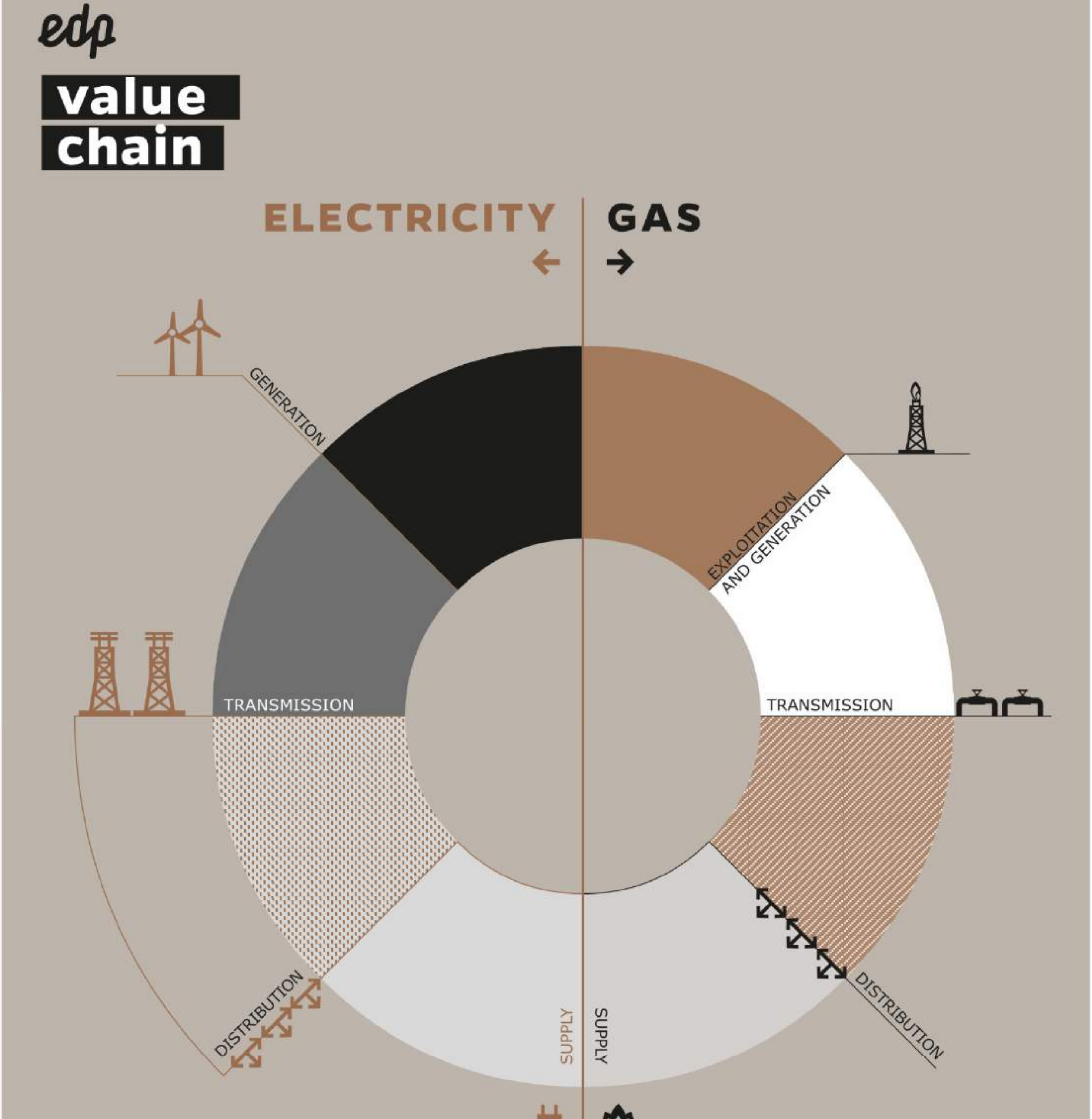


CO_2 EMITED AND AVOIDED



WATER USAGE AND WASTE PRODUCTION




edp
value chain
ELECTRICITY
GAS
GENERATION
TRANSMISSION
DISTRIBUTION
SUPPLY
EXPLOITATION AND GENERATION
TRANSMISSION
DISTRIBUTION
SUPPLY

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.

business structure

IBERIA – Portugal	IBERIA – Spain	EDP RENOVÁVEIS		EDP BRASIL	

ELECTRICITY GENERATION

Portugal	Spain	EDP Renováveis		EDP Brasil	
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)*
	HC Energía	EDP Renewables Polska	EDP Renewables Romania	Enerpeixe	Cachoeira Caldeirão*
		EDP Renewables North America	EDP Renewables Canada	São Manoel*	
		EDP Renewables Italia	EDP Renováveis Brasil		
		EDPR UK			

ELECTRICITY AND GAS DISTRIBUTION

Portugal	Spain	EDP Brasil	
EDP Distribuição	HC Distribución	Bandeirante	Escelsa
EDP Gás Distribuição	Naturgas Distribución		

ELECTRICITY AND GAS SUPPLY AND TRADING

Portugal	Spain	EDP Brasil	
EDP Serviço Universal	HC Energía	EDP Comercializadora	EDP Grid
EDP Comercial	CIDE HC Energía*	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 start-ups.

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).

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.

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
Focused Growth: Long-term contracted renewable assets in core markets	EBITDA Average Annual Growth Rate: +3% per year *	2015-2020
	Average Annual Net Investments: ~€1.4bn per year	2016-2020
	LT Contracted Renewables: +3.9GW **	2016-2020
Financial Deleverage: Reinforce visibility on medium term Free Cash Flow	Net Debt/EBITDA: ~3.0x	2020
	FFO/Net Debt: ~24%	2020
	Average Cost of Debt: 4.2%	2020
Controlled Risk: Strong weight of regulated and LT contracted activities	Regulated LT Contracted EBITDA: ~75% of total EBITDA	2020
	Average Residual asset life: ~21 years	2020
Reinforce Efficiency: Continued efforts on efficiency improvement	Opex/Gross Profit: 26%	2020
	OPEX IV target annual cost savings: €200M	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
	EPS Average Annual Growth Rate: +4% *	2015-2020
SUSTAINABILITY AGENDA		
Generate Economic Value	Achieve 75% of clean capacity	2020
	Surpass 90% of smart meters in Iberia	2030
	Provide energy efficiency products to reduce overall consumption by more than 1TWh ***	2020
	Invest €200m in innovative projects *****	2020
Manage Climate & Environmental Issues	Reduce CO_2 specific emissions by 75%******	2030
	Achieve 100% environment certification****	2020
	Internalize the concept of circular economy and promote energy efficiency	2020
	Valuate environmental externalities among EDP Group	2020
Develop Our People	Keep employee engagement level >75%	2020
	Promote diversity increase (+15% of women)	2020
	Achieve 100% of H&S certification****	2020
Improve Trust	Maintain EDP part of the world most ethical companies of the Ethisphere Institute	2020
	Achieve >80% of Clients satisfaction and promote energy inclusion	2020
	Full feedback assessment from stakeholders	2020
	Invest €100m to Promote volunteering social businesses and initiatives towards sustainable lifestyles *****	2020

* Based on recurrent and weather adjusted EBITDA and Net Profit in 2015
** Including Equity Method Consolidation
*** vs. 2014 levels
**** Including suppliers with high impacts
***** vs 2015 levels
****** vs 2005 levels

ENERGY
WITH
INTELLIGENCE

02. performance

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COMPLEMENTARY INDICATORS
33 ENVIRONMENTAL INDICATORS
34 SOCIAL INDICATORS
35 ECONOMIC INDICATORS

**ENERGY
WITH
INTELLIGENCE**

A breath of fresh energy

ENERGY
WITH
INTELLIGENCE

EDP GROUP BUSINESS EVOLUTION

EDP GROUP

In the first half of 2016, EDP Group's net profit attributable to EDP's Shareholders reached EUR 472 million, compared with EUR 587 million in the first half of 2015. Net profit decreased 20%, impacted by lower financial results, and by the positive impact following the bargain purchase of Eneva's 50% stake in Pecém in the first half of 2015. These effects were partially offset by a strong operational performance.

INCOME STATEMENT – EDP GROUP

EUR Million	1H16	1H15	Δ %	Δ Abs.
Gross Profit	2,970	2,750	8%	220
Net Operating costs	903	619	46%	284
EBITDA	2,067	2,131	-3%	-64
EBIT	1,327	1,438	-8%	-111
Net Profit for the period	613	796	-23%	-183
Net Profit attributable to EDP shareholders	**472**	**587**	**-20%**	**-115**
Non-controlling interests	141	209	-33%	-68

Consolidated EBITDA stood 3% below the first half of 2015, at EUR 2,067 million in the first half of 2016, impacted by lower one-off impacts year-on-year: i) +EUR 384 million in the first half of 2015, in the wake of the bargain purchase of Eneva's 50% stake in Pecém (+EUR 295 million) and on the sale of gas assets in Spain (+EUR 89 million); and (ii) +EUR 61 million in the first half of 2016, following the sale of the Pantanal mini-hydros, in Brazil. Excluding these impacts, adjusted EBITDA rose by 15% year-on-year (+EUR 259 million), to EUR 2,006 million in the first half of 2016, reflecting the improvement of weather conditions in Iberia and Brazil; and avg. portfolio expansion (+8%). Nevertheless, EBITDA was impacted by an unfavourable ForEx impact: -EUR 78 million on EBITDA, mainly due to BRL 20% avg. depreciation versus Euro.

Installed capacity at EDP group grew by 5% year-on-year, to 24.5GW in the first half of 2016, on the back of: (i) +365MW of hydro capacity in Portugal, following the start up of operations at Salamonde II (207MW in the first quarter 2016) and Baixo Sabor (188MW, the bulk in the first quarter 2016); (ii) +498MW of wind capacity (mostly in US and Brazil); (iii) change in consolidation perimeter (+562MW, following the full consolidation of assets derived from ENEOP, in Portugal; and the sale of mini-hydros in Brazil (51MW)); (iv) shutdown Soto 2 coal plant, in Spain (239MW).

In Iberia, EBITDA advanced 3% 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). EDPR's 18% rise in EBITDA, to EUR 648 million, was prompted by higher average capacity on stream (+14% year-on-year) and stronger wind resources (avg. load factor was 2pp up year-on-year to 33%). EDP Brasil's ('EDPB') contribution to EBITDA net of abovementioned effects was 17% higher year-on-year, despite the adverse ForEx impact (-EUR 77 million, excluding EDP Renováveis), EBITDA growth was driven by the full consolidation of Pecém I plant as of May 2015 and sharp recovery in hydro reservoirs.

EBITDA

EUR Million	1H16	1H15	Δ %	Δ Abs.
Long Term Contracted Generation in Iberia	275	322	-15%	-47
Liberalised Activities in Iberia	367	183	100%	184
Regulated Networks in Iberia	496	569	-13%	-73
EDP Renováveis	648	548	18%	100
EDP Brasil	301	501	-40%	-200
Other	-20	8	-	-28
Consolidated	**2,067**	**2,131**	**-3%**	**-64**

EDP Group **operating costs** were stable at EUR 759 million in the first half of 2016 driven by: (i) 2% year-on-year fall in Iberia, mainly impacted by average headcount reduction (-1%); (ii) 9% year-on-year increase at EDPR level, mainly reflecting portfolio expansion; (iii) 6% year-on-year fall in Brazil, reflecting BRL depreciation versus Euro and tight cost control on one hand; and the full consolidation of Pecém I, on the other hand. Other net operating costs/(revenues) fell from a EUR 140 million revenue in the first half of 2015 to EUR 144 million cost in the first half of 2016, mostly supported by the impacts of the previously mentioned Pecém I deal and sale of gas assets in Spain, in the first half of 2015, and by the Pantanal deal in the first half of 2016.

Amortisation and impairment (net of compensation from depreciation and amortisation of subsidised assets) rose 8% year-on-year to EUR 744 million in the first half of 2016, reflecting: (i) higher depreciation charges at EDPR (+EUR 38 million year-on-year), derived from the new capacity installed over the last 12 months; (ii) depreciation charges of Pecém following consolidation (+EUR 16 million); and (iii) of the new hydro plants of Baixo Sabor and Salamonde (+EUR 10 million).

Net financial results increased 12% year-on-year to EUR 408 million in the first half of 2016. Capitalised financial costs fell EUR 20 million year-on-year, to EUR 28 million in the first half of 2016, due to the commissioning of new hydro plants in Portugal. Capital gains reached EUR 13 million, mostly related with the sale of our equity stake in Tejo Energia in the first quarter 2016 (+EUR 11 million). Other financials (-EUR 49 million in the first half of 2016, -EUR 118 million year-on-year) considers lower gains with the tariff securitisation (EUR 29 million in the first half of 2016 versus EUR 46 million in the first half of 2015); an impairment of EUR 27 million in the first half 2016 related with our financial stake in BCP; and costs with early cancelation and optimization of some project finance in Europe of EUR 22 million in the first half of 2016 (at EDP Renováveis level). In turn, net interest expenses decreased 12% year-on-year due to lower avg. cost of debt of 4.5% (versus 4.7% in the first half of 2015).

Share of net profit in joint ventures and associates amounted to -EUR 5 million in the first half of 2016 (+EUR 19 million year-on-year), related with 2 equity accounted hydro plants in Brazil, stakes in wind parks in US and Spain and our stake in EDP Asia (CEM). Year-on-year variation was mostly impacted by the consolidation of Pecém I since May 2015 (-EUR 25 million in the first half of 2015) and by the impact of the full consolidation of some assets from ENEOP since September 2015 (+EUR 7 million in the first half of 2015).

Income taxes amounted to EUR 243 million in the first half of 2016, representing an effective tax rate of 27% (versus 18% in the first half of 2015). The difference between the effective tax rate in between periods is mainly due to the non-taxation of capital gain generated on the sale of gas distribution assets in Spain and with the non-taxation of the partial gain with the control acquisition of Pecém I.

Additionally, the first half of 2016 results reflects the impact from EDP's share on the **extraordinary contribution applied to the energy sector** (0.85% on net assets) in Portugal of EUR 59 million in the first half of 2016 (versus EUR 61 million in the first half of 2015).

Non-controlling interests amounted to EUR 141 million in the first half of 2016, including a gain with the sale of Pantanal hydro plant by EDP Brasil in the first quarter 2016 (versus a gain with the purchase of Pecém's 50% stake at EDP Brasil's level in the second quarter 2015 (EUR 127 million) and the effect of the sale of minority stakes in EDP Renováveis' wind farms.

Net profit attributable to EDP shareholders was 20% lower year-on-year, at EUR 472 million in the first half of 2016.

NET INVESTMENTS

EUR Million	1H16	1H15	Δ %	Δ Abs.
Long-Term Contracted Generation Iberia	13	10	30%	3
Liberalised Activities in Iberia	114	189	-40%	-75
Regulated Networks in Iberia	148	147	1%	1
EDP Renováveis	-437	-12	-3542%	-425
EDP Brasil	116	179	-35%	-63
Other	25	31	-19%	-6
EDP Group	**-21**	**544**	**-**	**-565**

Net investments amounted to -EUR 21 million in the first half of 2016 (versus EUR 544 million in the first half of 2015), including EUR 724 million of capex, EUR 84 million of financial investments and EUR 829 million of proceeds from asset rotation deals by EDP Renováveis.

Consolidated capex amounted to EUR 724 million in the first half of 2016, mostly (62%) devoted to the construction of new hydro & wind capacity. Maintenance capex was 11% higher year-on-year (+EUR 27 million), at EUR 263 million in the first half of 2016, mostly concentrated in regulated networks in Iberia and Brazil.

Capex in hydro capacity under construction in Portugal totalled EUR 71 million, following the delivery of new capacity. During the first quarter 2016, 2 hydro plants started operations: Salamonde II (207MW) and Baixo Sabor (upstream plant of 153MW). As of June 2016, EDP had 2 hydro projects under construction: i) Venda Nova III pumping facility (756MW), due in the second half of 2016; ii) Foz-Tua new hydro reservoir (263MW), expected to start-up operations in early 2017. Capex in new wind capacity (EDPR) amounted to EUR 378 million in the first half of 2016 (of which 75% in North America). Wind capacity additions in the first half of 2016 amounted to 134MW, of which 120MW in Brazil, 12MW in France and 2MW in Portugal (repowering). Capacity under construction reached 656MW in June 2016 (65% in North America, 30% in Mexico and 5% in Europe). In Brazil, capex totalled EUR 58 million in the first half of 2016 and was mostly devoted to our distribution business.

Net financial divestments[1] totalled EUR 531 million in the first half of 2016. Financial divestments amounted to EUR 687 million in the first half of 2016, comprising: i) EUR 585 million at EDPR level, including the sales of minority equity shareholdings in portfolios of wind assets in US, to Fiera Axium, and in Europe, to EFG Hermes; ii) EUR 83 million from the sale of Pantanal mini-hydro by EDPB (51MW); and iii) EUR 17 million from the sale of our equity stake in Tejo Energia. Financial investments in the first half of 2016 amounted to EUR 156 million, reflecting mostly the acquisition of an additional stake in Portgás (EUR 44 million) and EDP Brasil's equity contributions to Jari and S. Manoel hydro projects (EUR 58 million).

NET DEBT

EDP Group's consolidated net debt as at June 2016 amounted to EUR 16,479 million, resulting from a gross nominal debt of EUR 18,230 million deducted mainly by (i) an amount of cash and equivalents and financial assets at fair value through profit or loss of EUR 1,537 million, which was held, mainly, by EDP S.A. and EDP Finance BV (EUR 280 million), Group's Brazilian subsidiaries (EUR 714 million), and EDP Renováveis (EUR 305 million), and (ii) collateral deposits in the amount of EUR 71 million.

In terms of maturity, EDP Group's consolidated nominal gross debt breaks down into 12% in short-term and 88% in medium and long-term, with an average maturity of 4.8 years.

EDP maintained its policy of centralizing funding at EDP, S.A. and EDP Finance BV, which represented 85% of the Group's consolidated debt as at June 2016. The remainder consists essentially of debt contracted by the Brazilian holdings (9%) and project finance debt contracted by subsidiaries of the EDP Renováveis Group (5%) as well as EDP Produção Group (1%).

In March, EDP Finance B.V. issued a EUR 600 million bond with a coupon of 2.375% and 7 year maturity, allowing EDP Group to extend the average life of its debt portfolio at attractive costs, reinforcing its financial flexibility.

During the first half of 2016, EDP monetized approximately a total EUR 1,215 million of Portuguese tariff deficit related with 2014, 2015 and 2016 tariff deficit from the special regime generation.

Maintaining a prudent financial management policy, by the end of the first half of 2016 EDP had access to EUR 4,005 million of available credit lines and EUR 100 million of commercial paper with underwriting commitment, fully available. Additionally EDP has a EUR 1,000 million Euro Commercial Paper programme (ECP) which is not committed and is, being used for the Group short term treasury management. As at 30 June 2016, the total amount issued of ECP amounted to EUR 390.5 million.

In the first-half of 2016, the average cost of debt of the EDP Group was 4.5% and approximately 52% of its debt and borrowings had a fixed rate.

In terms of currencies, Euro continues to be the main funding currency (68%). The USD financing contracted to fund the net investments of the Group's subsidiaries in the United States of America justifies the exposure to USD (21%). EDP Group funding in Real represents 8% of the total debt as at 30 June 2016.

In Feb-16, Moody's affirmed EDP's credit rating at "Baa3" with Stable outlook. This rating affirmation follows a review of EDP's and other European utility companies' exposure to the power price environment, reflecting EDP's low exposure to lower power prices, as well as its financial flexibility.

The rating attributed by "S&P" and "Fitch" remained unchanged at, respectively, BB+/Positive and BBB-/Stable.

LONG-TERM CONTRACTED GENERATION IN IBERIA

EBITDA from long-term contracted generation fell by 15% (-EUR 47 million year-on-year), to EUR 275 million in the first half of 2016, reflecting the transfer of 8 hydro plants to our merchant portfolio following the termination of respective PPAs (the first half of 2015 gross profit: EUR 43 million). These plants have a total installed capacity of 627MW and an annual production 1.7TWh (on an average hydro year).

Gross profit from PPA/CMEC was 22% lower year-on-year, at EUR 281 million in the first half of 2016, driven by the aforementioned end of PPA in December 2015 and the natural depreciation of the asset base in a context of very low inflation and adverse results with fuel procurement, following the decline in CO2 and fuel market prices between the moment of procurement and the moment of consumption. Note that, as a result of EDP's strategy to

[1] Acquisitions and disposals of financial investments, excluding shareholder loans.

hedge these changes through derivative financial instruments, this impact is ultimately compensated at the level of financial results.

The annual deviation between market gross profit under CMECs assumptions and gross profit under actual market conditions totalled EUR 85 million in the first half of 2016. This amount is due to be received in up to 24 months through access tariffs. Deviation at hydro plants totalled EUR 31 million in the first half of 2016, since higher output (above the CMEC reference), prompted by hydro resources 68% above average hydro year, was outstated by realised price below the CMEC's reference and adverse impact from low inflation. In turn, total gross profit at our Sines coal plant was EUR 54 million below the CMEC's reference in the first half of 2016, due to the combined effect of shorter volumes and avg. clean dark spread below CMEC reference.

Gross profit from special regime was EUR 21 million higher year-on-year, at EUR 48 million in the first half of 2016, fully driven by a 109% surge in production backed by strong hydro conditions year-on-year.

LIBERALISED ACTIVITIES IN IBERIA

EBITDA from liberalised activities was EUR 184 million higher year-on-year, at EUR 367 million in the first half of 2016, backed by a cheaper average generation cost, prompted by a sharp recovery in hydro resources and production (64% weight in generation mix in the first half of 2016 versus 35% in the first half of 2015); and by higher results with energy management in the wake of low-price context and high price volatility during the first half of 2016.

Note that, as a result of the end of PPAs at 8 hydro plants in December 2015, 627MW of hydro capacity was transferred from the LT Contracted portfolio (1.4TWh in the first half of 2016) to liberalised generation portfolio, posting a EUR 43 million of gross profit in the first half of 2016.

Gross profit in the electricity business rose by 46% in the first half of 2016, to EUR 583 million, driven by an increase in avg. unit margin (up from EUR 13.3/MWh in the first half of 2015 to EUR 18.0/MWh in the first half of 2016) and volumes sold (+11% year-on-year).

Output from our generation plants (unadjusted for hydro pumping) was 19% higher in the first half of 2016, mainly prompted by higher contribution from hydro plants in the wake of stronger hydro resources and the contribution from 'Ex-PPA plants', in January 2016 (1.4Wh output in the first half of 2016). The rise in hydro output was partially offset by lower production at our coal plants (-1.9TWh). Avg. production cost was 46% lower year-on-year, at EUR 16/MWh in the first half of 2016, reflecting the much higher contribution from the cheaper hydro technology: 64% of total output in the first half of 2016 versus 35% in the first half of 2015.

Gross profit at our supply activities in Spain was EUR 5 million lower year-on-year, at EUR 64 million in the first half of 2016, mainly impacted by lower gains with gas trading activities.

Gross profit at our supply activities in Portugal rose by 20% (+EUR 17 million year-on-year), to EUR 101 million in the first half of 2016, driven by higher volume of electricity supplied and higher penetration of energy services.

REGULATED NETWORKS IN IBERIA

Regulated networks in Iberia include our activities of distribution of electricity and gas, in Portugal and Spain, as well as the role of last resort supplier in Portugal.

EBITDA from regulated networks decreased by 13% year-on-year (-EUR 73 million), to EUR 496 million in the first half of 2016, mainly impacted by a EUR 89 million gain booked on the sale of gas distribution assets in Spain to Redexis in the first half of 2015. Excluding this effect, EBITDA from regulated networks in Iberia advanced by 3% year-on-year (+EUR 16 million), mainly impacted by the new regulatory terms applicable to electricity distribution in Spain as from January 1st, 2016 and tight cost control. Gross profit rose by 2% (+EUR 14 million year-on-year) in the first half of 2016, reflecting: (i) in Spain, higher regulated revenues in electricity distribution, only partially compensated by the de-consolidation of gas assets sold in the first half of 2015; (ii) in Portugal, clients' switching to free market in electricity.

EDP RENOVÁVEIS

EDP Renováveis ('EDPR') owns, operates and develops EDP Group's wind and solar capacity. As of June 2016, EDPR operated 9,365 MW (+1,111MW year-on-year). EDPR's EBITDA derives mainly from PPA-contracted and regulated tariff schemes (92% of output) and is geographically widespread: 41% in North America, 21% from Portugal, 16% from Spain and the rest derived in France, Poland, Romania, Belgium, Italy and Brazil.

EDPR's EBITDA went up by 18% year-on-year (+EUR 100 million) to EUR 648 million in the first half of 2016, reflecting: i) higher avg. capacity on stream; ii) higher load factor (+2p.p.) and iii) proceeds from new tax equity deals during the period; which more than compensate the lower avg. selling price and higher operating costs (+EUR 16 million year-on-year).

Electricity output advanced +23% year-on-year to 13.3TWh in the first half of 2016, supported by an increase of avg. capacity in operation and stronger wind resources, avg. load factor went up 2p.p. to 33% in the first half of 2016, benefiting from outstanding wind resources in US and Iberia. Average selling price decreased by EUR 4/MWh year-on-year to EUR 60/MWh, driven by lower Spanish pool prices, new projects in US at lower PPA prices and the end of one PPA in Texas (US).

EDP BRASIL

EDP Brasil's contribution to EDP Group's EBITDA fell by 40% year-on-year (-EUR 200 million), to EUR 301 million in the first half of 2016. In local currency, EDP Brasil EBITDA decreased 23% year-on-year (-BRL 384 million) to BRL 1,273 million in the first half of 2016, impacted, in the first half of 2016, by the gain of BRL 278 million booked in the sale of Pantanal mini-hydro plants and, in the first half of 2015, by the capital gain of BRL 885 million with the purchase of 50% of Pecém in the first half of 2015, both at 'other operating income' level. Adjusted by these effects of Pantanal and Pecém, EBITDA would have increased 29% year-on-year to BRL 995 million.

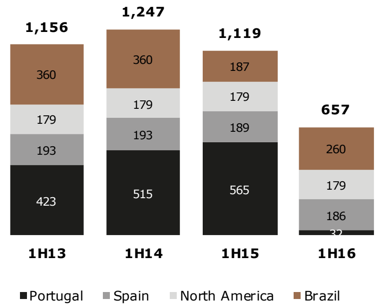
Generation and Supply EBITDA went up by BRL 362 million to BRL 784 million (excluding the gain with the sale of Pantanal mini-hydro plants in the first half of 2016 and the gain with the purchase of 50% of Pecém in the first half of 2015), reflecting year-on-year the full consolidation of Pecém since May 15, 2015 and better performance at our hydro plants due to a negligible impact of the hydro deficit versus a stronger impact in the first half of 2015 (GSF at 89% in the first half of 2016 versus 80% in the first half of 2015 and avg. PLD of BRL 48/MWh in the first half of 2016 versus BRL 386/MWh in the first half of 2015).

EBITDA in distribution fell by BRL 157 million to BRL 257 million in the first half of 2016, impacted by overcontracted volumes at Bandeirante, lower demand, and positive impact from high tariff increases in the first half of 2016.

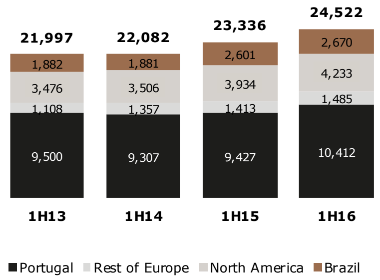
Additionally, EDP Brasil's contribution to EDP Group's EBITDA was also impacted by a depreciation of the Brazilian real versus the Euro.

KEY INDICATORS

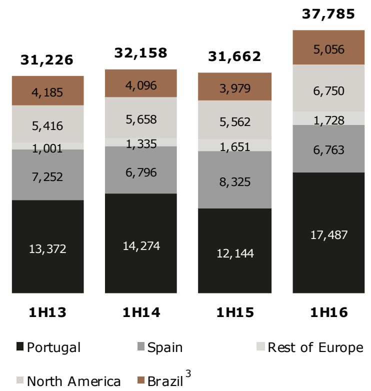
INSTALLED CAPACITY EQUITY[2]
(MW)



INSTALLED CAPACITY
(MW)



NET ELECTRICITY GENERATION
(GWh)



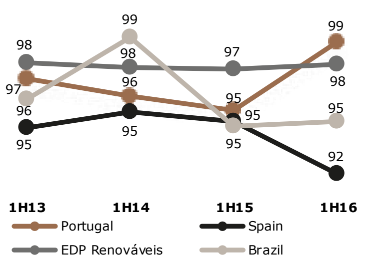
ELECTRICITY GENERATION (1/2)	UN	1H16	1H15	1H14	1H13
INSTALLED CAPACITY	**MW**	**24,522**	**23,336**	**22,082**	**21,997**
Contracted Generation in Iberian Market	**MW**	**4,027**	**4,683**	**4,745**	**5,593**
PPA/CMEC	**MW**	**3,843**	**4,470**	**4,470**	**5,274**
Hydro	MW	2,663	3,290	3,290	4,094
Coal	MW	1,180	1,180	1,180	1,180
Special Regime	**MW**	**184**	**213**	**274**	**318**
Portugal - Hydro	MW	159	164	157	157
Portugal - Thermal	MW	24	24	24	68
Spain - Thermal	MW	n.a	25	93	93
Liberalised Electricity Generation in Iberian Market	**MW**	**8,664**	**7,881**	**7,777**	**7,125**
Portugal	**MW**	**5,136**	**4,139**	**4,035**	**3,382**
Hydro	MW	3,097	2,100	1,996	1,178
CCGT	MW	2,039	2,039	2,039	2,039
Fuel	MW	-	-	-	165
Spain	**MW**	**3,528**	**3,743**	**3,743**	**3,743**
Hydro	MW	426	426	426	426
CCGT	MW	1,698	1,698	1,698	1,698
Coal	MW	1,224	1,463	1,463	1,463
Nuclear	MW	156	156	156	156
Cogeneration and Waste	MW	25	n.a	n.a	n.a
EDP Renováveis	**MW**	**9,365**	**8,254**	**7,762**	**7,481**
Portugal	MW	1,249	630	621	619
Spain	MW	2,194	2,194	2,194	2,194
Rest of Europe	MW	1,485	1,413	1,357	1,108
North America	MW	4,233	3,934	3,506	3,476
Brazil	MW	204	84	84	84
EDP Brasil	**MW**	**2,466**	**2,517**	**1,797**	**1,798**
Hydro	MW	1,745	1,797	1,797	1,798
Coal	MW	720	720	-	-
Capacity under Construction	**MW**	**1,675**	**1,925**	**1,873**	**2,122**
Portugal [1]	MW	1,019	1,368	1,468	1,468
EDP Renováveis	MW	656	556	405	242
Brazil [1]	MW	-	-	-	412
Installed Capacity Equity [2]	**MW**	**657**	**1,119**	**1,247**	**1,156**
Portugal [1]	MW	32	32	32	32
Spain [1]	MW	10	15	19	19
EDP Renováveis	MW	356	886	837	744
Brazil [1]	MW	260	187	360	360
Capacity under Construction Equity [2]	**MW**	**231**	**341**	**609**	**296**
Brazil	MW	231	341	609	296
NET ELECTRICITY GENERATION	**GWh**	**37,785**	**31,662**	**32,158**	**31,226**
Contracted Generation in Iberian Market	**GWh**	**9,193**	**8,188**	**9,728**	**10,538**
PPA/CMEC	**GWh**	**8,620**	**7,791**	**9,102**	**9,562**
Hydro	GWh	5,316	3,063	5,859	6,088
Coal	GWh	3,304	4,728	3,242	3,474
Fuel	GWh	-	-	-	-
Special Regime	**GWh**	**573**	**397**	**626**	**976**
Portugal - Hydro	GWh	473	227	405	424
Portugal - Thermal	GWh	100	102	120	248
Spain - Thermal	GWh	n.a.	68	101	305
Liberalised Electricity Generation in Iberian Market	**GWh**	**10,428**	**8,747**	**7,472**	**6,278**
Portugal	GWh	**6,544**	**3,217**	**3,721**	**2,251**
Hydro	GWh	5,931	2,464	3,661	2,101
CCGT	GWh	613	753	60	150
Fuel	GWh	-	-	-	0
Spain	GWh	**3,884**	**5,530**	**3,752**	**4,027**
Hydro	GWh	762	620	681	838
CCGT	GWh	404	333	159	287
Coal	GWh	2,102	4,030	2,383	2,387
Nuclear	GWh	560	546	529	515
Cogeneration and Waste	GWh	57	n.a.	n.a.	n.a.
EDP Renováveis	**GWh**	**13,314**	**10,842**	**10,965**	**10,323**
Portugal	GWh	1,751	807	926	888
Spain	GWh	2,879	2,727	2,943	2,920
Rest of Europe	GWh	1,728	1,651	1,335	1,001
North America	GWh	6,750	5,562	5,658	5,416
Brazil	GWh	205	94	103	98
EDP Brasil [3]	**GWh**	**4,850**	**3,885**	**3,993**	**4,087**
Hydro	GWh	2,511	3,275	3,993	4,087
Coal	GWh	2,339	610	-	-
Steam	GWh	447	447	542	802

[1] Excludes EDP Renováveis | [2] Accounted by the Equity Method | [3] 2014 and 2015 EDP Brasil figures revised in light of "Câmara de Comercialização de Energia Eléctrica" settlements

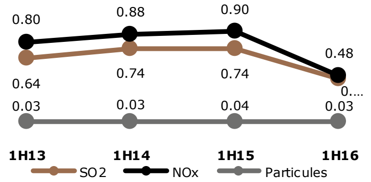
ELECTRICITY GENERATION (2/2)	UN	1H16	1H15	1H14	1H13
TECHNICAL AVAILABILITY					
Portugal [1]	**%**	**99**	**95**	**96**	**97**
Hydro	%	97	99	97	98
CCGT	%	92	94	95	97
Coal	%	91	100	95	92
Mini-hydro	%	98	94	94	99
Cogeneration	%	98	99	100	94
Spain [1]	**%**	**92**	**95**	**95**	**95**
Hydro	%	100	100	100	100
CCGT	%	99	100	95	97
Coal	%	81	89	96	96
Nuclear	%	85	83	80	78
Cogeneration	%	94	98	99	91
Waste	%	95	96	89	92
EDP Renováveis	**%**	**98**	**97**	**98**	**98**
Portugal	%	98	98	98	97
Spain	%	97	96	97	98
Rest of Europe	%	98	98	97	97
North America	%	98	98	98	98
Brazil	%	98	98	98	98
Brazil [1]	**%**	**95**	**95**	**99**	**96**
Hydro	%	97	97	99	96
Coal	%	89	87	-	-
ENVIROMENTAL INDICATORS					
Certified Installed Capacity	%	91	92	80	75
Primary Energy Consumption					
Total Emissions	kt	7,924	8,846	4,996	5,549
CO_2	kt	4	10	6	6
NO_x	kt	4	8	5	5
SO_2	kt	0.29	0.43	0.19	0.03
Particles	kt	23,185	16,227	19,641	17,230
Avoided CO_2	t	220,366	283,834	105,201	132,330
Waste sent for final disposal	t	1,225	33,479	1,545	2,335
Dangerous waste	%	62	47	65	64
Waste valorization	t	335,642	237,899	212,238	189,591
Sub-products	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	#	3,211	3,234	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] Excludes EDP Renováveis | [2] Includes accidents with one or more days of absence and fatal accidents.

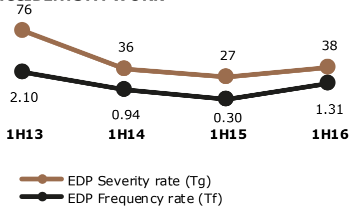
TECHNICAL AVAILABILITY (%)



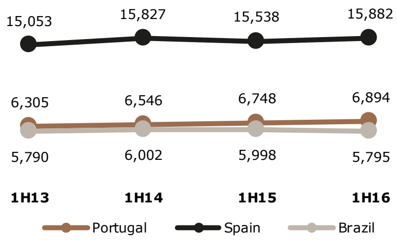
SPECIFIC EMISSIONS FROM THERMAL (g/kWh)



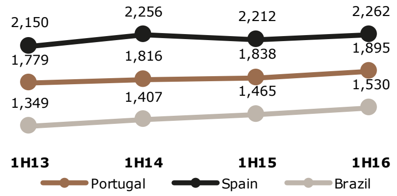
ACCIDENTS AT WORK



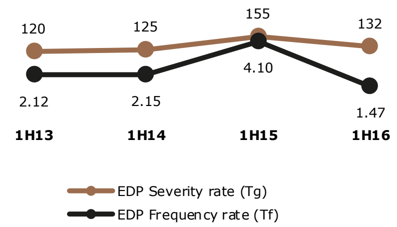
ELECTRICITY DISTRIBUTED PER EMPLOYEE
(MWh/#)



SUPPLY POINTS PER EMPLOYEE
(#)



ACCIDENTS AT WORK



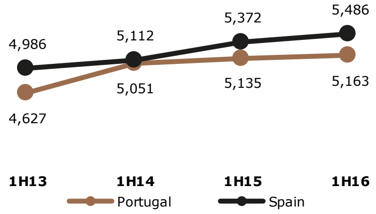
ELECTRICITY DISTRIBUTION	UN	1H16	1H15	1H14	1H13
ELECTRICITY DISTRIBUTED	**GWh**	**39,353**	**40,141**	**39,731**	**39,010**
Portugal	GWh	22,287	22,368	21,904	21,550
Spain	GWh	4,637	4,630	4,621	4,606
Brazil	GWh	12,429	13,142	13,205	12,854
ELECTRICITY SUPPLY POINTS	**'000**	**10,068**	**9,962**	**9,831**	**9,731**
Portugal	'000	6,126	6,094	6,076	6,079
Spain	'000	661	659	659	658
Brazil	'000	3,281	3,209	3,096	2,994
GRID EXTENSION	**Km**	**336,608**	**334,725**	**332,326**	**335,548**
Portugal	**Km**	**225,092**	**224,498**	**223,344**	**224,688**
Overhead lines	Km	176,643	176,304	175,404	n.a.
Underground lines	Km	48,449	48,194	47,940	n.a.
Spain [1]	**Km**	**20,411**	**20,325**	**20,221**	**23,202**
Overhead lines	Km	15,631	15,580	15,523	18,438
Underground lines	Km	4,780	4,745	4,698	4,764
Brazil	**Km**	**91,105**	**89,901**	**88,761**	**87,658**
Overhead lines	Km	90,871	n.a.	n.a.	n.a.
Underground lines	Km	234	n.a.	n.a.	n.a.
GRID LOSSES					
Portugal	%	9.4	9.7	10.3	12.1
Spain	%	4.4	4.7	4.4	4.1
Brazil	%	11.3	10.8	11.6	11.6
SERVICE QUALITY					
Portugal					
Installed Capacity Equivalent Interruption Time [2]	Min	30	26	33	30
Spain					
Installed Capacity Equivalent Interruption Time [2]	Min	12	21	13	22
Brazil					
Average Interruption Duration per Consumer					
Bandeirante	Hours	9.3	7.4	7.4	9.2
Escelsa	Hours	9.2	9.3	9.6	10.7
Frequency of Interruptions per Consumer					
Bandeirante	#	5.6	5.0	5.3	5.8
Escelsa	#	5.5	5.4	6.1	6.4
ENVIRONMENTAL INDICATORS					
Certified Installed Capacity	%	41	35	33	29
Waste sent for final disposal	t	8,918	8,225	4,034	8,696
Dangerous waste	t	1,518	1,447	1,222	1,006
Waste valorization	%	90	90	77	97
OCCUPATIONAL HEALTH AND SAFETY					
Employees	#	5,670	5,804	5,838	5,944
On-duty accidents [3]	#	8	20	11	10
On-duty accidents of contracted workers [3]	#	17	14	22	25
Fatal on-duty accidents	#	0	1	0	1
Fatal accidents of contracted workers	#	1	1	3	2

[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.

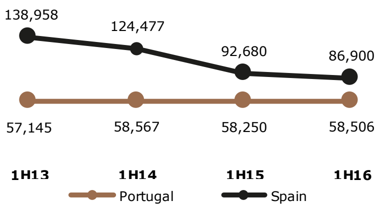
GAS DISTRIBUTION	UN	1H16	1H15	1H14	1H13
GAS DISTRIBUTED	**GWh**	**18,402**	**19,425**	**28,527**	**31,866**
Portugal	GWh	3,803	3,670	3,631	3,657
Spain	GWh	14,599	15,756	24,895	28,208
GAS SUPPLIED	**'000**	**1,257**	**1,237**	**1,335**	**1,308**
Portugal	'000	336	323	313	296
Spain	'000	922	913	1,022	1,012
GRID EXTENSION	**Km**	**12,714**	**12,392**	**14,638**	**14,301**
Portugal	Km	4,951	4,700	4,543	4,376
Spain	Km	7,764	7,692	10,096	9,925
ENVIRONMENTAL INDICATORS					
Installed power certified	%	100	100	100	100
Waste sent for final disposal	t	1	4	11	15
Dangerous waste	t	0	0	0	1
Waste valorization	%	90	100	99	97
OCCUPATIONAL HEALTH AND SAFETY					
Employees	#	230	233	262	267
On-duty accidents [1]	#	2	1	1	4
On-duty accidents of contracted workers [1]	#	2	0	2	4
Fatal on-duty accidents	#	0	0	0	0
Fatal accidents of contracted workers	#	0	0	0	0

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

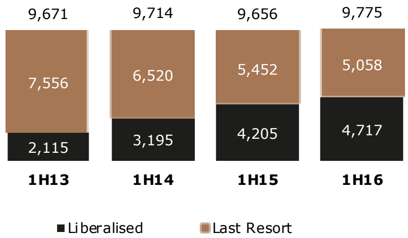
SUPPLY POINTS PER EMPLOYEE
(#)



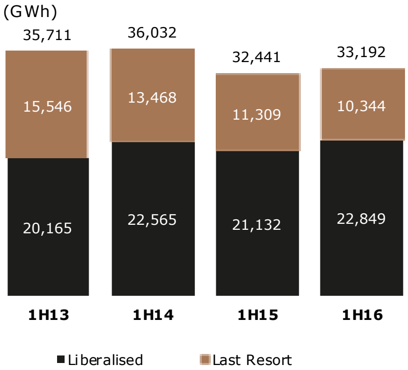
GAS DISTRIBUTED PER EMPLOYEE
(MWh/#)



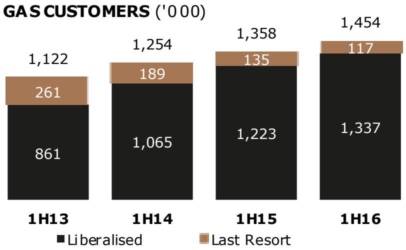
ELECTRICITY CUSTOMERS ('000)



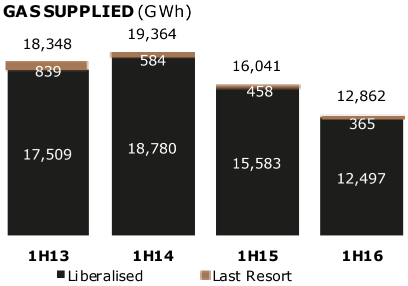
ELECTRICITY SUPPLIED (GWh)



GAS CUSTOMERS ('000)



GAS SUPPLIED (GWh)



ELECTRICITY SUPPLY	UN	1H16	1H15	1H14	1H13
NUMBER OF CUSTOMERS	'000	9,775	9,656	9,714	9,671
Portugal	'000	5,448	5,460	5,681	5,803
Last Resort	'000	1,545	2,000	3,172	4,298
Liberalised Market	'000	3,904	3,460	2,509	1,505
Market Share EDP - Liberalised Market	%	n.a.	85	86	85
Spain	'000	1,045	987	937	874
Last Resort	'000	232	243	252	264
Liberalised Market	'000	813	744	685	610
Market Share EDP - Liberalised Market	%	n.a.	n.a.	n.a.	n.a.
Brazil	'000	3,281	3,209	3,096	2,994
Last Resort[1]	'000	3,281	3,209	3,096	2,994
Liberalised Market	'000	0.6	0.4	0.5	0.3
Social Tariff	'000	362	293	324	333
Portugal	'000	124	52	46	65
Spain	'000	60	61	63	61
Brazil	'000	177	180	214	206
Special Needs	'000	0.98	0.95	0.76	0.83
Portugal	'000	0.46	0.54	0.41	0.51
Brazil	'000	0.52	0.41	0.35	0.32
Green Tariff	'000	829	771	683	586
Portugal	'000	4	4	4	5
Spain	'000	825	767	679	581
ENERGY SUPPLIED	GWh	33,192	32,441	36,032	35,711
Portugal	GWh	11,404	11,852	12,772	13,599
Last Resort	GWh	2,307	3,199	5,217	7,555
Liberalised Market	GWh	9,097	8,653	7,555	6,044
Market Share EDP - Liberalised Market	%	n.a.	45	45	43
Spain	GWh	8,351	7,532	8,958	8,403
Last Resort	GWh	249	261	278	317
Liberalised Market	GWh	8,101	7,271	8,680	8,087
Market Share EDP - Liberalised Market	%	9	8	10	10
Brazil	GWh	13,438	13,057	14,303	13,709
Last Resort[1]	GWh	7,787	7,849	7,973	7,675
Liberalised Market	GWh	5,651	5,209	6,330	6,034
Social Tariff	GWh	129	256	316	281
Portugal	GWh	10	10	46	62
Spain	GWh	35	66	65	62
Brazil	GWh	84	180	205	156
Special Needs	GWh	1	1	1	1
Green Tariff	GWh	1,205	2,981	2,500	2,467
Portugal	GWh	8	6	16	6
Spain	GWh	1,197	2,975	2,484	2,462

GAS SUPPLY	UN	1H16	1H15	1H14	1H13
NUMBER OF CUSTOMERS	'000	1,454	1,358	1,254	1,122
Portugal	'000	612	527	433	335
Last Resort	'000	60	74	118	185
Liberalised Market	'000	551	452	316	151
Spain	'000	843	831	820	787
Last Resort	'000	57	60	71	76
Liberalised Market	'000	786	771	749	710
ENERGY SUPPLIED	GWh	12,862	16,041	19,364	18,348
Portugal	GWh	2,598	2,664	2,363	3,616
Last Resort	GWh	217	270	406	617
Liberalised Market	GWh	2,382	2,394	1,957	2,999
Market Share EDP - Liberalised Market	%	n.a.	11	8	15
Spain	GWh	10,264	13,377	17,001	14,733
Last Resort	GWh	148	187	179	222
Liberalised Market	GWh	10,115	13,189	16,823	14,511
Market Share EDP - Liberalised Market	%	3	3	4	6

[1] Regulated Customers supplied by Distribution

COMPLEMENTARY INDICATORS

ENVIRONMENTAL INDICATORS	UN	2016	2015	2014	2013
ENVIRONMENTAL CERTIFICATION (ISO 14001)					
Revenues from certified installations	%	61	55	37	28
PRIMARY ENERGY CONSUMPTION	**TJ**	**91,241**	**107,185**	**63,031**	**71,446**
Coal	TJ	75,002	89,852	51,704	53,721
Fuel oil	TJ	287	164	267	284
Natural gas	TJ	9,232	9,891	4,402	9,662
Residual gases	TJ	6,476	85	86	50
Forestry waste	TJ	n.d	n.d	n.d	1,840
Diesel oil	TJ	127	7,067	6,453	5,769
Fuel for vehicle fleet	TJ	117	127	119	120
ENERGY INTENSITY [1]	**MJ/EUR**	**12.8**	**13.5**	**7.9**	**8.7**
ELECTRICITY CONSUMPTION					
Generation internal consumption	MWh	1,796,374	1,741,423	1,712,781	1,332,396
Administrative service	MWh	16,985	17,840	17,229	18,568
Grid losses	%	9	9	10	11
GHG EMISSION					
Direct emissions (scope 1)	**$ktCO_{2eq}$**	**7,939**	**8,862**	**5,008**	**5,560**
Stationary combustion [2]	$ktCO_{2eq}$	7,924	8,846	4,996	5,549
SF6 Emissions	$ktCO_{2eq}$	2	2	1	0
Company fleet	$ktCO_{2eq}$	9	9	8	8
Natural gas consumption	$ktCO_{2eq}$	0	0	0	1
Natural gas losses	$ktCO_{2eq}$	3	4	2	2
Indirect emissions (scope 2) [3]	**$ktCO_{2eq}$**	**330**	**308**	**423**	**485**
Electricity consumption in office buildings	$ktCO_{2eq}$	1	0	0	0
Electricity losses	$ktCO_{2eq}$	317	296	413	476
Renewable plants self-consumption	$ktCO_{2eq}$	12	11	10	9
GHG EMISSIONS INTENSITY [4]	**$kgCO_2$/EUR**	**1.2**	**1.2**	**0.7**	**0.7**
SPECIFIC OVERALL EMISSIONS					
CO_2 [2 5]	g/kWh	210	280	155	173
NO_x	g/kWh	0.12	0.32	0.18	0.18
SO_2	g/kWh	0.11	0.26	0.15	0.15
Particulate matter	g/kWh	0.01	0.01	0.01	0.01
USE OF WATER					
Potable water	$10^3 x\ m^3$	96	94	81	133
WASTE SENT TO FINAL DISPOSAL					
Total waste	t	229,651	292,344	109,485	141,348
Total hazard waste	t	2,750	34,941	2,770	3,348
Recovered Waste	%	63	49	66	66

[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 1,456.5 ktCO2 in 2016; 1,718.0 ktCO2 in 2015; 1,597.6 ktCO2 in 2014; 1,438.0 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 1 emissions.

[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.

SOCIAL INDICATORS	UN	2016	2015	2014	2013
EMPLOYMENT					
Employees	**#**	**11,923**	**11,983**	**11,884**	**12,143**
Executive Board of Directors	#	8	8	7	7
Senior Management	#	736	715	713	759
Supervisors	#	766	748	715	895
Specialists	#	3,925	3,828	3,643	3,359
Technicians	#	6,489	6,685	6,807	7,124
Male employees	**%**	**77**	**77**	**77**	**77**
Female employees	**%**	**23**	**23**	**23**	**23**
Employees by types of contract	**#**	***11,923***	**11,983**	**11,884**	**12,143**
Executive bodies	#	51	55	57	56
Male	#	48	52	56	53
Female	#	3	3	1	3
Permanent workforce	#	11,772	11,773	11,619	11,981
Male	#	9,014	9,079	8,933	9,277
Female	#	2,758	2,694	2,687	2,704
Fixed-term contracts	#	100	155	208	106
Male	#	60	124	179	75
Female	#	40	31	29	31
Employees by occupational contract	**#**	**11,923**	**11,983**	**11,884**	**12,143**
Full-Time	#	11,894	11,951	11,851	12,112
Male	#	9,117	9,249	9,164	9,398
Female	#	2,777	2,702	2,688	2,714
Part-time	#	29	32	33	31
Male	#	5	6	4	7
Female	#	24	26	29	24
New employees	**#**	**302**	**354**	**321**	**353**
Male	#	202	257	235	246
Female	#	100	97	86	107
Rácio F/M de novas entradas	**x**	**0.50**	**0.38**	**0.37**	**0.43**
Employees leaving	**#**	**470**	**418**	**496**	**474**
Male	#	379	320	401	404
Female	#	91	98	95	71
Turnover	**%**	**3.23**	**2.95**	**3.40**	**3.40**
Average age of workforce	**years**	**45**	**45**	**46**	**46**
Absenteeism rate [1]	**%**	**3.56**	**3.34**	**3.49**	**3.14**
Pay ratio by gender (F/M)	**x**	**1.02**	**1.02**	**0.99**	**1.01**
TRAINNING					
Total hours of training	hours	148,286	168,848	205,352	170,188
Average training per employee (h/p)	h/p	12	14.1	17.3	14.0
Employees with training	%	72	75	75	42
HEALTH AND SAFETY (H&S)					
Employees					
Accidents [2]	#	16	25	17	25
Fatalaties	#	0	1	0	2
Total lost days due to accidents	#	944	1,034	1,329	1,348
Frequency rate	Tf	14	2.3	1.6	2.3
Severity rate	Tg	83	96	123	122
Contractors					
Accidents [2]	#	101	67	112	116
Fatalaties	#	1	2	9	4
Total lost days due to accidents	#	4,356	4,841	5,440	5,486
Frequency rate	Tf	5.5	3.8	5.0	5.2
Severity rate	Tg	235	275	242	244
Employees + Contractors					
Frequency rate	Tf_total	3.9	3.2	3.9	4.2
Severity rate	Tg_total	178	275	203	204
Fatal electrical accidents envolving third parties [3]	#	3	11	6	8
Near-miss situations	#	186	97	81	84
VOLUNTEER INVESTMENT IN THE COMMUNITY (LBG METHODOLOGY)					
Volunteer investment/EBITDA	%	0.27	0.20	0.31	0.38

[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.

[3] Accidents ocurred in the permises of the company plants or equipment.

ECONOMIC INDICATORS	UN	2016	2015	2014	2013
ECONOMIC VALUE GENERATED	**'000€**	**7,979,572**	**8,952,509**	**8,773,640**	**8,876,614**
Economic value distributed	'000€	7,462,530	8,063,344	7,936,621	8,192,770
Economic value accumulated	'000€	517,042	889,165	837,019	683,844
ENERGY EFFICIENCY AND SUPLEMENTARY ENERGY SERVICES REVENUES [1]	**'000€**	**560,565**	**534,016**	**n.d.**	**n.d.**
Energy efficiency services revenues [2]	'000€	23,411	22,890	29,861	24,702
Suplementary energy services revenues [3]	'000€	537,154	511,126	n.d.	n.d.
FINES AND PENALTIES	**'000€**	**4,047**	**2,564**	**1,977**	**4,486**
ENVIRONMENTAL MATTERS	**'000€**	**52,452**	**45,019**	**37,082**	**38,605**
Investments	'000€	24,126	19,147	16,939	14,508
Expenses	'000€	28,326	25,872	20,142	24,097
SOCIAL MATTERS					
Personnal costs	'000€	294,137	294,143	302,123	305,684
Employee benefits	'000€	29,363	30,077	27,469	29,543
Direct training investment	'000€	1,704	3,055	3,073	2,519
Direct training investment per employee	€p	0.14	0.25	0.26	0.21
HC ROI per employee	%	0.17	0.19	0.32	0.19

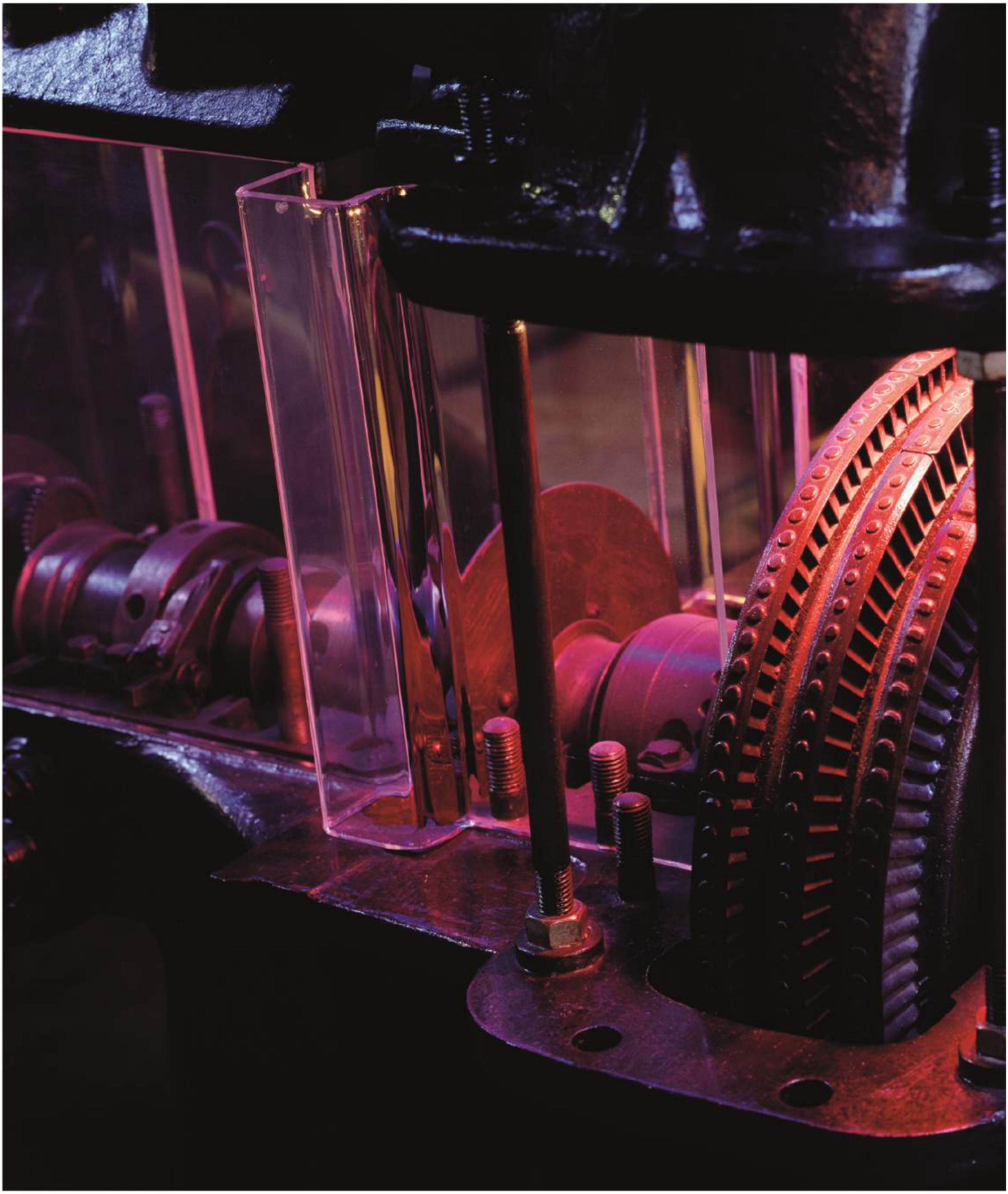
[1] Energy Efficiency and Suplementary Energy Services: services provided under energy supply, instalation of more efficient and/or building retrofit, and sustainable mobility, which generate revenues for the company.
[2] Efficiency Energy Services: Indicator formely known as Energy Services Invoicing. The 2015 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.

ENERGY
WITH
INTELLIGENCE

03. corporate governance

41 PERFORMANCE OF EDP ON THE STOCK MARKET

43 CORPORATE BODIES



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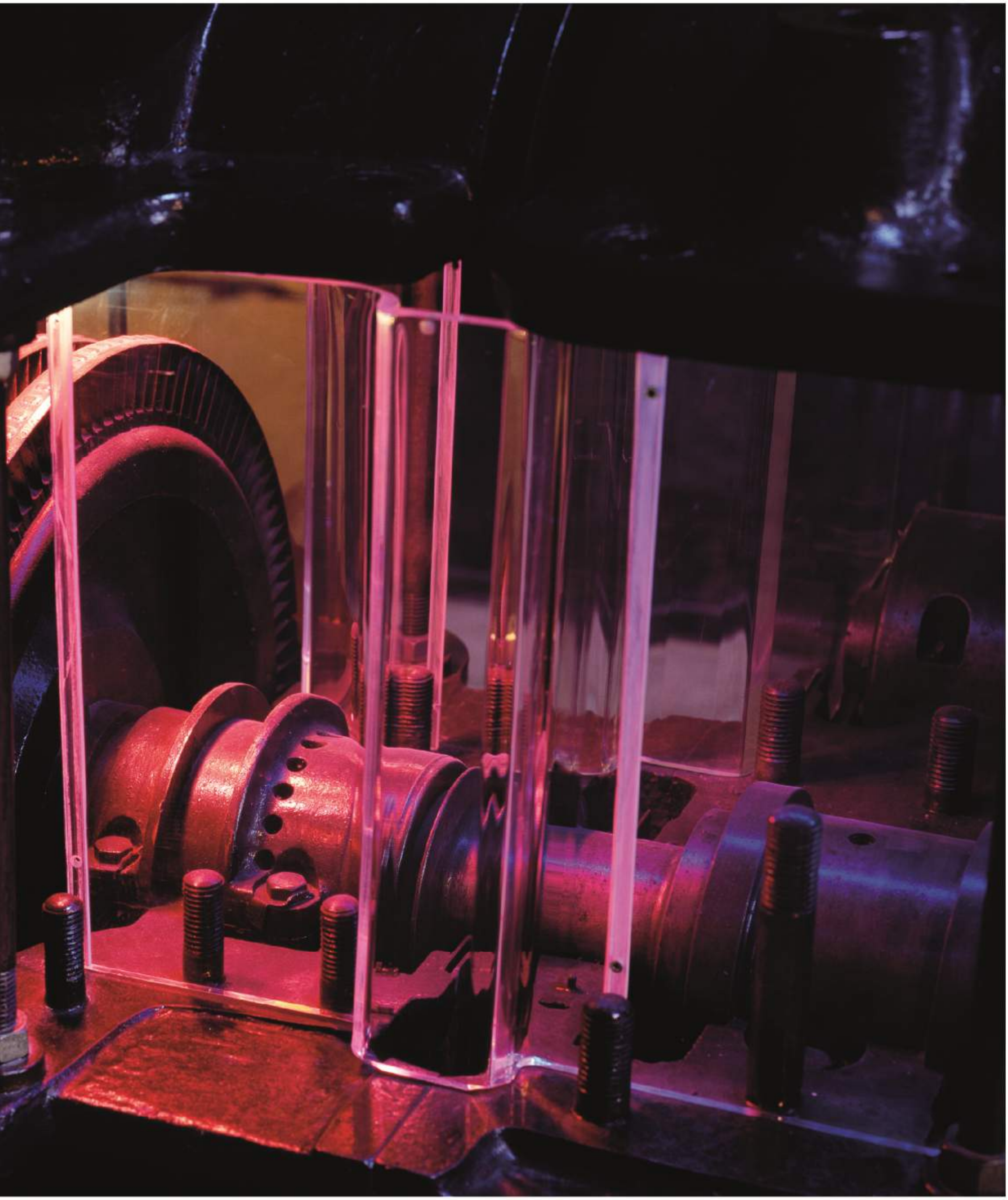

Memória projectada no futuro

ENERGY
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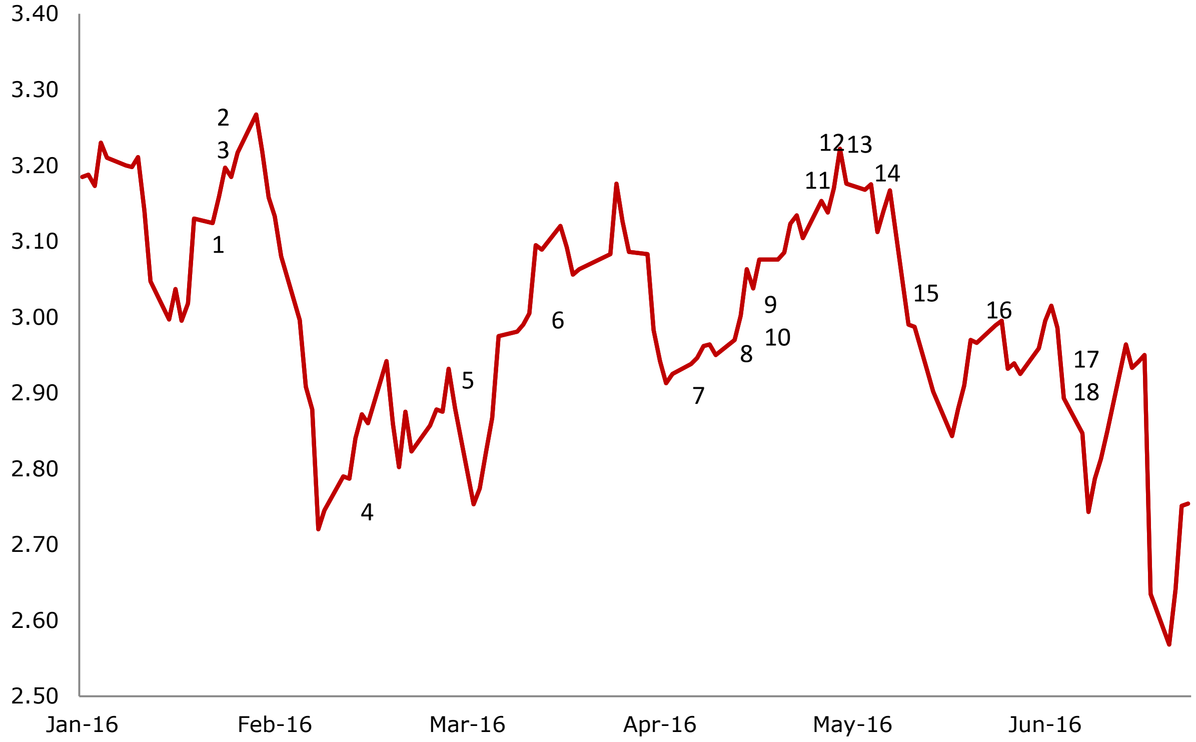
A. PERFORMANCE OF EDP ON THE STOCK MARKET

MAIN EVENTS AFFECTING THE EDP SHARE PRICE IN THE 1ST HALF OF 2016



#	Date	Event	Price
1	25/01/2016	EDP acquires gas distribution assets from Repsol in the north of Spain	3.12
2	29/01/2016	Conclusion of sale by EDP Brasil of two mini-hydro plants	3.22
3	29/01/2016	EDP sells EUR 94 million of tariff deficit in Portugal	3.22
4	15/02/2016	Moody's affirms EDP rating at "Baa3" with stable outlook	2.79
5	03/03/2016	Disclosure of the 2015 financial results	2.93
6	17/03/2016	EDP issues EUR 600 million of bonds maturing in March 2023	3.10
7	08/04/2016	Norges Bank announces qualified shareholding	2.93
8	18/04/2016	EDP sells EUR 700 million of tariff deficit in Portugal	2.97
9	19/04/2016	EDP's Annual General Shareholders Meeting	3.00
10	19/04/2016	EDPR announces asset rotation transaction in Europe of EUR550 million	3.00
11	02/05/2016	EDP Brasil announces share capital increase of up to BRL1,500 million	3.15
12	04/05/2016	Disclosure of the 1st quarter 2016 financial results	3.17
13	05/05/2016	EDP presents Business Plan 2016-2020 at Capital Markets Day in London	3.22
14	09/05/2016	EDP sells EUR 348 million of tariff deficit in Portugal	3.17
15	18/05/2016	Payment of gross dividend of EUR 0.185 per share for the 2015 financial year	2.96
16	27/05/2016	EDP signs an MoU for further development of EDP/CTG strategic partnership	2.97
17	07/06/2016	EDP Brasil announces share capital increase was 98% subscribed at its 1st phase	3.00
18	07/06/2016	EDP sells EUR 73 million of tariff deficit in Portugal	3.00

B. CORPORATE BODIES

I. CORPORATE GOVERNANCE STRUCTURE

1.1. CORPORATE GOVERNANCE MODEL

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

According to Article 11 (2) (b) of the Articles of association, it is the responsibility of the General Meeting of EDP to elect and dismiss the members of the Executive Board of Directors and the General and Supervisory Board, as well as their Chairmen and Vice-Chairmen, if any, and the Statutory Auditors, based on a proposal by the General and Supervisory Board (or by delegation to the Financial Matters Committee / Audit Committee). The General Meeting also appoints the members of the Environment and Sustainability Board, on proposal of the Executive Board of Directors, and Remuneration Committee of the General Meeting, which is responsible for setting the remuneration of the members of the corporate bodies (except the Executive Board of Directors, whose remuneration is set by the Remuneration Committee appointed by the General and Supervisory Board).

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

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

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

For a better understanding of EDP's corporate governance, EDP's website (http://www.edp.pt/pt/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx) allows shareholders and the general public to view the up-to-date Articles of Association in Portuguese and English, the Internal Regulations of the Executive Board of Directors, General and Supervisory Board and its committees.

Considering the need to adequate the Corporate Governance Manual in order for it to reflect the Corporate Governance Code published by Securities Market Comission in 2013, the restructuring of the specialized commissions of the General and Supervisory Board approved in June 2015 by this body, the legislative work recently published, namely Law no. 140/2015, dated 7th September, which approves the new Statute of the Statutory Auditores, and Law no. 148/2015, dated 9th September, which approves the Legal Regime of Supervision and Auditing, the General and Supervisory Board and the Executive Board of Directors approved in 21 and 25 January 2016, respectively, the new version of the Manual, following its previous approval by the Corporate Governance and Sustainability Committee in 16 December 2015. The Manual for the Corporate Governance of EDP is available to shareholders and general public at its website (www.edp.pt).

The primary objective of this manual is to record and share an understanding of the two corporate bodies in terms of the recommendations of good corporate governance practices applying to EDP and appropriate guidelines to comply with them.

EDP sought to go beyond the legal requirements and regulations for this area, particularly concerning information reporting, given EDP's meticulousness and goals as regards the quality of its corporate governance practices. The Corporate Governance Manual therefore sought to serve the following purposes in order to achieve this basic goal:

- To reflect critically on recommendations on best practices set out in the CMVM Corporate Governance Code in order to contribute actively in optimising EDP's practices;
- To select the recommendations deemed most appropriate to EDP’s governance model, focusing on measures taken and indicating potential measures for full adoption of good practices;
- To identify recommendations that are not appropriate to EDP’s interests and give reasons for this position and indicate other ways of achieving the goals set out in the CMVM Corporate Governance Code;
- To help targets of the recommendations to reflect on the best governance practices to be followed at EDP;

- To draft a formal document that will help compliance with reporting obligations on corporate governance practices, such as the annual report required by law;

- Describe EDP's governance practices that are not set out in the Corporate Governance Code but achieve the goal shared by the General and Supervisory Board and the Executive Board of Directors to develop and increase the quality of EDP's governance processes.

1.2. INCOMPATIBILITY RULES AND INDEPENDENCE CRITERIA

EDP's Articles of Association (Article 9 (1), Article 10 (1), Article 21 (4) and Article 23 (2) and the Internal Regulations of the General and Supervisory Board (Article 7)), both available on its website (www.edp.pt), lay down the rules on independence and incompatibilities for members of any of the company's corporate bodies.

The criteria of independence set out in EDP's Articles of Association are in line with those laid down in 414 (5) of the Companies Code and determine that independence means an absence of direct or indirect relations with the company or one of its bodies and an absence of any circumstances that might affect impartiality of analyses or decisions, e.g. because the people in question own or are acting on behalf of owners of a qualifying shareholding of 2% (two percent) or more of the share capital of EDP or have been re-elected for more than two terms of office continuously or intermittently.

Pursuant to Article 9 (1) of EDP's Articles of Association, independence is "absence of direct or indirect relations with the company or one of its bodies and an absence of any circumstances that might affect impartiality of analyses or decisions, e.g. because the people in question own or are acting on behalf of owners of a qualifying shareholding of 2% (two percent) or more of the share capital of EDP or have been re-elected for more than two terms of office continuously or intermittently".

In view of the need to clarify the aforementioned Article 414 (5) of the Companies Code, as there are diverging legal opinions, Associação de Emitentes de Valores Cotados em Mercado ("AEM") requested an opinion from the CMVM , whose opinion was that the capacity as independent is only lost if, "on the basis of the criterion of number of terms of office, in a situation likely to affect his/her impartiality in analyses or decisions if the members of the supervisory bodies of public limited companies, having been elected for a first term of office and re-elected continuously or intermittently for a second and third term, are re-elected (for the third time, therefore) for a fourth term of office."

Pursuant to its Internal Regulations, the General and Supervisory Board has in place a specific procedure regarding compliance with a large number of rules on incompatibilities and independence applicable to positions on this board (Articles 6 and 7 of the General and Supervisory Board Internal Regulations). This procedure includes the following aspects:

- Acceptance of a position as member of the General and Supervisory Board is subject to a written statement setting out specifically (i) the inexistence of any incompatibility under the law or Articles of Association; (ii) compliance with the independence requirements set out in its Internal Regulations, if the person has been elected as an independent member; (iii) the members' obligation to report to the Chairman of the General and Supervisory Board or, for the Chairman, directly to the board any subsequent event that might generate incompatibility or loss of independence;

- Every year, the members of the General and Supervisory Board must renew their statements as to the inexistence of incompatibility and compliance with the independence requirements, if applicable;

Also every year, the General and Supervisory Board conducts a general assessment of compliance with the rules of incompatibility and independence by its members.

At the same time, the Internal Regulations of the General and Supervisory Board has broadened the independence criteria applicable to its members, going beyond the provisions of Article 414 (5) of the Companies Code and Article 9 of EDP's Articles of Association, and so people who directly or through their spouse or relative or similar in a straight line and to the collateral third degree, inclusive, are in one of the following situations cannot have independent status:

- Being holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in EDP or the same percentage in a company of which it is a subsidiary;

- Being a holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in a company that is a competitor of EDP; and

- Having been re-elected for more than two consecutive or non-consecutive terms of office.

The rules of independence covering members of the General and Supervisory Board are particularly important regarding the following requirements:

- The board must consist of a majority of independent members (Article 434 (4) of the Companies Code and Article 21 (4) of EDP's Articles of Association);

- The Financial Matters Committee/Audit Committee is entirely consisted of independent members of the General and Supervisory Board (Article 3 of the Financial Matters Committee/Audit Committee's Internal Regulations);

- The Remuneration Committee of the General and Supervisory Board must comprise a majority of independent members (Article 27 (1) of EDP's Articles of Association and Article 27 (1) (b) of the General and Supervisory Board's Internal Regulations).

In compliance with the above procedure, at the start of their terms of office, the members of the General and Supervisory Board stated that they were not in any of the situations of incompatibility set out in the Companies Code (Article 414-A (1) (a) to (e), (g) and (h) (*ex vi* Article 434 (4)) and Article 437 (1)) or under the Articles of Association and, where applicable, that they complied with the independence requirements of the Internal Regulations of the General and Supervisory Board.

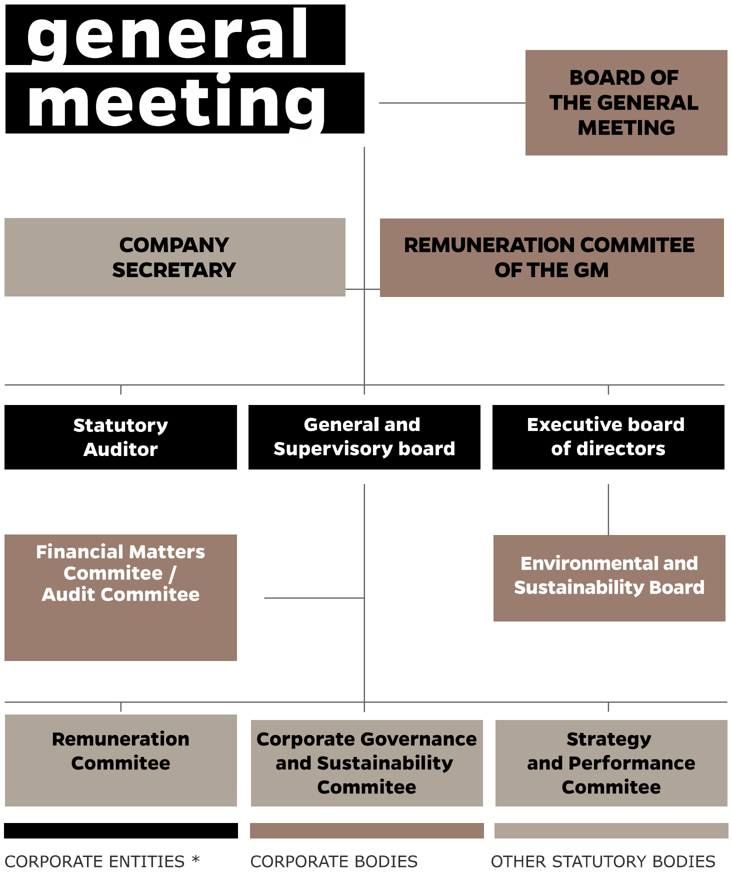
At the end of 2015, the members of the outgoing General and Supervisory Board renewed their statements on incompatibilities and independence. On 3 March 2016, the General and Supervisory Board assessed compliance with the rules on incompatibilities and independence of the elected members at the General Meeting of 21 April 2015.

The Chairman and Vice-Chairman of the Board of the General Meeting made similar statements of compliance with the criteria of independence and incompatibility for their positions, as set out in Article 414 (5) and Article 414-A (1) of the Companies Code and in Articles 9 and 10 of EDP's Articles of Association.

The above statements are available to the public on EDP's website, at http://www.edp.pt/en/aedp/governosocietario/Independenciaeincompatibilidade/Pages/Declara%C3%A7%C3%A3odeIndepend%C3%AAnciaeIncompatibilidades.aspx.

The members of the General and Supervisory Board are shown in the table in Point 2.1.2.

II. ORGANIC CORPORATE STRUCTURE



*Corporate Entities are also Corporate Bodies, pursuing the article 8 of EDP's Articles Association.

2.1. CORPORATE BODIES

Pursuant to Article 8 of EDP's Articles of Association, the corporate bodies of the company are the General Meeting, the Executive Board of Directors, the General and Supervisory Board and the Statutory Auditor. The company has also the following corporate bodies: Board of the General Meeting, the Environment and Sustainability Board, the Remuneration Committee, the Remuneration Committee of the General Meeting and the Financial Matters Committee/Audit Committee.

The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors at the General Meeting of 21 April 2015 for the three-year period from 2015 to 2017. The term of office of these members of the corporate bodies therefore ends on 31 December 2017, though they may remain in office until a new appointment.

2.1.1. GENERAL MEETING OF SHAREHOLDERS

Pursuant to Article 12 of EDP's Articles of Association, the officers of the General Meeting are a Chairman, a Vice-Chairman and the Company Secretary, who is appointed by the Executive Board of Directors.

The Chairman and the Vice-Chairman of the Board of the General Meeting were elected at the Annual General Meeting on 21 April 2015, for the three-year period between 2015 and 2017, and the Company Secretary was appointed to her post on 23 April 2015 (also for the three-year period between 2015 and 2017).

The names of the members of the Board of the General Meeting are listed below:

Board of the General Meeting	
Chairman	António Manuel de Carvalho Ferreira Vitorino
Vice-Chairman	Rui Pedro Costa Melo Medeiros
Company Secretary	Maria Teresa Isabel Pereira

The Chairman of the General Meeting is automatically a member of the General and Supervisory Board, pursuant to Article 21 (2) of EDP's Articles of Association.

2.1.2. GENERAL AND SUPERVISORY BOARD

In the exercise of its duties – see Article 441 of the Companies Code and Article 22 of EDP's Articles of Association - the main mission of the General and Supervisory Board is to constantly advise, monitor and supervise the management activities of EDP, cooperating with the Executive Board of Directors and the various other corporate bodies in pursuit of the company's interests, pursuant to the Companies Code and the company's Articles of Association. It is elected by the shareholders at the General Meeting.

Pursuant to Article 21 (1) of the Articles of Association, the General and Supervisory Board consists of no fewer than nine effective members, but always more than the number of members of the Executive Board of Directors. The majority of the elected members of the General and Supervisory Board must be independent, pursuant to Article 21 (4) of the Articles of Association.

Pursuant to article 22 of the Articles of Association, the General and Supervisory Board is especially responsible for:

- Permanently monitor the management of EDP and its subsidiaries and provide management advice and assistance to the Executive Board of Directors, particularly with regard to strategy, goals and compliance with the law;
- Issue opinions on the annual report and accounts;
- Permanently oversee the work of the statutory auditor and external auditor and, with regard to the former, issue an opinion on their election or appointment, dismissal, independent status and other relations with the company;
- Oversee, on a permanent basis, and evaluate internal accounting and auditing procedures, the efficacy of the risk management system, internal control system and internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- Propose to the General Meeting the removal from office of any member of the Executive Board of Directors;
- Monitor the definition of criteria and responsibilities required or appropriate for the structures and internal bodies of the company or Group and their impact and draft follow-up plans;
- Provide for the replacement of members of the Executive Board of Directors in the event of permanent or temporary absence, as required by law;
- Issue an opinion on their annual vote of confidence in the directors set out in Article 455 of the Companies Code, on its own initiative or when requested to do so by the CEO;
- Monitor and assess matters of corporate governance, sustainability, internal codes of ethics and conduct and compliance with these codes and systems for appraising and resolving conflicts of interest, including those associated with the company's relations with its shareholders, and issue opinions on these matters;
- Obtain the financial or other resources that it reasonably deems necessary for its work and ask the Executive Board of Directors to take any measures or make any corrections that it considers pertinent, with the power to hire independent consultants, if necessary;

- Receive regular information from the Executive Board of Directors on significant business relations between the company or its subsidiaries and shareholders with a qualifying holding and persons related to them;
- Appoint the Remuneration Committee and Financial Matters Committee/Audit Committee;
- Represent the company in its relations with the directors;
- Supervise the work of the Executive Board of Directors;
- Oversee compliance with the law and Articles of Association;
- Select and replace the company's external auditor, giving the Executive Board of Directors instructions for engagement or dismissal;
- Monitoring the bookkeeping, accounts and supporting documents and the status of any assets or securities held by the company, as and when it deems appropriate;
- Supervise the preparation and disclosure of financial information
- Call the General Meeting when it deems appropriate;
- Approve internal rules, including rules on relations with the other corporate bodies;
- Exercise any other powers that may be granted by law, the Articles of Association or by the General Meeting.

Under the corporate governance model in place at EDP, the General and Supervisory Board also has a power of particular importance. Although it does not have management powers, pursuant to Article 442 (1) of the Companies Code, Article 17 (2) of the Articles of Association lays down that the approval of EDP's strategic plan and performance of the operations indicated below by EDP or its subsidiaries are subject to a prior favorable opinion from this board (see also Article 13 of the Internal Regulations of the General and Supervisory Board):

- Acquisitions and sales of assets, rights or shareholdings of significant economic value;
- Financing operations of significant value;
- Opening and closure of establishments, or important parts thereof, and substantial extensions or limitations of company activity;
- Other transactions or operations of significant economic or strategic value;
- Formation or termination of strategic partnerships or other forms of lasting cooperation;
- Plans for splits, mergers or conversions;
- Amendments to the Articles of Association, including changes of registered office and share capital increases when on the Executive Board of Directors' initiative;
- Approval, by a majority of two thirds, of the draft decision of the Executive Board of Directors to increase the share capital by means of one or more share capital increases, up to the limit of 10% of the current share capital, by issuing shares to be subscribed by new contributions in cash with the terms and conditions of the issuance defined by the Executive Board of Directors.
- Formation or termination of strategic partnerships or other forms of lasting cooperation.

The Chairman of the General and Supervisory Board is granted particular powers, and, pursuant to Article 18 of the Rules of Procedure of the General and Supervisory Board, is responsible for:

- Representing the General and Supervisory Board and being the spokesman for its decisions with the other governing bodies.
- Taking the necessary steps to ensure that the General and Supervisory Board adequately monitors the Company's and its Subsidiary Companies' business.

- Coordinating the work of the General and Supervisory Board and ensuring the correct operation of its committees, being entitled to attend any meeting and being kept informed of their activities.

- Propose to the General and Supervisory Board the Members, the Chairman, and, when appropriate, the Vice-Chairman of each Committee. Ensuring that the members of the General and Supervisory Board punctually receive the information they need for their duties.

- Monitoring implementation of the General and Supervisory Board’s budget and managing the material and human resources assigned to it.

- Convening and presiding over meetings of the General and Supervisory Board;

The Chairman of the General and Supervisory Board or, in his/her absence or incapacity, a member delegated by the board for that purpose, may attend meetings of the Executive Board of Directors whenever s/he sees fit and take part in the discussion of matters to be submitted to the General and Supervisory Board, without having any voting rights pursuant to Article 21 (10) of EDP's Articles of Association.

The members of the Financial Matters Committee/Audit Committee have a duty to attend the meetings of the Executive Board of Directors when the accounts are appraised, (see Article 10 (3) (e) of the Rules of Procedure of the Financial Matters Committee/Audit Committee).

The members of the General and Supervisory Board were elected at the General Meeting of Shareholders that was held on 21 April 2015 for the three-year period between 2015 and 2017. The term of office of these members of the corporate bodies therefore ends on 31 December 2017, though they may remain in office until a new appointment.

The General and Supervisory Board has the following composition:

General and Supervisory Board (1)		Independent Members	First appointment date
Chairman	China Three Gorges Corporation represented by Eduardo de Almeida Catroga		20-02-2012
Vice-Chairman	Luís Filipe Marques Amado	Independent	21-04-2015
	China Three Gorges New Energy Co. Ltd. represented by Ya Yang		20-02-2012
	China International Water & Electric Corp. represented by Guojun Lu		20-02-2012
	China Three Gorges (Europe), S.A.) represented by Dingming Zhang		20-02-2012
	China Three Gorges (Portugal), Sociedade Unipessoal, Lda. represented by Shengliang Wu		21-04-2015
	DRAURSA, S.A. represented by Felipe Fernández Fernández		21-04-2015
	Fernando Maria Masaveu Herrero		20-02-2012
	Banco Comercial Português, S.A. represented by Nuno Manuel da Silva Amado		21-04-2015
	Sonatrach represented by Ferhat Ounoughi		12-04-2007
	Senfora BV represented by Mohamed Ali Ismaeil Ali Al Fahim		21-04-2015
	António Sarmento Gomes Mota	Independent	15-04-2009
	Maria Celeste Ferreira Lopes Cardona	Independent	20-02-2012
	Ilídio da Costa Leite de Pinho	Independent	20-02-2012
	Jorge Avelino Braga de Macedo	Independent	20-02-2012
	Vasco Joaquim Rocha Vieira	Independent	20-02-2012
	Augusto Carlos Serra Ventura Mateus	Independent	06-05-2013
	João Carvalho das Neves	Independent	21-04-2015
	Alberto Joaquim Milheiro Barbosa	Independent	21-04-2015
	María del Carmen Fernández Rozado	Independent	21-04-2015
	António Manuel de Carvalho Ferreira Vitorino	Independent	21-04-2015

1) Eduardo Catroga was an independent member of the GSB in 2006-2008, 2009-2011 mandates and chairman, also indepedent, in 2012-2014 mandate.
The representatives of the companies China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges New Energy Co., Ltd. and China Three Gorges (Europe) SA, initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011.

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, on his/her own initiative or at the request of any of its members, the Executive Board of Directors or its Chairman, pursuant to Article 24 (1) of the Articles of Association and Article 19 (1) of the Internal Regulations of the General and Supervisory Board.

The General and Supervisory Board met four times in the first half of 2016 and minutes were kept of all the meetings.

2.1.3. EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is responsible for managing the company's activities and representing the company, pursuant to Article 431 of the Companies Code and Article 17 of the Articles of Association and is elected by the shareholders at a General Meeting.

There must be a minimum of five and a maximum of eight members of the Executive Board of Directors according to article 16 (2) of the Articles of Association, which were altered by a General Meeting of Shareholders’ decision on 21 April 2015.

The following members of the Executive Board of Directors were elected at that General Meeting of Shareholders, held on 21 April 2015, for the three-year period between 2015 and 2017:

	Executive Board of Directors	First appointment date
Chairman	António Luís Guerra Nunes Mexia	30-03-2006
	Nuno Maria Pestana de Almeida Alves	30-03-2006
	João Manuel Manso Neto	30-03-2006
	António Fernando Melo Martins da Costa	30-03-2006
	João Manuel Veríssimo Marques da Cruz	20-02-2012
	Miguel Stilwell de Andrade	20-02-2012
	Miguel Nuno Simões Nunes Ferreira Setas	21-04-2015
	Rui Manuel Rodrigues Lopes Teixeira	21-04-2015

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

The Executive Board of Directors is a collegial body. Individual directors in office are only allowed to represent one absent director at each meeting. All directors have equal voting rights and the Chairman has the casting vote.

The powers of the Executive Board of Directors, in accordance with the Article 17 (1) of the Articles of Association, include:

- Setting the goals and management policies of EDP and the EDP Group;
- Drawing up the annual business and financial plans;
- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the responsibilities of other company bodies;
- Representing the company in and out of court, actively and passively, with the power to waive, transact and admit guilt in any legal proceedings and make arbitration agreements;
- Buying, selling or by any other means disposing or encumbering rights or immovable assets;
- Setting up companies and subscribing, purchasing, encumbering and selling shareholdings;
- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, in compliance with the annual quantitative limits set by the General and Supervisory Board;
- Establishing the technical and administrative organisation of EDP and the rules of procedure, particularly in relation to personnel and their remuneration;
- Appointing proxies with such powers as it sees fit, including the power to delegate;
- Appointing the Company Secretary and alternate;
- Hiring and dismissing the External Auditor on recommendation of the General and Supervisory Board;
- Exercising any other powers that may be granted to it by law or by the General Meeting;
- Establishing its own internal rules.

Proposals to amend EDP's Articles of Association regarding share capital increases submitted by the Executive Board of Directors require a prior opinion from the General and Supervisory Board, pursuant to Article 17 (2) (g) of the Articles of Association.

When so requested by other members of the corporate bodies, the Executive Board of Directors also provides all the required information in a timely and appropriate fashion. There is an information sharing portal for the Executive Board of Directors and General and Supervisory Board, which is accessible to all their members.

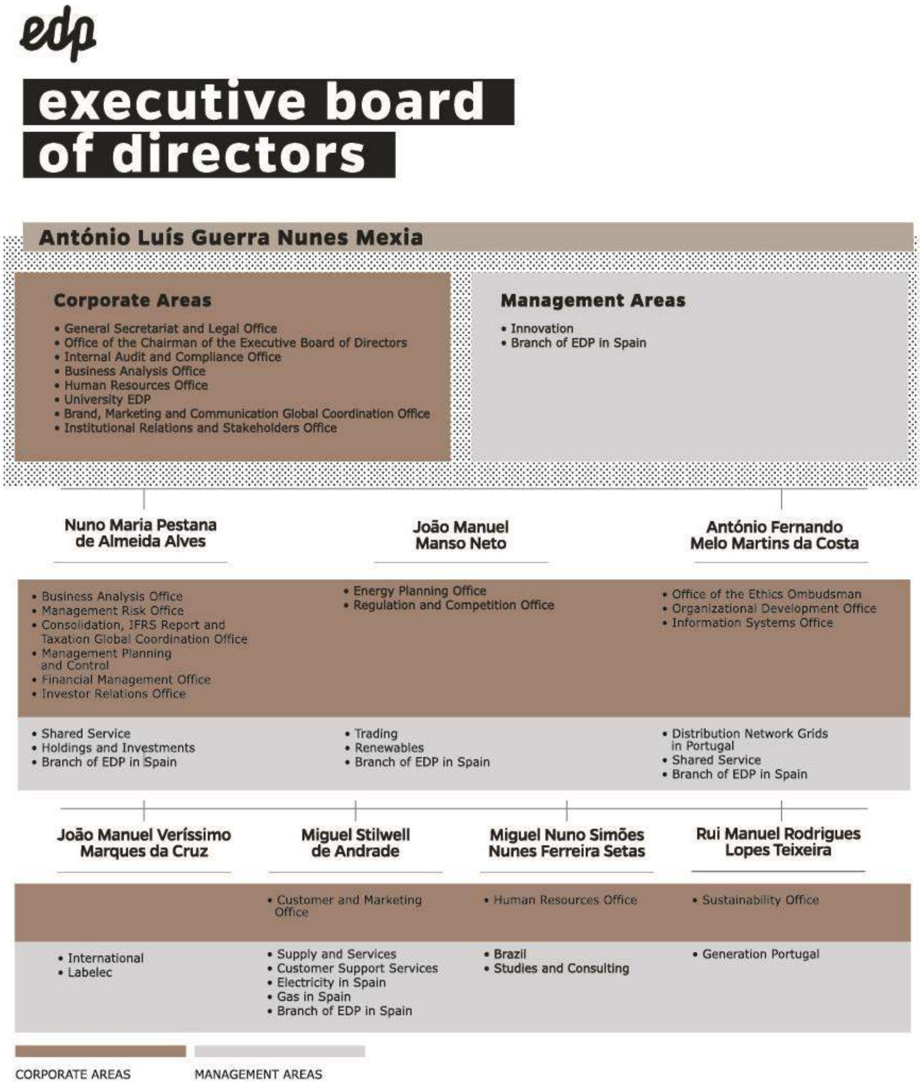
The Chairman of the Executive Board of Directors is granted particular powers by Article 18 of the Articles of Association. These powers are:

- Representing the Executive Board of Directors;
- Coordinating the work of the Executive Board of Directors and convening and presiding over its meetings;
- Ensuring proper execution of the decisions of the Executive Board of Directors.

The Chairman of the Executive Board of Directors is entitled to attend the meetings of the General and Supervisory Board, whenever considered appropriate, except when these concern decisions on the supervision of the work of the Executive Board of Directors and, in general, any situations that may involve a conflict of interest, pursuant to Article 18 (2) of the Articles of Association.

In the Executive Board of Directors there is a functional division of management areas to each of its members. The college of directors is responsible for making decisions on all matters within its remit. Delegated powers are not granted to directors individually, because of the board's particular nature.

The members of the Executive Board of Directors were responsible for the following management areas and corporate topics:



Pursuant Article 20 (1) of EDP's Articles of Association and Article 6 (1) of the Executive Board of Directors' Internal Regulation, this corporate body must meet bi-monthly, however, it usually meets weekly.

The Executive Board of Directors met twenty-two times in the first half of 2016 and minutes were kept of all the meetings.

2.1.4. STATUTORY AUDITOR

The Statutory Auditor is the company body responsible for the examination of the accounting documents. It is elected by the General Meeting for three year terms, pursuant to Article 25 of EDP's Articles of Association and Article 446 of the Companies Code.

According to the Companies Code and the company's Articles of Association, the Statutory Auditor is responsible for checking (see Article 446 (3) of the Companies Code):

- The regularity of the company's books, accounting records and their supporting documents;

- The cash and all assets or securities belonging to the company or received by it as guarantees, deposits or for any other purpose, whenever and however it sees fit;
- The accuracy of the accounting documents;
- Whether the company's accounting policies and valuation criteria result in an accurate assessment of its assets and results.

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. ("KPMG"), represented by Vítor Manuel da Cunha Ribeirinho, were reappointed at the General Meeting of Shareholders on 21 April 2015 as the Statutory Auditors for EDP for the three-year period between 2015 and 2017:

Statutory Auditor	
Permanent	KPMG & Associados, SROC, S.A. represented by por Vítor Manuel da Cunha Ribeirinho, SA
Alternate	Susana de Macedo Melim de Abreu Lopes, SA

EDP's external auditor is KPMG, with Vítor Manuel da Cunha Ribeirinho as the statutory audit partner.

2.1.5. ENVIRONMENT AND SUSTAINABILITY BOARD

The Environment Board was set up as a company body in 1991. Its name was changed to Environment and Sustainability Board by decision of the Annual General Meeting of 30 March 2006.

As a company body, the Environment and Sustainability Board has powers to advise the Executive Board of Directors on environment and sustainability matters. In particular, it provides advice and support in defining the company's environmental and sustainability strategy and drafting opinions and recommendations on the environmental impact of projects planned by the EDP Group (Article 28 (1) of EDP's Articles of Association).

The current members of the Environment and Sustainability Board, pursuant to Article 28 (2) of EDP's Articles of Association, have acknowledged competence in the field of environmental protection and sustainability and are appointed by the General Shareholders' Meeting under proposal of the Executive Board of Directors.

The members of the Environment and Sustainability Board were re-elected at the Annual General Meeting of Shareholders, on 21 April 2015, for a new term of office for the three-year period between 2015 and 2017.

The Environment and Sustainability Board's membership is as follows:

Environmental and Sustainability Board	
Chairman	José Pedro Sucena Paiva
	Alberto da Ponte
	António José Tomás Gomes de Pinho
	José Manuel Viegas
	Maria da Graça Madeira Martinho

2.1.6. REMUNERATION COMMITTEE OF THE GENERAL MEETING

The remuneration of the corporate bodies, with the exception of the members of the Executive Board of Directors, is defined by the Remuneration Committee elected by the General Meeting (Article 11 (2) (d) of EDP's Articles of Association).

Pursuant to this Article, the majority of the members of the Remuneration Committee of the General Meeting must be independent.

The following members were elected to the General Meeting Remunerations Committee for the three-year period between 2015 and 2017 at the General Meeting of Shareholders on 21 April 2015:

Remuneration Committee - General Meeting	
Chairman	Luís Miguel Nogueira Freire Cortes Martins
	José Gonçalo Maury
	Jaime Amaral Anahory

2.1.7. SPECIALISED COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

The Internal Regulations of the General and Supervisory Board provide for the establishment of standing committees and ad hoc committees, composed of some of its members, without prejudice to its responsibility for the exercise of its duties as a corporate body. These committees may be set up whenever it sees fit and appropriate and have specific duties delegated to them.

The main remit of the standing and ad hoc committees is specific, continuous monitoring of the matters entrusted to them, in order to ensure informed decisions by the General and Supervisory Board or provide it with information on certain matters.

The committees' activity is coordinated by the Chairman of the General and Supervisory Board, who ensures proper articulation of the committees with the plenary board through their Chairman, who keep him informed by sending notices and the minutes of meetings.

The General and Supervisory Board believes that the committees are important to the regular functioning of the company as they can perform certain delegated duties, especially monitoring the company's financial information, reflecting on its governance system, assessing the performance of directors and evaluating its own overall performance.

There were four specialised committees inside the General and Supervisory Board outgoing: Financial Matters Committee/Audit Committee, Remuneration Committee, Corporate Governance and Sustainability Committee and Strategy and Performance Committee.

FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

The Financial Matters Committee/Audit Committee is made up of five independent members with the appropriate qualifications and experience, including at least one member with a degree in the area of the committee's duties and specific knowledge of auditing and accounting, as confirmed by the Curriculum Vitae of the Chairman, which can be viewed in the chapter on corporate bodies.

The Financial Committee/Audit Committee has the following members:

Financial Matters Committee/Audit Committee		First appointment date
Chairman	António Sarmento Gomes Mota	07-05-2009*
Vice-Chairman	João Carlos Carvalho das Neves	22-04-2015
	Alberto Joaquim Milheiro Barbosa	22-04-2015
	Maria del Carmen Ana Fernández Rozado	22-04-2015
	Maria Celeste Ferreira Lopes Cardona	18-04-2012

* Appointed as Chairman on April 22, 2015

In accordance with the Articles of Association and the Internal Regulations of the Financial Matters Committee/Audit Committee, are assigned to this Committee, by delegation from the General and Supervisory Board, the following powers:

- Financial matters relating to the Company.
- The internal procedures for auditing and accounting practices followed by the Company and the Internal Financial Reporting Control System (SCIRF), in coordination with the Internal Audit Department.
- Matters relating to the internal financial reporting control system and risk management processes, particularly relating to their fiscal, legal and financial aspects.
- The activity and the independence of the Statutory Auditor and the External Auditor of the Company, with whom it should maintain a close relationship.

As a specialised committee of the General and Supervisory Board, the Financial Matters Committee/Audit Committee also assists it in the hiring and dismissal of the External Auditor, pursuant to Article 10 (1) (K) of the Internal Regulations of the Financial Matters Committee/Audit Committee.

The membership, role and functioning of the Financial Matters Committee/Audit Committee are in line with the European Commission Recommendation of 15 February 2005 (2005/162/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC).

In view of these responsibilities, the Financial Committee/Audit Committee met seven times in the first half of 2016 and the minutes of these meetings were drawn up.

REMUNERATION COMMITTEE OF THE GENERAL AND SUPERVISORY BOARD

The Remuneration Committee appointed by the General and Supervisory Board, pursuant to Article 27 of EDP's Articles of Association, defines the remuneration of the Executive Board of Directors as well as any supplements.

According to the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit a declaration on the remuneration policy followed for the members of the Executive Board of Directors and which it has approved by it.

In view of these responsibilities, the General and Supervisory Board Remunerations Committee met twice in the first half of 2016 and the minutes of these meetings were drawn up.

The Remuneration Committee of the General and Supervisory Board is made up of the following members:

Remuneration Committee of the GSB		First appointment date
Chairman	Yang Ya	21-04-2015
	Fernando Masaveu Herrero	21-04-2015
	Ilídio da Costa Leite de Pinho	22-05-2012
	João Carvalho das Neves	21-04-2015
	Vasco Joaquim Rocha Vieira	21-04-2015

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

The Corporate Governance and Sustainability Committee is a specialised committee of the General and Supervisory Board. Its purpose is to permanently monitor and supervise all matters related with the following:

- Corporate governance;
- Strategic sustainability;
- Internal codes of ethics and conduct;
- Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- Definition of criteria and duties to be complied with in EDP's bodies and their repercussions on their membership; and
- Drafting of succession plans.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board, the majority of whom are independent, with the appropriate qualifications and experience for their duties.

The Corporate Governance and Sustainability Committee met twice in the first half of 2016 and the minutes of the meetings were drawn up.

The Corporate Governance and Sustainability Committee has the following members:

Corporate Governance and Sustainability Committee		First appointment date
Chairman	Luís Filipe Marques Amado	22-04-2015
	Felipe Fernández Fernández	22-04-2015
	Jorge Avelino Braga de Macedo	22-04-2015
	Maria Celeste Ferreira Lopes Cardona	18-04-2012
	Shengliang Wu	11-05-2012

STRATEGY AND PERFORMANCE COMMITTEE

The Strategy and Performance Committee is a specialised Committee of the General and Supervisory Board, the purpose of which is to follow and supervise the questions regarding the following matters at all times:

- The short-, medium- and long-term scenarios and strategies.
- The strategic implementation, business planning and the respective budgets.
- The investments and divestments.
- Debt and funding.
- Strategic alliances.
- Market and competitiveness evolution.
- Regulation.
- Analysis of the performance of the Group and the Business Units.
- The benchmarking of the company group performance compared with the companies at the top of the sector.
- The assessment of the competitiveness of the EDP business portfolio.

The Strategy and Performance Committee is composed of members of the General and Supervisory Board with the proper qualifications and experience to hold the respective posts.

The Strategy and Performance Committee met four times in the first half of 2016 and the minutes of these meetings were drawn up.

The Strategy and Performance Committee has the following members:

Strategy and Performance Committee		First appointment date
Chairman	Eduardo de Almeida Catroga	18/06/2015
Vice Chairman	Alberto Joaquim Milheiro Barbosa	18/06/2015
	Augusto Carlos Serra Ventura Mateus	18/06/2015
	Zhang Dingming	18/06/2015
	Ferhat Onoughi	18/06/2015
	Fernando Maria Masaveo Herrero	18/06/2015
	João Carlos Carvalho das Neves	18/06/2015
	Jorge Avelino Braga de Macedo	18/06/2015
	Mohamed Ali Ismaeil Ali Al Fahim	18/06/2015
	Nuno Manuel da Silva Amado	18/06/2015
	Shengliang Wu	18/06/2015

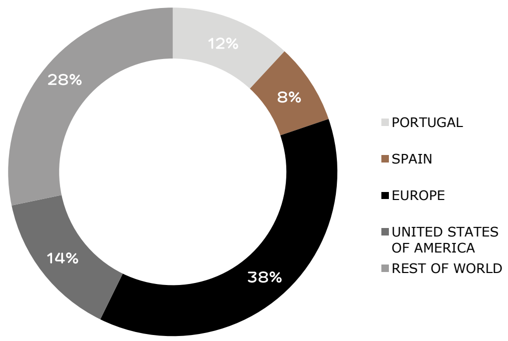
III. SHAREHOLDER STRUCTURE AND MANAGEMENT TRANSACTIONS

3.1. CAPITAL STRUCTURE

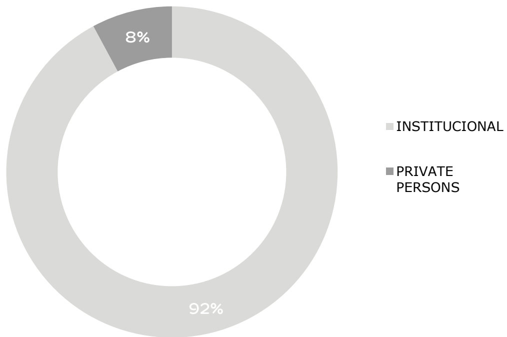
Pursuant to article 4 point 2 of EDP's Articles of Association, as modified by the decision taken at the Annual General Meeting of Shareholders of 21 April 2015, EDP's share capital of 3,656,537,715.00 euros is represented by 3,656,537,715 shares with a nominal value of 1 euro each.

The geographical and investor type breakdown of the EDP shareholder structure on 30 June 2016 was as follows:

BREAKDOWN OF SHAREHOLDER STRUCTURE BY GEOGRAPHY



BREAKDOWN OF SHAREHOLDER STRUCTURE BY INVESTOR TYPE



Source: Interbolsa

3.2. QUALIFYING HOLDINGS

Pursuant to Article 8 (1) (b) of CMVM Regulation 5/2008, we are providing the following information on qualifying holdings owned by EDP shareholders as at 30 June 2016 and their voting rights in accordance with Article 20 (1) of the Securities Code.

Shareholder	Nº of Shares	% Capital with voting rights
CHINA THREE GORGES		
Stakes held by entities in a control or group relationship		
China Three Gorges (Europe), S.A.	780,633,782	21.35%
Total	**780,633,782**	**21.35%**
China Three Gorges (Europe), S.A. is fully owned by China Three Gorges (Hong Kong) Co. Ltd , which is fully owned by CWE Investment Co. Ltd. China Three Gorges Corporation directly holds 100% equity of CWE Investment Co. Ltd. China Three Gorges Corporation is in turn fully owned by People Republic of China.		
CNIC CO. LTD.		
Stakes held by entities in a control or group relationship		
Orise, S.a.r.l.	110,435,491	3.02%
Total	**110,435,491**	**3.02%**
Orise, S.a.r.l. is fully owned by Kindbright Holdings Corp. Limited, which in turn is fully owned by CNIC Co., Ltd (formerly know as Guoxin International Investment Co., Ltd.), which in turn is fully owned by People's Republic of China.		
According to paragraph 1(b) of article 20 of the Portuguese Securities Code a total of 24.37% of voting rights are attributable to People Republic of China, resulting from the above-mentioned shares aggregation.		
CAPITAL GROUP COMPANIES, INC.		
Stakes under management by entities in a control relationship		
Capital Research and Management Company	559,221,855	15.29%
Capital Income Builder	251,180,889	6.87%
Income Fund of America	91,826,149	2.51%
Capital World Growth and Income Fund	161,418,052	4.41%
Capital Guardian Trust Company	4,513,051	0.12%
Capital International Limited	3,360,133	0.09%
Capital International Sárl	961,987	0.03%
Capital International, Inc.	63,465	0.00%
Total	**568,120,491**	**15.54%**
Capital Research and Management Company ("CRMC") is fully owned by Capital Group Companies, Inc. CRMC is an investment consultancy vehicle which manages mutual funds registered in the United States. CRMC manages capital assets for several investment companies through three divisions, Capital Research Global Investors, Capital International Investors and World Investors. CRMC fully owns Capital Group International, Inc. ("CGII"), which in turn controls investment management companies ("fund management companies CGII"): Capital Guardian Trust Company, Capital International, Inc., Capital International Limited, Capital International Sàrl and Capital International K.K. The fund management companies CGII operate primarily as investment managers for institutional clients. The reported shareholdings are held by mutual investment funds under discretionary investment management.		
OPPIDUM CAPITAL, S.L.		
Stakes held directly		
Oppidum Capital, S.L.	263,046,616	7.19%
Total	**263,046,616**	**7.19%**
According to paragraph 1(b) of article 20 of the Portuguese Securities Code, the voting rights inherent to the share capital held by Oppidum Capital, SL and Flicka Forestal, SL are imputable to Fernando Masaveu Herrero. Oppidum Capital, SL is 55.9% owned by Masaveu Internacional, S.L. and 44.1% owned by Liberbank, S.A. In turn, Masaveu Internacional, SL is 100% held by Corporación Masaveu, SA. Corporación Masaveu, SA is 41.38% held by Fundación María Cristina Masaveu Peterson, 10.73% by Flicka Forestal, SL and 0.03% by Fernando Masaveu Herrero. Fernando Masaveu Herrero controls Fundación María Cristina Masaveu Peterson, as well as Flicka Forestal, SL. Flicka Forestal, SL holds 2,000,000 shares of EDP's share capital, which correspond to 0.05% of the voting rights. Additionally, Fernando Masaveu Herrero's spouse holds 2,020 shares of EDP's share capital, which correspond to 0.000055% of the voting rights. In this sense, in total, 7.24% of the voting rights of EDP, corresponding to 265,048,636 shares of EDP's share capital, should be imputable to Fernando Masaveu Herrero.		

Shareholder	Nº of Shares	% Capital with voting rights
BLACKROCK, INC.		
Stakes under management by entities in a control relationship		
BlackRock (Luxembourg) S.A.	49,282,565	1.35%
BlackRock (Netherlands) B.V.	776,486	0.02%
BlackRock Advisors (UK) Limited	1,046,389	0.03%
BlackRock Advisors, LLC	3,836,968	0.10%
BlackRock Asset Management Canada Limited	1,059,783	0.03%
BlackRock Asset Management Deutschland AG	9,606,564	0.26%
BlackRock Asset Management Ireland Limited	18,662,688	0.51%
BlackRock Asset Management North Asia Limited	9,693	0.00%
BlackRock Asset Management Schweiz AG	11,076	0.00%
BlackRock Financial Management	45,287	0.00%
BlackRock Fund Advisors	32,320,429	0.88%
BlackRock Fund Managers Limited	16,462,044	0.45%
BlackRock Institutional Trust Company, National Association	32,735,889	0.90%
BlackRock International Limited	428,495	0.01%
BlackRock Investment Management (Australia) Limited	773,921	0.02%
BlackRock Investment Management (UK) Limited	1,132,323	0.03%
BlackRock Investment Management, LLC	3,388,710	0.09%
BlackRock Japan Co Ltd	3,244,637	0.09%
BlackRock Life Limited	6,412,059	0.18%
iShares (DE) I Investmentaktiengesellschaft mit Teilvermogen	1,497,174	0.04%
Total	**182,733,180**	**5.00%**
INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)		
Stakes held by entities in a control or group relationship		
Senfora BV	148,431,999	4.06%
Total	**148,431,999**	**4.06%**
The company Senfora BV is a Netherlands company that is wholly and directly owned by IPIC, which is a company wholly owned by the government of Abu Dhabi.		
MILLENNIUM BCP		
Fundação Millennium BCP	350,000	0.01%
Stakes under management by associated entities		
Fundo de Pensões do Grupo Millennium BCP	88,789,594	2.43%
Total	**89,139,594**	**2.44%**
The management company of the pension fund of Group Millennium BCP exercises independently their voting rights.		
SONATRACH		
Stakes held directly		
Sonatrach	87,007,433	2.38%
Total	**87,007,433**	**2.38%**
QATAR INVESTMENT AUTHORITY		
Stakes held by entities in a control or group relationship		
Qatar Holding LLC	82,868,933	2.27%
Total	**82,868,933**	**2.27%**
The company Qatar Holding LLC is wholly owned by Qatar Investment Authority.		
NORGES BANK		
Stakes held directly		
Norges Bank	76,012,158	2.08%
Total	**76,012,158**	**2.08%**
EDP (TREASURY STOCKS)	**21,446,438**	**0.59%**
REMAINING SHAREHOLDERS	**1,246,661,600**	**34.09%**
TOTAL	**3,656,537,715**	**100.00%**

Note 1: In accordance with the made use once in nº 3 of the 14º of the Partnership contract of the EDP will not be considered the votes cast by a shareholder, in proper name or as representative of another one, that exceed 25% of the totality of the corresponding votes to the share capital.

3.3. FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

The tables below shows the financial instruments held by members of Executive Board of Directors and the changes occurred during the first semester of 2016, as required by Article 447 (5) of the Companies Code.

Financial instruments owned and/or imputable by the members of Executive Board of Directors:

	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.		EDP - Energias do Brasil, S.A.	
Executive Board of Directors	Nº Shares 30-06-2016	Nº Shares 31-12-2015	N.º Bonds 30-06-2016	N.º Bonds 31-12-2015	Nº Shares 30-06-2016	Nº Shares 31-12-2015	Nº Shares 30-06-2016	Nº Shares 31-12-2015
António Luís Guerra Nunes Mexia	81,000	41,000	-	-	4,200	4,200	1	1
Nuno Maria Pestana de Almeida Alves	125,000	125,000	-	-	5,000	5,000	1	1
João Manuel Manso Neto	1,268	1,268	-	-	0	0	0	0
António Fernando Melo Martins da Costa (1)	34,299	34,299	-	-	1,480	1,480	0	0
João Manuel Veríssimo Marques da Cruz	41,378	3,878	200,000	200,000	1,200	1,200	0	0
Miguel Stilwell de Andrade	140,000	126,576	-	-	2,510	2,510	0	0
Miguel Nuno Simões Nunes Ferreira Setas	7,382	7,382	-	-	1,690	1,690	0	0
Rui Manuel Rodrigues Lopes Teixeira	6,663	5,843	-	-	12,370	12,370	0	0

In the first half 2016, the members of the Executive Board of Directors performed the following operations with EDP – Energias de Portugal, S.A. shares:

Member of Corporate Body	Company	Security	Date	Quantity	Operation	Avg. Purchase Price (euros)
Miguel Stilwell de Andrade	EDP - Energias de Portugal, S.A.	Shares	04/03/2016	13,424	Purchase	2.9400
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Shares	04/03/2016	10,000	Purchase	2.8700
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Shares	04/03/2016	10,000	Purchase	2.8730
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Shares	04/03/2016	10,000	Purchase	2.8840
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Shares	09/05/2016	9,370	Purchase	3.1770
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Shares	09/05/2016	630	Purchase	3.1780
Rui Manuel Rodrigues Lopes Teixeira	EDP - Energias de Portugal, S.A.	Shares	20/05/2016	820	Purchase	2.9360
João Manuel Veríssimo Marques da Cruz	EDP - Energias de Portugal, S.A.	Shares	14/06/2016	37,500	Purchase	2.8000

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD

Financial instruments owned and/or imputable to members of the General and Supervisory Board:

GENERAL AND SUPERVISORY BOARD [1]	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.	
	Nº Shares 30-06-2016	Nº Shares 31-12-2015	Nº Bonds 30-06-2016	Nº Bonds 31-12-2015	Nº Shares 30-06-2016	Nº Shares 31-12-2015
China Three Gorges Corporation	780,633,782	780,633,782	0	0	0	0
Eduardo Catroga (in representation of China Three Gorges Corporation)	0	0	0	0	0	0
Luís Filipe Marques Amado	0	0	0	0	0	0
China Three Gorges New Energy Co. Ltd.	0	0	0	0	0	0
Ya Yang (in representation of da China Three Gorges New Energy Co. Ltd.)	0	0	0	0	0	0
China International Water & Electric Corp.	0	0	0	0	0	0
Guojun Lu (in representation of China International Water & Electric Corp.)	0	0	0	0	0	0
China Three Gorges (Europe) S.A.	780,633,782	780,633,782	0	0	0	0
Dingming Zhang (in representation of da China Three Gorges (Europe) S.A.)	0	0	0	0	0	0
China Three Gorges (Potugal), Sociedade Unipessoal, Lda.	0	0	0	0	0	0
Shengliang Wu (in representation of China Three Gorges (Portugal), Sociedade Unipessoal, Lda.)	0	0	0	0	0	0
Draursa, S.A.	0	0	0	0	0	0
Felipe Fernández Fernández (in representation of Draursa, S.A.)	0	0	0	0	0	0
Fernando Maria Masaveu Herrero [2]	265,048,636	264,709,056	0	0	0	0
Banco Comercial Português, S.A.	89,139,594	89,139,594	0	0	0	0
Nuno Manuel da Silva Amado (in representation of Banco Comercial Português, S.A.)	0	0	0	0	0	0
Sonatrach	87,007,433	87,007,433	0	0	0	0
Ferhat Ounoughi (in representation of Sonatrach)	0	0	0	0	0	0
Senfora BV	148,431,999	148,431,999	0	0	0	0
Mohamed Ali Ismaeil Ali Al Fahim (in representation of Senfora BV)	0	0	0	0	0	0
António Sarmento Gomes Mota	0	0	0	0	0	0
Alberto Joaquim Milheiro Barbosa	0	0	0	0	0	0
António Manuel de Carvalho Ferreira Vitorino	0	0	0	0	0	0
Augusto Carlos Serra Ventura Mateus	0	0	0	0	0	0
Ilídio da Costa Leite de Pinho	0	0	0	0	0	0
João Carvalho das Neves	7,429	7,429	5	5	0	0
Jorge Avelino Braga de Macedo	0	0	0	0	0	0
Maria Celeste Ferreira Lopes Cardona	0	0	0	0	0	0
María del Carmen Ana Fernández Rozado	0	0	0	0	0	0
Vasco Joaquim Rocha Vieira	3,203	3,203	0	0	380	60

Notes:

1) The members of the General and Supervisory Board do not hold any shares of Energias do Brasil, S.A.

2) According to paragraph 1(b) of article 20 of the Portuguese Securities Code, the voting rights inherent to the share capital held by Oppidum Capital, SL and Flicka Forestal, SL are imputable to Fernando Masaveu Herrero. Oppidum Capital, SL is 55.9% owned by Masaveu Internacional, S.L. and 44.1% owned by Liberbank, S.A. In turn, Masaveu Internacional, SL is 100% held by Corporación Masaveu, SA. Corporación Masaveu, SA is 41.38% held by Fundación María Cristina Masaveu Peterson, 10.73% by Flicka Forestal, SL and 0.03% by Fernando Masaveu Herrero. Fernando Masaveu Herrero controls Fundación María Cristina Masaveu Peterson, as well as Flicka Forestal, SL. Flicka Forestal, SL holds 2,000,000 shares of EDP's share capital, which correspond to 0.05% of the voting rights. Additionally, Fernando Masaveu Herrero's spouse holds 2,020 shares of EDP's share capital, which correspond to 0.000055% of the voting rights. In this sense, in total, 7.24% of the voting rights of EDP, corresponding to 265,048,636 shares of EDP's share capital, should be imputable to Fernando Masaveu Herrero.

In the first semester of 2016, the members of the General and Supervisory Board performed the following operations with EDP – Energias de Portugal, S.A shares:

Member of Corporate Body	Company	Security	Date	Quantity	Operation	Avg. Purchase Price (euros)
Fernando María Masaveu Herrero	EDP - Energias de Portugal, S.A.	Shares	11/02/2016	339,580	Purchase	2.7643

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04. financial statements

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Harnessing inexhaustible energy

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CONDENSED FINANCIAL STATEMENTS
30 June 2016

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EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the six-month period ended at 30 June 2016 and 2015

Thousands of Euros	Notes	2016	2015
Revenues from energy sales and services and other	6	7,147,613	7,947,694
Cost of energy sales and other	6	-4,177,858	-5,197,883
		2,969,755	2,749,811
Other income	7	239,296	525,899
Supplies and services	8	-435,743	-434,189
Personnel costs and employee benefits	9	-323,500	-324,220
Other expenses	10	-383,054	-386,353
		-903,001	-618,863
		2,066,754	2,130,948
Provisions	11	5,025	-3,275
Amortisation and impairment	12	-744,345	-689,179
		1,327,434	1,438,494
Financial income	13	597,249	502,202
Financial expenses	13	-1,004,980	-866,449
Share of net profit in joint ventures and associates	20	-4,586	-23,287
Profit before income tax and CESE		915,117	1,050,960
Income tax expense	14	-242,860	-193,803
Extraordinary contribution to the energy sector (CESE)	15	-58,834	-60,863
		-301,694	-254,666
Net profit for the period		**613,423**	**796,294**
Attributable to:			
Equity holders of EDP		**472,171**	**586,809**
Non-controlling Interests	33	**141,252**	**209,485**
Net profit for the period		**613,423**	**796,294**
Earnings per share (Basic and Diluted) - Euros	30	0.13	0.16

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal

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

Thousands of Euros	2016 Equity holders of EDP	2016 Non-controlling Interests	2015 Equity holders of EDP	2015 Non-controlling Interests
Net profit for the period	472,171	141,252	586,809	209,485
Items that will never be reclassified to profit or loss (i)				
Actuarial gains/(losses)	-24,187	-3,692	35,548	-3,450
Tax effect from the actuarial gains/(losses)	7,108	1,256	-6,059	1,173
	-17,079	-2,436	29,489	-2,277
Items that are or may be reclassified to profit or loss (i)				
Exchange differences arising on consolidation	165,459	238,142	-55,172	-76,002
Fair value reserve (cash flow hedge)	31,746	-2,036	32,636	3,944
Tax effect from the fair value reserve (cash flow hedge)	-7,004	1,316	-8,647	-1,036
Fair value reserve (available for sale investments)	-23,071	-	14,023	-
Tax effect from the fair value reserve (available for sale investments)	3,029	-	-3,089	-
Share of other comprehensive income of joint ventures and associates, net of taxes	-615	363	-2,146	-7,746
	169,544	237,785	-22,395	-80,840
Other comprehensive income for the period, net of income tax	152,465	235,349	7,094	-83,117
Total comprehensive income for the period	624,636	376,601	593,903	126,368

(i) See Consolidated Statement of Changes in Equity

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

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

Thousands of Euros	Notes	2016	2015
Assets			
Property, plant and equipment	16	22,986,269	22,773,716
Intangible assets	17	5,529,735	5,524,634
Goodwill	18	3,377,361	3,388,588
Investments in joint ventures and associates	20	759,326	664,011
Available for sale investments	21	170,324	200,206
Investment property	22	32,918	36,465
Deferred tax assets	23	445,976	272,498
Trade receivables	25	115,996	101,087
Debtors and other assets from commercial activities	26	2,773,208	3,211,231
Other debtors and other assets	27	496,123	444,257
Collateral deposits associated to financial debt	35	36,049	66,855
Total Non-Current Assets		36,723,285	36,683,548
Inventories	24	211,092	204,206
Trade receivables	25	1,843,313	1,895,517
Debtors and other assets from commercial activities	26	1,343,855	1,573,383
Other debtors and other assets	27	295,790	443,118
Current tax assets	28	342,435	314,867
Financial assets at fair value through profit or loss	50	7,508	9,288
Collateral deposits associated to financial debt	35	34,817	13,060
Cash and cash equivalents	29	1,528,753	1,245,449
Assets held for sale	42	-	154,529
Total Current Assets		5,607,563	5,853,417
Total Assets		42,330,848	42,536,965
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-61,891	-62,691
Share premium	30	503,923	503,923
Reserves and retained earnings	32	4,142,008	3,659,302
Consolidated net profit attributable to equity holders of EDP		472,171	912,703
Total Equity attributable to equity holders of EDP		8,712,749	8,669,775
Non-controlling Interests	33	4,281,300	3,451,718
Total Equity		12,994,049	12,121,493
Liabilities			
Financial debt	35	16,426,484	15,653,876
Employee benefits	36	1,627,087	1,647,730
Provisions	37	483,210	481,439
Deferred tax liabilities	23	739,011	794,983
Institutional partnerships in USA	38	1,932,872	1,956,217
Trade and other payables from commercial activities	39	1,301,762	1,237,274
Other liabilities and other payables	40	747,647	548,136
Total Non-Current Liabilities		23,258,073	22,319,655
Financial debt	35	2,250,168	3,616,664
Employee benefits	36	174,667	175,763
Provisions	37	27,995	24,633
Hydrological correction account	34	6,553	11,417
Trade and other payables from commercial activities	39	2,548,687	3,380,358
Other liabilities and other payables	40	219,776	311,574
Current tax liabilities	41	850,880	517,380
Liabilities held for sale	42	-	58,028
Total Current Liabilities		6,078,726	8,095,817
Total Liabilities		29,336,799	30,415,472
Total Equity and Liabilities		42,330,848	42,536,965

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

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

Thousands of Euros	2016	2015
Revenues from energy sales and services and other	3,360,695	3,812,357
Cost of energy sales and other	-1,937,895	-2,485,791
	1,422,800	1,326,566
Other income	79,393	378,194
Supplies and services	-230,247	-226,951
Personnel costs and employee benefits	-162,397	-163,698
Other expenses	-172,404	-171,275
	-485,655	-183,730
	937,145	1,142,836
Provisions	8,355	-2,743
Amortisation and impairment	-378,471	-352,510
	567,029	787,583
Financial income	282,274	222,581
Financial expenses	-509,963	-378,833
Share of net profit in joint ventures and associates	3,042	-21,637
Profit before income tax	342,382	609,694
Income tax expense	-91,280	-111,561
Extraordinary contribution to the energy sector (CESE)	-	-
	-91,280	-111,561
Net profit for the period	251,102	498,133
Attributable to:		
Equity holders of EDP	**209,409**	**350,293**
Non-controlling Interests	**41,693**	**147,840**
Net profit for the period	**251,102**	**498,133**
Earnings per share (Basic and Diluted) - Euros	0.06	0.10

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT
N.º 17.713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

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

Thousands of Euros	2016 Equity holders of EDP	2016 Non-controlling Interests	2015 Equity holders of EDP	2015 Non-controlling Interests
Net profit for the period	209,409	41,693	350,293	147,840
Items that will never be reclassified to profit or loss				
Actuarial gains/(losses)	-22,003	-1,601	35,548	-3,450
Tax effect from the actuarial gains/(losses)	6,365	545	-6,059	1,173
	-15,638	-1,056	29,489	-2,277
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	133,239	219,822	-5,562	-11,537
Fair value reserve (cash flow hedge)	25,389	-658	1,525	3,224
Tax effect from the fair value reserve (cash flow hedge)	-4,918	1,071	173	-760
Fair value reserve (available for sale investments)	-6,648	-	-27,956	-
Tax effect from the fair value reserve (available for sale investments)	1,961	-	6,944	-
Share of other comprehensive income of joint ventures and associates, net of taxes	83	-875	-11,256	-10,738
	149,106	219,360	-36,132	-19,811
Other comprehensive income for the period (net of income tax)	133,468	218,304	-6,643	-22,088
Total comprehensive income for the period	342,877	259,997	343,650	125,752

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Condensed Consolidated Statement of Changes in Equity as at 30 June 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)	Exchange differences (ii)	Treasury stock (iii)	Equity attributable to equity holders of EDP	Non-controlling Interests (iv)
Balance as at 31 December 2014	**11,969,144**	**3,656,538**	**503,923**	**659,613**	**4,064,527**	**-47,781**	**47,876**	**-133,300**	**-69,931**	**8,681,465**	**3,287,679**
Comprehensive income:											
Net profit for the period	796,294	-	-	-	586,809	-	-	-	-	586,809	209,485
Changes in the fair value reserve (cash flow hedge) net of taxes	26,897	-	-	-	-	23,989	-	-	-	23,989	2,908
Changes in the fair value reserve (available for sale investments) net of taxes	10,934	-	-	-	-	-	10,934	-	-	10,934	-
Share of other comprehensive income of joint ventures and associates net of taxes	-9,892	-	-	-	-	10,211	-	-12,357	-	-2,146	-7,746
Actuarial gains/(losses) net of taxes	27,212	-	-	-	29,489	-	-	-	-	29,489	-2,277
Exchange differences arising on consolidation	-131,174	-	-	-	-	-	-	-55,172	-	-55,172	-76,002
Total comprehensive income for the period	720,271	-	-	-	616,298	34,200	10,934	-67,529	-	593,903	126,368
Transfer to legal reserve	-	-	-	39,289	-39,289	-	-	-	-	-	-
Dividends paid	-672,308	-	-	-	-672,308	-	-	-	-	-672,308	-
Dividends attributable to non-controlling interests	-55,726	-	-	-	-	-	-	-	-	-	-55,726
Purchase and sale of treasury stock	4,532	-	-	-	430	-	-	-	4,102	4,532	-
Share-based payments	1,501	-	-	-	-	-	-	-	1,501	1,501	-
Sale without loss of control of windfarms in the USA	302,644	-	-	-	-8,567	-1,141	-	-5,072	-	-14,780	317,424
Sale without loss of control of solar farms in the USA	25,436	-	-	-	364	-	-	-737	-	-373	25,809
Sale without loss of control of windfarms in Brazil	70,223	-	-	-	7,713	-	-	5,053	-	12,766	57,457
Changes resulting from acquisitions/sales and equity increases/decreases	-29,663	-	-	-	26,601	-3,592	-	-	-	23,009	-52,672
Other reserves arising on consolidation	-246	-	-	-	-84	-	-	-	-	-84	-162
Balance as at 30 June 2015	**12,335,808**	**3,656,538**	**503,923**	**698,902**	**3,995,685**	**-18,314**	**58,810**	**-201,585**	**-64,328**	**8,629,631**	**3,706,177**
Comprehensive income:											
Net profit for the period	450,848	-	-	-	325,894	-	-	-	-	325,894	124,954
Changes in the fair value reserve (cash flow hedge) net of taxes	-47,586	-	-	-	-	-47,035	-	-	-	-47,035	-551
Changes in the fair value reserve (available for sale investments) net of taxes	-351	-	-	-	-	-	-473	-	-	-473	122
Share of other comprehensive income of joint ventures and associates net of taxes	18,357	-	-	-	-	9,954	-	2,830	-	12,784	5,573
Actuarial gains/(losses) net of taxes	-70,472	-	-	-	-62,495	-	-	-	-	-62,495	-7,977
Exchange differences arising on consolidation	-428,633	-	-	-	-	-	-	-194,516	-	-194,516	-234,117
Total comprehensive income for the period	-77,837	-	-	-	263,399	-37,081	-473	-191,686	-	34,159	-111,996
Dividends attributable to non-controlling interests	-90,827	-	-	-	-	-	-	-	-	-	-90,827
Purchase and sale of treasury stock	1,691	-	-	-	54	-	-	-	1,637	1,691	-
Sale without loss of control of windfarms in the USA	1,728	-	-	-	-908	-	-	883	-	-25	1,753
Sale without loss of control of solar farms in the USA	110	-	-	-	43	-	-	-	-	43	67
Sale without loss of control of windfarms in Brazil	-8,943	-	-	-	-2,720	-	-	291	-	-2,429	-6,514
Changes resulting from acquisitions/sales and equity increases/decreases	-39,638	-	-	-	6,656	-909	1,042	-	-	6,789	-46,427
Other reserves arising on consolidation	-599	-	-	-	-84	-	-	-	-	-84	-515
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	613,423	-	-	-	472,171	-	-	-	-	472,171	141,252
Changes in the fair value reserve (cash flow hedge) net of taxes	24,022	-	-	-	-	24,742	-	-	-	24,742	-720
Changes in the fair value reserve (available for sale investments) net of taxes	-20,042	-	-	-	-	-	-20,042	-	-	-20,042	-
Share of other comprehensive income of joint ventures and associates net of taxes	-252	-	-	-	-	78	-	-693	-	-615	363
Actuarial gains/(losses) net of taxes	-19,515	-	-	-	-17,079	-	-	-	-	-17,079	-2,436
Exchange differences arising on consolidation	403,601	-	-	-	-	-	-	165,459	-	165,459	238,142
Total comprehensive income for the period	1,001,237	-	-	-	455,092	24,820	-20,042	164,766	-	624,636	376,601
Transfer to legal reserve	-	-	-	40,122	-40,122	-	-	-	-	-	-
Dividends paid	-672,537	-	-	-	-672,537	-	-	-	-	-672,537	-
Dividends attributable to non-controlling interests	-61,438	-	-	-	-	-	-	-	-	-	-61,438
Purchase and sale of treasury stock	-1,183	-	-	-	-693	-	-	-	-490	-1,183	-
Share-based payments	1,290	-	-	-	-	-	-	-	1,290	1,290	-
Sale without loss of control of windfarms in the USA	259,590	-	-	-	15,566	-1,037	-	3,853	-	18,382	241,208
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	72,596	-	-	-	-14,958	-135	-	4,330	-	-10,763	83,359
Balance as at 30 June 2016	**12,994,049**	**3,656,538**	**503,923**	**739,024**	**4,087,433**	**-32,467**	**39,337**	**-219,148**	**-61,891**	**8,712,749**	**4,281,300**

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

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

**Condensed Consolidated and Company Statement of Cash Flows
for the six-month period ended at 30 June 2016 and 2015**

	Group		Company	
Thousands of Euros	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Operating activities				
Cash receipts from customers	6,795,836	7,452,964	1,311,417	1,347,821
Proceeds from tariff adjustments sales	1,253,785	699,461	-	-
Payments to suppliers	-4,716,295	-5,508,327	-1,295,025	-1,396,167
Payments to personnel	-447,234	-456,489	-36,697	-21,000
Concession rents paid	-142,475	-140,263	-	-
Other receipts/(payments) relating to operating activities	-362,027	-145,337	69,706	1,046
Net cash flows from operations	2,381,590	1,902,009	49,401	-68,300
Income tax received/(paid)	-173,725	16,311	22,431	67,518
Net cash flows from operating activities	2,207,865	1,918,320	71,832	-782
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)	35,671	1,324	92	42
Changes in cash resulting from consolidation perimeter variations	-	1,948	-	-
Property, plant and equipment and intangible assets	3,185	7,471	3,077	19,447
Other receipts relating to tangible fixed assets	4,115	5,235	-	-
Interest and similar income	34,967	33,257	215,667	236,702
Dividends	10,004	23,958	370,575	411,058
Loans to related parties	32,998	5,099	26,126	315,561
	216,374	320,919	615,537	982,810
Cash payments relating to:				
Acquisition of assets/subsidiaries (iii)	-85,416	-95,423	-	-
Other financial assets and investments	-70,967	-45,858	-41	-
Changes in cash resulting from consolidation perimeter variations (iii)	-1,085	-	-	-
Property, plant and equipment and intangible assets	-1,137,577	-1,126,491	-7,193	-32,031
Loans to related parties	-21,510	-17,642	-271,696	-49,941
	-1,316,555	-1,285,414	-278,930	-81,972
Net cash flows from investing activities	-1,100,181	-964,495	336,607	900,838
Financing activities				
Receipts/(payments) relating to loans	-502,595	-1,407,259	150,816	-777,805
Interest and similar costs including hedge derivatives	-448,359	-479,662	-167,776	-203,489
Share capital increases/(decreases) by non-controlling	145,640	-25,807	-	-
Receipts/(payments) relating to derivative financial	-3,080	36,403	36,569	38
Dividends paid to equity holders of EDP (v)	-672,537	-672,308	-672,817	-672,588
Dividends paid to non-controlling interests	-119,585	-67,534	-	-
Treasury stock sold/(purchased) (iv)	-1,183	4,532	107	6,033
Sale of assets/subsidiaries without loss of control (v)	556,080	394,950	-	-
Receipts/(payments) from institutional partnerships - USA (vi)	113,431	36,657	-	-
Net cash flows from financing activities	-932,188	-2,180,028	-653,101	-1,647,811
Changes in cash and cash equivalents	175,496	-1,226,203	-244,662	-747,755
Effect of exchange rate fluctuations on cash held	107,808	-17,851	-476	438
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 *	1,528,753	1,369,941	278,132	597,414

(i) On a consolidated basis, refers to the sale of the assets of the business of electricity generation of Pantanal and J&Z (transactions included in the notes 5, 7 and 42);

(ii) On a consolidated basis, includes the sale of the business of electricity generation of Tejo Energia and Inch Cape (transactions included in the notes 5, 13 and 42);

(iii) On a consolidated basis, mainly refers to payments for the acquisition of the companies disclosed in the note 5;

(iv) 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 the note 5;

(vi) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in the note 38).

* See details of Cash and cash equivalents in note 29 of the Condensed Financial Statements.

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT N.º 17,713 — THE MANAGEMENT — THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Condensed Company Income Statement
for the six-month period ended at 30 June 2016 and 2015

Thousands of Euros	Notes	2016	2015
Revenues from energy sales and services and other	6	1,210,095	1,393,577
Cost of energy sales and other	6	-1,083,409	-1,311,320
		126,686	82,257
Other income		5,361	5,602
Supplies and services	8	-74,322	-86,151
Personnel costs and employee benefits	9	-32,613	-20,478
Other expenses		-10,344	-12,889
		-111,918	-113,916
		14,768	-31,659
Provisions	11	573	-977
Amortisation and impairment	12	-10,076	-6,858
		5,265	-39,494
Financial income	13	1,309,065	1,154,028
Financial expenses	13	-947,241	-669,974
Profit before income tax		367,089	444,560
Income tax expense	14	20,486	13,353
Net profit for the period		**387,575**	**457,913**

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

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

Thousands of Euros	2016	2015
Net profit for the period	387,575	457,913
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)	-12,983	32,901
Tax effect from the fair value reserve (cash flow hedge)	3,830	-9,703
Fair value reserve (available for sale investments)	-4,600	2,205
Tax effect from the fair value reserve (available for sale investments)	1,351	-651
	-12,402	24,752
Other comprehensive income for the period (net of income tax)	-12,230	24,752
Total comprehensive income for the period	375,345	482,665

(i) See Company Condensed Statement of Changes in Equity

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT N.º 17,713	THE MANAGEMENT	THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

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

Thousands of Euros	Notes	2016	2015
Assets			
Property, plant and equipment	16	199,798	206,054
Intangible assets		2,223	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	49,117	53,679
Investment property	22	32,576	32,522
Deferred tax assets	23	72,533	35,140
Debtors and other assets from commercial activities		1,612	1,659
Other debtors and other assets	27	7,693,415	7,799,328
Total Non-Current Assets		19,221,564	19,102,930
Trade receivables	25	106,719	167,089
Debtors and other assets from commercial activities	26	270,596	427,621
Other debtors and other assets	27	1,753,515	2,126,996
Current tax assets	28	31,895	89,603
Cash and cash equivalents	29	278,132	523,270
Total Current Assets		2,440,857	3,334,579
Total Assets		21,662,421	22,437,509
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-55,796	-56,596
Share premium	30	503,923	503,923
Reserves and retained earnings	32	2,510,030	2,393,324
Net profit for the period		387,575	802,446
Total Equity		7,002,270	7,299,635
Liabilities			
Financial debt	35	9,698,223	9,540,894
Employee benefits	36	23,378	22,828
Provisions	37	6,702	12,207
Trade and other payables from commercial activities		3,233	4,037
Other liabilities and other payables	40	2,660,223	2,739,715
Total Non-Current Liabilities		12,391,759	12,319,681
Financial debt	35	1,530,616	1,803,482
Employee benefits	36	346	346
Provisions	37	634	1,262
Hydrological correction account	34	6,553	11,417
Trade and other payables from commercial activities	39	383,465	550,616
Other liabilities and other payables	40	286,304	396,852
Current tax liabilities	41	60,474	54,218
Total Current Liabilities		2,268,392	2,818,193
Total Liabilities		14,660,151	15,137,874
Total Equity and Liabilities		21,662,421	22,437,509

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT N.º 17,713 — THE MANAGEMENT — THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

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

Thousands of Euros	2016	2015
Revenues from energy sales and services and other	535,244	662,681
Cost of energy sales and other	-478,234	-628,707
	57,010	33,974
Other income	2,472	2,869
Supplies and services	-39,024	-45,061
Personnel costs and employee benefits	-16,806	-10,781
Other expenses	-9,278	-9,766
	-62,636	-62,739
	-5,626	-28,765
Provisions	681	-855
Amortisation and impairment	-4,574	-3,412
	-9,519	-33,032
Financial income	441,719	713,183
Financial expenses	-389,542	-252,854
Profit before income tax	42,658	427,297
Income tax expense	17,261	10,076
Net profit for the period	59,919	437,373

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

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

Thousands of Euros	2016	2015
Net profit for the period	59,919	437,373
Items that will never be reclassified to profit or loss		
Actuarial gains / (losses)	172	-
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	6,799	22,119
Tax effect from the fair value reserve (cash flow hedge)	-2,006	-6,525
Fair value reserve (available for sale investments)	-6,544	-4,258
Tax effect from the fair value reserve (available for sale investments)	1,924	1,257
Other comprehensive income for the period (net of income tax)	345	12,593
Total comprehensive income for the period	60,264	449,966

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Condensed Statement of Changes in Equity as at 30 June 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	457,913	-	-	-	457,913	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	23,198	-	-	-	-	23,198	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	1,554	-	-	-	-	-	1,554	-
Total comprehensive income for the period	482,665	-	-	-	457,913	23,198	1,554	-
Transfer to legal reserve	-	-	-	39,289	-39,289	-	-	-
Dividends paid	-672,588	-	-	-	-672,588	-	-	-
Purchase and sale of treasury stock	4,532	-	-	-	430	-	-	4,102
Share-based payments	1,501	-	-	-	-	-	-	1,501
Balance as at 30 June 2015	**6,967,078**	**3,656,538**	**503,923**	**698,902**	**2,134,213**	**11,060**	**20,675**	**-58,233**
Comprehensive income:								
Net profit for the period	344,533	-	-	-	344,533	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-16,892	-	-	-	-	-16,892	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	3,370	-	-	-	-	-	3,370	-
Actuarial gains / (losses) net of taxes	-145	-	-	-	-145	-	-	-
Total comprehensive income for the period	330,866	-	-	-	344,388	-16,892	3,370	-
Purchase and sale of treasury stock	1,691	-	-	-	54	-	-	1,637
Balance as at 31 December 2015	**7,299,635**	**3,656,538**	**503,923**	**698,902**	**2,478,655**	**-5,832**	**24,045**	**-56,596**
Comprehensive income:								
Net profit for the period	387,575	-	-	-	387,575	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-9,153	-	-	-	-	-9,153	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-3,249	-	-	-	-	-	-3,249	-
Actuarial gains / (losses) net of taxes	172	-	-	-	172	-	-	-
Total comprehensive income for the period	375,345	-	-	-	387,747	-9,153	-3,249	-
Transfer to legal reserve	-	-	-	40,122	-40,122	-	-	-
Dividends paid	-672,817	-	-	-	-672,817	-	-	-
Purchase and sale of treasury stock	-1,183	-	-	-	-693	-	-	-490
Share-based payments	1,290	-	-	-	-	-	-	1,290
Balance as at 30 June 2016	**7,002,270**	**3,656,538**	**503,923**	**739,024**	**2,152,770**	**-14,985**	**20,796**	**-55,796**

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

LISBON, 28 JULY 2016

THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

1. ECONOMIC ACTIVITY OF EDP GROUP

The Group's parent company, EDP - Energias de Portugal, S.A. (EDP, S.A.), was incorporated in 1976 as a result of the nationalisation and merger of the major Portuguese companies in the electricity sector operating in mainland Portugal. EDP S.A.'s head office is located in Lisbon at Avenida 24 de Julho, 12. During 1994, as established by Decree-laws 7/91 and 131/94, the EDP Group (EDP Group or Group) was set up following the split of EDP, S.A., which led to a number of directly or indirectly wholly owned subsidiaries of EDP, S.A.

The Group's businesses are currently focused on the generation, distribution and supply of electricity and distribution and supply of gas. Although complementary, the Group also operates in related areas such as engineering, laboratory tests, vocational training, energy services and property management.

The EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors, whose scope and framework is adequately detailed in note 1 attached to Consolidated Financial Statements of 2015.

During the six-month period ended 30 June 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

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 approves that the social tariff start to include this component. Therefore, the social discount rate supported by the social tariff will be 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.

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

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 Tranfer.

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.

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

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 the 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 July 1st 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 the 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 six-month period ended 30 June 2016.

EDP S.A.'s Executive Board of Directors approved the condensed consolidated and company financial statements (referred to as "financial statements") on 28 July 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 six-month period ended 30 June 2016 were prepared in accordance with IFRS as adopted by the E.U. until 30 June 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 indentifiable 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 can not 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.

l) Inventories

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

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

CO_2 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 covered direct family have favorable 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.

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.

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 revisable mechanism consists in correcting on an annual basis, during a 10-year period after the termination of the PPAs, the positive and negative variations 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 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 defined in the Decree-Law 240/2004 and the guidelines of the revisibility calculation according to the Order 4694/2014. Consequently, the use of different methodologies and assumptions from the used model, could give rise to different financial results from those considered.

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.

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

Spain

Royal Decree Law 6/2009, published on 7 May 2009, established, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electricity sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013 access tariffs would be sufficient to cover the cost of regulated activities, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, Royal Decree Law 6/2009 also provided for the passage of some costs included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO_2 costs in market prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs associated with the management and treatment of radioactive waste from nuclear power plants and fuels consumed. However, Royal Decree Law 29/2012, endorsed on 28 December, abolished the regulatory requirement mentioned in paragraph (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

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

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

In 2014, Royal Decree Law 1054/2014, establishes the procedures for the transfer of the right to receive the deficit of 2013 from the Spanish system, as well as, the methodology to define the interest rate applicable to this deficit, which main guidelines are:
(i) definition of a 15 years time frame during which the deficit amount will cumulate interest. This time frame consists in two periods: the first, which began in 1 January 2014 ending on the date of the additional liquidation of the provisional liquidation 14 of the year 2013; and the final period, from which the additional liquidation of the provisional liquidation 14 of the year 2013, is made, until 31 December 2028; and
(ii) the rights to receive (base amount plus interests) are expressly recognised, with their respective taxes and will be considered as system costs. These rights can be total or partially assigned, transferred, transmitted, discounted pledged to third parties, if properly communicated to CNMC ("Comisión Nacional de los Mercados y la Competencia").

Brazil

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

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

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

Revenue recognition

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

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

Income taxes

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

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

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

Pensions and other employee benefits

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

Provisions for dismantling and decommissioning of power generation units

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

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

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.

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 June 2016 and 2015, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

	Jun 2016			
	Profit or loss		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	701	-856	-28,087	34,329
	701	-856	-28,087	34,329

	Jun 2015			
	Profit or loss		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	-20,043	24,498	-19,867	24,282
	-20,043	24,498	-19,867	24,282

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 June 2016 and 2015 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

	Jun 2016			
	Profit or loss		Equity	
Thousands of Euros	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-16,421	16,421	-	-
Unhedged debt	-19,172	19,172	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	15,446	-15,399
Trading derivatives (accounting perspective)	-208	-9,275	-	-
	-35,801	26,318	15,446	-15,399

	Jun 2015			
	Profit or loss		Equity	
Thousands of Euros	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-16,421	16,421	-	-
Unhedged debt	-25,070	25,070	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	10,930	-11,497
Trading derivatives (accounting perspective)	107	-3,278	-	-
	-41,384	38,213	10,930	-11,497

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	Jun 2016	Dec 2015
Exchange rate risk	164	202
Interest rate risk	6,060	4,870
Diversification effect	-220	-240
	6,004	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	Jun 2016	Dec 2015
Risk factor		
Negotiation	2,000	2,000
Fuel	23,000	20,000
CO2	7,000	10,000
Electricity	22,000	47,000
Hydrological	88,000	123,000
Diversification effect	-66,000	-119,000
	76,000	83,000

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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:

	Jun 2016	Dec 2015
Credit risk rating (S&P)		
AAA to AA-	-	15.32%
A+ to A-	49.42%	60.38%
BBB+ to BBB-	37.25%	14.04%
BB+ to B-	0.18%	0.24%
No rating assigned	13.15%	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 six-month period ended 30 June 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 II S.P. ZO.O. helding 100% of the share capital, and acquire 100% of the share capital of Miramit Investments SP.Z O.O. and Tylion Investments 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;
- EDP France Holding, S.A.S acquired 100% of the share capital of the Parc Éolien Champagne Berrichonne, S.A.R.L.

Disposal of non-controlling interests without loss of control:

- In the first quarter of 2016, EDP Renewables North America LLC. concluded the sale to Axium Infrastructure, L.L.C., by 275,336 thousands of Euros that equals 307,199 thousands of US Dollar (which corresponds to a sale price of 307,500 thousands of US Dollar deducted from transaction costs of 301 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 18,382 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 Francourville, S.A.S.;
  - Green Wind S.A.;
  - Eólica La Navica, S.L.U.;
  - Parc Éolien de Montagne Fayel. S.A.S.;
  - Parc Éolien de Preuseville, S.A.S.;
  - Eólica de Radona, S.L.U.;
  - Bon Vent de L'Ebre, S.L.U.;
  - Bon Vent de Vilalba, S.L.U.

  This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 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.

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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.

* 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 June 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:

	Group		Company	
Thousands of Euros	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Electricity and network access	6,392,396	6,995,163	1,063,607	1,218,384
Gas and network access	542,747	733,296	35,460	101,842
Sales of CO2 licences	-	60	32,623	61
Revenue from assets assigned to concessions	167,814	160,282	-	-
Other	44,656	58,893	78,405	73,290
	7,147,613	7,947,694	1,210,095	1,393,577

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

	Jun 2016				
Thousands of Euros	Iberia	Brazil	U.S.A.	Other	Group
Electricity and network access	4,970,615	992,273	277,614	151,894	6,392,396
Gas and network access	542,747	-	-	-	542,747
Revenue from assets assigned to concessions	122,743	45,071	-	-	167,814
Other	36,196	6,671	-	1,789	44,656
	5,672,301	1,044,015	277,614	153,683	7,147,613

	Jun 2015				
Thousands of Euros	Iberia	Brazil	U.S.A.	Other	Group
Electricity and network access	5,195,522	1,397,395	255,098	147,148	6,995,163
Gas and network access	733,296	-	-	-	733,296
Sales of CO2 licences	60	-	-	-	60
Revenue from assets assigned to concessions	123,980	36,302	-	-	160,282
Other	50,036	7,510	217	1,130	58,893
	6,102,894	1,441,207	255,315	148,278	7,947,694

The Revenues from energy sales and services and other, in Iberia, includes 3,922,369 thousands of Euros in Portugal and 1,749,932 thousands of Euros in Spain (30 June 2015: 3,991,831 thousands of Euros in Portugal and 2,111,063 thousands of Euros in Spain).

During the first semester of 2016, the caption Electricity and network access in Iberia, on a consolidated basis, includes a net revenue of 763,782 thousands of Euros (income in 30 June 2015: 731,420 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 151,507 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 June 2015: net profit of 122,389 thousands of Euros).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 92,241 thousands of Euros (30 June 2015: 99,624 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:

	Group		Company	
Thousands of Euros	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Cost of electricity	3,257,441	4,006,905	1,015,309	1,209,405
Cost of gas	380,235	526,896	-	-
Expenditure with assets assigned to concessions	167,814	160,282	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	185,369	254,991	-	-
Gas	64,447	135,648	35,460	101,842
CO2 licences	53,374	62,125	32,622	66
Own work capitalised	-42,004	-28,096	-	-
Other	111,182	79,132	18	7
	372,368	503,800	68,100	101,915
	4,177,858	5,197,883	1,083,409	1,311,320

On a company basis, Cost of electricity includes costs of 524,777 thousands of Euros (30 June 2015: 570,369 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	Jun 2016	Jun 2015
Revenue from assets assigned to concessions	167,814	160,282
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-116,351	-109,460
Personnel costs capitalised (see note 9)	-47,723	-46,826
Capitalised borrowing costs (see note 13)	-3,740	-3,996
	-167,814	-160,282
	-	-

7. OTHER INCOME

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

	Group	
Thousands of Euros	Jun 2016	Jun 2015
Income arising from institutional partnerships - EDPR NA	103,494	84,442
Gains related with business combinations	-	294,938
Gains on disposals - electricity and gas business assets	67,874	89,008
Gains from contractual indemnities and insurance companies	17,950	8,327
Other	49,978	49,184
	239,296	525,899

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI, VII, VIII, IX, X, XI, XII, XIII and XIV, Sol I and Blue Canyon I projects, in wind farms and solar plants in USA (see note 38).

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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.

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). During the first semester of 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:

	Group		Company	
Thousands of Euros	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Consumables and communications	24,307	26,439	4,123	4,097
Rents and leases	60,386	55,871	20,495	22,074
Maintenance and repairs	160,291	148,517	12,507	9,717
Specialised works:				
- Commercial activity	85,678	83,443	6,390	2,203
- IT services, legal and advisory fees	25,585	36,858	8,960	11,823
- Other services	25,143	26,092	8,631	8,555
Provided personnel	-	-	7,258	18,069
Other supplies and services	54,353	56,969	5,958	9,613
	435,743	434,189	74,322	86,151

9. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Personnel costs				
Board of Directors remuneration	7,972	7,602	3,339	2,584
Employees' remuneration	249,457	251,432	17,065	8,868
Social charges on remuneration	60,143	60,809	4,194	2,196
Performance, assiduity and seniority bonus	35,679	35,627	6,147	5,412
Other costs	13,107	12,456	151	51
Own work capitalised:				
- Assigned to concessions (see note 6)	-47,723	-46,826	-	-
- Other (see note 16)	-24,498	-26,957	-	-
	294,137	294,143	30,896	19,111
Employee benefits				
Pension plans costs	13,716	13,349	767	434
Medical plans costs and other benefits	4,158	4,135	283	55
Other	11,489	12,593	667	878
	29,363	30,077	1,717	1,367
	323,500	324,220	32,613	20,478

Pension plans costs include 5,862 thousands of Euros (30 June 2015: 5,829 thousands of Euros) related to defined benefit plans (see note 36) and 7,854 thousands of Euros (30 June 2015: 7,520 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).

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

10. OTHER EXPENSES

Other expenses, are analysed as follows:

	Group	
Thousands of Euros	Jun 2016	Jun 2015
Concession rents paid to local authorities and others	141,138	136,608
Direct and indirect taxes	153,557	167,110
Donations	13,118	18,557
Impairment losses:		
- Trade receivables	37,696	30,057
- Debtors	-963	-1,662
Other	38,508	35,683
	383,054	386,353

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

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

11. PROVISIONS

Provisions are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Charge for the period	26,993	13,933	-573	1,167
Write-back for the period	-32,018	-10,658	-	-190
	-5,025	3,275	-573	977

Provisions for the period, at 30 June 2016, include a net increase in provisions for: labour, legal and other contingencies in Brazil in the amount of 3.3 millions of Euros (30 June 2015: 4.3 millions of Euros); provisions for contractual, legal and other liabilities in Portugal of 3.6 millions of Euros (30 June 2015: 0.4 millions of Euros) and includes a net decrease in Spain of 12 millions of Euros (30 June 2015: 1.4 millions of Euros), which are classified as probable contingencies (see note 37).

12. AMORTISATION AND IMPAIRMENT

Amortisation and impairment are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Property, plant and equipment				
Buildings and other constructions	7,287	5,444	2,344	85
Plant and machinery	524,298	472,508	7	6
Other tangible assets	30,921	31,160	8,126	5,596
Impairment loss	-	-4,620	-	-
	562,506	504,492	10,477	5,687
Intangible assets				
Concession rights and impairment	39,645	41,466	-	-
Intangible assets assigned to concessions - IFRIC 12	147,138	156,335	-	-
Other intangibles	2,528	1,378	148	1
	189,311	199,179	148	1
Investment property				
Amortisation	264	541	119	1,170
Impairment loss	6,362	-	-	-
	6,626	541	119	1,170
	758,443	704,212	10,744	6,858
Compensation of amortisation and depreciation				
Partially-funded property, plant and equipment	-15,188	-15,033	-668	-
Impairment of Goodwill	1,090	-	-	-
	744,345	689,179	10,076	6,858

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:

	Group	
Thousands of Euros	Jun 2016	Jun 2015
Financial income		
Interest income from bank deposits and other investments	20,592	18,890
Interest income from loans to joint ventures and associates	2,346	15,132
Interest from derivative financial instruments	67,250	82,491
Derivative financial instruments	271,175	171,996
Other interest income	29,394	27,905
Foreign exchange gains	74,436	39,526
CMEC	20,930	22,848
Gains on the sale of financial investments	13,423	-
Other financial income	97,703	123,414
	597,249	502,202
Financial expenses		
Interest expense on financial debt	431,677	490,571
Capitalised borrowing costs:		
- Assigned to concessions (see note 6)	-3,740	-3,996
- Other	-24,130	-43,407
Interest from derivative financial instruments	54,981	64,842
Derivative financial instruments	291,942	148,453
Other interest expense	14,251	12,229
Impairment of available-for-sale investments	27,626	-
Foreign exchange losses	48,592	76,630
CMEC	6,713	7,798
Unwinding of discounted liabilities	67,312	58,225
Net interest on the net pensions plan liability (see note 36)	6,911	8,390
Net interest on the medical liabilities and other benefits (see note 36)	14,865	14,263
Other financial expenses	67,980	32,451
	1,004,980	866,449
Financial income / (expenses)	-407,731	-364,247

The caption Financial income - CMEC is related essentially to interest on the initial CMEC included in the annuity for 2016 in the amount of 14,351 thousands of Euros (30 June 2015: 15,227 thousands of Euros) and the financial effect considered in the calculation of the initial CMEC in the amount of 6,579 thousands of Euros (30 June 2015: 7,609 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 10,907 thousands of Euros (see note 42).

The caption Other financial income includes essentially 26,934 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (30 June 2015: 40,641 thousands of Euros) and 28,665 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 June 2015: 46,184 thousands of Euros) (see note 26). Additionally, as at 30 June 2015, this caption 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 27,399 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 3,838 thousands of Euros (30 June 2015: 3,465 thousands of Euros), (ii) the implied financial return in institutional partnerships in USA which amounted to 46,366 thousands of Euros (30 June 2015: 38,089 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 10,546 thousands of Euros (30 June 2015: 11,967 thousands of Euros).

The caption Other financial expenses includes 21,750 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 5,711 thousands of Euros related with interest income on tariff deficit in Brazil (30 June 2015: 8,488 thousands of Euros) (see notes 26 and 39).

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

	Company	
Thousands of Euros	Jun 2016	Jun 2015
Financial income		
Interest income from loans to subsidiaries and related parties	204,403	218,948
Interest from derivative financial instruments	84,425	83,987
Derivative financial instruments	630,247	393,240
Income from equity investments	375,075	411,058
Gains on the sale of financial investments	-	38,987
Other financial income	14,915	7,808
	1,309,065	1,154,028
Financial expenses		
Interest expense on financial debt	231,126	220,646
Interest from derivative financial instruments	66,856	74,657
Derivative financial instruments	638,491	353,820
Foreign exchange losses	6,699	18,441
Other financial expenses	4,069	2,410
	947,241	669,974
Financial income / (expenses)	361,824	484,054

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 recognized 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/Pages/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:

	Jun 2016	Jun 2015
Europe:		
Portugal	21% - 29,5%	21% - 29,5%
Spain	25% - 28%	25% - 28%
Netherlands	25%	25%
America:		
Brazil	34%	34%
United States of America	38.2%	38.2%

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

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 limited number of years. Statutes of limitation differ from country to country, as follows: Portugal 4 years or, if tax losses or credits have been used, the number of years that such tax losses or credits may be carried forward; Spain: 4 years; USA and the Netherlands: 3 years; Brazil: 5 years.

Tax losses generated in each year are also subject to tax authorities review and reassessment and may be used to offset yearly taxable income assessed in the subsequent periods, as follows: In Portugal, 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 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 the first semester of 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		Company	
Thousands of Euros	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Current tax	-464,807	-181,661	1,272	-913
Deferred tax	221,947	-12,142	19,214	14,266
	-242,860	-193,803	20,486	13,353

Reconciliation between the nominal and the effective income tax rate

The effective income tax rate is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Profit before tax	915,117	1,050,960	367,089	444,560
Income tax	-242,860	-193,803	20,486	13,353
Effective income tax rate	26.5%	18.4%	-5.6%	-3.0%

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 June 2016, is analysed as follows:

	Jun 2016		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax *	29.5%	915,117	269,960
Different tax rates (includes state surcharge)	0.1%	4,434	1,308
Tax losses and tax credits	-1.7%	-51,400	-15,163
Tax benefits	-1.1%	-35,308	-10,416
Differences between tax and accounting gains and losses	0.2%	7,553	2,228
Other adjustments and changes in estimates	-0.5%	-17,142	-5,057
Effective tax rate and total income tax	26.5%	823,254	242,860

* 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 June 2015, is analysed as follows:

	Jun 2015		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax *	22.5%	1,050,960	236,466
Different tax rates (includes state surcharge)	7.9%	368,613	82,938
Tax losses and tax credits	-0.9%	-40,400	-9,090
Tax benefits	-1.1%	-49,662	-11,174
Differences between tax and accounting gains and losses	-8.5%	-397,911	-89,530
Other adjustments and changes in estimates	-1.5%	-70,253	-15,807
Effective tax rate and total income tax	18.4%	861,347	193,803

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

The variation in effective tax rate is mainly due to the reduction of the Corporate Income Tax rate in Portugal and Spain, non-taxation of the capital gain generated on the sale of gas distribution assets in Spain and to the non-taxation of the partial gain generated 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 June 2016, is analysed as follows:

	Jun 2016		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax *	29.5%	367,089	108,291
Tax losses and tax credits	-2.5%	-31,461	-9,281
Dividends	-29.9%	-372,678	-109,940
Other adjustments and changes in estimates	-2.7%	-32,393	-9,556
Effective tax rate and total income tax	-5.6%	-69,443	-20,486

* 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 June 2015, is analysed as follows:

	Jun 2015		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax *	29.5%	444,560	131,145
Tax losses and tax credits	-3.2%	-47,898	-14,130
Dividends	-27.0%	-407,861	-120,319
Difference between tax and accounting gains/losses	-2.6%	-38,966	-11,495
Other adjustments and changes in estimates	0.3%	4,902	1,446
Effective tax rate and total income tax	-3.0%	-45,263	-13,353

* 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). 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 58,834 thousands of Euros (30 June 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.º 240/2004 of 27 December.

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16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Cost				
Land and natural resources	104,680	99,487	21,388	23,877
Buildings and other constructions	552,320	489,377	134,244	114,411
Plant and machinery:				
- Hydroelectric generation	9,823,192	8,746,274	254	5,912
- Thermoelectric generation	8,622,026	8,569,641	-	-
- Renewable generation	15,638,535	15,171,961	-	-
- Electricity distribution	1,548,932	1,544,519	-	-
- Gas distribution	992,995	990,047	-	-
- Other plant and machinery	72,977	72,598	196	196
Other	969,618	980,409	161,149	170,395
Assets under construction	2,216,917	3,212,012	16,056	15,068
	40,542,192	39,876,325	333,287	329,859
Accumulated amortisation and impairment losses				
Amortisation charge of the period	-562,506	-1,053,992	-10,477	-13,251
Accumulated amortisation in previous periods	-16,867,991	-15,922,931	-118,230	-105,772
Impairment losses of the period	-	-24,043	-	-
Impairment losses in previous periods	-125,426	-101,643	-4,782	-4,782
	-17,555,923	-17,102,609	-133,489	-123,805
Carrying amount	22,986,269	22,773,716	199,798	206,054

The movements in Property, plant and equipment, for the Group, for the six-month period ended 30 June 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 June
Cost							
Land and natural resources	99,487	71	-	-	7,611	-2,489	104,680
Buildings and other constructions	489,377	446	-890	21,178	44,747	-2,538	552,320
Plant and machinery	35,095,040	13,166	-140,742	1,491,533	235,981	3,679	36,698,657
Other	980,409	10,957	-13,685	-6,764	-280	-1,019	969,618
Assets under construction	3,212,012	524,587	-6,595	-1,505,947	-5,415	-1,725	2,216,917
	39,876,325	549,227	-161,912	-	282,644	-4,092	40,542,192

Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 30 June
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	133,133	7,287	-701	163	10,389	-1,442	148,829
Plant and machinery	16,208,258	524,298	-139,925	-32	37,324	180	16,630,103
Other	757,186	30,921	-13,547	-131	-388	-1,082	772,959
	17,102,609	562,506	-154,173	-	47,325	-2,344	17,555,923

Assets under construction are analysed as follows:

Thousands of Euros	Jun 2016	Dec 2015
Wind farms in USA	652,193	698,693
Wind farms in Europe	205,160	335,292
Hydric Portugal	950,820	1,755,399
Other assets under construction	408,744	422,628
	2,216,917	3,212,012

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

Thousands of Euros	Jun 2016
Subcontracts and other materials	497,096
Dismantling and decommissioning costs	3,432
Personnel costs (see note 9)	24,498
Borrowing costs (see note 13)	24,130
	549,156

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

Thousands of Euros	Expected entry into operation	Capitalised costs	Commitments
Foz Tua	1st Semester 2017	413,591	78,275
Venda Nova III	2nd Semester 2016	407,751	29,037
		821,342	107,312

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 Brasil 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 during the first semester of 2016, 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 June 2016, future lease payments from Property, plant and equipment financed through lease contracts, are detailed as follows: (i) less than 1 year: 4,348 thousands of Euros, (ii) from 1 to 3 years: 4,626 thousands of Euros; and (iii) from 3 to 5 years: 372 thousands of Euros.

As at 30 June 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 18,866 thousands of Euros (30 June 2015: 20,261 thousands of Euros).

The movements in Property, plant and equipment, for the Group, for the six-month period ended 30 June 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 June
Cost							
Land and natural resources	129,589	370	-573	371	-2,813	-390	126,554
Buildings and other constructions	450,017	595	-63	2,045	-21,616	66,861	497,839
Plant and machinery	31,466,143	319,804	-5,241	1,017,344	368,764	1,051,004	34,217,818
Other	871,444	11,695	-2,561	23,359	2,979	4,233	911,149
Assets under construction	3,436,839	417,823	-9,030	-1,043,119	46,662	24,826	2,874,001
	36,354,032	750,287	-17,468	-	393,976	1,146,534	38,627,361

Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 30 June
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	145,987	5,444	-14	-	-4,511	5,360	152,266
Plant and machinery	14,977,971	467,888	-4,239	-	90,552	101,358	15,633,530
Other	702,942	31,160	-2,309	-	2,338	2,431	736,562
	15,830,932	504,492	-6,562	-	88,379	109,149	16,526,390

Additions include the investment in wind farms by the subgroups EDPR Brasil, EDPR EU and EDPR NA. In Portugal, the additions performed by the Group relate to hydroelectric investments in the construction of several power enhancements and new power plants (Baixo Sabor, Foz Tua, Venda Nova III and Salamonde II).

Transfers from assets under construction into operation, refer mainly to solar and wind farms of EDP Renováveis subgroup that become operational in Romania, Italy, Poland and United States of America and to the entry into operation of the Baixo Sabor downstream hydroelectric plant and the Ribeiradio-Ermida hydroelectric plant in the amount of 436,896 thousands of Euros.

Perimeter Variations/Regularisations includes the impact of the acquisition of 50% of the share capital of Porto do Pecém, with a net impact of 1,042,797 thousands of Euros (3,358,535 thousands of Brazilian Reais). Additionally, additions include the effect of the revaluation of these assets amounting to 169,296 thousands of Euros (560,275 thousands of Brazilian Reais).

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 six-month period ended 30 June 2016 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 30 June
Cost						
Land and natural resources	23,877	-	-2,489	-	-	21,388
Buildings and other constructions	114,411	-	-891	20,724	-	134,244
Other	176,503	3,707	-264	-18,343	-4	161,599
Assets under construction	15,068	3,369	-	-2,381	-	16,056
	329,859	7,076	-3,644	-	-4	333,287

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 30 June
Accumulated amortisation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	14,940	2,344	-706	163	170	16,911
Other	104,833	8,133	-254	-163	-3	112,546
	123,805	10,477	-960	-	167	133,489

After further analysis during the first semester of 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 June 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: 919 thousands of Euros, (ii) from 1 to 3 years: 950 thousands of Euros; and (iii) from 3 to 5 years: 62 thousands of Euros.

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

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 30 June
Cost						
Land and natural resources	24,130	-	-	-	35	24,165
Buildings and other constructions	16,536	-	-	-	-	16,536
Other	126,942	3,554	-872	1,708	-	131,332
Assets under construction	81,910	20,735	-	-1,708	-	100,937
	249,518	24,289	-872	-	35	272,970

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Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 30 June
Accumulated amortisation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	15,052	85	-	-	-	15,137
Other	92,942	5,602	-694	-	-	97,850
	112,026	5,687	-694	-	-	117,019

Additions include the investment in the new head-office of EDP Group in Lisbon in the amount of 18,522 thousands of Euros.

17. INTANGIBLE ASSETS

This caption is analysed as follows:

Thousands of Euros	Group	
	Jun 2016	Dec 2015
Cost		
Concession rights	15,214,656	14,808,407
CO2 licences	43,463	142,509
Other intangibles	258,185	243,879
Intangible assets in progress	634,899	560,553
	16,151,203	15,755,348
Accumulated amortisation and impairment losses		
Amortisation of concession rights of the period	-186,783	-384,442
Amortisation of other intangibles of the period	-2,528	-3,283
Accumulated amortisation in previous periods	-10,392,218	-9,803,051
Impairment losses of the period	-	-14,780
Impairment losses in previous periods	-39,939	-25,158
	-10,621,468	-10,230,714
Carrying amount	5,529,735	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 six-month period ended 30 June 2016, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 June
Cost							
Concession rights:							
- Distribution and generation Brazil	1,013,392	-	-	-	61,136	-	1,074,528
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,419,988	181	-	-	-	-	1,420,169
CO2 licences	142,509	51,582	-150,628	-	-	-	43,463
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,236,673	238	-32,702	88,858	288,515	23	12,581,605
- Intangible assets in progress	134,643	167,576	-776	-113,933	8,203	-71	195,642
Other intangibles	243,879	11,099	-406	-	124	3,489	258,185
Other intangible in progress	425,910	13,502	-169	-	2,853	-2,839	439,257
	15,755,348	244,178	-184,681	-25,075	360,831	602	16,151,203

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Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 June
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	565,750	16,899	-	-	21,539	-	604,188
- Gas Portugal	37,733	1,572	-		-	-	39,305
- Hydric Portugal	345,202	21,174	-		-	-	366,376
Assigned to concessions (IFRIC 12)	9,215,011	147,138	-29,171	-	208,322	6	9,541,306
Other intangibles	67,018	2,528	-48	-	798	-3	70,293
	10,230,714	189,311	-29,219	-	230,659	3	10,621,468

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 88,814 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 25,075 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 98,671 thousands of Euros (31 December 2015: 100,987 thousands of Euros) related to wind generation licenses of EDPR NA subgroup and 64,985 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 six-month period ended 30 June 2015, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 June
Cost							
Concession rights:							
- Distribution and generation Brazil	1,085,306	32,288	-	-	-28,441	-1,085	1,088,068
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,419,622	308	-	-	-	170	1,420,100
CO2 licences	162,389	13,634	-130,024	14,091	-	-	60,090
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,525,574	32	-17,537	81,544	-136,393	639	12,453,859
- Intangible assets in progress	107,335	160,250	-306	-103,395	-1,484	-	162,400
Other intangibles	197,272	11,143	-872	1,418	7,157	1,219	217,337
Other intangible in progress	411,344	5,264	-1,478	-1,418	-1,251	2,278	414,739
	16,047,196	222,919	-150,217	-7,760	-160,412	3,221	15,954,947

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 June
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	547,862	18,781	-	-	-9,159	-87	557,397
- Gas Portugal	34,589	1,572	-	-	-	-	36,161
- Hydric Portugal	302,825	21,113	-	-	-	170	324,108
Assigned to concessions (IFRIC 12)	9,288,159	156,335	-13,186	-	-95,842	599	9,336,065
Other intangibles	60,735	1,378	-	-	505	423	63,041
	10,234,170	199,179	-13,186	-	-104,496	1,105	10,316,772

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 13,099 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. Transfers, totalling 14,091 thousands of Euros, relate to CO2 licenses transferred from Inventories to Intangible assets, as a result of allocation of licenses initially held for trading by the Hidrocantábrico Group, in order to cover the need for CO2 licenses arising from consumptions (own use).

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 (87,125 thousands of Euros).

Transfers refer to the net transfers of intangible assets in progress assigned to concessions of 21,851 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).

Perimeter Variations/Regularisations of Other intangibles includes the impact of the acquisition of 50% of the share capital of Porto do Pecém, with a net impact of 817 thousands of Euros (2,632 thousands of Brazilian Reais). Additionally, additions includes the fair value recognition of the authorization agreement for energy production in Porto do Pecém thermoelectric power station in the amount of 32,288 thousands of Euros (106,855 thousands of Brazilian Reais) under the purchase price allocation process at fair value of identifiable assets and liabilities.

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	Jun 2016	Dec 2015
HC Energia Group	1,940,712	1,940,712
EDP Renováveis Group	1,347,549	1,361,305
EDP Brasil Group	48,582	46,053
Other	40,518	40,518
	3,377,361	3,388,588

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

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 30 June
HC Energia Group	1,940,712	-	-	-	-	1,940,712
EDP Renováveis Group	1,361,305	124	-	-	-13,880	1,347,549
EDP Brasil Group	46,053	-	-	-1,090	3,619	48,582
Other	40,518	-	-	-	-	40,518
	3,388,588	124	-	-1,090	-10,261	3,377,361

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

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 30 June
HC Energia Group	1,940,712	-	-	-	-	1,940,712
EDP Renováveis Group	1,287,004	2,525	-2,000	-	54,331	1,341,860
EDP Brasil Group	53,052	-	-	-	-943	52,109
Other	40,518	-	-	-	-	40,518
	3,321,286	2,525	-2,000	-	53,388	3,375,199

EDP Renováveis Group

During the first semester of 2015, EDP Renováveis Group presented a goodwill decrease in the amount of 2,000 thousands of Euros and an increase of 2,525 thousands of Euros related to contingent price revision associated 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 the first semester of 2016, it was recognised an impairment loss in the amount of 1,090 thousands of Euros related to APS Soluções em Energia, S.A., due to non-compliance with performance indices (see note 12).

19. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

	Company	
Thousands of Euros	Jun 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		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Investments in joint ventures	713,489	615,223	6,597	6,597
Investments in associates	45,837	48,788	-	-
	759,326	664,011	6,597	6,597

The movement in Investments in joint ventures is mainly explained by the exchange differences in the amount of 42,165 thousands of Euros and by the capital increase in Empresa de Energia São Manoel, S.A. in the amount of 55,837 thousands of Euros.

As at 30 June 2016, for the Group, this caption includes goodwill in investments in joint ventures of 42,225 thousands of Euros (31 December 2015: 42,730 thousands of Euros) and goodwill in investments in associates of 9,228 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	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Banco Comercial Português, S.A.	19,788	53,276	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	47,341	51,920	47,341	51,920
Zephyr Fund (Energia RE portfolio)	70,989	61,277	-	-
Other	32,206	33,733	1,776	1,759
	170,324	200,206	49,117	53,679

During the six-month period ended 30 June 2016, the market value of the financial investment held in BCP has decreased 33,488 thousands of Euros, which was booked under fair value reserves (see note 32). As at 30 June 2016, following the decrease in BCP market value, an impairment loss in the amount of 27,399 thousands of Euros was booked under Other financial expenses (see note 13).

During 2016, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., decreased by 4,579 thousands of Euros being this decrease booked against fair value reserves (see note 32).

The Zephyr Fund represents the participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During 2016, this investment increased in 10,000 thousands of Euros, and had a decrease of 288 thousands of Euros being this decrease 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 essencially 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	Jun 2016	Dec 2015
Banco Comercial Português, S.A.	-	6,089
REN - Redes Energéticas Nacionais, SGPS, S.A.	21,521	26,100
Tejo Energia, S.A.	-	10,859
Zephyr Fund (Energia RE portfolio)	6,619	6,907
Other	10,354	11,610
	38,494	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 reserves of 10,859 thousands of Euros was then transfered to results (see note 13 and 42).

22. INVESTMENT PROPERTY

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Cost	63,058	58,821	41,080	40,127
Accumulated amortisation and impairment losses	-30,140	-22,356	-8,504	-7,605
Carrying amount	32,918	36,465	32,576	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 deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Balance as at 1 January	272,498	218,747	-794,983	-804,744
Tariff adjustment for the period	-2,043	-15,762	227,997	101,912
Provisions	-5,246	15,952	-	-
Property, plant and equipment, intangible assets and accounting revaluations	-8,451	-19,517	22,765	295
Deferred tax over CMECs in the period	-	-	8,879	-16,026
Tax losses and tax credits	-32,739	95,019	-	-
Financial and available-for-sale investments	7,600	-2,830	8	-1,634
Allocation of fair value adjustments to assets and liabilities acquired	-350	-419	-8,113	-103,113
Other temporary differences	-6,344	9,214	25,487	7,034
Netting of deferred tax assets and liabilities	221,051	-16,821	-221,051	16,821
Balance as at 30 June	445,976	283,583	-739,011	-799,455

As at 30 June 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 64,114 thousands of Euros related to the deferred tax of the fair value of identifiable assets and liabilities adjustments and 34,614 thousands of Euros related to the tax effect of the gain resulting from the bargain purchase.

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	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Balance as at 1 January	35,140	27,434	-	-
Tax losses and tax credits	-4,390	18,866	-	-
Financial and available-for-sale investments	-211	-677	-	-
Fair value of derivative financial instruments	3,830	-4,877	-	-4,625
Other temporary differences	1,362	289	36,802	7
Netting of deferred tax assets and liabilities	36,802	-4,618	-36,802	4,618
Balance as at 30 June	72,533	36,417	-	-

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24. INVENTORIES

This caption is analysed as follows:

	Group	
Thousands of Euros	Jun 2016	Dec 2015
Merchandise	18,062	21,993
Finished, intermediate products and sub-products	25,351	21,857
Raw and subsidiary materials and consumables (coal and other fuels)	88,864	77,530
Nuclear fuel	16,379	18,758
Others	62,436	64,068
	211,092	204,206

25. TRADE RECEIVABLES

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

	Group	
Thousands of Euros	Jun 2016	Dec 2015
Trade receivables - Non-Current		
Corporate sector and individuals:		
- Iberia	18,257	4,407
- Brazil	16,653	12,089
Public Sector:		
- Iberia	105,664	109,226
- Brazil	5,843	6,349
	146,417	132,071
Impairment losses	-30,421	-30,984
	115,996	101,087
Trade receivables - Current		
Corporate sector and individuals:		
- Iberia	1,449,919	1,464,827
- Brazil	512,223	505,125
- U.S.A.	60,787	65,353
- Other	53,079	66,911
Public Sector:		
- Iberia	55,518	61,587
- Brazil	47,537	38,909
	2,179,063	2,202,712
Impairment losses	-335,750	-307,195
	1,843,313	1,895,517
	1,959,309	1,996,604

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

	Company	
Thousands of Euros	Jun 2016	Dec 2015
Trade receivables - Current		
Corporate sector and individuals:		
- Iberia	116,757	177,046
	116,757	177,046
Impairment losses	-10,038	-9,957
	106,719	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	Jun 2016	Dec 2015
Amounts receivable from tariff adjustments - Electricity - Portugal	819,040	1,440,282
Amounts receivable from tariff adjustments - Electricity - Brazil	18,202	22,783
Amounts receivable from tariff expenses - Gas - Spain	68,199	69,000
Amounts receivable relating to CMEC	717,825	653,359
Amounts receivable from concessions - IFRIC 12	1,041,950	949,914
Sundry debtors and other operations	111,201	79,108
	2,776,417	3,214,446
Impairment losses on debtors	-3,209	-3,215
	2,773,208	3,211,231

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

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Amounts receivable from tariff expenses - Electricity - Spain	3,284	1,000	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	767,940	791,662	-	-
Amounts receivable from tariff adjustments - Electricity - Brazil	65,364	154,095	-	-
Receivables relating to other goods and services	29,026	94,537	11,000	47,445
Amounts receivable relating to CMEC	126,330	174,470	-	-
Accrued income relating to energy sales activity	107,643	120,656	192,288	239,052
Sundry debtors and other operations	265,072	258,093	68,281	142,063
	1,364,659	1,594,513	271,569	428,560
Impairment losses on debtors	-20,804	-21,130	-973	-939
	1,343,855	1,573,383	270,596	427,621

The caption Amounts receivable relating to CMEC amounts to 844,155 thousands of Euros, and includes 717,825 thousands of Euros as non-current and 126,330 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 548,955 thousands of Euros as non-current and 43,695 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 168,870 thousands of Euros as non-current and 82,635 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2014 to 2016.

As referred in the note 2 aa), the concession contracts currently in force in EDP Group are based in the Mixed Model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil. Therefore, the caption Amounts receivable from concessions - IFRIC 12 in the amount of 1,041,950 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 58,379 thousands of Euros; (ii) transfers from intangible assets assigned to concessions in the amount of 25,075 thousands of Euros (see note 17).

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 June 2016 of 37,763 thousands of Euros (31 December 2015: 115,657 thousands of Euros) and 45,803 thousands of Euros (31 December 2015: 61,221 thousands of Euros), respectively. The period variation respects to tariff adjustment for the period with negative impact of 127,660 thousands of Euros (see note 6), unwinding of 15,662 thousands of Euros (see note 13) and exchange differences due to the appreciation of Brazilian Real with a positive impact of 18,686 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 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 favorable 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:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2015	1,063,661	1,341,117
Receipts through the electric energy tariff	-538,382	-
Partial sale of 2014 over costs for the special regime generators	-650,954	-
Tariff adjustment of 2014	13,594	13,239
Tariff adjustment for the period	204,957	576,161
Transfer to/from tariff adjustment payable	133	-
Interest income	40,302	339
Transfer from Non-Current to Current	707,254	-707,254
Balance as at 30 June 2015	840,565	1,223,602
Receipts through the electric energy tariff	-495,377	-
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	41,537	-13,239
Tariff adjustment for the period	224,579	566,492
Transfer to/from tariff adjustment payable	4,261	-
Interest income	32,804	-
Transfer from Non-Current to Current	336,573	-336,573
Balance as at 31 December 2015	791,662	1,440,282
Receipts through the electric energy tariff	-317,678	-
Partial sale of 2014 over costs for the special regime generators	-93,844	-
Partial sale of 2015 over costs for the special regime generators	-772,527	-
Partial sale of 2016 over costs for the special regime generators	-348,195	
Tariff adjustment of 2015	2,155	2,155
Tariff adjustment for the period	581,854	274,214
Transfer to/from tariff adjustment payable	-32	-
Interest income	26,713	221
Transfer from Non-Current to Current	897,832	-897,832
Balance as at 30 June 2016	767,940	819,040

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 185,536 thousands of Euros and 93,280 thousands of Euros, respectively. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. In the second quarter the sale price amounted to 200,000 thousands of Euros and generated a gain net of transaction costs of 14,447 thousands of Euros (see note 13). In the fourth quarter the sale price amounted to 100,000 thousands of Euros and generated a gain net of transaction costs of 6,456 thousands of Euros;

- 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;

- During the first quarter of 2016, 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 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).

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 six-month period ended 30 June 2016:

Thousands of Euros	Deficit	Tariff	Sales	Total
Year:				
2012	3,127	-	-	3,127
2013	165,739	-	-	165,739
2014	343,495	92,348	-93,844	341,999
2015	1,278,370	65,651	-772,527	571,494
2016	620,463	232,353	-348,195	504,621
	2,411,194	390,352	-1,214,566	1,586,980

27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	7,058,320	7,065,870
Loans to related parties	10,223	8,413	90	90
Guarantees rendered to third parties	53,043	40,862	-	-
Derivative financial instruments	275,603	261,894	634,846	733,209
Excess of the pension fund financing	58,724	58,724	159	159
Sundry debtors and other operations	98,530	74,364	-	-
	496,123	444,257	7,693,415	7,799,328
Debtors and other assets - Current				
Loans to subsidiaries	-	-	882,906	836,870
Dividends attributed by subsidiaries	-	-	4,500	-
Loans to related parties	80,274	65,479	14,786	14,794
Receivables from the State and concessors	35,628	36,165	-	-
Derivative financial instruments	123,791	271,436	323,080	461,786
Subsidiary companies	-	-	517,032	801,842
Sundry debtors and other operations	56,097	70,038	11,211	11,704
	295,790	443,118	1,753,515	2,126,996
	791,913	887,375	9,446,930	9,926,324

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 4,485,099 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 2,297,363 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 950,062 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).

Sundry debtors and other operations - Non-Current includes 33,780 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 475,417 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	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Income tax	99,330	118,240	11,981	34,366
Value added tax (VAT)	217,170	179,805	19,114	51,189
Other taxes	25,935	16,822	800	4,048
	342,435	314,867	31,895	89,603

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29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Cash	2,349	59	10	8
Bank deposits				
Current deposits	451,539	395,639	33,111	15,937
Term deposits	1,023,056	811,691	220,511	397,325
Specific demand deposits in relation to institutional partnerships	27,143	38,048	-	-
Other deposits	15	12	-	-
	1,501,753	1,245,390	253,622	413,262
Operations pending cash settlement				
Current deposits	24,500	-	24,500	110,000
Other short term investments	151	-	-	-
	1,528,753	1,245,449	278,132	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 June 2016, 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 commercial paper was issued on 29 June 2016 and the settlement date occurred on 1 July 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 June 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.	568,120,491	15.54%	15.54%
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)	21,446,438	0.59%	
Remaining shareholders	1,246,661,600	34.08%	
	3,656,537,715	**100.00%**	

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Share capital and Share premium are analysed as follows:

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

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

	Group		Company	
	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Net profit attributable to the equity holders of EDP (in Euros)	472,171,012	586,808,947	387,575,026	457,913,061
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	472,171,012	586,808,947		
Weighted average number of ordinary shares outstanding	3,635,152,763	3,634,001,467	3,636,665,763	3,635,514,467
Weighted average number of diluted ordinary shares outstanding	3,635,152,763	3,634,001,467	3,636,665,763	3,635,514,467
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.13	0.16		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.13	0.16		
Basic earnings per share from continuing operations (in Euros)	0.13	0.16		
Diluted earnings per share from continuing operations (in Euros)	0.13	0.16		

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	
	Jun 2016	Jun 2015	Jun 2016	Jun 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	-21,384,952	-22,536,248	-19,871,952	-21,023,248
Average number of shares during the period	3,635,152,763	3,634,001,467	3,636,665,763	3,635,514,467
Effect of stock options	-	-	-	-
Diluted average number of shares during the period	3,635,152,763	3,634,001,467	3,636,665,763	3,635,514,467

31. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Book value of EDP, S.A.'s treasury stock (thousands of Euros)	61,891	62,691	55,796	56,596
Number of shares	21,446,438	21,424,972	19,933,438	19,911,972
Market value per share (in Euros)	2.754	3.321	2.754	3.321
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	59,063	71,152	54,897	66,128

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

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	1,835,908	-
Average purchase price (in Euros)	2.930	-
Total purchases (thousands of Euros)	5,379	-
Volume sold (number of shares)	-1,814,442	-
Average selling price (in Euros)	3.027	-
Total sales (thousands of Euros)	5,492	-
Final position (number of shares)	19,933,438	1,513,000
Highest market price (in Euros)	3.267	-
Lowest market price (in Euros)	2.568	-
Average market price (in Euros)	2.992	-

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.

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32. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Legal reserve	739,024	698,902	739,024	698,902
Fair value reserve (cash flow hedge)	-42,951	-73,866	-21,199	-8,216
Tax effect of fair value reserve (cash flow hedge)	10,484	17,562	6,214	2,384
Fair value reserve (available for sale investments)	38,494	61,565	17,162	21,762
Tax effect of fair value reserve (available for sale investments)	843	-2,186	3,634	2,283
Exchange differences arising on consolidation	-219,148	-392,097	-	-
Treasury stock reserve (EDP, S.A.)	55,796	56,596	55,796	56,596
Other reserves and retained earnings	3,559,466	3,292,826	1,709,399	1,619,613
	4,142,008	3,659,302	2,510,030	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	14,225	-205
Transfer of impairment to profit or loss	3	-
Balance as at 30 June 2015	559,380	-498,380
Changes in fair value	4,438	-26,703
Changes in perimeter	1,042	-
Transfer of impairment to profit or loss	21,993	-
Transfer of reserves from assets sold to profit or loss	-	-205
Balance as at 31 December 2015	586,853	-525,288
Changes in fair value	71	-39,909
Transfer of impairment to profit or loss	27,626	-
Transfer of reserves from assets sold to profit or loss	-	-10,859
Balance as at 30 June 2016	614,550	-576,056

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

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	-	-33,488
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-4,579
Others	71	-1,842
	71	-39,909

Exchange differences on consolidation

Exchange differences on consolidation include the amounts resulting from changes in the value of shareholder's equity 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 Jun 2016		Exchange rates at Dec 2015		Exchange rates at Jun 2015	
Currency		Closing rates	Average exchange rate	Closing rates	Average exchange rate	Closing rates	Average exchange rate
US Dollar	USD	1.110	1.116	1.089	1.110	1.119	1.117
Brazilian Real	BRL	3.590	4.131	4.312	3.699	3.470	3.309
Macao Pataca	MOP	8.872	8.924	8.691	8.862	8.934	8.915
Canadian Dollar	CAD	1.438	1.485	1.512	1.419	1.384	1.378
Polish Zloty	PLN	4.436	4.368	4.264	4.184	4.191	4.142
Romanian Leu	RON	4.523	4.496	4.524	4.446	4.473	4.448
Pound Sterling	GBP	0.827	0.778	0.734	0.726	0.711	0.733
South African Rand	ZAR	16.446	17.196	16.953	14.172	13.642	13.311
Mexican Peso	MXN	20.635	20.163	18.915	17.617	17.533	16.897
Chinese Yuan	CNY	7.376	7.295	7.061	7.039	-	-

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324.º 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 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:

	Group	
Thousands of Euros	Jun 2016	Dec 2015
Non-controlling interests in income statement	141,252	334,439
Non-controlling interests in equity and reserves	4,140,048	3,117,279
	4,281,300	3,451,718

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

	Group	
Thousands of Euros	Jun 2016	Dec 2015
EDP Renováveis Group	2,631,945	2,203,157
EDP Brasil Group	1,565,967	1,107,100
Other	83,388	141,461
	4,281,300	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 81,642 thousands of Euros; (ii) a negative impact of 36,704 thousands of Euros related to dividends attributable to non-controlling interests; (iii) a negative impact of 3,399 thousands of Euros resulting from exchange differences; (iv) a negative impact resulting from share capital increases/decreases and other minor acquisition/sale without change of control of 43,041 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 241,208 thousands of Euros (see note 5).

The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 59,987 thousands of Euros of profits attributable to non-controlling interests; (ii) an increase of 241,881 thousands of Euros resulting from exchange differences; (iii) a negative impact of 20,011 thousands of Euros related to dividends attributable to non-controlling interests; (iv) a negative impact of 2,438 thousands of Euros from recognised actuarial losses (net of taxes); and (v) a positive impact of 179,133 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 an acquisition without change of control of 25.34% of EDP Gás Distribuição, S.A. with a negative impact of 52,975 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	Jun 2016	Jun 2015
Balance at the beginning of the period	11,417	1,010
Amounts received/(paid) during the period	-5,071	5,072
Financial charges	207	72
Balance at the end of the period	6,553	6,154

35. FINANCIAL DEBT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	370,247	413,002	383,870	422,115
- EDP Finance B.V.	2,338,191	2,336,111	-	-
- EDP Brasil Group	734,460	766,476	-	-
- EDP Renováveis Group	848,501	935,218	-	-
- EDP Produção	81,090	82,906	-	-
- Others	12,316	21,329	-	-
	4,384,805	4,555,042	383,870	422,115
Non-convertible bond loans:				
- EDP, S.A.	300,000	300,000	8,150,000	8,150,000
- EDP Finance B.V.	9,759,550	9,202,141	-	-
- EDP Brasil Group	644,405	432,452	-	-
	10,703,955	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.	425,185	229,632	425,185	229,632
	425,185	229,632	425,185	229,632
Other loans	21,704	20,669	-	-
	16,274,817	15,479,083	9,698,223	9,540,894
Accrued interest	-	3,033	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	151,667	171,760	-	-
Total Debt and borrowings	16,426,484	15,653,876	9,698,223	9,540,894
Collateral Deposits - Non-current *	-36,049	-66,855	-	-
	16,390,435	15,587,021	9,698,223	9,540,894

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	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	76,199	69,770	76,199	69,770
- EDP Finance B.V.	199,920	199,789	-	-
- EDP Brasil Group	109,899	83,241	-	-
- EDP Renováveis Group	102,169	134,728	-	-
- Others	7,648	9,955	-	-
	495,835	497,483	76,199	69,770
Non-convertible bond loans:				
- EDP Finance B.V.	999,796	2,248,970	-	-
- EDP Brasil Group	55,140	108,036	-	-
	1,054,936	2,357,006	-	-
Commercial paper:				
- EDP, S.A.	390,496	418,352	1,320,996	1,633,352
	390,496	418,352	1,320,996	1,633,352
Other loans	14,388	14,669	-	-
	1,955,655	3,287,510	1,397,195	1,703,122
Accrued interest	294,513	329,154	133,421	100,360
Total Debt and borrowings	2,250,168	3,616,664	1,530,616	1,803,482
Collateral Deposits - Current *	-34,817	-13,060	-	-
	2,215,351	3,603,604	1,530,616	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 event of the period:

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

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

Issuer	Issue date	Interest rate	Type of hedge	Conditions/ Redemption	Nominal Value in Million Currency	Thousands of Euros	
						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
Issued under the Euro Medium Term Notes program							
EDP Finance B.V. (i)	Aug-02	Fixed rate GBP 6.625%	Fair Value	Aug-17	200 GBP	320,000	-
EDP Finance B.V.	Dec-02	Fixed rate EUR (iii)	n.a.	Dec-22	93 EUR	93,357	-
EDP Finance B.V. (i)	Jun-05	Fixed rate EUR 4.125%	n.a.	Jun-20	300 EUR	300,000	-
EDP Finance B.V.	Nov-07	Fixed rate USD 6.00%	Net Investment	Feb-18	1,000 USD	900,739	-
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	94,190	-
EDP Finance B.V.	Jun-09	Fixed rate EUR 4.75%	n.a.	Sep-16	1,000 EUR	1,000,000	-
EDP Finance B.V.	Sep-09	Fixed rate USD 4.90%	Net Investment	Oct-19	1,000 USD	900,739	-
EDP Finance B.V.	Sep-12	Fixed Rate EUR 5.75%	n.a.	Sep-17	750 EUR	750,000	-
EDP Finance B.V. (i)	Nov-12	Fixed Rate CHF 4.00%	Fair Value/ Cash Flow	Nov-18	125 CHF	103,922	-
EDP Finance B.V. (i)	Sep-13	Fixed Rate EUR 4.875%	Fair Value	Sep-20	750 EUR	750,000	-
EDP Finance B.V. (i)	Nov-13	Fixed Rate EUR 4.125%	Fair Value	Jan-21	600 EUR	600,000	-
EDP Finance B.V.	Jan-14	Fixed Rate USD 5.25%	Net Investment	Jan-21	750 USD	675,554	-
EDP Finance B.V. (i)	Apr-14	Fixed Rate EUR 2.625%	Fair Value	Apr-19	650 EUR	650,000	-
EDP Finance B.V.	Jun-14	Variable rate (iii)	Net Investment	Jun-19	100 USD	90,074	-
EDP Finance B.V. (i)	Sep-14	Fixed Rate EUR 2.625%	Fair Value	Jan-22	1,000 EUR	1,000,000	-
EDP Finance B.V. (i)	Nov-14	Fixed Rate USD 4.125%	Net Investment	Jan-20	750 USD	675,554	-
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	-
						10,824,443	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market							
Bandeirante	Jul-10	CDI + 1.50%	n.a.	Jul-16	78 BRL	21,728	-
Energest	Apr-12	CDI + 0.98%	n.a.	Apr-17	60 BRL	16,714	-
Lajeado Energia	Nov-13	CDI + 1.20%	n.a.	Nov-19	450 BRL	125,355	-
Bandeirante	Apr-14	CDI + 1.39%	n.a.	Apr-19	300 BRL	83,570	-
Escelsa	Aug-14	CDI + 1.50%	n.a.	Aug-20	177 BRL	49,251	-
Energias do Brasil	Oct-15	IPCA + 8.3201%	n.a.	Sep-21	192 BRL	53,609	-
Energias do Brasil	Oct-15	CDI + 1.74%	n.a.	Sep-18	664 BRL	185,039	-
Energias do Brasil	Oct-15	IPCA + 8.2608%	n.a.	Sep-24	51 BRL	14,324	-
Bandeirante	Feb-16	CDI + 2.30%	n.a.	Feb-20	100 BRL	27,857	-
Escelsa	Feb-16	CDI + 2.30%	n.a.	Feb-20	120 BRL	33,428	-
Energias do Brasil	Apr-16	IPCA + 8.3479%	n.a.	Apr-22	253 BRL	70,613	-
Energest	Apr-16	CDI + 2.25%	n.a.	Apr-18	54 BRL	15,043	-
Energest	Apr-16	CDI + 2.265%	n.a.	Apr-20	36 BRL	10,028	-
						706,559	-
						12,581,002	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 355,000 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 June 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 June 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 June 2016 are totally available, and a RCF of 500,000 thousands of Euros, with a firm underwriting commitment and maturing in 2020, which as at 30 June 2016 are totally available.

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

Thousands of Euros	Jun-2017	Dec-2017	Dec-2018	Dec-2019	Dec-2020	Following years	Total
Bank loans:							
Euro	354,717	254,689	320,204	125,883	1,779,545	586,243	3,421,281
Brazilian Real	101,178	37,975	140,098	123,100	80,879	316,235	799,465
US Dollar	2,494	-	-	314,715	-	-	317,209
Others	60,820	15,578	32,616	31,222	30,252	195,524	366,012
	519,209	308,242	492,918	594,920	1,890,676	1,098,002	4,903,967
Bond loans:							
Euro	1,169,230	995,148	417,837	656,131	1,085,693	3,742,042	8,066,081
Brazilian Real	79,468	151,014	221,146	124,601	51,831	95,812	723,872
US Dollar	62,831	-	899,681	1,074,589	671,745	668,399	3,377,245
	1,311,529	1,146,162	1,538,664	1,855,321	1,809,269	4,506,253	12,167,198
Hybrid Bond:							
Euro	11,818	-	-	-	-	739,168	750,986
	11,818	-	-	-	-	739,168	750,986
Commercial paper:							
Euro	393,224	-	-	-	-	200,000	593,224
US Dollar	-	-	-	225,185	-	-	225,185
	393,224	-	-	225,185	-	200,000	818,409
Other loans:							
Euro	8,987	569	29	8	-	-	9,593
Brazilian Real	5,401	1,565	2,196	1,786	684	14,867	26,499
	14,388	2,134	2,225	1,794	684	14,867	36,092
	2,250,168	1,456,538	2,033,807	2,677,220	3,700,629	6,558,290	18,676,652

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

Thousands of Euros	Dec-2016	Dec-2017	Dec-2018	Dec-2019	Dec-2020	Following years	Total
Bank loans:							
Euro	392,938	333,317	316,389	122,639	1,614,446	584,466	3,364,195
Brazilian Real	77,537	117,088	156,781	108,396	72,016	279,978	811,796
US Dollar	3,303	-	-	481,046	-	-	484,349
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 resctricted 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 June 2016 and 31 December 2015 these loans amounted to 1,647,051 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:

Thousands of Euros	Jun 2016 Carrying amount	Jun 2016 Market value	Dec 2015 Carrying amount	Dec 2015 Market value
Debt and borrowings - Non-Current	16,426,484	17,056,583	15,653,876	16,291,289
Debt and borrowings - Current	2,250,168	2,007,723	3,616,664	3,397,597
	18,676,652	19,064,306	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:

Thousands of Euros	Group Jun 2016	Group Dec 2015	Company Jun 2016	Company Dec 2015
Provisions for social liabilities and benefits	839,984	883,447	13,635	13,303
Provisions for medical liabilities and other benefits	961,770	940,046	10,089	9,871
	1,801,754	1,823,493	23,724	23,174

This caption is analysed as follows:

Thousands of Euros	Group Jun 2016	Group Dec 2015	Company Jun 2016	Company Dec 2015
Non-Current	1,627,087	1,647,730	23,378	22,828
Current	174,667	175,763	346	346
	1,801,754	1,823,493	23,724	23,174

As at 30 June 2016, Provisions for social liabilities and benefits are related to retirement pension defined benefit plans in the amount of 839,769 thousands of Euros (31 December 2015: 882,269 thousands of Euros) and the estimated cost of services rendered by third parties under the human resources rationalisation program in the amount of 215 thousands of Euros (31 December 2015: 1,178 thousands of Euros).

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

Thousands of Euros	Group Jun 2016	Group Jun 2015
Balance at the beginning of the period	883,447	930,291
Charge for the period	12,773	14,219
Actuarial (gains)/losses	25,664	-33,611
Charge-off	-82,202	-86,384
Transfers, reclassifications and exchange differences	302	-852
Balance at the end of the period	839,984	823,663

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

Thousands of Euros	Jun 2016 Portugal	Jun 2016 Spain	Jun 2016 Brazil	Jun 2016 Group
Current service cost	4,647	1,306	-91	5,862
Operational component (see note 9)	4,647	1,306	-91	5,862
Net interest on the net pensions plan liability	6,403	799	-291	6,911
Financial component (see note 13)	6,403	799	-291	6,911
	11,050	2,105	-382	12,773

Thousands of Euros	Jun 2015 Portugal	Jun 2015 Spain	Jun 2015 Brazil	Jun 2015 Group
Current service cost	4,851	1,139	-161	5,829
Operational component (see note 9)	4,851	1,139	-161	5,829
Net interest on the net pensions plan liability	7,177	828	385	8,390
Financial component (see note 13)	7,177	828	385	8,390
	12,028	1,967	224	14,219

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

	Group	
Thousands of Euros	Jun 2016	Jun 2015
Balance at the beginning of the period	940,046	949,982
Charge for the period	19,023	18,398
Actuarial (gains)/losses	2,215	1,513
Charge-off	-23,104	-22,691
Transfers, reclassifications and exchange differences	23,590	-6,337
Balance at the end of the period	961,770	940,865

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

	Jun 2016			Jun 2015		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	3,859	299	4,158	3,842	293	4,135
Operational component (see note 9)	3,859	299	4,158	3,842	293	4,135
Net interest on the medical liabilities and other benefits	7,825	7,040	14,865	7,918	6,345	14,263
Financial component (see note 13)	7,825	7,040	14,865	7,918	6,345	14,263
Net cost for the period	11,684	7,339	19,023	11,760	6,638	18,398

As at 30 June 2016, the net movement for the period in Provisions for social liabilities and benefits corresponds to a decrease of 43,463 thousands of Euros (30 June 2015: 106,628 thousands of Euros), from which 39,459 thousands of Euros correspond to the negative net movement occurred in Portugal (30 June 2015: 100,018 thousands of Euros) and 4,004 thousands of Euros correspond to the negative net movement occurred in Spain and Brazil (30 June 2015: 6,610 thousands of Euros). The variation in Portugal relates essentially to actuarial losses arising from return on assets in the positive amount of 18,132 thousands of Euros, positive charge for the period of 11,050 thousands of Euros and a negative effect of benefit payments of 68,747 thousands of Euros.

The net movement for the period in Provisions for medical liabilities and other benefits corresponds to an increase of 21,724 thousands of Euros (30 June 2015: 9,117 thousands of Euros), from which 4,485 thousands of Euros correspond to the negative net movement occurred in Portugal (30 June 2015: 4,013 thousands of Euros) and 26,209 thousands of Euros correspond to the positive net movement occurred in Brazil (30 June 2015: 5,104 thousands of Euros).

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 June 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:

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Provision for legal and labour matters and other contingencies	89,368	75,991	-	-
Provision for customer guarantees under current operations	2,699	3,295	-	-
Provision for dismantling and decommissioning	282,626	276,072	-	-
Provision for other liabilities and charges	136,512	150,714	7,336	13,469
	511,205	506,072	7,336	13,469

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Non-Current	483,210	481,439	6,702	12,207
Current	27,995	24,633	634	1,262
	511,205	506,072	7,336	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 11,462 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 June 2016, the estimated liability amounts to 5,608 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 6,057 thousands of Euros (21,745 thousands of Brazilian Reais) as at 30 June 2016.

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

i) The Group has recognised a provision of 35,865 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 121,889 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 62,744 thousands of Euros refer to the wind farms of the EDPR NA Group, 57,922 thousands of Euros refer to the wind farms of the EDPR EU Group, 923 thousands of Euros refer to the wind farms of the EDPR Brasil Group and 300 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 June 2016, the provision amounts to 80,052 thousands of Euros (31 December 2015: 79,455 thousands of Euros) and 42,556 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 June 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 June 2016, there were no signicant changes compared to 31 December 2015, with the following exceptions:

i) 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 June 2016, the contingency amounts approximately to 7,791 thousands of Euros (31 December 2015: 7,000 thousands of Euros);

ii) 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 favorable 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 favorable decision to Bandeirante became effective, thus the process was closed (31 December 2015: 30,020 thousands of Euros);

iii) 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 June 2016, the contingency associated with this adjustment, classified as possible, amounts to 11,620 thousands of Euros.

As at 30 June 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 June 2016, the amount of this tax contingency totals 259.5 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:

	Group	
Thousands of Euros	Jun 2016	Dec 2015
Deferred income related to benefits provided	768,177	791,444
Liabilities arising from institutional partnerships in USA	1,164,695	1,164,773
	1,932,872	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).

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

	Group	
Thousands of Euros	Jun 2016	Jun 2015
Balance at the beginning of the period	1,956,217	1,801,963
Proceeds received from institutional investors	213,540	143,999
Cash paid for deferred transaction costs	-1,092	-4,749
Cash paid to institutional investors	-99,017	-102,592
Income (see note 7)	-103,494	-84,442
Unwinding (see note 13)	46,366	38,089
Exchange differences	-37,812	153,331
Others	-41,836	3,386
Balance at the end of the period	1,932,872	1,948,985

During the first semester of 2015, EDPR NA has secured 117 millions of USD (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 USD (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 214 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	Jun 2016	Dec 2015
Investment government grants	589,153	612,438
Amounts payable for tariff adjustments - Electricity - Portugal	65,348	18,269
Amounts payable for tariff adjustments - Electricity - Brazil	23,287	6,447
Energy sales contracts - EDPR NA	21,304	24,223
Deferred income - CMEC	259,414	260,233
Amounts payable for concessions	228,752	208,823
Other creditors and sundry operations	114,504	106,841
	1,301,762	1,237,274

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

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Suppliers	796,336	979,482	157,444	263,102
Accrued costs related with supplies	365,155	451,891	180,175	252,424
Property, plant and equipment suppliers and accruals	346,652	768,159	2,456	2,489
Holiday pay, bonus and other charges with employees	132,799	165,133	21,218	27,198
CO2 emission licences	29,146	124,354	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	143,650	196,662	-	-
Amounts payable for tariff adjustments - Electricity - Brazil	124,394	-	-	-
Deferred income - CMEC	39,430	45,921	-	-
Other creditors and sundry operations	571,125	648,756	22,172	5,403
	2,548,687	3,380,358	383,465	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	-108,486	-
Tariff adjustment of the period	17,121	32,577
Interest expense	562	148
Transfer to/from tariff adjustment receivable	133	-
Transfer from Non-Current to Current	7,704	-7,704
Balance as at 30 June 2015	131,261	40,430
Payment through the electricity tariff	-108,485	-
Tariff adjustment of 2014	1,023	-
Tariff adjustment of the period	159,541	-14,309
Interest expense	1,209	-
Transfer to/from tariff adjustment receivable	4,261	-
Transfer from Non-Current to Current	7,852	-7,852
Balance as at 31 December 2015	196,662	18,269
Payment through the electricity tariff	-98,640	-
Tariff adjustment of the period	36,151	56,135
Interest expense	374	79
Transfer to/from tariff adjustment receivable	-32	-
Transfer from Non-Current to Current	9,135	-9,135
Balance as at 30 June 2016	143,650	65,348

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments booked in Bandeirante and Escelsa in the accumulated amount of 85,983 thousands of Euros and 61,698 thousands of Euros, respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 23,847 thousands of Euros (see note 6), unwinding in the amount of 9,951 thousands of Euros (see note 13), the amount payable through the electricity tariff in the amount of 87,807 thousands of Euros and the exchange differences due to appreciation of Brazilian Real with a positive impact of 19,629 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 298,844 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 149,559 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 78,345 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 18,558 thousands of Euros and 10,588 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 recovers 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 June 2016, and in the transfer to these entities of assets recovered during June, these payables amount to 105,072 thousands of Euros and 119,742 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).

40. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	445,871	208,082	-	-
Put options over non-controlling interest liabilities	26	27	-	-
Derivative financial instruments	218,798	267,354	179,421	209,096
Group companies	-	-	2,451,670	2,497,923
Amounts payable for acquisitions and success fees	27,918	15,978	-	-
Lease contract with EDP Pension Fund	29,132	29,383	29,132	29,383
Other creditors and sundry operations	25,902	27,312	-	3,313
	747,647	548,136	2,660,223	2,739,715
Other liabilities and other payables - Current				
Loans from non-controlling interests	77,980	87,057	-	-
Dividends attributed to related companies	19,253	63,422	-	-
Derivative financial instruments	89,171	122,131	156,016	260,859
Group companies	-	-	101,716	102,603
Put options over non-controlling interest liabilities	-	3,690	-	-
Amounts payable for acquisitions and success fees	3,340	3,557	-	-
Lease contract with EDP Pension Fund	2,484	2,484	2,484	2,484
Other creditors and sundry operations	27,548	29,233	26,088	30,906
	219,776	311,574	286,304	396,852
	967,423	859,710	2,946,527	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 June 2016 this loan amounts to 76,463 thousands of Euros (31 December 2015: 81,315 thousands of Euros), from which 66,381 thousands of Euros are classified as Non-Current and 10,082 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 9,328 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 273,346 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 69,082 thousands of Euros (31 December 2015: 94,484 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 BV 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 35,907 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 BV (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 June 2016, it amounts to 31,616 thousands of Euros (31 December 2015: 31,867 thousands of Euros).

41. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Income tax	461,658	140,723	55,377	50,753
Withholding tax	48,429	55,860	3,621	1,098
Value added tax (VAT)	82,381	96,103	576	1,558
Turnover tax (Brazil)	52,467	51,185	-	-
Social tax (Brazil)	19,256	40,900	-	-
Other taxes	186,689	132,609	900	809
	850,880	517,380	60,474	54,218

As at 30 June 2016, for the Group, the caption Other taxes includes taxes regarding HC Energia Group (include NG Energia) of 87,328 thousands of Euros (31 December 2015: 99,080 thousands of Euros) and the amount of 58,834 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	Jun 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 17,262 thousands of Euros, generating a gain of 10,907 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 June 2016 and 31 December 2015 is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Derivatives held for trading	-58,252	39,153	92,529	144,220
Fair value hedge	203,248	230,846	542,450	589,035
Cash flow hedge	-60,041	-70,092	-12,490	-8,215
Net Investment hedge	6,470	-56,062	-	-
	91,425	143,845	622,489	725,040

The fair value of the 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, as such, 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 first semester of 2016 and the year 2015 the following market inputs were considered for the fair value calculation:

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

44. COMMITMENTS

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

	Group		Company	
Thousands of Euros	Jun 2016	Dec 2015	Jun 2016	Dec 2015
Financial guarantees				
EDP, S.A.	8,543	35,970	8,543	35,970
EDP Brasil Group	1,367,099	1,209,612	-	-
Other	127,570	16,066	-	-
	1,503,212	1,261,648	8,543	35,970
Operating guarantees				
EDP, S.A.	524,234	507,591	524,234	507,591
HC Energia Group	249,975	262,579	-	-
EDP Brasil Group	474,491	408,345	-	-
EDP Renováveis Group	1,795,742	2,276,476	-	-
Other	7,179	7,183	-	-
	3,051,621	3,462,174	524,234	507,591
Total	4,554,833	4,723,822	532,777	543,561
Real guarantees	898	28,521	-	-

The financial guarantees contracted as at 30 June 2016 and 31 December 2015 include 1,139,433 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 June 2016 and 31 December 2015, in the amounts of 230,990 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. Additionaly, 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 June 2016 and 31 December 2015, 272,599 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.

Additionally 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 June 2016 and 31 December 2015, EDPR's obligations under the tax equity agreements, in the amount of 1,142,703 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:

	Jun 2016				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	1,269,965	73,738	134,768	119,577	941,882
Purchase obligations	22,082,382	4,464,045	4,740,263	3,388,851	9,489,223
	23,352,347	4,537,783	4,875,031	3,508,428	10,431,105

	Dec 2015				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 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 13,712,411 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	Jun 2016	Dec 2015
Purchase obligation - Present value	13,712,411	11,893,858
Purchase obligation - Notional value	20,023,759	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	Jun 2016	Dec 2015
Fuel acquisitions	4,872,208	5,224,697
Electricity acquisition	12,986,754	11,235,011
O&M contracts	1,319,767	1,274,937
Fixed assets, equipment and miscellaneous materials acquisition	1,461,282	1,705,345
Work contracts	567,500	547,057
Other supplies and services	874,871	458,901
	22,082,382	20,445,948

The increase of purchase obligations of electricity results mainly from the apreciation of Brazilian Real (BRL) against the Euro during the first semester of 2016.

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

	Jun 2016				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Fuel acquisitions	4,872,208	1,009,213	1,418,485	1,168,446	1,276,064
Electricity acquisition	12,986,754	1,291,041	2,323,975	1,962,048	7,409,690
	17,858,962	2,300,254	3,742,460	3,130,494	8,685,754

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

As at 30 June 2016, purchase obligations of fixed assets, equipment and miscellaneous materials acquisition corresponds to: (i) 1,231,427 thousands of Euros relating to property, plant and equipment acquisition; (ii) 96,078 thousands of Euros relating to intangible assets acquisition; and (iii) 133,777 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 June 2016, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. 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 ofAcampo 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.

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:

	Jun 2016				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	122,110	9,984	26,028	21,391	64,707
Purchase obligations	126,228	57,235	68,993	-	-
	248,338	67,219	95,021	21,391	64,707

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

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 June 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 June 2016, this caption relates to O&M contracts.

45. RELATED PARTIES

Shares held by company officers

The number of shares of EDP S.A. held or attributable to company officers as at 30 June 2016 and 31 December 2015 are as follows:

	2016 Nr. of shares	2015 Nr. of shares
General and Supervisory Board		
China Three Gorges Corporation (represented by Eduardo de Almeida Catroga)	780,633,782	780,633,782
China Three Gorges (Europe), S.A. (represented by Dingming Zhang)	780,633,782	780,633,782
Fernando Maria Masaveu Herrero	265,048,636	264,709,056
Senfora B.V. (ex- Senfora S.A.R.L., represented by Mohamed Al Fahim)	148,431,999	148,431,999
Sonatrach (represented by Ferhat Ounoughi)	87,007,433	87,007,433
Vasco Joaquim Rocha Vieira	3,203	3,203
Banco Comercial Português, S.A. (represented by Nuno Manuel da Silva Amado)	89,139,594	89,139,594
João Carvalho das Neves	7,429	7,429
Executive Board of Directors		
António Luís Guerra Nunes Mexia	81,000	41,000
António Fernando Melo Martins da Costa	34,299	34,299
João Manuel Manso Neto	1,268	1,268
João Manuel Veríssimo Marques da Cruz	41,378	3,878
Nuno Maria Pestana de Almeida Alves	125,000	125,000
Miguel Nuno Simões Nunes Ferreira Setas	7,382	7,382
Miguel Stilwell de Andrade	140,000	126,576
Rui Manuel Rodrigues Lopes Teixeira	6,663	5,843

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 June 2016, this loan amounts to 76,463 thousands of Euros (see note 40) also were booked interests in the amount of 2,223 thousands of Euros (30 June 2015: 2,491 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 57,457 thousands of Euros and an impact in reserves attributable to the Group of 12,766 thousands of Euros.

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 June 2016, the present value of the contract amounts to 31,616 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

	June 2016			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
EDP IS (ex- Balwerk)	193,114	-	27	193,141
EDP Comercial	58,882	75,457	171,994	306,333
EDP Distribuição	-	2,297,363	58,518	2,355,881
EDP Finance BV	-	-	44,523	44,523
EDP Produção	200,068	4,485,099	101,482	4,786,649
EDP Imobiliária e Participações	158	104,110	487	104,755
EDP Renováveis	-	-	547,568	547,568
EDP Servicios Financieros España	-	950,062	1,453	951,515
Other	23,195	43,921	375,467	442,583
	475,417	7,956,012	1,301,519	9,732,948

	December 2015			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
EDP IS (ex- Balwerk)	854	206,193	917	207,964
EDP Comercial	43,934	75,457	207,930	327,321
EDP Distribuição	244,016	2,297,781	125,055	2,666,852
EDP Finance BV	-	-	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

	June 2016			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Finance BV	-	11,319,284	171,980	11,491,264
EDP Produção	-	-	229,575	229,575
EDP Soluções Comerciais	31,996	-	20	32,016
Hidroeléctrica del Cantábrico	-	4	32,641	32,645
Pebble Hydro	-	65,008	119	65,127
Naturgas Comercializadora	-	-	49,199	49,199
Other	33,810	-	64,483	98,293
	65,806	11,384,296	548,017	11,998,119

The amount of 11,319,284 thousands of Euros includes 5 intragroup bonds issuance by EDP Finance BV to EDP S.A. as at 30 June 2016, in the total amount of 7,966,182 thousands of Euros, with variable rate at medium-long term (5, 7 and 10 years).

	December 2015			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Finance BV	-	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

	June 2016			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	Total
EDP Finance BV	-	-190,189	-190,503	-380,692
EDP Produção	-	-	-629,158	-629,158
Naturgas Comercializadora	-	-	-74,982	-74,982
Other	-52	-97	-111,540	-111,689
	-52	-190,286	-1,006,183	-1,196,521

	June 2015			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	Total
EDP Finance BV	-	-185,926	-55,528	-241,454
EDP Produção	-	-	-593,495	-593,495
Naturgas Comercializadora	-	-	-28,149	-28,149
Other	-867	-252	-74,883	-76,002
	-867	-186,178	-752,055	-939,100

Income

	June 2016			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total
EDP Comercial	354	1,232	468,752	470,338
EDP Distribuição	881	74,449	144,724	220,054
EDP Gás.Com	7	-	33,028	33,035
EDP Produção	1,693	104,507	281,808	388,008
Hidroeléctrica del Cantábrico	-	-	85,273	85,273
Other	324	20,956	291,983	313,263
	3,259	201,144	1,305,568	1,509,971

	June 2015			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total
EDP Comercial	139	777	481,220	482,136
EDP Distribuição	1,199	88,280	132,272	221,751
EDP Gás.Com	43	-	69,515	69,558
EDP Produção	773	120,556	338,022	459,351
Other	347	6,834	279,621	286,802
	2,501	216,447	1,300,650	1,519,598

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

Assets and Liabilities

	June 2016		
Thousands of Euros	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioeléctrica	15,692	3,045	12,647
Eólica de Coahuila	5,057	-	5,057
Empresa de Energia Cachoeira Caldeirão	30,413	1,033	29,380
Cide HC Energía	3,617	4,271	-654
Other	6,331	5,140	1,191
	61,110	13,489	47,621
Associates			
Eoliennes en Mer Dieppe Le Tréport	3,799	-	3,799
Eoliennes en Mer Iles d'Yeu et Noirmoutier	4,188	-	4,188
MABE Construção e Administração de Projectos	4,697	-	4,697
Parque Eólico Sierra del Madero	12,784	-	12,784
Other	7,117	884	6,233
	32,585	884	31,701
	93,695	14,373	79,322

	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

	June 2016			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioeléctrica	940	108	-18,873	-
Cide HC Energía	45,594	32	-172	-
Empresa de Energia Cachoeira Caldeirão	908	1,364	-2,106	-
Other	2,370	279	-2,299	-
	49,812	1,783	-23,450	-
Associates				
Korsokuntza, AIE	1,521	-	-	-
Other	1,112	563	-458	-2
	2,633	563	-458	-2
	52,445	2,346	-23,908	-2

Thousands of Euros	June 2015 Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioeléctrica	1,044	123	-23,592	-
Cide HC Energía	45,624	6	-31	-
Porto do Pecém	33	59	-2,262	-2
Other	23,589	2,606	-9,256	-
	70,290	2,794	-35,141	-2
Associates				
ENEOP - Eólicas de Portugal	-	11,488	-	-
Setgás	2	239	-2,157	-
Parque Eólico Sierra del Madero	6	254	-	-
Other	3,211	357	-535	-2
	3,219	12,338	-2,692	-2
	73,509	15,132	-37,833	-4

46. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Thousands of Euros	Group Jun 2016 Carrying amount	Fair value	Difference	Group Dec 2015 Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	170,324	170,324	-	200,206	200,206	-
Trade receivables	1,959,309	1,959,309	-	1,996,604	1,996,604	-
Debtors/other assets from commercial activities	4,117,063	4,117,063	-	4,784,614	4,784,614	-
Other debtors and other assets	392,519	392,519	-	354,045	354,045	-
Derivative financial instruments	399,394	399,394	-	533,330	533,330	-
Financial assets at fair value through profit or loss	7,508	7,508	-	9,288	9,288	-
Collateral deposits/financial debt	70,866	70,866	-	79,915	79,915	-
Cash and cash equivalents	1,528,753	1,528,753	-	1,245,449	1,245,449	-
	8,645,736	8,645,736	-	9,203,451	9,203,451	-
Financial liabilities						
Financial debt	18,676,652	19,064,306	387,654	19,270,540	19,688,886	418,346
Suppliers and accruals	1,142,988	1,142,988	-	1,747,641	1,747,641	-
Institutional partnerships in USA	1,932,872	1,932,872	-	1,956,217	1,956,217	-
Trade/other payables from commercial activities	2,118,308	2,118,308	-	2,257,553	2,257,553	-
Other liabilities and other payables	659,454	659,454	-	470,225	470,225	-
Derivative financial instruments	307,969	307,969	-	389,485	389,485	-
	24,838,243	25,225,897	387,654	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.

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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 June 2016			31 December 2015		
Thousands of Euros	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	67,129	70,989	32,206	105,196	61,277	33,733
Derivative financial instruments	-	399,394	-	-	533,330	-
Financial assets at fair value through profit or loss	-	-	7,508	-	-	9,288
	67,129	470,383	39,714	105,196	594,607	43,021
Financial liabilities						
Derivative financial instruments	-	307,969	-	-	389,485	-
	-	307,969	-	-	389,485	-

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

	Available for sale investments		Financial assets at fair value through profit or loss	
Thousands of Euros	Jun 2016	Jun 2015	Jun 2016	Jun 2015
Balance at beginning of period	33,733	48,490	9,288	10,665
Change in fair value	-1,256	1,473	-	-
Acquisitions	200	706	-	2,898
Disposals	-42	-179	-	-
Impairment	-227	-3	-	-
Other changes	-202	-15	-1,780	-2,382
Balance at the end of the period	32,206	50,472	7,508	11,181

47. RELEVANT OR SUBSEQUENT EVENTS

EDP Renováveis announces 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 scope covers 392 MW in operation in Poland and 100 MW in Italy, with an average age of 4 years, as well as 107 MW under construction in Poland and in Italy.

The transaction is subject to the customary regulatory and other approvals and is expected to be completed during the second semester of 2016.

The agreement is made in the context of the 2,000 millions of Euros strategic partnership established in December 2011 between EDPR's principal shareholder, EDP – Energias de Portugal, S.A., and CTG.

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.

The completion of the transaction, subject to authorizations by the competition authority and relevant regulatory authorities, is expected to occur in the second half 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 Investco substation.

On 27 June 2016, Taesa signed the concession agreement and the implementation and commercial operation of the new facilities is limited to 27 December 2019. The respective Investco assets will be transferred to Taesa until 180 days after the effective entry into commercial operation of the new facilities. As at 30 June 2016, these assets are booked in the financial statements of Investco by 46 millions of Brazilian Reais (13 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.

EDP Brasil share capital increase

On 8 July 2016, EDP – Energia do Brasil S.A. (EDP Brasil) approved the share capital increase within the limit of authorised capital, approved at a meeting of the Board of Directors of EDP Brasil held on 2 May 2016, in the amount of 1,500 millions of Brazilian Reais, as a result of the subscription and full payment of 130,434,782 ordinary shares, nominative, without par value issued under the capital increase, at an issue price unit of 11.50 Brazilian Reais.

On 30 June 2016, EDP had already subscribed and paid the corresponding to 67,794,490 shares representing 51.98% of the new shares and now holds 51.21% of shares. With this operation, the EDP Group, which consolidated the EDP Brasil at 51.09%, now consolidates at 51.28%.

EDP sells 200 millions of Euros of tariff deficit in Portugal

On 1 July 2016, EDP Serviço Universal, S.A. (EDP SU), the last resort supplier of the Portuguese electricity system, 100% owned by EDP Group, agreed, through two separate transactions, the sale of 100 millions of Euros of the 2015 tariff deficit, and the sale of 100 millions of Euros of the 2016 tariff deficit, related with special regime generation.

The 2015 tariff deficit resulted from the 5-year deferral of the recovery of the 2015 overcost with the acquisition of energy from special regime generation (including adjustments for 2013 and 2014).

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.

EDP exercises its call option of 5% stake in Naturgas

In July 2010, along with the agreement to acquire a 29.43% stake of Naturgas Energía Grupo, S.A. (Naturgas) from Ente Vasco de la Energia (EVE) for 617 millions of Euros plus interests, Hidroeléctrica Del Cantábrico S.A. (HC) and EVE agreed to a call option whereby HC could buy from EVE the remaining 5% stake in Naturgas for a price calculated in accordance with a pre-set formula.

Following the decision to exercise the above mentioned call option, EDP, through a subsidiary of HC, acquired on 6 July 2016 from EVE the remaining 5% stake in Naturgas for 33.3 millions of Euros, increasing its stake in the share capital to 100%.

EDP to receive 600 millions of Euros in securitisation of electricity tariff deficit in Portugal

On 21 July 2016, EDP SU, the last resort supplier for the Portuguese electricity system, a company wholly owned by the EDP Group, agreed the assignment, by means of a true sale without recourse to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus), of a portion of the 2016 Tariff Deficit, and respective interest, for an amount of 600 millions of Euros.

The 2016 Tariff Deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2016 overcosts related to the acquisition of electricity from special regime generators.

Tagus will finance this transaction through the issuance of 600 millions of Euros of senior notes with a yield of 2.45%, coupon of 2.423%, and an expected rating of A1/BBB/BBB High, attributed by Moody's, Fitch and DBRS. The issuance of such debt instruments is subject to CMVM's asset code attribution and prospectus approval, and is expected to be admitted to trading on NYSE Euronext Lisbon.

The transaction has been solely arranged by StormHarbour Securities LLP and joint lead managed by, J.P. Morgan and StormHarbour Securities LLP.

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 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 9 - Financial Instruments;
• IFRS 10 (Amended), IFRS 12 (Amended) and IAS 28 (Amended) - Investment Entities: Applying the Consolidation Exception;
• 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, the majority interests in EDP Renováveis, S.A., EDP Servicios Financieros (España), S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect majority interest in NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal.

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 165 human resources as at 30 June 2016, including 92 in its own payroll. Lastly, the Spanish branch of EDP has direct representation on iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

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

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

	EDP Branch	
Thousands of Euros	Jun 2016	Dec 2015
Investments in subsidiaries:		
- EDP Renováveis, S.A.	3,854,811	3,854,811
- Hidroeléctrica del Cantábrico, S.A. (HC Energia)	2,105,002	2,105,002
- EDP Servicios Financieros (España), S.A.	482,695	482,695
- EDP International Investments and Services, S.L.	281,854	281,854
Deferred tax assets	66,564	45,305
Other debtors and others assets (see note 27)	1,301,786	1,337,506
Total Non-Current Assets	8,092,712	8,107,173
Trade receivables	8,210	5,898
Debtors and other assets	236,749	185,802
Tax receivable	6,127	27,300
Cash and cash equivalents	1,357	1,494
Total Current Assets	252,443	220,494
Total Assets	8,345,155	8,327,667
Equity	5,742,037	5,734,304
Employee benefits	1,702	1,558
Trade and other payables (see note 40)	2,451,670	2,497,923
Provisions	260	5,820
Total Non-Current Liabilities	2,453,632	2,505,301
Trade and other payables	93,435	86,110
Tax payable	56,051	1,952
Total Current Liabilities	149,486	88,062
Total Liabilities	2,603,118	2,593,363
Total Equity and Liabilities	8,345,155	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 923 thousands of Euros, as at 30 June 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 2,535 thousands of Euros, as at 30 June 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 1,909 thousands of Euros, as at 30 June 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 2,141 thousands of Euros, as at 30 June 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 CO_2 licenses and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period. Goodwill is disclosed in the 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.

ANNEX I

EDP Group Operating Segments Report as at 30 June 2016

Thousands of Euros	Iberia					
	LT Contracted Generation	Liberalised Activities	Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Receipts from energy sales and services and others	462,910	4,110,967	2,871,098	799,788	1,031,009	9,275,772
Gross Profit	329,387	633,169	862,929	785,361	371,391	2,982,237
Other income	387	5,813	13,343	124,763	85,704	230,010
Supplies and services	-22,518	-117,073	-170,137	-142,176	-70,175	-522,079
Personnel costs and employee benefits	-26,910	-37,773	-71,405	-45,317	-55,743	-237,148
Other costs	-5,584	-117,439	-138,855	-74,452	-29,954	-366,284
Gross Operating Profit	274,762	366,697	495,875	648,179	301,223	2,086,736
Provisions	-17	24,589	-3,578	-646	-3,338	17,010
Amortisation and impairment	-64,358	-117,180	-169,453	-293,792	-67,343	-712,126
Operating Profit	210,387	274,106	322,844	353,741	230,542	1,391,620
Equity method in joint ventures and associates	498	596	55	-3,098	-4,819	-6,768
Assets	3,444,148	10,109,502	9,542,060	14,662,416	4,233,431	41,991,557
Financial assets - Investments in joint ventures and associates	99,504	2,391,033	1,162,964	325,251	303,725	4,282,477
Liabilities	668,658	1,263,338	2,409,189	871,977	774,299	5,987,461
Operating Investment	13,163	113,507	148,274	378,319	57,890	711,153

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

Thousands of Euros	
Total Receipts from energy sales and services and others of Reported Segments	**9,275,772**
Receipts from energy sales and services and others from Other Segments	234,681
Adjustments and Inter-segments eliminations*	-2,362,840
Total Receipts from energy sales and services and others of EDP Group	**7,147,613**
Total Gross Profit of Reported Segments	**2,982,237**
Gross Profit from Other Segments	223,740
Adjustments and Inter-segments eliminations*	-236,222
Total Gross Profit of EDP Group	**2,969,755**
Total Gross Operating Profit of Reported Segments	**2,086,736**
Gross Operating Profit from Other Segments	-6,323
Adjustments and Inter-segments eliminations*	-13,659
Total Gross Operating Profit of EDP Group	**2,066,754**
Total Operating Profit of Reported Segments	**1,391,620**
Operating Profit from Other Segments	-29,962
Adjustments and Inter-segments eliminations*	-34,224
Total Operating Profit of EDP Group	**1,327,434**
Total Assets of Reported Segments	**41,991,557**
Assets Not Allocated	3,732,035
Financial Assets	1,777,451
Taxes Assets	788,411
Other Assets	1,166,173
Assets from Other Segments	11,852,200
Inter-segments assets eliminations*	-15,244,944
Total Assets of EDP Group	**42,330,848**
Total Financial assets - Investments in joint ventures and associates of Reported Segments	**4,282,477**
Inter-segments assets eliminations*	-3,523,151
Total Financial assets - Investments in joint ventures and associates	**759,326**
Total Liabilities of Reported Segments	**5,987,461**
Liabilities Not Allocated	23,532,550
Financial Liabilities	18,676,652
Institutional partnership in USA	1,932,872
Taxes Liabilities	1,589,891
Other payables	1,326,582
Hydrological correction account	6,553
Liabilities from Other Segments	797,001
Inter-segments Liabilities eliminations*	-980,213
Total Liabilities of EDP Group	**29,336,799**
Total Operating Investment of Reported Segments	**711,153**
Operating Investment from Other Segments	12,613
Total Operating Investment of EDP Group	**723,766**

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	**230,010**	18,334	-9,048	**239,296**
Supplies and services	**-522,079**	-135,767	222,103	**-435,743**
Personnel costs and employee benefits	**-237,148**	-94,597	8,245	**-323,500**
Other costs	**-366,284**	-18,033	1,263	**-383,054**
Provisions	**17,010**	684	-12,669	**5,025**
Amortisation and impairment	**-712,126**	-24,324	-7,895	**-744,345**
Equity method in joint ventures and associates	**-6,768**	-	2,182	**-4,586**

* Mainly related with intragroup balances and transactions eliminations

EDP Group Operating Segments Report
30 June 2015

Thousands of Euros	Iberia LT Contracted Generation	Iberia Liberalised Activities	Iberia Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Receipts from energy sales and services and others	577,237	4,533,816	2,806,704	699,296	1,431,652	10,048,705
Gross Profit	387,221	433,462	848,570	688,452	386,815	2,744,520
Other income	4,699	3,400	110,241	100,351	277,953	496,644
Supplies and services	-27,994	-99,885	-173,098	-132,703	-74,863	-508,543
Personnel costs and employee benefits	-32,676	-36,882	-75,227	-39,075	-58,567	-242,427
Other costs	-9,203	-117,120	-141,766	-69,516	-30,611	-368,216
Gross Operating Profit	322,047	182,975	568,720	547,509	500,727	2,121,978
Provisions	-77	1,176	-294	99	-4,359	-3,455
Amortisation and impairment	-77,820	-100,334	-164,743	-255,341	-61,210	-659,448
Operating Profit	244,150	83,817	403,683	292,267	435,158	1,459,075
Equity method in joint ventures and associates	776	701	126	5,966	-33,151	-25,582
Assets (31 December 2015)	4,027,641	9,828,729	10,118,790	14,723,990	3,688,379	42,387,529
Financial assets - Investments in joint ventures and associates (31 December 2015)	128,919	2,362,571	1,163,183	333,800	197,427	4,185,900
Liabilities (31 December 2015)	830,429	1,459,691	2,510,031	1,304,758	641,577	6,746,486
Operating Investment	10,227	188,879	146,815	321,656	45,120	712,697

Reconciliation of information between Operating Segments and Financial Statements for June 2015

Thousands of Euros	
Total Revenues from energy sales and services and other of Reported Segments	**10,048,705**
Segments	240,484
Adjustments and Inter-segments eliminations*	-2,341,495
Total Revenues from energy sales and services and other of EDP Group	**7,947,694**
Total Gross Profit of Reported Segments	**2,744,520**
Gross Profit from Other Segments	227,739
Adjustments and Inter-segments eliminations*	-222,448
Total Gross Profit of EDP Group	**2,749,811**
Total Gross Operating Profit of Reported Segments	**2,121,978**
Gross Operating Profit from Other Segments	-12,809
Adjustments and Inter-segments eliminations*	21,779
Total Gross Operating Profit of EDP Group	**2,130,948**
Total Operating Profit of Reported Segments	**1,459,075**
Operating Profit from Other Segments	-26,130
Adjustments and Inter-segments eliminations*	5,549
Total Operating Profit of EDP Group	**1,438,494**
Total Assets of Reported Segments (31 December 2015)	**42,387,529**
Assets Not Allocated	3,552,120
Financial Assets	1,689,387
Taxes Assets	587,366
Other Assets	1,275,367
Assets from Other Segments	11,605,076
Inter-segments assets eliminations*	-15,007,760
Total Assets of EDP Group	**42,536,965**
Total Financial assets - Investments in joint ventures and associates of Reported Segments (31 December 2015)	**4,185,900**
Inter-segments assets eliminations*	-3,521,889
Total Financial assets - Investments in joint ventures and associates	**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	**712,697**
Operating Investment from Other Segments	28,546
Total Operating Investment of EDP Group	**741,243**

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	**496,644**	19,262	9,993	**525,899**
Supplies and services	**-508,543**	-148,109	222,463	**-434,189**
Personnel costs and employee benefits	**-242,427**	-90,638	8,845	**-324,220**
Other costs	**-368,216**	-21,064	2,927	**-386,353**
Provisions	**-3,455**	-219	399	**-3,275**
Amortisation and impairment	**-659,448**	-13,102	-16,629	**-689,179**
Equity method in joint ventures and associates	**-25,582**	615	1,680	**-23,287**

* Mainly related with intragroup balances and transactions eliminations

ENERGY
WITH
INTELLIGENCE

05. annexes

ENERGY
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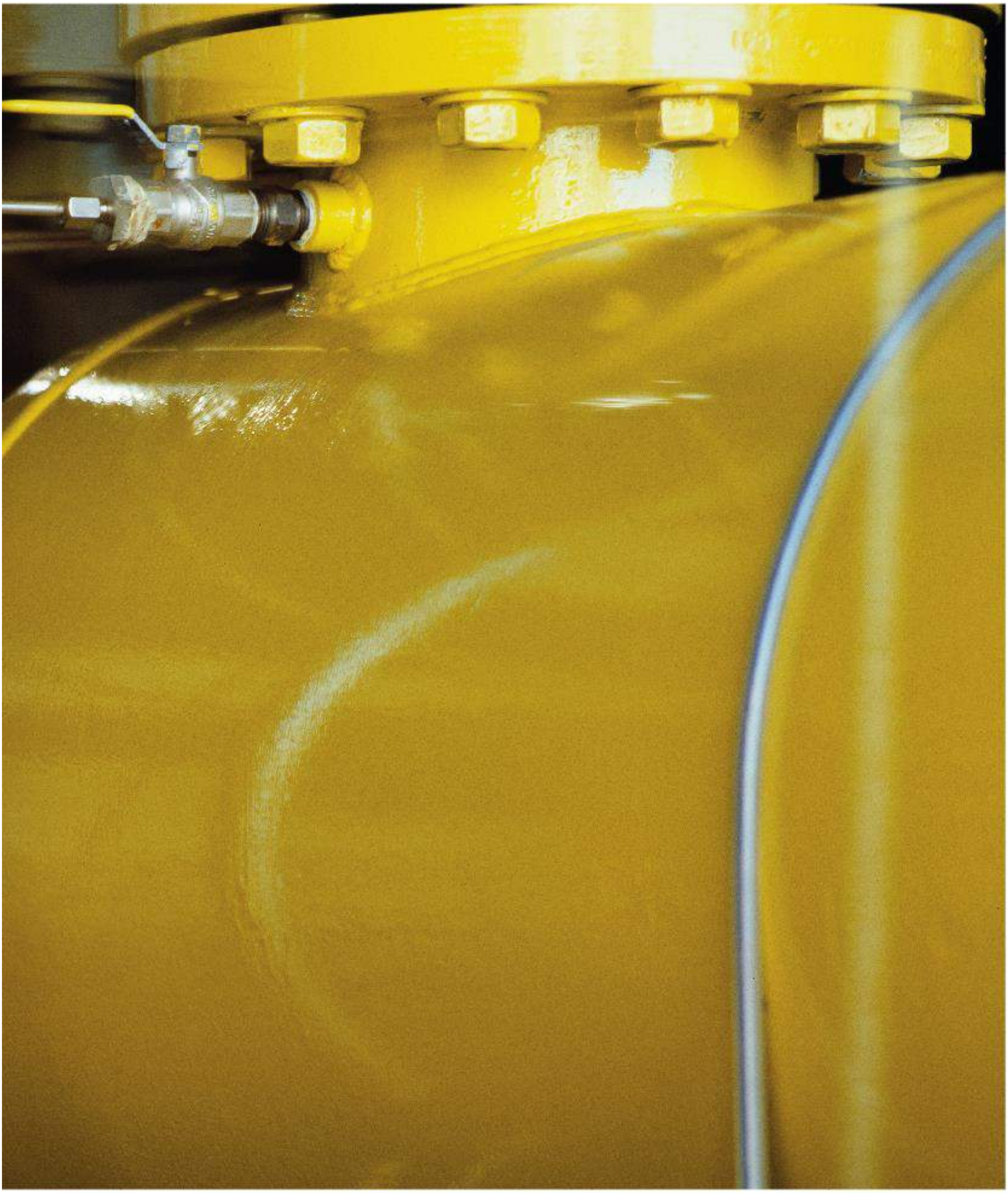
INTELLIGENCE



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ENERGY
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EDP – Energias de Portugal, S.A.
Executive Board of Directors

STATEMENT

With reference to the first half of 2016 financial year, and according to nº 1, item c) of article 246º of the Portuguese Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the condensed set of financial statements, was prepared according to the applicable accounting standards, presenting a fairly position of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and its subsidiaries companies included in the consolidation perimeter, and that the Interim Management Report includes a fair review of the information required pursuant to n.º 2 of the aforementioned article.

Lisbon, 28th of July 2016

António Luís Guerra Nunes Mexia, Chairman

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Fernando Melo Martins da Costa

João Manuel Veríssimo Marques da Cruz

Miguel Stilwell de Andrade

Miguel Nuno Simões Nunes Ferreira Setas

Rui Manuel Rodrigues Lopes Teixeira

EDP – Energias de Portugal, S.A.
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira
Senior Accounting Officer
Corporate Centre

STATEMENT

With reference to the first half of 2016 financial year, and according to nº 1, item c) of article 246º of the Portuguese Securities Code, I hereby declare that, to the best of my knowledge, the condensed set of financial statements, was prepared according to the applicable accounting standards, presenting a fairly position of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and its subsidiaries companies included in the consolidation perimeter, and that the Interim Management Report includes a fair review of the information required pursuant to n.º 2 of the aforementioned article.

Lisbon, 28th of July 2016

Conselho Geral e de Supervisão

STATEMENT

Pursuant article 246º of Securities Code (CVM), to the best knowledge of each of the signatories, the information referred in article 246º, n.º 1, paragraph a) of CVM, on **2016 first semester**, has been prepared in accordance with the accounting standards applicable, gives a true and fair view of the assets and liabilities, financial position and results of **EDP – Energias de Portugal, S.A**. and subsidiaries included in the consolidation perimeter, and that the interim management report includes a fair review of the information required pursuant to article 246º, n.º 2 of CVM, including an indication of important events that have occurred during **2016 first semester**, and the impact on the respective financial statements, together with a description of the principal risks and uncertainties for the **remaining six months of 2016.**

Lisbon, 28th July 2016

Eduardo de Almeida Catroga – *Chairman* (as representative of China Three Gorges Corporation)

Luís Filipe Marques Amado – *Vice-Chairman*

Alberto Joaquim Milheiro Barbosa

António Manuel de Carvalho Ferreira Vitorino

António Sarmento Gomes Mota

Augusto Carlos Serra Ventura Mateus

Dingming Zhang

Dingming Zhang (as representative of China Three Gorges (Europe), S.A.)

Felipe Fernández Fernández (as representative of DRAURSA)

Ferhat Ounoughi (as representative of Sonatrach)

Fernando Maria Masaveu Herrero

Guojun Lu (as representative of China International Water&Electric Co.)

Ilídio da Costa Leite de Pinho

João Carvalho das Neves

Jorge Braga de Macedo

Maria Celeste Ferreira Lopes Cardona

María del Carmen Fernández Rosado

Mohamed Al Fahim (as representative of Senfora BV)

Nuno Manuel da Silva Amado (as representative of Banco Comercial Português)

Shengliang Wu (as representative of China Three Gorges (Portugal), Sociedade Unipessoal, Lda.)

Vasco Joaquim Rocha Vieira

Ya Yang *(as representative of China Three Gorges New Energy Co.)*

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LIMITED REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

(This report is a free translation to English from the Portuguese version)

Introduction

1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim consolidated financial information for the six month period ended 30 June 2016, of EDP – Energias de Portugal, S.A. which includes: the condensed consolidated statement of financial position (with a total assets of Euros 42,330,848 thousand and total equity attributable to the shareholders of Euros 8,712,749 thousand including a consolidated net profit of Euros 472,171 thousand) and the condensed consolidated statements of income, cash flows, changes in equity and comprehensive income for the six month period then ended and the corresponding notes to the financial statements.

2 The amounts included in the condensed consolidated financial statements and the additional financial information were extracted from the accounting records.

Responsibilities

3 The Executive Board of Directors is responsible for:

a) the preparation of consolidated financial information which gives a true and fair view of the consolidated financial position of the Group and the consolidated result of its operations, the consolidated cash-flows, the consolidated changes in equity and the consolidated comprehensive income;

b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4 Our responsibility is to verify the above mentioned consolidated financial information, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the consolidated financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the interim consolidated financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- applicability of the going concern principle;
- the presentation of the interim consolidated financial information;
- if the interim consolidated financial information is complete, true, current, clear, objective and fair; and

b) substantive tests on non usual significant transactions.

6 Our review also included the verification that the consolidated financial information included in the Management Report is consistent with the documents mentioned above.

7 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

Conclusion

8 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information for the six month period ended 30 June 2016, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 28 July 2016

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

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LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(This report is a free translation to English from the Portuguese version)

Introduction

1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim financial information for the six month period ended 30 June 2016, of EDP – Energias de Portugal, S.A. which includes: the condensed statement of financial position (with a total assets of Euros 21,662,421 thousand and total equity of Euros 7,002,270 thousand including a net profit of Euros 387,575 thousand) and the condensed statements of income, cash flows, changes in equity and comprehensive income for the six month period then ended and the corresponding notes to the financial statements.

2 The amounts included in the condensed financial statements and the additional financial information were extracted from the accounting records.

Responsibilities

3 The Executive Board of Directors is responsible for:

a) the preparation of financial information which gives a true and fair view of the financial position of EDP, the result of its operations, the cash-flows, the changes in equity and the comprehensive income;

b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4 Our responsibility is to verify the above mentioned financial information, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the interim financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- applicability of the going concern principle;
- the presentation of the interim financial information;
- if the interim financial information is complete, true, current, clear, objective and fair; and

b) substantive tests on non usual significant transactions.

6 Our review also included the verification that the financial information included in the Management Report is consistent with the documents mentioned above.

7 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

Conclusion

8 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the six month period ended 30 June 2016, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 28 July 2016

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