

edp

ENERGY
AS
THE
NEW
ART

INTERIM REPORT
31ST MARCH 2017

ENERGY AS THE NEW ART

40 years of EDP

It's time to celebrate energy

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

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

Energy as the new Art

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ENERGY
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renewables



Canada

United States

United Kingdom

Belgium

Poland

France

Romania

Spain
Portugal

Italy

Mexico

Brazil

Angola

Present in 14 countries and has 9.8 million electricity customers

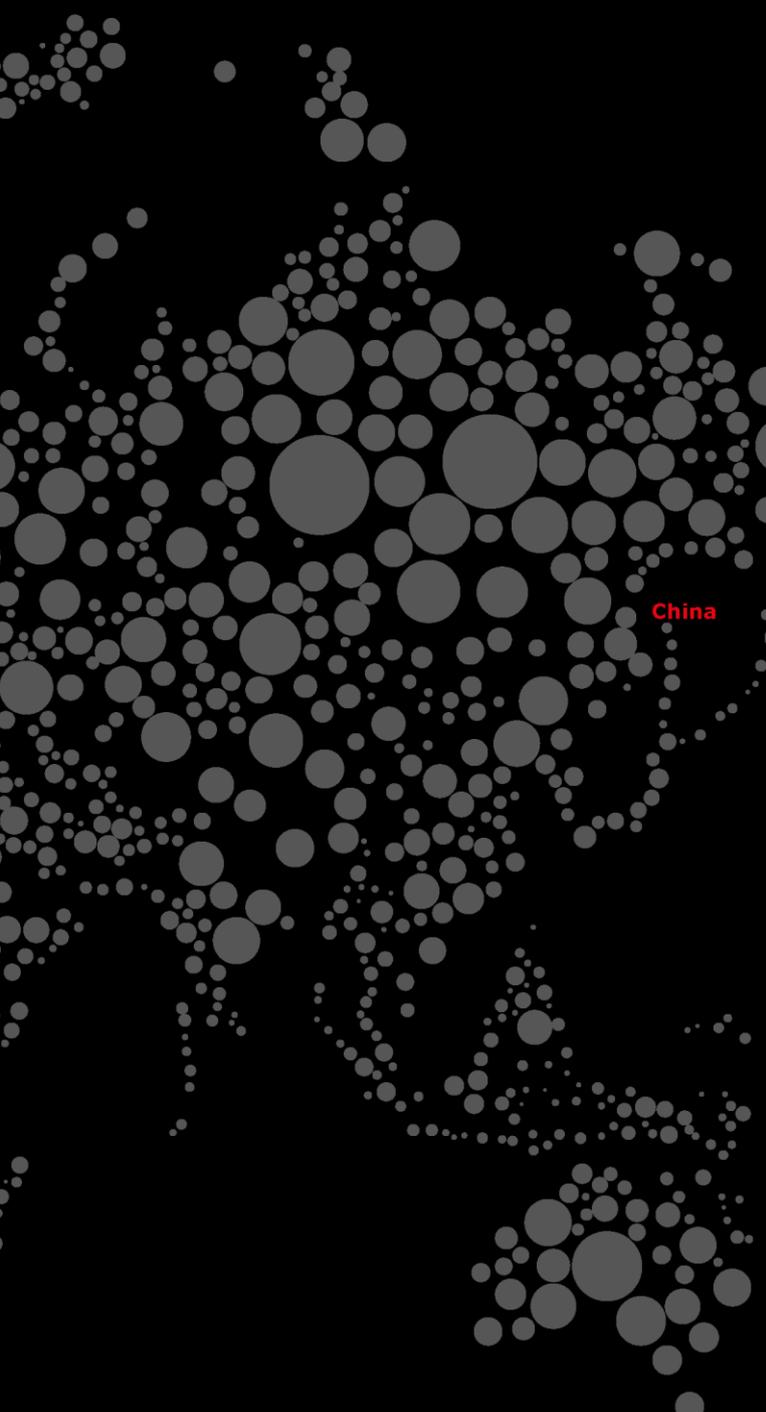
EDP – Energias de Portugal, S.A. is a listed company (“sociedade aberta”), whose ordinary shares are publicly traded in the “Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais”. EDP is established in Portugal, organized under the laws of Portugal and registered with the Commercial Registry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

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

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

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

EDP has a relevant presence in the world energy landscape, being present in 14 countries, with 9.8 million electricity customers, 1.5 million gas customers and approximately 12 thousand employees around the world. On March 31, 2017, EDP had an installed capacity of 26 GW and generated 19TWh during the first quarter of 2017, of which 62% from renewable sources.



EDP in the World

Portugal



renewables



gás



serviço universal



distribuição

61%
GENERATION
FROM RENEWABLE
SOURCES¹

6,404

employees

5,400,383

electricity customers

662,800

gas customers

11,142 MW

installed capacity

7,110 GWh

net generation

11,585 GWh

electricity distributed

2,079 GWh

gas distributed

263 MW

capacity under construction

Spain



naturgas energia



hc energía



renewables

42%
GENERATION
FROM RENEWABLE SOURCES¹

1,888

employees

1,079,942

electricity customers

855,025

gas customers

5,723 MW

installed capacity

186 MW

installed capacity equity²

4,449 GWh

net generation

2,350 GWh

electricity distributed

8,844 GWh

gas distributed

Brazil



renewables

54%
GENERATION FROM RENEWABLE SOURCES¹

2,933

employees

3,336,681

electricity customers

2,670 MW

installed capacity

296 MW

installed capacity equity²

2,409 GWh

net generation

6,268 GWh

electricity distributed

127 MW

capacity under construction

231 MW

capacity under construction equity²

France  100%
GENERATION
FROM RENEWABLE SOURCES¹

57 **employees**

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

United States  100%
GENERATION
FROM RENEWABLE SOURCES¹⁵

429 **employees**

4,631 MW installed capacity
179 MW installed capacity equity²
4.074 GWh net generation
278 MW capacity under construction

Belgium  100%
GENERATION
FROM RENEWABLE SOURCES¹

2 **employees**

71 MW installed capacity
42 GWh net generation

Canada  100%
GENERATION
FROM RENEWABLE SOURCES¹

5 **employees**

30 MW installed capacity
22 GWh net generation

Italy  100%
GENERATION
FROM RENEWABLE SOURCES¹

24 **employees**

144 MW installed capacity
89 GWh net generation

Mexico  100%
GENERATION
FROM RENEWABLE SOURCES¹

9 **employees**

200 MW installed capacity
93 GWh net generation

Poland  100%
GENERATION
FROM RENEWABLE SOURCES¹

37 **employees**

418 MW installed capacity
279 GWh net generation

United Kingdom  renewables

34 **employees**

Romania  100%
GENERATION
FROM RENEWABLE SOURCES¹

33 **employees**

521 MW installed capacity
403 GWh net generation

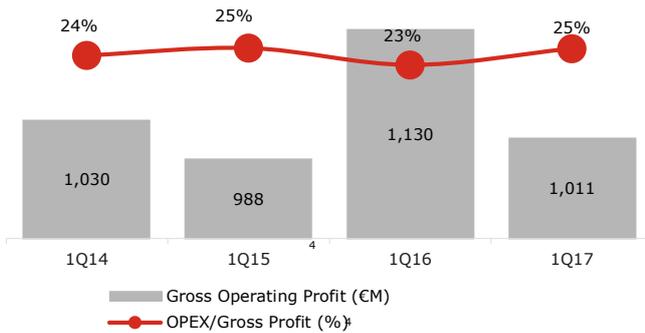
China and Angola

offices

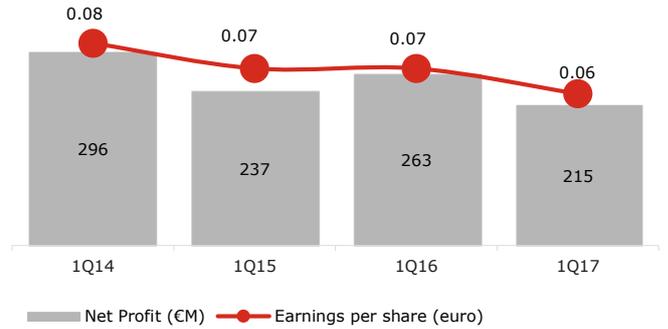
¹ Includes hydro, wind and solar.
² Accounted according to the equity method.

EDP in Numbers

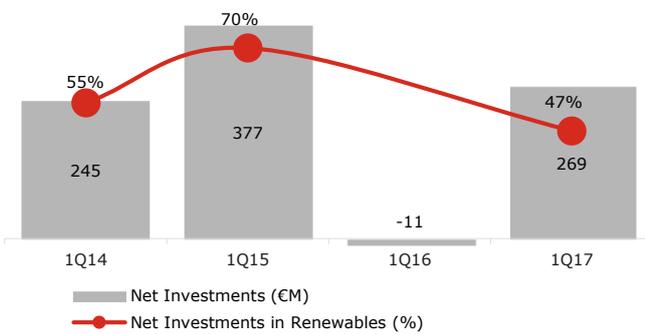
Gross Operating Profit



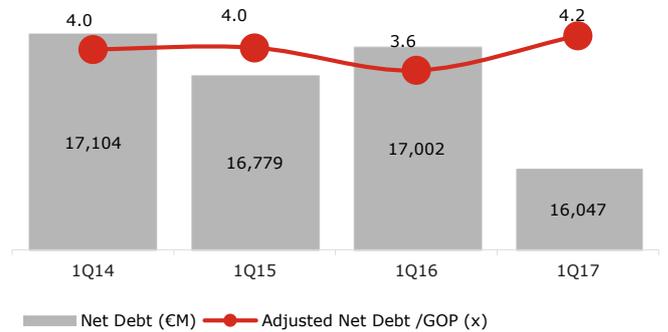
Net Profit ¹



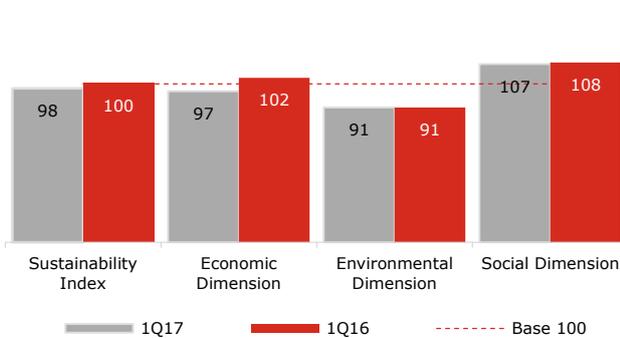
Net Investments ²



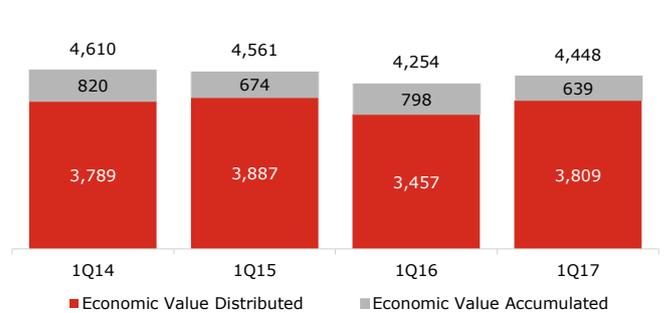
Net Debt ³



EDP Sustainability Index



Economic Value Generated (€M)



¹ Net Profit attributable to EDP Equity holders.

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

³ Includes Financial Debt, Cash and Equivalents, Short-term financial assets at fair-value, fair value hedge and collateral deposits associated to financial debt and 50% of the amount related with the emission of subordinated debt instrument (hybrid). Till December 31st 2016 also included net investment hedge.

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

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

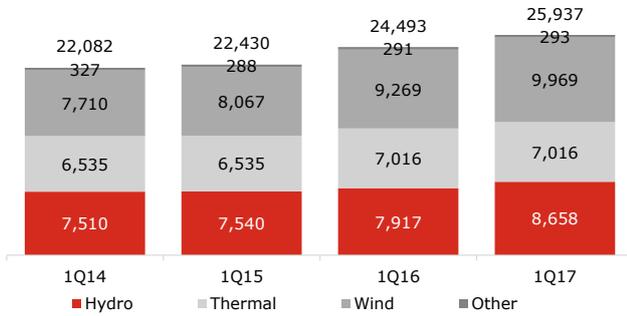
⁶ Net Debt adjusted by amounts receivable from tariff adjustments and amounts receivable through the CMEC revisibility calculation

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

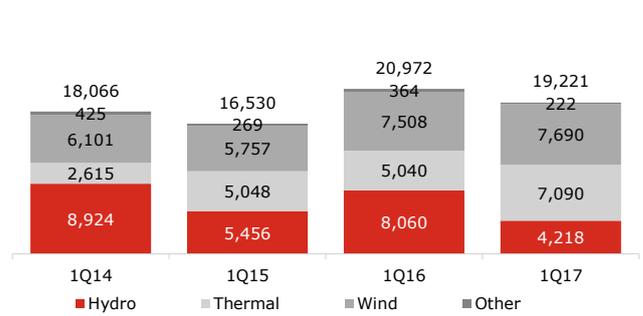
⁸ Distributed Economic Value (DEV): Cost of Sales + Operating Expenses + Other Operating Expenses + Current Tax + Financial Expenses + Dividend Payment

⁹ Accumulated Economic Value: GEV - DEV.

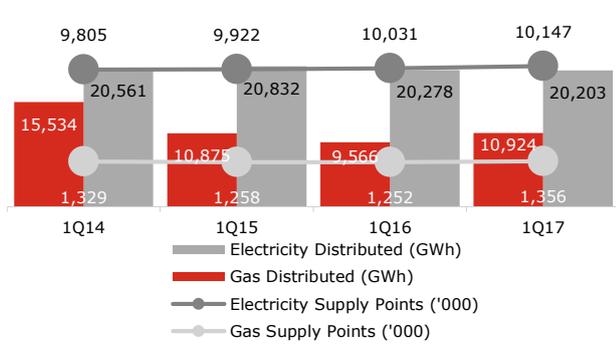
**Electricity Generation
Installed Capacity (MW)**



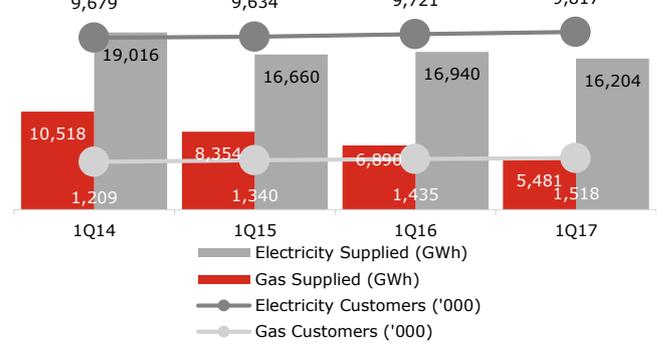
**Electricity Generation
Net Generation (GWh)**



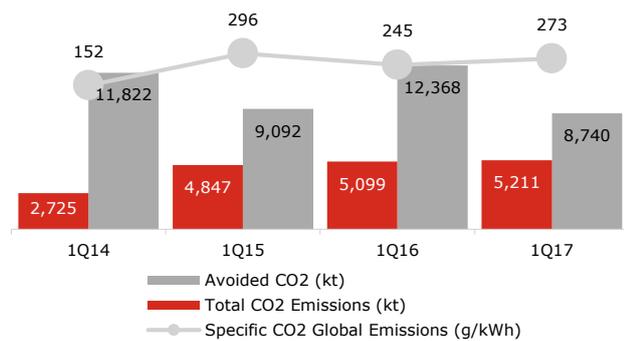
Electricity and Gas Distribution



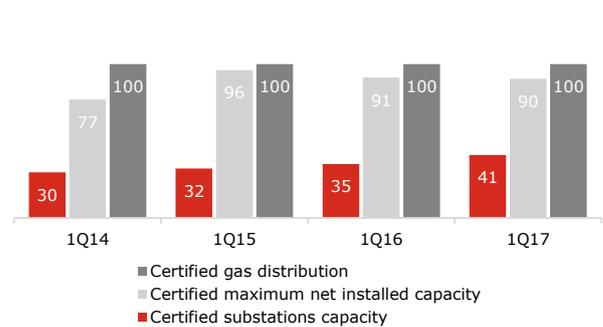
Electricity and Gas Supply



CO₂ Emitted and Avoided

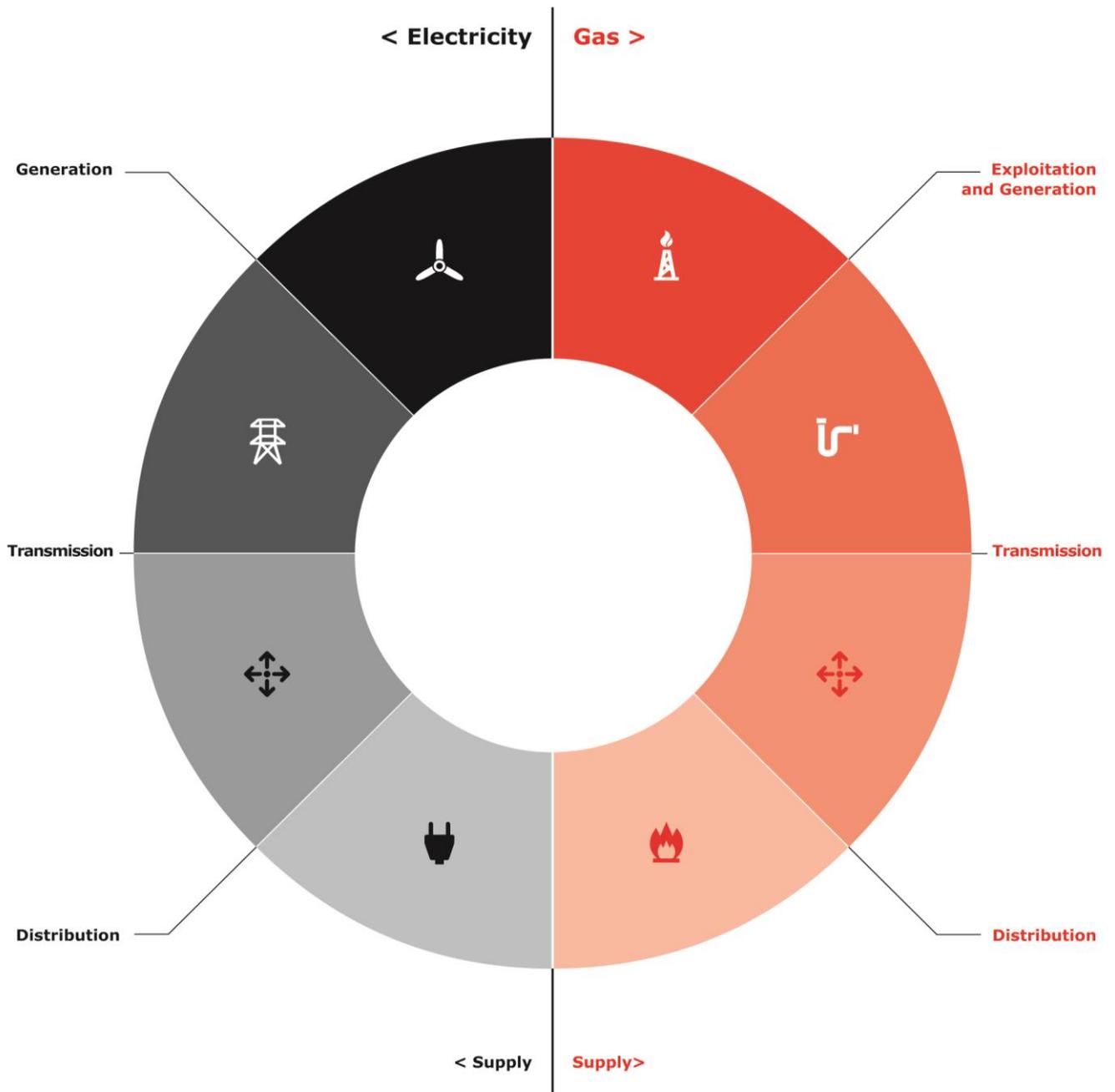


ISO 14001:2004 Certification (%)¹⁰



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

Value Chain



Vision

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

Values

Initiative

Demonstrated through the behaviour and attitude of our people.

Trust

Of shareholders, customers, suppliers and other Stakeholders.

Excellence

In the way we perform.

Sustainability

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

Innovation

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

Commitments

Sustainability

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

People

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

Results

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

Clients

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

Business Structure

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

*Equity Consolidated Method

Recognition Group

Ethisphere Institute - World's Most Ethical Companies 2017

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

European Excellence Awards in Human Resources – Diversity Management

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

Science Based Targets initiative (SBTi)

The SBTi recognised the alignment of EDP's targets with the development and decarbonisation scenarios for the electric sector, based on the projections by the UN Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), compatible with an increase in global temperature of less than 2°C, the base scenario of the Paris Agreement.

Portugal

Distinction Places4all

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

"Frota Verde" 2016 award

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

World Summit Award (WSA)

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

Spain

STIGA Customer Experience Index (ISCX) 2016

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

EDP Renewables

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

The highest level of safety recognition was given to EDP Renewables North America. The Gold Achievement award recognizes organizations that have demonstrated safety as a core value and actively participate in AWEA's efforts to advance environmental, health, and safety as a value in the industry.

Goals and Targets

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

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

** Includes equity consolidated capacity

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02 Performance

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EDP GROUP'S BUSINESS EVOLUTION

Consolidated **EBITDA** amounted to EUR 1,011 million in the first quarter of 2017. Adjusted for last year's gain booked in the sale of Pantanal's mini-hydro plants, in Brazil (+EUR 61 million), EBITDA was 5% lower year-on-year (-EUR 58 million year-on-year) since the benefits from capacity expansion (+6%), favourable ForEx impact driven by stronger BRL and USD vs. Euro and tight cost control, were outstayed by the impact from a harsher operating context, marked by low hydro production and high pool prices, particularly when compared with an extremely wet and low-price context in the first quarter of 2016 in Iberia.

In **Iberia**, EBITDA fell by 16% year-on-year, to EUR 474 million in the first quarter of 2017. Scarce hydro resources (36% short of LT average in the first quarter of 2017), particularly when compared to an extremely wet first quarter of 2016 (45% premium over long-term average), and higher pool prices (average EUR 56/MWh in the first quarter of 2017 vs. EUR 31/MWh in the first quarter of 2016) squeezed results with energy management and took a toll on hydro production. This was only partially compensated by the benefits of higher remuneration in electricity distribution (prompted by better regulatory terms in Spain and higher sovereign bond yields in Portugal) and by the benefits of new capacity additions (namely hydro with pumping). **EDP Renováveis'** contribution to the group's EBITDA (EUR 373 million) was 2% lower year-on-year, reflecting weaker wind resources year-on-year in Europe, higher generation taxes (due to higher electricity prices) and higher property taxes in the USA on new capacity online (due to be smoothed out throughout the year); which outshined portfolio expansion (+8% on avg.) and tight cost performance. **EDP Brasil's** contribution to EBITDA (EUR 164 million), excluding the Pantanal abovementioned effect, was 33% higher year-on-year, propelled by favorable ForEx impact (backed by average BRL's 29% appreciation against Euro), better periodic tariff review at EDP Espirito Santo since August 2016, leading to an increase in future revenue.

Operating costs¹ were 9% higher year-on-year (+EUR 32 million), at EUR 398 million in the first quarter of 2017, mostly reflecting ForEx evolution and a 6% increase in avg. capacity. **Other net operating costs/(revenues)** rose EUR 63 million year-on-year, to EUR 114 million, in line with the gain with the sale of Pantanal mini-hydro plants.

EBIT fell by 15%, to EUR 648 million in the first quarter of 2017, reflecting EBITDA's evolution.

Net financial results and Results with joint-ventures and associates amounted to EUR 197 million in the first quarter of 2017, EUR 10 million lower year-on-year, essentially reflecting last year's impact with the sale of a stake in Tejo-Energia plant (+EUR 11 million in the first quarter of 2016). Net interest costs fell by 13% year-on-year in the first quarter of 2017, mainly prompted by lower average net debt and a 20bps year-on-year decline in the average cost of debt² (to 4.3% in the first quarter of 2017), offset by a decline in financial revenues related to tariffs' adjustment.

Non-controlling interests were stable at EUR 100 million in the first quarter of 2017, as higher minorities attributable to the sale of non-controlling interests in wind farms by EDP Renováveis during 2016 offset last year's gain on the sale of mini-hydro plants of Pantanal by EDP Brasil.

Overall, net profit attributable to EDP shareholders stood at EUR 215 million in the first three months of 2017, which compares to EUR 263 million in the first three months of 2016.

Consolidated capex³ amounted to EUR 252 million in the first quarter of 2017, of which 44% was dedicated to expansion, namely the construction of new hydro & wind capacity (EUR 112 million).

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

² (Interest expense on financial debt +/- Income and Expenses with Interest from derivative financial instruments) / Average Financial Debt in the period (Total debt and borrowings - Accrued Interest - Fair value of the issued debt hedged risk), considering 50% of the interest expense and of the financial debt related to the hybrid

³ Includes additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore, in each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment and in Intangible Assets, excluding CO2 licenses and Green certificates, net of increases in Government grants, Customers contributions for investment and Sales of properties in the period.

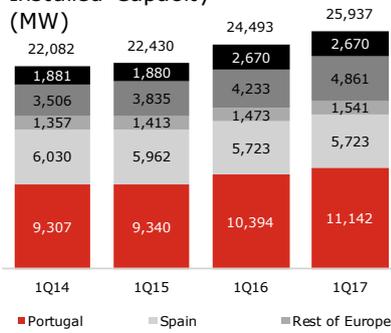
Net debt⁴ amounted to EUR 16.0 billion in March 2017, vs. EUR 15.9 billion in December 2016, reflecting the impact of EDP's operational activity and a reduction in regulatory receivables, more than offset by the impact of investment in property, plant and equipment and intangible assets, and changes in perimeter of consolidation particularly deriving from the full consolidation of new capacity in Mexico.

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

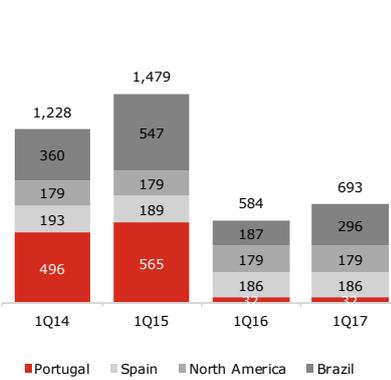
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Key Indicators

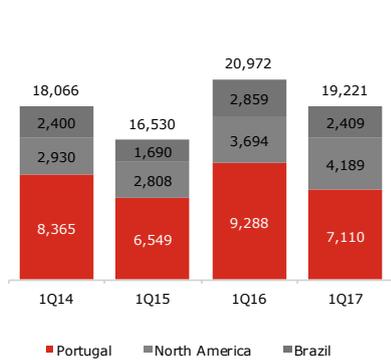
Installed Capacity (MW)



Equity Installed Capacity (MW)²



Net Electricity Generation (GWh)



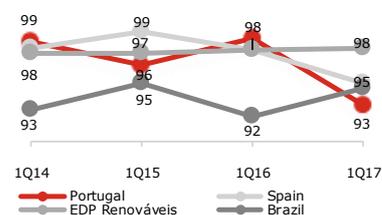
ELECTRICITY GENERATION (1/2)		UN	1Q17	1Q16	1Q15	1Q14
INSTALLED CAPACITY		MW	25,937	24,493	22,430	22,082
Liberalised Electricity Generation in Iberian Market		MW	13,417	12,676	12,484	12,522
Portugal	MW	9,889	9,147	8,716	8,686	
Hydro	MW	6,486	5,745	5,317	5,286	
CCGT	MW	2,039	2,039	2,039	2,039	
Coal	MW	1,180	1,180	1,180	1,180	
Mini-hydro	MW	159	159	157	157	
Cogeneration	MW	24	24	24	24	
Spain	MW	3,528	3,528	3,768	3,836	
Hydro	MW	426	426	426	426	
CCGT	MW	1,698	1,698	1,698	1,698	
Coal	MW	1,224	1,224	1,463	1,463	
Nuclear	MW	156	156	156	156	
Cogeneration and Waste	MW	25	25	25	93	
EDP Renováveis	MW	10,054	9,351	8,149	7,762	
Portugal	MW	1,253	1,247	624	621	
Spain	MW	2,194	2,194	2,194	2,194	
Rest of Europe	MW	1,541	1,473	1,413	1,357	
North America	MW	4,861	4,233	3,835	3,506	
Brazil	MW	204	204	84	84	
EDP Brasil	MW	2,466	2,466	1,797	1,797	
Hydro	MW	1,746	1,745	1,797	1,797	
Coal	MW	720	720	-	-	
Capacity under Construction	MW	686	1,495	2,051	1,717	
Portugal ¹	MW	263	1,019	1,449	1,468	
EDP Renováveis	MW	423	476	601	249	
Brazil ¹	MW	-	-	-	-	
Equity Installed Capacity²	MW	693	584	1,479	1,228	
Portugal ¹	MW	32	32	32	32	
Spain ¹	MW	10	10	15	19	
EDP Renováveis	MW	356	356	886	817	
Brazil ¹	MW	296	187	547	360	
Equity Capacity under Construction²	MW	231	341	341	609	
Brazil	MW	231	341	341	609	
NET ELECTRICITY GENERATION		GWh	19,221	20,972	16,530	18,066
Liberalised Electricity Generation in Iberian Market		GWh	9,241	10,632	9,101	9,603
Portugal	GWh	6,233	8,250	6,045	7,786	
Hydro	GWh	2,773	5,934	3,398	6,139	
CCGT	GWh	1,105	232	191	36	
Coal	GWh	2,192	1,773	2,248	1,263	
Mini-hydro	GWh	148	259	156	278	
Cogeneration	GWh	15	52	52	69	
Spain	GWh	3,007	2,382	3,056	1,817	
Hydro	GWh	175	460	414	435	
CCGT	GWh	608	234	220	122	
Coal	GWh	1,860	1,333	2,058	862	
Nuclear	GWh	333	330	331	332	
Cogeneration and Waste	GWh	30	26	33	67	
EDP Renováveis	GWh	7,719	7,535	5,786	6,112	
Portugal	GWh	877	1,039	505	580	
Spain	GWh	1,442	1,658	1,499	1,750	
Rest of Europe	GWh	1,064	1,090	928	802	
North America	GWh	4,189	3,694	2,808	2,930	
Brazil	GWh	147	54	46	49	
EDP Brasil³	GWh	2,262	2,805	1,644	2,351	
Hydro	GWh	1,270	1,666	1,644	2,351	
Coal	GWh	991	1,138	-	-	
Steam	GWh	231	229	225	278	

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

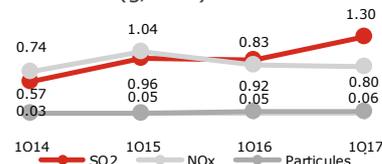
ELECTRICITY GENERATION (2/2)		UN	1Q17	1Q16	1Q15	1Q14
TECHNICAL AVAILABILITY						
Portugal ¹	%	93	99	96	99	99
Hydro	%	93	99	99	99	99
CCGT	%	95	100	99	96	96
Coal	%	91	96	90	100	100
Mini-hydro	%	99	98	95	94	94
Cogeneration	%	29	99	100	100	100
Spain ¹	%	95	98	99	98	98
Hydro	%	100	100	100	100	100
CCGT	%	99	99	100	98	98
Coal	%	88	95	98	98	98
Nuclear	%	100	100	100	100	100
Cogeneration	%	57	98	98	99	99
Waste	%	97	94	95	90	90
EDP Renováveis	%	98	98	97	98	98
Portugal	%	99	98	98	98	98
Spain	%	97	97	96	97	97
Rest of Europe	%	98	98	97	97	97
North America	%	98	98	98	98	98
Brazil	%	98	99	98	98	98
Brazil ¹	%	95	92	95	93	93
Hydro	%	95	100	98	99	99
Coal	%	94	89	-	-	-
ENVIRONMENTAL INDICATORS						
Certified Installed Capacity	%	90	91	96	77	77
Total Emissions	kt					
CO2	kt	5,211	5,099	4,847	2,725	2,725
NOx	kt	4	4	5	2	2
SO2	kt	7	5	5	2	2
Particles	kt	0.33	0.26	0.23	0.07	0.07
Avoided CO2	t	8,740	12,364	9,092	11,822	11,822
Total waste	t	106,248	112,433	92,113	56,737	56,737
Dangerous waste	t	528	519	1,539	683	683
Waste valorization	%	51	59	71	60	60
Sub-products	t	112,040	205,118	121,003	80,309	80,309
Plaster	t	48,495	38,807	73,317	40,912	40,912
Ashes and Coal Slag	t	63,545	166,312	47,686	39,397	39,397
Cooling water	m ³ x10 ³	422,316	377,923	430,341	350,965	350,965
Raw water	m ³ x10 ³	1,685	1,392	1,460	1,075	1,075
Fresh Water	m ³ x10 ³	7	9	13	32	32
OCCUPATIONAL HEALTH AND SAFETY						
Employees	#	3,258	3,234	2,945	3,098	3,098
On-duty accidents ²	#	2	2	0	0	0
On-duty accidents of contracted workers ²	#	14	31	18	17	17
Fatal on-duty accidents	#	0	0	0	0	0
Fatal accidents of contracted workers	#	0	0	0	0	0

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

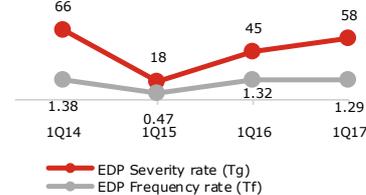
Technical Availability (%)



Specific Emissions from Thermal (g/kWh)



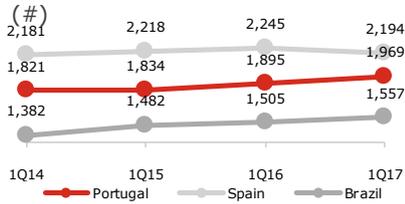
Accidentes at Work



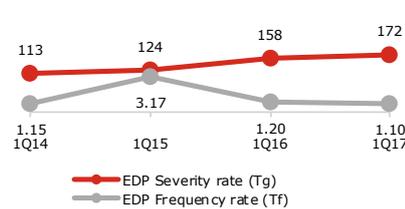
Electricity Distributed per Employee (MWh/#)



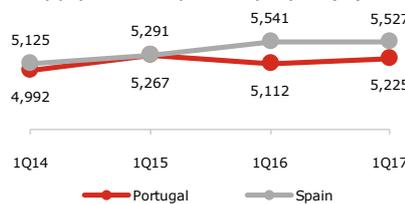
Supply Points per Employee (#)



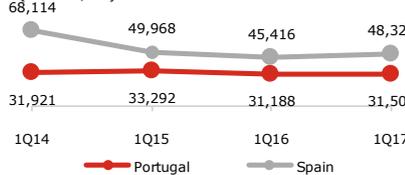
Accidents at Work Electricity



Supply Points per Employee (#)



Gas Distributed per Employee (MWh/#)



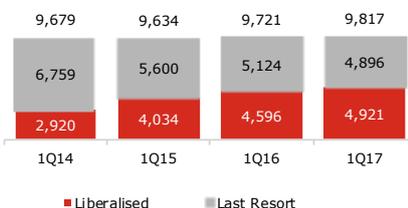
ELECTRICITY DISTRIBUTION	UN	1Q17	1Q16	1Q15	1Q14
ELECTRICITY DISTRIBUTED	GWh	20,203	20,278	20,832	20,561
Portugal	GWh	11,585	11,655	11,687	11,470
Spain	GWh	2,350	2,363	2,381	2,365
Brazil	GWh	6,268	6,261	6,764	6,726
ELECTRICITY SUPPLY POINTS	'000	10,147	10,031	9,922	9,805
Portugal	'000	6,148	6,110	6,082	6,070
Spain	'000	662	660	659	659
Brazil	'000	3,337	3,262	3,182	3,076
GRID EXTENSION	Km	337,673	335,904	333,915	331,641
Portugal	Km	225,606	224,837	223,976	222,965
Overhead lines	Km	177,036	176,464	175,897	175,133
Underground lines	Km	48,570	48,373	48,079	47,831
Spain ¹	Km	20,528	20,407	20,309	20,196
Overhead lines	Km	15,678	15,633	15,567	15,515
Underground lines	Km	4,850	4,774	4,741	4,681
Brazil	Km	91,539	90,660	89,630	88,480
Overhead lines	Km	91,298	90,427	89,432	88,308
Underground lines	Km	241	232	198	172
GRID LOSSES					
Portugal	%	11.2	10.1	10.9	11.2
Spain	%	4.7	4.9	5.1	5.0
Brazil	%	10.8	11.2	11.2	11.6
SERVICE QUALITY					
Portugal					
Installed Capacity Equivalent Interruption Time ²	Min	13	13	12	22
Spain					
Installed Capacity Equivalent Interruption Time ²	Min	10	7	14	7
Brazil					
Average Interruption Duration per Consumer					
Bandeirante	Hours	8.4	9.0	7.7	7.5
Escelsa	Hours	8.7	9.1	9.6	9.8
Frequency of Interruptions per Consumer					
Bandeirante	#	5.3	5.4	5.2	5.6
Escelsa	#	5.3	5.2	5.6	6.2
ENVIRONMENTAL INDICATORS					
Certified Installed Capacity	%	41	35	32	30
Total waste	t	5,674	5,194	3,308	2,655
Dangerous waste	t	1,097	712	747	776
Waste valorization	%	93	93	84	80
OCCUPATIONAL HEALTH AND SAFETY					
Employees	#	5,567	5,686	5,760	5,858
On-duty accidents ³	#	4	3	8	3
On-duty accidents of contracted workers ³	#	14	10	7	12
Fatal on-duty accidents	#	0	0	0	0
Fatal accidents of contracted workers	#	0	1	1	0

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.

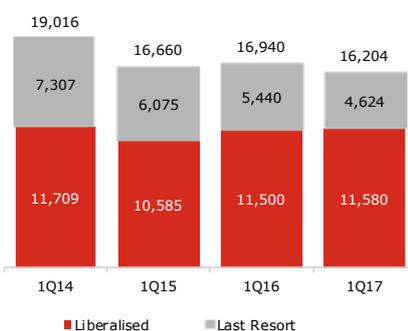
GAS DISTRIBUTION	UN	1Q17	1Q16	1Q15	1Q14
GAS DISTRIBUTED	GWh	10,924	9,566	10,875	15,534
Portugal	GWh	2,079	2,027	2,031	1,979
Spain	GWh	8,844	7,539	8,844	13,555
GAS SUPPLY POINTS	'000	1,356	1,252	1,258	1,329
Portugal	'000	345	332	321	309
Spain	'000	1,011	920	936	1,020
GRID EXTENSION	Km	13,240	12,607	12,823	14,521
Portugal	Km	5,123	4,888	4,677	4,513
Spain	Km	8,117	7,719	8,147	10,008
ENVIRONMENTAL INDICATORS					
Installed power certified	%	100	100	100	100
Total waste	t	1	1	1	11
Dangerous waste	t	0	0	0	0
Waste valorization	%	100	100	100	99
OCCUPATIONAL HEALTH AND SAFETY					
Employees	#	246	228	238	261
On-duty accidents ¹	#	0	1	0	1
On-duty accidents of contracted workers ¹	#	0	2	0	1
Fatal on-duty accidents	#	0	0	0	0
Fatal accidents of contracted workers	#	0	0	0	0

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

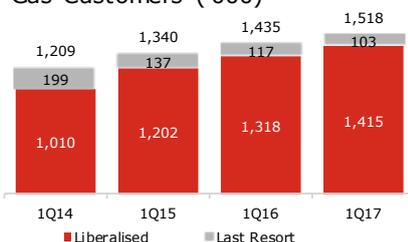
Electricity Customers ('000)



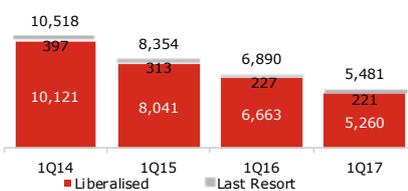
Electricity Supplied (GWh)



Gas Customers ('000)



Gas Supplied (GWh)



ELECTRICITY SUPPLY	UN	1Q17	1Q16	1Q15	1Q14
NUMBER OF CUSTOMERS	'000	9,817	9,721	9,634	9,679
Portugal	'000	5,400	5,431	5,477	5,687
Last Resort	'000	1,336	1,628	2,174	3,431
Liberalised Market	'000	4,064	3,803	3,303	2,256
Market Share EDP - Liberalised Market	%	n.a.	85	85	85
Spain	'000	1,080	1,028	975	916
Last Resort	'000	223	235	245	252
Liberalised Market	'000	857	793	730	664
Market Share EDP - Liberalised Market	%	n.a.	n.a.	n.a.	n.a.
Brazil	'000	3,337	3,262	3,182	3,077
Last Resort ¹	'000	3,336	3,261	3,182	3,076
Liberalised Market	'000	0.3	0.2	0.4	0.5
Social Tariff	'000	869	362	300	333
Portugal	'000	665	124	44	57
Spain	'000	59	60	61	62
Brazil	'000	145	177	196	214
Special Needs	'000	1.14	0.98	0.97	0.91
Portugal	'000	0.55	0.46	0.51	0.57
Brazil	'000	0.59	0.52	0.46	0.34
Green Tariff	'000	829	829	771	683
Portugal	'000	3	4	4	5
Spain	'000	825	825	767	679
ENERGY SUPPLIED	GWh	16,204	16,940	16,660	19,016
Portugal	GWh	5,900	6,193	6,489	6,929
Last Resort	GWh	928	1,363	1,845	3,074
Liberalised Market	GWh	4,972	4,830	4,644	3,854
Market Share EDP - Liberalised Market	%	n.a.	45	45	46
Spain	GWh	3,612	4,254	3,576	4,557
Last Resort	GWh	135	140	149	161
Liberalised Market	GWh	3,477	4,114	3,427	4,397
Market Share EDP - Liberalised Market	%	8	9	7	10
Brazil	GWh	6,693	6,493	6,595	7,530
Last Resort ¹	GWh	3,562	3,938	4,081	4,072
Liberalised Market	GWh	3,131	2,556	2,514	3,458
Social Tariff	GWh	168	129	152	170
Portugal	GWh	63	10	14	27
Spain	GWh	36	35	39	38
Brazil	GWh	70	84	99	105
Special Needs	GWh	1	1	n.a.	n.a.
Green Tariff	GWh	4,789	1,205	5,953	1,245
Portugal	GWh	3	8	3	3
Spain	GWh	4,786	1,197	5,950	1,242

GAS SUPPLY	UN	1Q17	1Q16	1Q15	1Q14
NUMBER OF CUSTOMERS	'000	1,518	1,435	1,340	1,209
Portugal	'000	663	595	509	401
Last Resort	'000	49	59	74	127
Liberalised Market	'000	614	536	435	275
Spain	'000	855	840	830	808
Last Resort	'000	54	58	63	72
Liberalised Market	'000	801	782	767	736
ENERGY SUPPLIED	GWh	5,481	6,890	8,354	10,518
Portugal	GWh	1,293	1,492	1,526	1,345
Last Resort	GWh	111	130	180	264
Liberalised Market	GWh	1,182	1,362	1,346	1,082
Market Share EDP - Liberalised Market	%	n.a.	n.d.	13	11
Spain	GWh	4,187	5,398	6,828	9,173
Last Resort	GWh	110	97	133	133
Liberalised Market	GWh	4,078	5,301	6,695	9,040
Market Share EDP - Liberalised Market	%	4	4	4	5

¹ Regulated Customers supplied by Distribution

Complementary Indicators

Environmental Indicators	UN	1Q17	1Q16	1Q15	1Q14
ENVIRONMENTAL CERTIFICATION (ISO 14001)					
Revenues from certified installations	%	62	70	53	33
PRIMARY ENERGY CONSUMPTION					
Coal	TJ	47,692	40,709	39,193	19,982
Fuel oil	TJ	71	169	117	176
Natural gas	TJ	12,406	4,431	4,321	2795
Residual gases	TJ	3,843	3,413	3,957	2836
Diesel oil	TJ	81	81	30	30
Fuel for vehicle fleet	TJ	53	55	64	53
ENERGY INTENSITY ¹	MJ/EUR	15.2	12.9	11.5	6.0
ELECTRICITY CONSUMPTION					
Generation self-consumption	MWh	1,089,472	938,573	813,346	568,972
Administrative service	MWh	9,707	8,044	8,538	261,085
Grid losses	%	10.5	10.2	9.7	10.4
GHG EMISSION					
Direct emissions (scope 1)					
Stationary combustion ²	ktCO _{2eq}	5,216	4,269	4,855	2,730
SF6 Emissions	ktCO _{2eq}	0.7	1.4	1.5	0.7
Company fleet	ktCO _{2eq}	3.8	3.7	4.5	3.8
Natural gas consumption	ktCO _{2eq}	0.2	0.2	0.2	0.4
Natural gas losses	ktCO _{2eq}	0.4	4.5	3.0	0.6
Indirect emissions (scope 2)³					
Electricity consumption in office buildings	ktCO _{2eq}	1	0	0	0
Electricity losses	ktCO _{2eq}	185	122	207	187
Renewable plants self-consumption	ktCO _{2eq}	5	6	6	6
GHG EMISSIONS INTENSITY ⁴	kgCO₂/EUR	1.3	1.2	1.2	0.7
CO₂ AVOID EMISSIONS	ktCO₂	8,740	12,368	9,092	11,822
SPECIFIC OVERALL EMISSIONS					
CO ₂ ^{2,5}	g/kWh	273	245	296	152
NO _x	g/kWh	0.2	0.2	0.3	0.1
SO ₂	g/kWh	0.4	0.2	0.3	0.1
Particulate matter	g/kWh	0.02	0.01	0.01	0.00
WATER COLLECTED					
Salt (ocean)	10 ³ x m ³	424,052	379,329	435,342	352,130
Fresh	10 ³ x m ³	415,236	373,392	423,730	348,817
Surface	10 ³ x m ³	8,816	5,937	11,612	3,314
Groundwater	10 ³ x m ³	8,787	5,908	11,588	3,299
	10 ³ x m ³	29	29	24	14
WASTE SENT TO FINAL DISPOSAL					
Total waste	t	112,175	117,853	95,608	59,536
Total hazard waste	t	1,627	1,235	2,294	1,461
Recovered Waste	%	53	60	71	61

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 911 ktCO₂ em 2017 and 839 ktCO₂ in 2016.

³ Calculation according with GHG Protocol based location methodology.

⁴ Scope 1 and Scope 2 emissions by turnover.

⁵ Includes only stationary combustion emissions.

Social Indicators	UN	1Q17	1Q16	1Q15	1Q14
EMPLOYMENT					
Employees	#	11,859	11,939	11,632	12,047
Executive Board of Directors	#	8	8	7	7
Senior Management	#	751	736	698	769
Supervisors	#	832	755	723	895
Specialists	#	4,028	3,910	3,736	3,436
Technicians	#	6,241	6,531	6,469	6,941
Male employees	%	76	77	77	77
Female employees	%	24	23	23	23
Employees by types of contract	#	11,859	11,939	11,632	12,047
Executive bodies	#	54	53	51	57
Male	#	51	50	50	55
Female	#	3	3	1	2
Permanent workforce	#	11,731	11,784	11,423	11,804
Male	#	8,920	9,051	8,772	9,083
Female	#	2,811	2,733	2,651	2,722
Fixed-term contracts	#	74	102	158	186
Male	#	44	63	135	160
Female	#	30	39	23	26
Employees by occupational contract	#	11,859	11,939	11,632	12,047
Full-Time	#	11,819	11,910	11,599	12,016
Male	#	9,009	9,159	8,951	9,294
Female	#	2,810	2,751	2,648	2,723
Part-time	#	40	29	33	31
Male	#	6	5	6	4
Female	#	34	24	27	27
New employees	#	220	137	133	193
Male	#	149	101	91	144
Female	#	71	36	42	49
F/M new admissions rate	x	0.48	0.36	0.46	0.34
Employees leaving	#	353	307	267	320
Male	#	293	249	209	268
Female	#	60	58	58	52
Turnover	%	4.80	1.88	1.71	2.12
Average age of workforce	years	45	45	46	45
Absenteeism rate	%	3.32	3.46	3.48	3.47
Pay ratio by gender (F/M)	x	1.03	1.03	1.00	1.01
TRAINING					
Total hours of training	hours	58,639	49,326	74,866	78,564
Average training per employee (h/p)	h/p	4.9	4.1	6.4	6.5
Employees with training	%	31	34	55	24
HEALTH AND SAFETY (H&S)					
Employees					
Accidents ¹	#	6	6	9	7
Fatal accidents	#	0	0	0	0
Total lost days due to accidents	#	602	554	430	551
Frequency rate ²	Tf	1.12	1.07	1.71	1.24
Severity rate ³	Tg	113	99	82	98
Contractors					
Accidents ¹	#	26	46	30	45
Fatal accidents	#	1	1	1	1
Working days	#	1,530	1,692	2,515	2,299
Frequency rate ²	Tf	2.95	5.54	3.56	4.25
Severity rate ³	Tg	167	199	288	212
EDP employees and contractors					
Frequency rate ²	Tf_total	2.27	3.76	2.86	3.22
Severity rate ³	Tg_total	147	159	211	212
Fatal electrical accidents involving third parties ⁴	#	3	1	6	3
Near accidents	#	77	89	46	34
VOLUNTEER INVESTMENT IN THE COMMUNITY (LBG METHODOLOGY)					
Volunteer investment/EBITDA	%	0.22	0.18	0.19	0.36

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

² Accidents by a million hours worked.

³ Absence days by a million hours worked.

⁴ Accidents occurred in the premises of the company plants or equipment.

Economic Indicators	UN	1Q17	1Q16	1Q15	1Q14
ECONOMIC VALUE GENERATED	'000€	4,448,463	4,254,167	4,561,014	4,609,881
Economic value distributed	'000€	3,808,976	3,456,531	3,886,606	3,789,460
Economic value accumulated	'000€	639,487	797,636	674,408	820,421
ENERGY EFFICIENCY AND SUPPLEMENTARY ENERGY SERVICES REVENUES ¹	'000€	310,658	319,531	297,763	n.d.
Energy efficiency services revenues	'000€	25,017	20,513	15,559	14,747
Supplementary energy services revenues ²	'000€	285,640	299,018	282,204	n.d.
FINES AND PENALTIES	'000€	3,963	2,279	1,667	1,388
ENVIRONMENTAL MATTERS ⁴	'000€	22,494	17,597	22,147	17,656
Investments	'000€	9,099	4,707	6,785	7,100
Expenses	'000€	13,395	12,891	15,362	10,556
SOCIAL MATTERS					
Personnal costs	'000€	155,553	146,446	145,477	151,119
Employee benefits	'000€	15,779	14,657	15,045	12,891
Direct training investment	'000€	927,123	640,553	890,773	971,859
Direct training investment per employee	€p	78	54	77	81
HC ROI per employee	%	0.20	0.19	0.21	0.21

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

² Supplementary energy services revenues include the following categories: Energy Management, Maintenance and Operation, Property/Facility Management, Energy and/or Equipment Supply, Provision of Service (example: steam) and other.

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03
Financial Statements

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**Condensed Financial Statements
31 March 2017**

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EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the three-month period ended 31 March 2017 and 2016

Thousand Euros	Notes	2017	2016
Revenues from energy sales and services and other	6	4,233,203	3,786,918
Cost of energy sales and other	6	-2,710,399	-2,239,963
		1,522,804	1,546,955
Other income	7	98,875	159,903
Supplies and services	8	-226,782	-205,496
Personnel costs and employee benefits	9	-171,332	-161,103
Other expenses	10	-212,658	-210,650
		-511,897	-417,346
		1,010,907	1,129,609
Provisions	31	-4,125	-3,330
Amortisation and impairment	11	-359,241	-365,874
		647,541	760,405
Financial income	12	116,962	314,975
Financial expenses	12	-313,577	-495,017
Share of net profit in joint ventures and associates		-577	-7,628
Profit before income tax and CESE		450,349	572,735
Income tax expense	13	-65,750	-151,580
Extraordinary contribution to the energy sector (CESE)	14	-69,559	-58,834
		-135,309	-210,414
Net profit for the period		315,040	362,321
Attributable to:			
Equity holders of EDP		215,302	262,762
Non-controlling Interests	27	99,738	99,559
Net profit for the period		315,040	362,321
Earnings per share (Basic and Diluted) - Euros	24	0.06	0.07

LISBON, 3 MAY 2017

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
**Condensed Consolidated Statement of Comprehensive Income
for the three-month period ended 31 March 2017 and 2016**

Thousand Euros	2017		2016	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	215,302	99,738	262,762	99,559
Items that will never be reclassified to profit or loss (i)				
Actuarial gains/(losses)	-313	-297	-2,184	-2,091
Tax effect from the actuarial gains/(losses)	106	101	743	711
	-207	-196	-1,441	-1,380
Items that are or may be reclassified to profit or loss (i)				
Exchange differences arising on consolidation	18,199	11,654	32,220	18,320
Fair value reserve (cash flow hedge)	-24,183	708	6,357	-1,378
Tax effect from the fair value reserve (cash flow hedge)	6,918	-224	-2,086	245
Fair value reserve (available for sale investments)	3,406	-	-16,423	-
Tax effect from the fair value reserve (available for sale investments)	-884	-	1,068	-
Share of other comprehensive income of joint ventures and associates, net of taxes	-304	214	-698	1,238
	3,152	12,352	20,438	18,425
Other comprehensive income for the period, net of income tax	2,945	12,156	18,997	17,045
Total comprehensive income for the period	218,247	111,894	281,759	116,604

(i) See Consolidated Statement of Changes in Equity

LISBON, 3 MAY 2017

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 31 March 2017 and 31 December 2016

Thousand Euros	Notes	2017	2016
Assets			
Property, plant and equipment	15	23,844,362	24,193,736
Intangible assets	16	5,088,556	5,128,544
Goodwill	17	2,349,010	3,414,852
Investments in joint ventures and associates	18	830,576	820,565
Available for sale investments	19	169,993	165,044
Investment property		31,204	31,219
Deferred tax assets	20	790,814	904,412
Debtors and other assets from commercial activities	21	2,303,864	2,448,442
Other debtors and other assets	22	451,800	469,269
Collateral deposits associated to financial debt	29	35,620	31,936
Total Non-Current Assets		35,895,799	37,608,019
Inventories		281,946	316,577
Debtors and other assets from commercial activities	21	3,076,017	3,207,613
Other debtors and other assets	22	248,563	354,316
Current tax assets	23	325,486	494,504
Financial assets at fair value through profit or loss		8,653	9,567
Collateral deposits associated to financial debt	29	18,040	20,095
Cash and cash equivalents		1,563,647	1,521,253
Assets held for sale	36	2,754,971	551,802
Total Current Assets		8,277,323	6,475,727
Total Assets		44,173,122	44,083,746
Equity			
Share capital	24	3,656,538	3,656,538
Treasury stock	25	-63,528	-63,528
Share premium	24	503,923	503,923
Reserves and retained earnings	26	5,311,562	4,348,793
Consolidated net profit attributable to equity holders of EDP		215,302	960,561
Total Equity attributable to equity holders of EDP		9,623,797	9,406,287
Non-controlling Interests	27	4,428,376	4,330,085
Total Equity		14,052,173	13,736,372
Liabilities			
Financial debt	29	15,459,896	15,550,273
Employee benefits	30	1,379,128	1,410,136
Provisions	31	642,663	637,613
Deferred tax liabilities	20	533,274	722,401
Institutional partnerships in USA	32	2,200,735	2,339,425
Trade and other payables from commercial activities	33	1,275,453	1,293,133
Other liabilities and other payables	34	834,531	829,257
Total Non-Current Liabilities		22,325,680	22,782,238
Financial debt	29	2,689,926	2,476,403
Employee benefits	30	316,854	316,709
Provisions	31	31,545	33,879
Hydrological correction account	28	1,574	1,574
Trade and other payables from commercial activities	33	2,940,712	3,362,421
Other liabilities and other payables	34	388,272	345,032
Current tax liabilities	35	1,017,287	953,264
Liabilities held for sale	36	409,099	75,854
Total Current Liabilities		7,795,269	7,565,136
Total Liabilities		30,120,949	30,347,374
Total Equity and Liabilities		44,173,122	44,083,746

LISBON, 3 MAY 2017

THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Condensed Consolidated Statement of Changes in Equity as at
31 March 2017 and 31 December 2016

Thousand Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings	Fair value reserve (Cash flow hedge) (ii)	Fair value reserve (AFS investments) (ii)	Exchange differences (ii)	Treasury stock (iii)	Equity attributable to equity holders of EDP	Non-controlling Interests (iv)
Balance as at 31 December 2015	12,121,493	3,656,538	503,923	698,902	4,262,125	-56,304	59,379	-392,097	-62,691	8,669,775	3,451,718
Comprehensive income:											
Net profit for the period	362,321	-	-	-	262,762	-	-	-	-	262,762	99,559
Changes in the fair value reserve (cash flow hedge) net of taxes	3,138	-	-	-	-	4,271	-	-	-	4,271	-1,133
Changes in the fair value reserve (available for sale investments) net of taxes	-15,355	-	-	-	-	-	-15,355	-	-	-15,355	-
Share of other comprehensive income of joint ventures and associates net of taxes	540	-	-	-	-	-1	-	-697	-	-698	1,238
Actuarial gains/(losses) net of taxes	-2,821	-	-	-	-1,441	-	-	-	-	-1,441	-1,380
Exchange differences arising on consolidation	50,540	-	-	-	-	-	-	32,220	-	32,220	18,320
Total comprehensive income for the period	398,363	-	-	-	261,321	4,270	-15,355	31,523	-	281,759	116,604
Dividends attributable to non-controlling interests	-30,378	-	-	-	-	-	-	-	-	-	-30,378
Purchase and sale of treasury stock	259	-	-	-	-401	-	-	-	660	259	-
Sale without loss of control of windfarms in the USA	261,660	-	-	-	20,661	-1,037	-	1,021	-	20,645	241,015
Changes resulting from acquisitions/sales, equity increases/decreases and other	-108,925	-	-	-	-22,045	-136	-	12	-	-22,169	-86,756
Balance as at 31 March 2016	12,642,472	3,656,538	503,923	698,902	4,521,661	-53,207	44,024	-359,541	-62,031	8,950,269	3,692,203
Comprehensive income:											
Net profit for the period	837,790	-	-	-	697,799	-	-	-	-	697,799	139,991
Changes in the fair value reserve (cash flow hedge) net of taxes	82,222	-	-	-	-	78,088	-	-	-	78,088	4,134
Changes in the fair value reserve (available for sale investments) net of taxes	6,620	-	-	-	-	-	6,074	-	-	6,074	546
Share of other comprehensive income of joint ventures and associates net of taxes	-3,754	-	-	-	-	887	-	-1,061	-	-174	-3,580
Actuarial gains/(losses) net of taxes	-45,957	-	-	-	-32,001	-	-	-	-	-32,001	-13,956
Exchange differences arising on consolidation	536,416	-	-	-	-	-	-	203,442	-	203,442	332,974
Total comprehensive income for the period	1,413,337	-	-	-	665,798	78,975	6,074	202,381	-	953,228	460,109
Transfer to legal reserve	-	-	-	40,122	-40,122	-	-	-	-	-	-
Dividends paid	-672,537	-	-	-	-672,537	-	-	-	-	-672,537	-
Dividends attributable to non-controlling interests	-140,224	-	-	-	-	-	-	-	-	-	-140,224
Purchase and sale of treasury stock	-3,137	-	-	-	-350	-	-	-	-2,787	-3,137	-
Share-based payments	1,290	-	-	-	-	-	-	-	1,290	1,290	-
Sale without loss of control of windfarms in the USA	1,188	-	-	-	-5,262	-	-	2,824	-	-2,438	3,626
Sale without loss of control of windfarms in Europe	414,925	-	-	-	97,212	3,429	-	5,246	-	105,887	309,038
Changes resulting from acquisitions/sales, equity increases/decreases and other	79,058	-	-	-	69,164	289	-	4,272	-	73,725	5,333
Balance as at 31 December 2016	13,736,372	3,656,538	503,923	739,024	4,635,564	29,486	50,098	-144,818	-63,528	9,406,287	4,330,085
Comprehensive income:											
Net profit for the period	315,040	-	-	-	215,302	-	-	-	-	215,302	99,738
Changes in the fair value reserve (cash flow hedge) net of taxes	-16,781	-	-	-	-	-17,265	-	-	-	-17,265	484
Changes in the fair value reserve (available for sale investments) net of taxes	2,522	-	-	-	-	-	2,522	-	-	2,522	-
Share of other comprehensive income of joint ventures and associates net of taxes	-90	-	-	-	-	-	-	-304	-	-304	214
Actuarial gains/(losses) net of taxes	-403	-	-	-	-207	-	-	-	-	-207	-196
Exchange differences arising on consolidation	29,853	-	-	-	-	-	-	18,199	-	18,199	11,654
Total comprehensive income for the period	330,141	-	-	-	215,095	-17,265	2,522	17,895	-	218,247	111,894
Dividends attributable to non-controlling interests	-23,493	-	-	-	-	-	-	-	-	-	-23,493
Changes resulting from acquisitions/sales, equity increases/decreases and other	9,153	-	-	-	-737	-	-	-	-	-737	9,890
Balance as at 31 March 2017	14,052,173	3,656,538	503,923	739,024	4,849,922	12,221	52,620	-126,923	-63,528	9,623,797	4,428,376

(i) See note 24
(ii) See note 26
(iii) See note 25
(iv) See note 27

LISBON, 3 MAY 2017

THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Condensed Consolidated and Company Statement of Cash Flows
as at 31 March 2017 and 2016

Thousand Euros	Group		Company	
	2017	2016	2017	2016
Operating activities				
Cash receipts from customers	3,947,078	3,532,761	902,874	759,059
Proceeds from tariff adjustments sales	592,916	100,000	-	-
Payments to suppliers	-2,951,008	-2,635,912	-914,134	-785,000
Payments to personnel	-211,790	-206,648	-15,460	-13,315
Concession rents paid	-72,098	-72,619	-	-
Other receipts/(payments) relating to operating activities	-404,986	-92,227	-34,068	50,892
Net cash flows from operations	900,112	625,355	-60,788	11,636
Income tax received/(paid)	-32,215	-60,512	150	17,502
Net cash flows from operating activities	867,897	564,843	-60,638	29,138
Investing activities				
Cash receipts relating to:				
Sale of assets/subsidiaries with loss of control	-	95,434	-	-
Other financial assets and investments	1,379	34,684	208	16
Held to maturity financial investments	-	-	13,188	-
Changes in cash resulting from consolidation perimeter variations (i)	26,498	-	-	-
Property, plant and equipment and intangible assets	1,245	2,240	330	2,992
Other receipts relating to tangible fixed assets	2,516	2,212	-	-
Interest and similar income	21,481	13,959	41,609	51,792
Dividends	1,064	36	-	-
Loans to related parties	15,394	24,758	17,989	23,498
	69,577	173,323	73,324	78,298
Cash payments relating to:				
Acquisition of assets/subsidiaries	-250	-84,214	-	-
Other financial assets and investments (ii)	-28,049	-32,848	-	-
Changes in cash resulting from consolidation perimeter variations (i)	-14,174	-967	-	-
Property, plant and equipment and intangible assets	-565,172	-557,380	-4,743	-6,521
Loans to related parties	-5,981	-9,574	-24,250	-7,086
	-613,626	-684,983	-28,993	-13,607
Net cash flows from investing activities	-544,049	-511,660	44,331	64,691
Financing activities				
Receipts/(payments) relating to loans	34,036	125,475	263,599	-142,514
Interest and similar costs including hedge derivatives	-239,335	-237,866	-129,733	-112,304
Share capital increases/(decreases) by non-controlling interests	-8,417	-11,942	-	-
Receipts/(payments) relating to derivative financial instruments	364	-46,005	6,218	-7,812
Dividends paid to non-controlling interests	-9,492	-20,987	-	-
Treasury stock sold/(purchased)	-	259	-	259
Sale of assets/subsidiaries without loss of control	-	278,819	-	-
Receipts/(payments) from institutional partnerships - USA (iii)	-65,124	164,371	-	-
Net cash flows from financing activities	-287,968	252,124	140,084	-262,371
Changes in cash and cash equivalents	35,880	305,307	123,777	-168,542
Effect of exchange rate fluctuations on cash held	6,514	17,915	-148	-585
Cash and cash equivalents at the beginning of the period	1,521,253	1,245,449	317,755	523,270
Cash and cash equivalents at the end of the period	1,563,647	1,568,671	441,384	354,143

- (i) On a consolidated basis, refers to the change in the method by which it consolidated Eólica de Coahuila, S.A. de C.V. and the transfer of the activity of gas distribution in Spain to Assets and liabilities held for sale (see notes 5 and 36);
- (ii) On a consolidated basis, includes the capital increase of: (i) Empresa de Energia São Manoel, S.A.; (ii) Eoliennes en Mer Dieppe - Le Tréport, S.A.S.; and (iii) Eoliennes en Mer Iles d'Yeu et de Noirmoutier (referred in note 18);
- (iii) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in note 32).

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
Condensed Company Income Statement
for the three-month period ended at 31 March 2017 and 2016

Thousand Euros	Notes	2017	2016
Revenues from energy sales and services and other	6	784,818	674,851
Cost of energy sales and other	6	-743,862	-605,175
		40,956	69,676
Other income		4,456	2,889
Supplies and services	8	-37,720	-35,298
Personnel costs and employee benefits	9	-18,271	-15,807
Other expenses		-680	-1,066
		-52,215	-49,282
		-11,259	20,394
Provisions	31	-110	-108
Amortisation and impairment	11	-5,573	-5,502
		-16,942	14,784
Financial income	12	597,495	867,346
Financial expenses	12	-339,570	-557,699
Profit before income tax		240,983	324,431
Income tax expense	13	8,862	3,225
Net profit for the period		249,845	327,656

LISBON, 3 MAY 2017

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

**Condensed Company Statement of Comprehensive Income
for the three-month period ended 31 March 2017 and 2016**

Thousand Euros	2017	2016
Net profit for the period	249,845	327,656
Items that are or may be reclassified to profit or loss (i)		
Fair value reserve (cash flow hedge)	-11,190	-19,782
Tax effect from the fair value reserve (cash flow hedge)	3,301	5,836
Fair value reserve (available for sale investments)	2,673	1,944
Tax effect from the fair value reserve (available for sale investments)	-789	-573
	-6,005	-12,575
Total comprehensive income for the period	243,840	315,081

(i) See Company Statement of Changes in Equity

LISBON, 3 MAY 2017

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

Thousand Euros	Notes	2017	2016
Assets			
Property, plant and equipment	15	190,916	191,959
Intangible assets		1,994	2,074
Investments in subsidiaries		11,190,176	11,190,176
Held to maturity financial investments	40	29,485	477,018
Investments in joint ventures and associates	18	6,597	6,597
Available for sale investments	19	54,598	52,134
Investment property		52,312	52,579
Deferred tax assets	20	49,767	45,115
Debtors and other assets from commercial activities		718	748
Other debtors and other assets	22	6,578,410	6,863,324
Total Non-Current Assets		18,154,973	18,881,724
Held to maturity financial investments	40	459,696	29,985
Debtors and other assets from commercial activities	21	401,245	551,098
Other debtors and other assets	22	3,480,275	2,975,295
Current tax assets	23	96,138	40,011
Cash and cash equivalents		441,384	317,755
Total Current Assets		4,878,738	3,914,144
Total Assets		23,033,711	22,795,868
Equity			
Share capital	24	3,656,538	3,656,538
Treasury stock	25	-57,433	-57,433
Share premium	24	503,923	503,923
Reserves and retained earnings	26	3,315,974	2,563,948
Net profit for the period		249,845	758,031
Total Equity		7,668,847	7,425,007
Liabilities			
Financial debt	29	9,394,461	9,426,907
Employee benefits	30	4,611	4,655
Provisions	31	7,710	7,599
Trade and other payables from commercial activities		2,350	2,578
Other liabilities and other payables	34	1,757,590	2,761,843
Total Non-Current Liabilities		11,166,722	12,203,582
Financial debt	29	1,527,381	1,766,359
Employee benefits	30	291	291
Provisions	31	724	724
Hydrological correction account	28	1,574	1,574
Trade and other payables from commercial activities	33	467,442	586,792
Other liabilities and other payables	34	1,813,048	543,538
Current tax liabilities	35	387,682	268,001
Total Current Liabilities		4,198,142	3,167,279
Total Liabilities		15,364,864	15,370,861
Total Equity and Liabilities		23,033,711	22,795,868

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 THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Condensed Company Statement of Changes in Equity as at
31 March 2017 and 31 December 2016

Thousand Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings	Fair value reserve (Cash flow hedge) (ii)	Fair value reserve (AFS investments) (ii)	Treasury stock (iii)
Balance as at 31 December 2015	7,299,635	3,656,538	503,923	698,902	2,478,655	-5,832	24,045	-56,596
Comprehensive income:								
Net profit for the period	327,656	-	-	-	327,656	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-13,946	-	-	-	-	-13,946	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	1,371	-	-	-	-	-	1,371	-
Total comprehensive income for the period	315,081	-	-	-	327,656	-13,946	1,371	-
Purchase and sale of treasury stock	259	-	-	-	-401	-	-	660
Balance as at 31 March 2016	7,614,975	3,656,538	503,923	698,902	2,805,910	-19,778	25,416	-55,936
Comprehensive income:								
Net profit for the period	430,375	-	-	-	430,375	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	57,961	-	-	-	-	57,961	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-2,485	-	-	-	-	-	-2,485	-
Actuarial gains / (losses) net of taxes	-1,155	-	-	-	-1,155	-	-	-
Total comprehensive income for the period	484,696	-	-	-	429,220	57,961	-2,485	-
Transfer to legal reserve	-	-	-	40,122	-40,122	-	-	-
Dividends paid	-672,817	-	-	-	-672,817	-	-	-
Purchase and sale of treasury stock	-3,137	-	-	-	-350	-	-	-2,787
Share-based payments	1,290	-	-	-	-	-	-	1,290
Balance as at 31 December 2016	7,425,007	3,656,538	503,923	739,024	2,521,841	38,183	22,931	-57,433
Comprehensive income:								
Net profit for the period	249,845	-	-	-	249,845	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-7,889	-	-	-	-	-7,889	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	1,884	-	-	-	-	-	1,884	-
Total comprehensive income for the period	243,840	-	-	-	249,845	-7,889	1,884	-
Balance as at 31 March 2017	7,668,847	3,656,538	503,923	739,024	2,771,686	30,294	24,815	-57,433

(i) See note 24
(ii) See note 26
(iii) See note 25

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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 three-month period ended 31 March 2017

1. Economic Activity of EDP Group

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

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

The EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors, whose scope and framework is adequately detailed in note 1 attached to Consolidated Financial Statements of 2016.

During the three-month period ended 31 March 2017, we emphasize the following regulatory changes, with significant impact in the economic activity of the EDP Group:

Activity in the energy sector in Portugal*Generation*

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

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

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

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

Logistics Operator for Switching Suppliers

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

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

Activity in the energy sector in Brazil

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

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

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

Activity in the renewable energy sector

Regulatory framework for the activities in Spain

In December 2016, the Energy Ministry (MINETAD) published a draft Royal Decree and a Ministerial Order defining a competitive process for the allocation of new renewable capacity. On 6 and 8 March, two additional draft Resolutions were released including relevant information regarding the auction rules. The Council of Ministers approved on 31 March the RD 359/2017 launching the official call for the auction. The remuneration scheme will be in line with RD 413/2014 scheme. However there will be some differences in the distribution of the remuneration scheme is compared to previous tenders. On the one hand, the tender will be technologically neutral, meaning that projects based on different renewable energy technologies, such as wind, solar and biomass, will be able to compete for contracts. A maximum of 3 GW of renewable capacity may be allocated (initially the capacity will be 2 GW). The auction will also include control mechanisms and guarantee requirements in order to ensure the execution and completion of the winning projects.

The tender is expected for the second quarter of 2017 and the projects will need to be commissioned before the end of 2019.

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

Regulatory framework for the activities in Romania

In 30 March 2017, the Romanian Government approved the Emergency Ordinance to amend the renewable law 220/2008. The main amendments are the extension of the Green Certificates (GC) scheme, where GC will remain valid until March 2032; the narrowing of the GC price band, with the increase in floor price to 29 Euros and the decrease of cap price to 35 Euros (with the removal of the indexation of these limits); and the extension of the recovery periods. Regarding wind energy, the GC recovery period will be from 2018 to 2025, while solar PV's GC recovery period will be from 2025 to 2030 (postponement is extended until the end of 2024).

Regulatory framework for the activities in the United States of America

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

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

2. Accounting Policies

Basis of presentation

The accompanying condensed consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its joint ventures and associated companies, for the three-month period ended 31 March 2017 and EDP S.A.'s Executive Board of Directors approved them on 3 May 2017. The financial statements are presented in thousand Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 158/2009 of 13 July with changes updated by the Decree-law 98/2015 of 2 June, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company condensed financial statements for the three-month period ended 31 March 2017 were prepared in accordance with IFRS as adopted by the E.U. until 31 March 2017 and considering the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group for the year ended 31 December 2016.

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

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

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can be analysed in note 42.

3. Critical Accounting Estimates and Judgements in Preparing the Financial Statements

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

The critical accounting estimates and judgements made by management in applying the EDP Group's accounting policies were the same as those that applied to the consolidated financial statements as at 31 December 2016.

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.

Fair value and classification of financial instruments

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

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

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

Review of the useful life of the assets

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

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

Sale of Naturgas Energía Distribución

Following the acceptance of the main terms and conditions of a formal binding offer to acquire its gas distribution subsidiary in Spain (Naturgas Energía Distribución, S.A.U.) by Nature Investments (see note 36), the Group considered that the held for sale criteria was satisfied, as its carrying amount would no longer be recovered through continuing use, but through sale instead.

Considering these activity reduced weight towards the dimension of Regulated Networks, where it is included in the Operating Segments Report (see note 45), the Group considers that it is not a significant disposal group nor a major line of business, so it should not be presented as a discontinued operation.

4. Financial Risk Management Policies

Financial risk management

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

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

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As for the subsidiaries in Brazil, the management of the financial risks inherent to the variation of interest rates and exchange rates is carried out locally, according with the principles set by rules of EDP - Energias do Brasil's Management and aligned with the principles/policies set by the EDP Group for this geographical area.

Exchange-rate risk management

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

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

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

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

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

Sensitivity analysis - exchange rate

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the EUR/USD exchange rate, as at 31 March 2017 and 2016, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

Thousand Euros	Mar 2017			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD	16,906	-20,663	-31,186	38,116
	16,906	-20,663	-31,186	38,116

Thousand Euros	Mar 2016			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD	23,201	-28,357	-30,085	36,770
	23,201	-28,357	-30,085	36,770

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

Interest rate risk management

The aim of the interest rate risk management policies is to manage the financial charges and to reduce the exposure to interest rate risk from market fluctuations through the settlement of derivative financial instruments.

In the floating rate financing context, the EDP Group enters, when considers necessary, into interest rate derivative financial instruments to hedge the cash flows associated with future interest payments, which have the effect of converting floating interest rate loans into fixed interest rate loans.

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

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

The EDP Group has a portfolio of interest rate derivatives with maturities up to 11 years. The Group's Financial Departments undertake sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. As at 31 March 2017, after the hedging effect of the derivatives 52% of the Group's liabilities are at fixed rate.

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Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Based on the debt portfolio engaged by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 31 March 2017 and 2016 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

Thousand Euros	Mar 2017			
	Profit or loss		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-16,421	16,421	-	-
Unhedged debt	-16,887	16,887	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	9,388	-16,247
Trading derivatives (accounting perspective)	-150	-6,075	-	-
	-33,458	27,233	9,388	-16,247

Thousand Euros	Mar 2016			
	Profit or loss		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-16,421	16,421	-	-
Unhedged debt	-21,098	21,098	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	14,274	-15,176
Trading derivatives (accounting perspective)	-229	-7,750	-	-
	-37,748	29,769	14,274	-15,176

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

Brazil - Interest rate and exchange rate risk management

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

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

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

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

Thousand Euros	VaR	
	Mar 2017	Dec 2016
Exchange rate risk	20	27
Interest rate risk	7,295	10,392
Diversification effect	-26	-39
	7,289	10,380

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.

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

Liquidity risk management

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

Energy market risk management

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

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

The activity of energy management is subject to a series of variables which are identified and classified based on their common uncertainty characteristics (or risk). Such risks include market price evolution risk (electricity and fuel) and hydroelectric production volume risk (price and volume risk), as well as credit risk of the counterparties.

Monitoring the price, volume and credit risks includes their quantification in terms of positions at risk which can be adjusted through market operations. This quantification is made by using specific models that value positions so as to determine the maximum loss that can be incurred, with a given probability and a determined time frame.

Risks are managed in accordance with the strategies defined by the Executive Board of Directors, which are subject to a periodic review based on the evolution of the operations, in order to change the profile of the positions and adjust them to the established management objectives.

Risks are monitored by means of a series of actions involving daily monitoring of the different risk indicators, of the operations grouped in the systems and the prudence limits defined by management area and risk component, as well as regular backtesting and supplementary validation of the models and assumptions used. This monitoring not only ensures the effectiveness of the strategies implemented, but also provides elements to enable initiatives to be taken to correct them, if necessary.

The principal price and volume risk indicator used is the margin at risk (P@R), which estimates the impact of the variation of the different risk factors (price of electricity and hydrological) on the following year's margin, P@R corresponding to the difference between an expected margin and a pessimistic scenario with a probability to occur of 5% (confidence interval of 95%) considering a time frame of 1 year. Both the volumes which are certain and those, which although uncertain, are expected, namely production of the plants and the corresponding consumption of fuel, are considered. The P@R distribution by risk factor is as follows:

Thousand Euros	P@R Distribution by risk factor	
	Mar 2017	Dec 2016
Risk factor		
Negotiation	6,000	9,000
Fuel	57,000	50,000
CO ₂	17,000	8,000
Electricity	77,000	66,000
Hydrological	128,000	97,000
Diversification effect	-219,000	-134,000
	66,000	96,000

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

	Mar 2017	Dec 2016
Credit risk rating (S&P)		
A+ to A-	51.92%	50.29%
BBB+ to BBB-	32.13%	38.31%
BB+ to B-	0.47%	0.17%
No rating assigned	15.48%	11.23%
	100.00%	100.00%

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Capital management

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

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

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

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

5. Consolidation Perimeter

During the three-month period ended 31 March 2017, the following changes occurred in the EDP Group consolidation perimeter:

Companies sold and liquidated:

- EDP Renewables Italia Holding, S.R.L. sold 100% of VRG Wind 149, S.r.l. and VRG Wind 127, S.r.l. by 10 thousand Euros each. The acquisition of these companies, in 2016, was recorded as an asset acquisition out of the scope of IFRS 3 – Business Combinations, due to the substance of the transaction, the type of assets acquired and the very early stage of the projects. This sale was also considered as an asset sale, as the companies were still in the same project stage, by not having won their respective auctions.

Companies incorporated:

- 2017 Vento XVII LLC *;
- Castle Valley Wind Farm LLC *;
- Dry Creek Solar Park LLC *;
- EDPR Wind Ventures XVII LLC *;
- Long Holow wind Farm LLC *;
- Riverstart Solar Park III LLC *;
- White Stone Solar Park LLC *.

* EDP Group holds, through EDP Renováveis and its subsidiaries EDPR NA, a set of subsidiaries legally established in the United States without share capital and that, as at 31 March 2017, do not have any assets, liabilities, or any operating activity.

Other changes:

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

Due to the recent acquisition and construction of the windfarm, EDP Group considers its current book value as a good approach to its fair value. Book value of assets and liabilities identified at the control acquisition date can be analysed as follows:

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

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6. Revenues from Energy Sales and Services and Other

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

Thousand Euros	Group		Company	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Electricity and network access	3,790,098	3,396,175	710,686	586,512
Gas and network access	299,999	300,422	17,577	35,460
Sales of CO2 Licenses	-	-	12,696	13,664
Revenue from assets assigned to concessions	98,075	69,565	-	-
Other	45,031	20,756	43,859	39,215
	4,233,203	3,786,918	784,818	674,851

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

Thousand Euros	Mar 2017					
	Portugal	Spain	Brazil	USA	Other	Group
Electricity and network access	2,032,137	808,745	674,424	179,911	94,881	3,790,098
Gas and network access	75,877	224,122	-	-	-	299,999
Revenue from assets assigned to concessions	55,838	-	42,237	-	-	98,075
Other	13,418	7,236	24,360	6	11	45,031
	2,177,270	1,040,103	741,021	179,917	94,892	4,233,203

Thousand Euros	Mar 2016					
	Portugal	Spain	Brazil	USA	Other	Group
Electricity and network access	1,966,489	696,132	478,311	159,250	95,993	3,396,175
Gas and network access	76,716	223,706	-	-	-	300,422
Revenue from assets assigned to concessions	53,281	-	16,284	-	-	69,565
Other	9,783	6,658	3,162	48	1,105	20,756
	2,106,269	926,496	497,757	159,298	97,098	3,786,918

During the first quarter of 2017, the caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 392,531 thousand Euros (income in 31 March 2016: 404,043 thousand Euros) regarding tariff adjustments of the period (see notes 21 and 33). This caption also includes a net cost of 30,576 thousand Euros (31 March 2016: net cost of 58,815 thousand Euros) related to recognition of tariff adjustments for the period in Brazil (see notes 21 and 33).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 23,567 thousand Euros (31 March 2016: 33,509 thousand Euros) related to the contractual stability compensation (CMEC) as a result of the power purchase agreements (PPA) termination.

During the first quarter of 2017, the caption Electricity and network access, on a company basis, includes 264,731 thousand Euros (31 March 2016: 250,548 thousand Euros) related with energy sales under the purchase and sale agreement of evolutive energy between EDP, S.A. and EDP Comercial.

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

Cost of energy sales and other are analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Cost of electricity	2,079,681	1,767,103	713,587	556,046
Cost of gas	256,356	201,364	-	-
Expenditure with assets assigned to concessions	98,075	69,565	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	167,487	97,922	-	-
Gas	49,379	54,047	17,577	35,460
CO2 Licenses	26,945	17,176	12,696	13,664
Own work capitalised	-37,903	-19,019	-	-
Other	70,379	51,805	2	5
	276,287	201,931	30,275	49,129
	2,710,399	2,239,963	743,862	605,175

On a company basis, Cost of electricity includes costs of 374,344 thousand Euros (31 March 2016: 293,821 thousand Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

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

Thousand Euros	Group	
	Mar 2017	Mar 2016
Revenue from assets assigned to concessions	98,075	69,565
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-73,031	-45,129
Personnel costs capitalised (see note 9)	-22,992	-22,691
Capitalised borrowing costs (see note 12)	-2,052	-1,745
	-98,075	-69,565
	-	-

7. Other Income

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

Thousand Euros	Group	
	Mar 2017	Mar 2016
Income arising from institutional partnerships - EDPR NA	68,175	55,452
Gains on disposals - electricity and gas business assets	-	67,392
Gains from contractual indemnities and insurance companies	5,372	14,822
Other	25,328	22,237
	98,875	159,903

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC), mostly from accelerated tax depreciations regarding Vento I to XVI, Sol I and Blue Canyon I projects, in wind farms and solar plants in USA (see note 32).

On 31 March 2016, the caption gains on disposals - electricity and gas business assets is related with the gain on the sale of 100% of Pantanal Energética, Ltda to Cachoeira Escura Energética, S.A. and with the gain on the sale of 60% of J&Z Wind Farms, SP. ZO.O. to Geo Renewables Limited.

Other includes gains on fixed assets, recovery of doubtful debts and gains on the reinsurance activity.

8. Supplies and Services

Supplies and services are analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Consumables and communications	12,395	11,618	1,885	2,092
Rents and leases	32,718	29,827	11,359	10,835
Maintenance and repairs	84,843	75,253	7,953	5,332
Specialised works:				
- Commercial activity	44,952	40,308	922	1,717
- IT services, legal and advisory fees	11,945	12,934	1,890	4,594
- Other services	10,601	11,049	5,871	4,363
Provided personnel	-	-	3,329	3,927
Other supplies and services	29,328	24,507	4,511	2,438
	226,782	205,496	37,720	35,298

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9. Personnel Costs and Employee Benefits

Personnel costs and employee benefits are analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Personnel costs				
Board of Directors remuneration	4,146	3,540	1,657	1,478
Employees' remuneration	131,161	124,836	9,434	8,462
Social charges on remuneration	31,328	29,640	2,246	2,020
Performance, assiduity and seniority bonus	16,420	18,008	3,096	2,938
Other costs	7,527	6,153	289	69
Own work capitalised:				
- Assigned to concessions (see note 6)	-22,992	-22,691	-	-
- Other (see note 15)	-12,037	-13,040	-	-
	155,553	146,446	16,722	14,967
Employee benefits				
Pension plans costs	6,454	6,277	574	387
Medical plans costs and other benefits	1,853	2,047	110	146
Other	7,472	6,333	865	307
	15,779	14,657	1,549	840
	171,332	161,103	18,271	15,807

Pension plans costs include 2,161 thousand Euros (31 March 2016: 2,436 thousand Euros) related to defined benefit plans (see note 30) and 4,293 thousand Euros (31 March 2016: 3,841 thousand Euros) related with defined contribution plans. Medical plans costs and other employee benefits is related to the charge of the period (see note 30).

In the first quarter of 2017, no treasury stocks were granted to employees.

10. Other Expenses

Other expenses are analysed as follows:

Thousand Euros	Group	
	Mar 2017	Mar 2016
Concession rents paid to local authorities and others	73,334	73,103
Direct and indirect taxes	107,644	104,188
Donations	912	2,863
Impairment losses:		
- Trade receivables	12,510	19,832
- Debtors	-410	-1,794
Other	18,668	12,458
	212,658	210,650

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

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

11. Amortisation and Impairment

Amortisation and impairment are analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Amortisation/impairment of Property, plant and equipment (see note 15)	271,577	280,632	5,565	5,702
Amortisation/impairment of Intangible assets (see note 16)	95,836	92,782	74	74
	367,413	373,414	5,639	5,776
Amortisation/impairment of Investment property	63	132	267	60
	367,476	373,546	5,906	5,836
Compensation of amortisation				
Partially-funded property, plant and equipment (see note 33)	-8,235	-7,672	-333	-334
	359,241	365,874	5,573	5,502

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.

The variation of the period includes the impact of the redefinition of the useful life of wind generation assets from 25 to 30 years and the redefinition of the useful life of combined cycle gas turbines (CCGTs) from 35 to 40 years, in the amounts of 30 million Euros and 3 million Euros, respectively.

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12. Financial Income and Expenses

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

Thousand Euros	Group	
	Mar 2017	Mar 2016
Financial income		
Interest income from bank deposits and other investments	17,411	8,482
Interest from derivative financial instruments	5,876	33,781
Interest income on tariff deficit:		
- Portugal - Electricity (see notes 21 e 33)	5,399	17,443
- Brazil - Electricity (see notes 21 e 33)	1,358	5,527
Other interest income	11,827	17,060
Derivative financial instruments	36,761	151,550
Foreign exchange gains	12,532	47,278
CMEC:		
- Interest on the initial CMEC	6,718	7,176
- Financial effect considered in the calculation of the initial CMEC and others	3,242	3,289
Gains on the sale of financial investments	462	13,283
Gains on the sale of the electricity tariff deficit - Portugal (see note 21)	11,982	6,141
Other financial income	3,394	3,965
	116,962	314,975
Financial expenses		
Interest expense on financial debt	197,077	215,705
Capitalised borrowing costs:		
- Assigned to concessions (see note 6)	-2,052	-1,745
- Other (see note 15)	-7,928	-12,010
Interest from derivative financial instruments	1,561	28,421
Interest expense on tariff deficit:		
- Portugal - Electricity (see notes 21 e 33)	89	216
- Brazil - Electricity (see notes 21 e 33)	-	359
Other interest expense	9,110	5,013
Derivative financial instruments	42,011	169,459
Impairment of available-for-sale investments	305	8,578
Foreign exchange losses	11,962	23,132
CMEC (see note 33)	2,884	3,357
Unwinding of discounted liabilities	36,912	34,747
Net interest on the net pensions plan liability (see note 30)	2,907	3,470
Net interest on the medical liabilities and other benefits (see note 30)	8,610	6,390
Other financial expenses	10,129	9,925
	313,577	495,017
Financial income/(expenses)	-196,615	-180,042

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

The Unwinding of discounted value liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 1,447 thousand Euros (31 March 2016: 1,908 thousand Euros) (see note 31); (ii) the implied financial return in institutional partnership in USA of 26,813 thousand Euros (31 March 2016: 23,874 thousand Euros) (see note 32); and (iii) the financial expenses related to the discount of the debt associated to the concessions of Alqueva/Pedrogão, Investco and Enerpeixe of 4,693 thousand Euros (31 March 2016: 5,474 thousand Euros).

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

Thousand Euros	Company	
	Mar 2017	Mar 2016
Financial income		
Interest income from loans to subsidiaries and related parties (see note 39)	85,533	102,134
Interest from derivative financial instruments	46,587	41,875
Derivative financial instruments	186,486	384,808
Income from equity investments	270,350	324,500
Other financial income	8,539	14,029
	597,495	867,346
Financial expenses		
Interest expense on financial debt	105,683	115,514
Interest from derivative financial instruments	36,649	33,760
Derivative financial instruments	187,975	403,896
Other financial expenses	9,263	4,529
	339,570	557,699
Financial income/(expenses)	257,925	309,647

The caption Other financial income includes 6,837 thousand Euros related to interests from bonds issued by EDP Finance B.V., repurchased by EDP S.A. in 2016 (see note 39). The effective interest of these instruments amounts to 2,361 thousand Euros.

13. Income Tax

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

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

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

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

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

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

EDP Group companies may, in accordance with the law, benefit from certain tax benefits or incentives in specific conditions, namely the Production Tax Credits in the USA, which are the dominant form of wind remuneration in this country, and represent an extra source of revenue per unit of electricity (\$24/MWh in 2017 and \$23/MWh in 2016), over the first 10 years of the asset's life.

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

Changes in the law with relevance to the EDP Group in the first quarter of 2017

In Portugal, the Budget Law for 2016 (Law 7-A/2016, of 30 March) has reduced the tax losses carry-forward period from 12 to 5 years, for tax losses assessed in tax years beginning on or after 1 January 2017.

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Corporate income tax provision

Income tax expense is analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Current tax	-174,228	-144,303	5,831	-724
Deferred tax	108,478	-7,277	3,031	3,949
	-65,750	-151,580	8,862	3,225

Reconciliation between the theoretical and the effective income tax expense

The effective income tax rate is analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Profit before tax	450,349	572,735	240,983	324,431
Income tax expense	-65,750	-151,580	8,862	3,225
Effective income tax rate	14.6%	26.5%	-3.7%	-

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

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

Thousand Euros	Mar 2017
Profit before income tax and CESE	450,349
Nominal income tax rate *	29.5%
Theoretical income tax expense	132,853
Tax benefits	-3,995
Differences between accounting and fiscal provisions/depreciations	-1,388
Accounting/fiscal temporary differences on the recognition/derecognition of assets	-40,923
Other adjustments and changes in estimates	-20,797
Effective income tax expense as per the Consolidated Income Statement	65,750

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

The caption Accounting/fiscal temporary differences on the recognition/derecognition of assets includes the impact of the differential between the accounting and tax bases of certain gas distribution assets in Spain, following the need for an intragroup restructuring of those assets, a process that was initiated in December 2016 and is expected to end during the first half of 2017.

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

Thousand Euros	Mar 2016
Profit before income tax and CESE	572,735
Nominal income tax rate *	29.5%
Theoretical income tax expense	168,957
Different tax rates (includes state surcharge)	-3,345
Tax losses and tax credits	-7,772
Tax benefits	-4,633
Accounting/fiscal temporary differences on the recognition/derecognition of assets	-2,559
Other adjustments and changes in estimates	932
Effective income tax expense as per the Consolidated Income Statement	151,580

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

14. Extraordinary Contribution to the Energy Sector (CESE)

The Law no. 83-C/2013, of 31 December (State Budget for 2014), established the Extraordinary Contribution to the Energy Sector (CESE). The State Budget for 2017 (Law no. 42/2016, of 28 December) determined the extension of this contribution to 2017. It should be noted that the Stability Programme 2016-2020, published in April 2016 by the Portuguese Government had already provided the duration of the CESE until 2020.

CESE is calculated based on the assets value with reference to the first day of financial year (1 January 2017) 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 2017) 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.

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Therefore, the Group booked under the caption Extraordinary contribution to the energy sector (CESE) in the Consolidated Income Statement, the estimated amount of 69,559 thousand Euros (31 March 2016: 58,834 thousand Euros) concerning to CESE for the period 2017. The liability is booked in Current tax liabilities (see note 35).

The increase of 7,929 thousand Euros in CESE estimation for 2017 (when compared to the final amount of 61,630 thousand Euros of CESE paid in 2016) is mainly due to the entry of operations of Salamonde and Baixo Sabor hydroelectric power plants, which led to an increase in the asset base over which CESE is applicable.

EDP Group is disputing this tax payment relying on the competent authorities.

15. Property, Plant and Equipment

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Cost				
Land and natural resources	107,888	105,153	21,388	21,388
Buildings and other constructions	564,716	565,919	112,884	112,966
Plant and machinery:				
- Hydroelectric generation	10,408,637	9,942,783	254	254
- Thermoelectric generation	8,737,471	8,714,330	-	-
- Renewable generation	17,282,132	17,009,384	-	-
- Electricity distribution	1,573,858	1,565,655	-	-
- Gas distribution	-	1,107,336	-	-
- Other plant and machinery	34,378	75,509	196	196
Other	900,416	969,856	164,182	174,160
Assets under construction	1,942,404	2,338,676	26,573	25,013
	41,551,900	42,394,601	325,477	333,977
Accumulated amortisation and impairment losses	-17,707,538	-18,200,865	-134,561	-142,018
Carrying amount	23,844,362	24,193,736	190,916	191,959

The movements in Property, plant and equipment, for the Group, for the three-month period ended 31 March 2017 are analysed as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 March
Cost							
Land and natural resources	105,153	2,656	-11	-426	516	-	107,888
Buildings and other constructions	565,919	-	-82	-5,370	4,070	179	564,716
Plant and machinery	38,414,997	3,411	-2,335	-640,009	-60,781	321,193	38,036,476
Other	969,856	3,776	-58,361	-21,491	-713	7,349	900,416
Assets under construction	2,338,676	138,334	-355	-528,070	-5,814	-367	1,942,404
	42,394,601	148,177	-61,144	-1,195,366	-62,722	328,354	41,551,900

Thousand Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 March
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	158,589	4,006	-51	-3,921	937	-8	159,552
Plant and machinery	17,273,834	251,674	-2,138	-660,962	-19,265	-4,198	16,838,945
Other	764,410	15,897	-58,193	-20,925	-615	4,435	705,009
	18,200,865	271,577	-60,382	-685,808	-18,943	229	17,707,538

Assets under construction are analysed as follows:

Thousand Euros	Mar 2017	Dec 2016
Wind farms in USA	565,043	531,100
Wind farms in Europe	239,605	251,304
Hydric Portugal	639,328	1,068,538
Other assets under construction	498,428	487,734
	1,942,404	2,338,676

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

Thousand Euros	Mar 2017
Subcontracts and other materials	125,278
Dismantling and decommissioning costs (see note 31)	278
Personnel costs (see note 9)	12,037
Borrowing costs (see note 12)	7,928
	145,521

As at 31 March 2017, the expected entry into operation, the accumulated capitalised costs and the commitments in the principal hydroelectric investments, are as follows:

Thousand Euros	Expected entry into operation	Capitalised costs	Commitments
Foz Tua	2nd Semester 2017	492,951	21,317
		492,951	21,317

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

Additions include the investment in wind farms by the subgroups EDPR NA and EDPR EU. In the portuguese generation activity, the Group is performing hydroelectric investments in the construction of a new power plant in Foz Tua.

Transfers refer mainly to the entry into operation of the Venda Nova III power enhancement. Additionally, this caption includes the transfer to held for sale of gas distribution assets in Spain (see note 36) by the net amount of 508,488 thousand Euros (cost in the amount of 1,194,296 thousand Euros and accumulated amortisation and impairment losses in the amount of 685,808 thousand Euros).

Perimeter Variations/Regularisations includes the impact of the acquisition of control of Eólica de Coahuila, S.A. de C.V. (see note 5).

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

As at 31 March 2017, the Group has an agreement, which constitutes a financial lease as defined by IFRIC 4, in which the net value of the assets allocated amounts to 17,816 thousand Euros.

As at 31 March 2017, future lease payments from Property, plant and equipment financed through lease contracts, are detailed as follows: (i) less than 1 year: 4,161 thousand Euros; (ii) from 1 to 3 years: 4,233 thousand Euros; and (iii) from 3 to 5 years: 476 thousand Euros.

16. Intangible Assets

This caption is analysed as follows:

Thousand Euros	Group	
	Mar 2017	Dec 2016
Cost		
Concession rights	14,054,806	13,997,403
CO2 Licenses	111,745	98,598
Other intangibles	254,938	293,163
Intangible assets in progress	632,160	600,238
	15,053,649	14,989,402
Accumulated amortisation and impairment losses	-9,965,093	-9,860,858
Carrying amount	5,088,556	5,128,544

The concession rights over the electricity distribution networks in Brazil, namely EDP São Paulo Distribuição de Energia S.A. (ex-Bandeirante) and EDP Espírito Santo Distribuição de Energia S.A. (ex-Escelsa) are amortised on a straight-line basis over the concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the public hydric domain for hydroelectric generation (EDP Produção and Hidroeléctrica do Guadiana), which useful life does not exceed 75 years. As at 31 December 2016, concession rights over the natural gas distribution network (EDP Gás Distribuição) were classified as assets held for sale.

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

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The movements in Intangible assets during the three-month period ended 31 March 2017, for the Group, are analysed as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 March
Cost							
Concession rights:							
- Distribution and generation Brazil	1,091,484	-	-	-	5,709	-	1,097,193
- Hydric Portugal	1,419,798	-	-	68	-	-	1,419,866
CO2 licenses	98,598	451	-	12,696	-	-	111,745
Assigned to concessions (IFRIC 12):							
- Intangible assets	11,486,121	-	-12,434	37,595	26,465	-	11,537,747
- Intangible assets in progress	157,909	98,075	-219	-68,256	1,170	7	188,686
Other intangibles	293,163	6,873	-	-41,692	-1,406	-2,000	254,938
Other intangible in progress	442,329	2,470	-929	-68	231	-559	443,474
	<u>14,989,402</u>	<u>107,869</u>	<u>-13,582</u>	<u>-59,657</u>	<u>32,169</u>	<u>-2,552</u>	<u>15,053,649</u>

Thousand Euros	Balance at 1 January	Charge/ Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 March
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	628,329	9,138	-	-	2,106	-	639,573
- Hydric Portugal	387,556	10,592	-	-	-	-	398,148
Assigned to concessions (IFRIC 12)	8,772,073	73,062	-9,767	-	19,610	3	8,854,981
Other intangibles	72,900	3,044	-	-3,420	-139	6	72,391
	<u>9,860,858</u>	<u>95,836</u>	<u>-9,767</u>	<u>-3,420</u>	<u>21,577</u>	<u>9</u>	<u>9,965,093</u>

The assets allocated to concessions contracts (IFRIC 12) currently in force in EDP Group fall within the Mixed Model, namely in the electricity distribution concessions in Portugal and in Brazil, as referred in the Group's accounting policies.

Additions of CO2 Licenses refer to CO2 Licenses granted free of charge to EDP Group plants operating in Portugal. Additionally, the transfer amount refers to CO2 licenses held for trading transferred to intangible assets.

The caption Other intangibles in progress includes the concession rights of hydric projects in Portugal namely Fridão and Foz Tua, in the amount of 287,343 thousand Euros (31 December 2016: 287,343 thousand Euros) and 90,066 thousand Euros (31 December 2016: 89,651 thousand Euros), respectively.

Transfers refer to the net transfers of intangible assets in progress assigned to concessions of 30,661 thousand Euros related to increases of the financial assets under IFRIC 12, transferred to Debtors and other assets from commercial activities (see note 21). Additionally, this caption includes the transfer to held for sale of gas distribution assets in Spain (see note 36) by the net amount of 38,272 thousand Euros.

The caption Other intangibles includes 112,230 thousand Euros (31 December 2016: 114,803 thousand Euros) related to wind generation licenses of EDPR NA subgroup and 78,644 thousand Euros related with deferred green certificates in Romania (31 December 2016: 73,123 thousand Euros).

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

17. Goodwill

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

Thousand Euros	Group	
	Mar 2017	Dec 2016
HC Energia Group	884,574	1,940,712
EDP Renováveis Group	1,374,753	1,384,780
EDP Brasil Group	49,165	48,842
Other	40,518	40,518
	<u>2,349,010</u>	<u>3,414,852</u>

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The movements in Goodwill, during the three-month period ended 31 March 2017, are analysed as follows:

Thousand Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 31 March
HC Energia Group	1,940,712	-	-1,056,138	-	-	884,574
EDP Renováveis Group	1,384,780	-	-	-	-10,027	1,374,753
EDP Brasil Group	48,842	-	-	-	323	49,165
Other	40,518	-	-	-	-	40,518
	3,414,852	-	-1,056,138	-	-9,704	2,349,010

HC Energia Group

The goodwill held in HC Energia Group is analysed as follows:

Thousand Euros	HC Energia Group	
	Mar 2017	Dec 2016
Liberalised activities	592,487	592,487
Regulated networks	292,087	1,348,225
	884,574	1,940,712

On 31 March 2017, goodwill related to the company Naturgas Energía Distribución S.A.U. was reclassified to non-current assets held for sale in the amount of 1,056,138 thousand Euros (see note 36).

18. Investments in Joint Ventures and Associates

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Investments in joint ventures	767,297	773,682	6,597	6,597
Investments in associates	63,279	46,883	-	-
	830,576	820,565	6,597	6,597

The movement in Investments in joint ventures is mainly explained by the capital increase in Empresa de Energia São Manoel, S.A. in the amount of 10,454 thousand Euros and by the change of the consolidated method of Eólica de Coahuila, S.A. de C.V (negative impact of 14,530 thousands Euros), which began to be fully consolidated (see note 5).

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

As at 31 March 2017, for the Group, this caption includes goodwill in investments in joint ventures in the amount of 42,226 thousand Euros (31 December 2016: 42,226 thousand Euros) and goodwill in investments in associates in the amount of 9,266 thousand Euros (31 December 2016: 9,281 thousand Euros).

19. Available for Sale Investments

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
REN - Redes Energéticas Nacionais, SGPS, S.A.	53,042	50,369	53,042	50,369
Zephyr Fund (Energia RE portfolio)	75,436	72,725	-	-
EDA - Electricidade dos Açores, S.A.	13,500	13,500	-	-
Feedzai - Consultadoria e Inovação Tecnológica, S.A.	8,304	8,304	-	-
Other	19,711	20,146	1,556	1,765
	169,993	165,044	54,598	52,134

During 2017, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 2,673 thousand Euros being the increase booked against fair value reserves (see note 26).

The Zephyr Fund represents the participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During 2017, Energia RE increased this participation in 2,000 thousand Euros, and had a fair value increase of 711 thousand Euros, booked against fair value reserves (see note 26).

Under IFRS 13 (note 40), available for sale investments are classified into three levels of fair value: level 1 includes essentially financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A. since it is indexed to market price; level 2 includes the fund of stocks and bonds held by Energia RE; and level 3 covers all other available for sale investments.

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

Thousand Euros	Mar 2017	Dec 2016
REN - Redes Energéticas Nacionais, SGPS, S.A.	27,222	24,549
Zephyr Fund (Energia RE portfolio)	9,066	8,355
EDA - Electricidade dos Açores, S.A.	6,609	6,609
Feedzai - Consultadoria e Inovação Tecnológica, S.A.	7,832	7,832
Other	4,773	4,751
	55,502	52,096

20. Deferred Tax Assets and Liabilities

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

Thousand Euros	Net deferred tax assets		Net deferred tax	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Balance as at 1 January	904,412	272,498	-722,401	-794,983
Tariff adjustment for the period	7,178	20,755	80,420	-35,702
Provisions	-13,064	4,954	-	-
Property, plant and equipment, intangible assets and fiscal revaluations	43,197	-7,355	3,588	-2,679
Deferred tax over CMECs in the period	-	-	-1,811	23,363
Tax losses and tax credits	5,794	-41,622	-	-
Financial and available-for-sale investments	-724	2,721	-235	134
Fair value of derivative financial instruments	-341	8,316	14,323	-6,263
Allocation of fair value adjustments to assets and liabilities acquired	-133	-216	-17,248	-2,570
Other temporary differences	-2,459	5,991	-13,639	3,660
Netting of deferred tax assets and liabilities	102,532	37,644	-102,532	-37,644
Reclassification to Assets and Liabilities Held for Sale (see note 36)	-255,578	-	226,261	-
Balance as at 31 March	790,814	303,686	-533,274	-852,684

With reference to 31 March 2017, the caption Property, plant and equipment, intangible assets and fiscal revaluations reflects an increase of about 33 million Euros, related to differences between accounting and tax bases of a group of gas distribution assets in Spain (see note 13).

The accumulated deferred tax asset balance associated with this situation (of about 241.5 million Euros) was reclassified to Assets held for sale, following the acceptance, in the first quarter of 2017, of a binding offer for the sale of Naturgás (see note 36). Considering the balance of deferred tax assets reclassified (255.6 million Euros), the remainder is essentially explained by deferred tax amounts associated with the tax revaluation of property, plant and equipment and investment properties, introduced in Spain by Law 16/2012, of 27 December (10.4 million Euros).

Deferred tax liabilities reclassified to Liabilities held for sale amount to 226.3 million Euros, which essentially breaks down into: (i) 174.7 million Euros of temporary differences in the recognition of goodwill for accounting and tax purposes in Spain; and (ii) 51.8 million Euros related to temporary differences between accounting and tax useful lives of certain assets.

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

Thousand Euros	Net deferred tax assets		Net deferred tax	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Balance as at 1 January	45,115	35,140	-	-
Tax losses and tax credits	1,863	-8,676	-	-
Financial and available-for-sale investments	-788	-809	-	-
Fair value of derivative financial instruments	-	5,836	3,301	-
Other temporary differences	273	361	3	3
Netting of deferred tax assets and liabilities	3,304	3	-3,304	-3
Balance as at 31 March	49,767	31,855	-	-

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21. Debtors and Other Assets from Commercial Activities

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

Thousand Euros	Group	
	Mar 2017	Dec 2016
Trade receivables	141,958	139,398
Accrued income relating to energy sales activity	29,336	29,854
Amounts receivable from tariff adjustments - Electricity - Portugal	200,234	363,130
Amounts receivable from tariff adjustments - Electricity - Brazil	260	3,702
Amounts receivable from tariff expenses - Gas - Spain (see note 36)	-	63,169
Amounts receivable relating to CMEC	702,399	658,197
Amounts receivable from concessions - IFRIC 12	1,152,531	1,114,941
Sundry debtors and other operations	145,671	144,236
	2,372,389	2,516,627
Impairment losses on trade receivables	-65,292	-64,956
Impairment losses on debtors	-3,233	-3,229
	-68,525	-68,185
	2,303,864	2,448,442

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

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Trade receivables	1,506,536	1,503,590	175,476	182,424
Accrued income relating to energy sales activity	1,075,152	1,025,872	209,652	269,031
Amounts receivable from tariff expenses - Electricity - Spain	-	4,489	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	395,573	538,948	-	-
Amounts receivable from tariff adjustments - Electricity - Brazil	13,541	17,100	-	-
Receivables relating to other goods and services	17,678	25,656	8,298	36,662
Amounts receivable relating to CMEC	114,372	164,705	-	-
Amounts receivable from concessions - IFRIC 12	55,249	54,024	-	-
Sundry debtors and other operations	255,091	223,851	18,522	73,916
	3,433,192	3,558,235	411,948	562,033
Impairment losses on trade receivables	-335,788	-329,212	-9,896	-9,935
Impairment losses on debtors	-21,387	-21,410	-807	-1,000
	-357,175	-350,622	-10,703	-10,935
	3,076,017	3,207,613	401,245	551,098

Accrued income relating to energy sales activity - Non-Current is related to the establishment of the pool boundaries adjustment in EDPR EU in Spain, as a result of the publication of Royal Decree-Law 413/2014 and Order IET/1045/2014.

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

Thousand Euros	Current	Non-Current
Balance as at 31 December 2016	538,948	363,130
Receipts through the electric energy tariff	-134,301	-
Partial sale of 2015 over costs for the special regime generators	-250,000	-
Partial sale of 2017 over costs for the special regime generators	-324,068	-
Tariff adjustment of 2016	-613	-
Tariff adjustment for the period	343,867	53,460
Transfer to/from tariff adjustment payable	-15	-
Interest income	3,402	1,997
Transfer from Non-Current to Current	218,353	-218,353
Balance as at 31 March 2017	395,573	200,234

During the first quarter of 2017 EDP SU sold, in six independent operations, a portion of the 2015 and 2017 tariff deficit in the amount of 250,000 thousand Euros and 324,068 thousand Euros, respectively. The 2015 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2015 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2013 and 2014). The 2017 tariff deficit results from the deferral, for the period of 5 years, of the recovery of the 2017 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2015 and 2016). In this 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 592,916 thousand Euros and generated a gain net of transaction costs of 11,982 thousand Euros (see note 12).

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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 three-month period ended 31 March 2017:

Thousand Euros	Deficit	Tariff	Sales	Total
Year:				
2013	84,423	-	-	84,423
2014	177,704	10,465	-	188,169
2015	289,405	52,587	-250,000	91,992
2016	33,983	125,955	-	159,938
2017	329,428	65,925	-324,068	71,285
	914,943	254,932	-574,068	595,807

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments booked in EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa) with the accumulated amount as at 31 March 2017 of 1,805 thousand Euros (31 December 2016: 334 thousand Euros) and 11,996 thousand Euros (31 December 2016: 20,468 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 3,949 thousand Euros (see note 6), transfer from tariff adjustment payable of 35,390 thousand Euros (see note 33), amount received through the electricity tariff of 51,672 thousand Euros, unwinding in the amount of 4,952 thousand Euros (see note 12) and the exchange differences due to appreciation of Brazilian Real with a positive impact of 380 thousand Euros.

The caption Amounts receivable relating to CMEC amounts to 816,771 thousand Euros, and includes 702,399 thousand Euros as non-current and 114,372 thousand Euros as current. The amount receivable relating to the initial CMEC includes 517,980 thousand Euros as non-current and 41,551 thousand Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousand Euros) deducted from the annuities for the years 2007 to 2017. The remaining 184,419 thousand Euros as non-current and 72,821 thousand Euros as current correspond to the receivable amounts through the revisibility calculation from 2015 to 2017.

The concession contracts currently in force in EDP Group are based in the Mixed Model, namely in the electricity distribution concessions in Portugal and in Brazil. Therefore, the caption Amounts receivable from concessions - IFRIC 12 in the amount of 1,207,780 thousand Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model. The variation in the period includes: (i) the effect of the appreciation of Brazilian Real against Euro in the amount of 7,005 thousand Euros; and (ii) transfers from intangible assets assigned to concessions in the amount of 30,661 thousand Euros (see note 16). Additionally, Amounts receivable from concessions - IFRIC 12 - Current refers to concessions in Portugal that will end in 2017.

22. Other Debtors and Other Assets

Other debtors and other assets are analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	6,131,498	6,108,699
Loans to related parties	52,027	62,912	90	90
Guarantees rendered to third parties	55,909	53,533	-	-
Derivative financial instruments	186,152	206,482	415,321	723,368
Excess of the pension fund financing	57,585	57,585	65	65
Sundry debtors and other operations	100,127	88,757	31,436	31,102
	451,800	469,269	6,578,410	6,863,324
Debtors and other assets - Current				
Loans to subsidiaries	-	-	1,436,847	1,781,401
Dividends attributed by subsidiaries	-	-	270,350	-
Loans to related parties	50,029	85,224	14,797	14,783
Receivables from the State and concessors	28,082	33,048	-	-
Derivative financial instruments	116,855	176,471	548,299	343,218
Subsidiary companies	-	-	1,193,873	819,899
Sundry debtors and other operations	53,597	59,573	16,109	15,994
	248,563	354,316	3,480,275	2,975,295
	700,363	823,585	10,058,685	9,838,619

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 4,572,385 thousand Euros (31 December 2016: 4,537,627 thousand Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 1,711,860 thousand Euros (31 December 2016: 1,697,252 thousand Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 39). Additionally, this caption includes 893,364 thousand Euros (31 December 2016: 1,257,783 thousand Euros) of loans granted to EDP Servicios Financieros España, S.A. through EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España (see notes 39 and 43).

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

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Dividends attributed by subsidiaries, for the Company, includes receivables from EDP Gestão Produção Energia, S.A. and EDP - Soluções Comerciais, S.A.

Subsidiary Companies - Current, for the Company, mainly includes receivables from the EDP Group's financial system in the amount of 604,056 thousand Euros (31 December 2016: 371,808 thousand Euros) (see note 39).

Derivative financial instruments – Non Current and Current, for the Company, include 241,693 and 391,499 thousand Euros, respectively (31 December of 2016: 510,006 and 158,041 thousand Euros, respectively), related to a hedging instrument in USD and EUR with EDP Renováveis, S.A., contracted to hedge the foreign exchange rate risk of the debt in Dollars issued by EDP Finance B.V. and granted to EDP – Energias de Portugal – Sociedade Anónima, Sucursal en España (see note 34). This instrument is a Cross Currency Interest Rate Swap (CIRS) revalued at each balance sheet date at its market value, which is a spot foreign exchange rate valuation, resulting in a perfect fair value hedge (revaluation of fair value of the derivative instrument and the hedged liability). The remaining derivative financial instruments, assets and liabilities, are essentially related to derivatives contracted with external entities as a pass-through to hedge EDP Group companies business related risks.

23. Current Tax Assets

Current tax assets are analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Income tax	139,030	175,518	33,533	33,657
Value added tax (VAT)	153,618	285,160	61,732	5,531
Other taxes	32,838	33,826	873	823
	325,486	494,504	96,138	40,011

For the Group, the increase in the caption Value Added Tax (VAT) essentially reflects the existence of additional VAT credit amounts in Portugal, which were partially object of a refund request to the tax authorities.

The decrease in VAT is essentially due to the reclassification to Assets and Liabilities Held for Sale (see note 36) of the balance of a VAT receivable held by Naturgas Group, associated with a VAT due refund request in the context of an intragroup sale of gas distribution assets in December 2016, whose amounts are yet to be received.

24. Share Capital and Share Premium

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

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

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

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

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

EDP - Energias de Portugal S.A. shareholder structure as at 31 March 2017 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
CNIC	110,435,491	3.02%	3.02%
Capital Group Companies, Inc.	515,075,524	14.09%	14.09%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
BlackRock, Inc.	182,733,180	5.00%	5.00%
Senfora, BV	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	89,342,093	2.44%	2.44%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
Norges Bank	83,720,474	2.29%	2.29%
EDP (Treasury stock)	22,056,438	0.60%	
Remaining shareholders	1,291,185,752	35.31%	
	3,656,537,715	100.00%	

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Share capital and Share premium are analysed as follows:

Thousand Euros	Group and Company	
	Share capital	Share premium
Balance as at 1 January	3,656,538	503,923
Movements during the period	-	-
Balance as at 31 March	3,656,538	503,923

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

	Group		Company	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Net profit attributable to the equity holders of EDP (in Euros)	215,302,039	262,761,623	249,844,751	327,656,284
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	215,302,039	262,761,623		
Weighted average number of ordinary shares outstanding	3,634,481,277	3,635,099,581	3,635,994,277	3,636,612,581
Weighted average number of diluted ordinary shares outstanding	3,634,481,277	3,635,099,581	3,635,994,277	3,636,612,581
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.06	0.07		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.06	0.07		
Basic earnings per share from continuing operations (in Euros)	0.06	0.07		
Diluted earnings per share from continuing operations (in Euros)	0.06	0.07		

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	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-22,056,438	-21,438,134	-20,543,438	-19,925,134
Average number of shares during the period	3,634,481,277	3,635,099,581	3,635,994,277	3,636,612,581
Effect of stock options				
Diluted average number of shares during the period	3,634,481,277	3,635,099,581	3,635,994,277	3,636,612,581

25. Treasury Stock

This caption is analysed as follows:

	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Book value of EDP, S.A.'s treasury stock (thousand Euros)	63,528	63,528	57,433	57,433
Number of shares	22,056,438	22,056,438	20,543,438	20,543,438
Market value per share (in Euros)	3.175	2.894	3.175	2.894
Market value of EDP, S.A.'s treasury stock (thousand Euros)	70,029	63,831	65,225	59,453

Shares' transactions occurred between 1 January and 31 March 2017:

	EDP, S.A.	Energia RE
Final position (number of shares)	20,543,438	1,513,000
Highest market price (in Euros)	3.175	3.175
Lowest market price (in Euros)	2.660	2.660
Average market price (in Euros)	2.837	2.837

The treasury stock held by EDP, S.A. is within the limits established by the Company's articles of association and by the "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code). Treasury stock is recognised at acquisition cost.

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26. Reserves and Retained Earnings

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Legal reserve	739,024	739,024	739,024	739,024
Fair value reserve (cash flow hedge)	19,052	43,235	43,027	54,217
Tax effect of fair value reserve (cash flow hedge)	-6,831	-13,749	-12,733	-16,034
Fair value reserve (available for sale investments)	55,502	52,096	22,863	20,190
Tax effect of fair value reserve (available for sale investments)	-2,882	-1,998	1,952	2,741
Exchange differences arising on consolidation	-126,923	-144,818	-	-
Treasury stock reserve (EDP, S.A.)	57,433	57,433	57,433	57,433
Other reserves and retained earnings	4,577,187	3,617,570	2,464,408	1,706,377
	5,311,562	4,348,793	3,315,974	2,563,948

Legal reserve

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

Fair value reserve (cash flow hedge)

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

Fair value reserve (available for sale investments)

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

Thousand Euros	Group	
	Increases	Decreases
Balance as at 1 January 2016	586,853	-525,288
Changes in fair value	1,944	-16,086
Transfer of impairment to profit or loss	8,578	-
Transfer to the income statement relating to assets sold	-	-10,859
Balance as at 31 March 2016	597,375	-552,233
Changes in fair value	8,414	-24,703
Transfer of impairment to profit or loss	23,243	-
Balance as at 31 December 2016	629,032	-576,936
Changes in fair value	3,406	-305
Transfer of impairment to profit or loss	305	-
Balance as at 31 March 2017	632,743	-577,241

Changes in fair value reserve attributable to the EDP Group during the three-month period ended 31 March 2017 are analysed as follows:

Thousand Euros	Increases	Decreases
Zephyr Fund (Energia RE portfolio)	711	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	2,673	-
Other	22	-305
	3,406	-305

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Exchange differences on consolidation

Exchange differences on consolidation include the amounts resulting from changes in the value of net assets of subsidiaries, joint ventures and associated companies resulting from changes in exchange rates. The exchange rates used in the preparation of the financial statements are as follows:

Currency		Exchange rates at Mar 2017		Exchange rates at Dec 2016		Exchange rates at Mar 2016	
		Closing rates	Average exchange rate	Closing rates	Average exchange rate	Closing rates	Average exchange rate
US Dollar	USD	1.069	1.065	1.054	1.107	1.139	1.102
Brazilian Real	BRL	3.380	3.348	3.431	3.858	4.117	4.304
Macao Pataca	MOP	8.557	8.511	8.420	8.848	9.093	8.820
Canadian Dollar	CAD	1.427	1.410	1.419	1.466	1.474	1.515
Polish Zloty	PLN	4.227	4.322	4.410	4.363	4.258	4.364
Romanian Leu	RON	4.553	4.522	4.539	4.491	4.472	4.493
Pound Sterling	GBP	0.856	0.860	0.856	0.819	0.792	0.770
South African Rand	ZAR	14.240	14.087	14.457	16.267	16.787	17.447
Mexican Peso	MXN	20.018	21.619	21.772	20.661	19.590	19.883
Chinese Yuan	CNY	7.364	7.335	7.320	7.351	7.351	7.208

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 company statements.

Dividends

On 19 April 2017, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2016 in the amount of 694,742 thousand Euros, corresponding to a dividend of 0.19 Euros per share (including the treasury stock). Considering the resolution date, the corresponding accounting record will be made during the second quarter of 2017.

27. Non-Controlling Interests

This caption is analysed as follows:

Thousand Euros	Group	
	Mar 2017	Dec 2016
Non-controlling interests in income statement	99,738	239,550
Non-controlling interests in equity and reserves	4,328,638	4,090,535
	4,428,376	4,330,085

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

Thousand Euros	Group	
	Mar 2017	Dec 2016
EDP Renováveis Group	2,874,951	2,819,335
EDP Brasil Group	1,591,599	1,548,514
Other	-38,174	-37,764
	4,428,376	4,330,085

The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits attributable to non-controlling interests of 72,916 thousand Euros; (ii) a negative impact of 18,765 thousand Euros related to dividends attributable to non-controlling interests; (iii) a negative impact of 8,896 thousand Euros resulting from exchange differences; (iv) a negative impact resulting from share capital increases/decreases and other acquisitions/sales without change of control of 6,644 thousand Euros; and (v) a positive impact resulting from a gain of control of EDPR EU subsidiary in Mexico of 16,517 thousand Euros (see note 5).

The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 27,231 thousand Euros of profits attributable to non-controlling interests; (ii) an increase of 20,764 thousand Euros resulting from exchange differences; and (iii) a negative impact of 4,728 thousand Euros related to dividends attributable to non-controlling interests.

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28. Hydrological Account

The movements in the Hydrological account are analysed as follows:

Thousand Euros	Group and Company	
	Mar 2017	Mar 2016
Balance at the beginning of the period	1,574	11,417
Amounts received/(paid) during the period	-	-2,536
Financial charges	-	117
Balance at the end of the period	1,574	8,998

29. Financial Debt

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	321,451	350,570	321,451	350,570
- EDP Finance B.V.	2,006,478	2,359,360	-	-
- EDP Brasil Group	583,067	588,845	-	-
- EDP Renováveis Group	931,545	686,276	-	-
- EDP Produção	73,688	73,688	-	-
	3,916,229	4,058,739	321,451	350,570
Non-convertible bond loans:				
- EDP, S.A.	50,000	50,000	7,900,000	7,900,000
- EDP Finance B.V.	9,462,736	9,394,007	-	-
- EDP Brasil Group	697,467	696,122	-	-
	10,210,203	10,140,129	7,900,000	7,900,000
Hybrid bond:				
- EDP, S.A.	739,168	739,168	739,168	739,168
	739,168	739,168	739,168	739,168
Commercial paper:				
- EDP, S.A.	433,842	437,169	433,842	437,169
	433,842	437,169	433,842	437,169
Other loans	22,579	21,681	-	-
	15,322,021	15,396,886	9,394,461	9,426,907
Other liabilities:				
- Fair value of the issued debt hedged risk	137,875	153,387	-	-
Total Debt and Borrowings	15,459,896	15,550,273	9,394,461	9,426,907
Collateral Deposits - Non-current *	-35,620	-31,936	-	-
	15,424,276	15,518,337	9,394,461	9,426,907

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Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	68,857	65,129	80,157	74,199
- EDP Finance B.V.	349,545	199,482	-	-
- EDP Brasil Group	89,963	90,234	-	-
- EDP Renováveis Group	113,407	99,185	-	-
- Other	17,284	5,696	-	-
	<u>639,056</u>	<u>459,726</u>	<u>80,157</u>	<u>74,199</u>
Non-convertible bond loans:				
- EDP Finance B.V.	1,558,943	1,062,764	-	-
- EDP Brasil Group	193,108	178,671	-	-
	<u>1,752,051</u>	<u>1,241,435</u>	<u>-</u>	<u>-</u>
Commercial paper:				
- EDP, S.A.	156,000	556,000	1,356,371	1,575,846
	<u>156,000</u>	<u>556,000</u>	<u>1,356,371</u>	<u>1,575,846</u>
Other loans	8,717	7,664	-	-
	<u>2,555,824</u>	<u>2,264,825</u>	<u>1,436,528</u>	<u>1,650,045</u>
Accrued interest	217,611	292,064	90,853	116,314
Other liabilities:				
- Fair value of the issued debt hedged risk	-83,509	-80,486	-	-
Total Debt and Borrowings	<u>2,689,926</u>	<u>2,476,403</u>	<u>1,527,381</u>	<u>1,766,359</u>
Collateral Deposits - Current *	<u>-18,040</u>	<u>-20,095</u>	<u>-</u>	<u>-</u>
	<u>2,671,886</u>	<u>2,456,308</u>	<u>1,527,381</u>	<u>1,766,359</u>

* Deposits constituted as collateral for financial guarantee

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

Main event of the period:

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

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The nominal value of outstanding Bond loans placed with external counterparties, as at 31 March 2017, is analysed as follows:

Issuer	Issue date	Interest rate	Type of hedge	Conditions/Redemption	Nominal Value in Million Currency	Thousand Euros	
						Group	Company
Issued by EDP S.A.							
EDP, S.A. (ii)	May-08	Variable rate (iii)	n.a.	May-18	50 EUR	50,000	50,000
						50,000	50,000
Hybrid by EDP S.A.							
EDP, S.A. (iv)	Sep-15	Fixed rate EUR 5.375% (v)	n.a.	Sep-75	750 EUR	750,000	750,000
						750,000	750,000
Issued under the Euro Medium Term Notes program							
EDP Finance B.V.(i)	Aug-02	Fixed rate GBP 6.625%	Fair Value	Aug-17	200 GBP	320,000	-
EDP Finance B.V.	Dec-02	Fixed rate EUR (iii)	n.a.	Dec-22	93 EUR	93,357	-
EDP Finance B.V.(i)	Jun-05	Fixed rate EUR 4.125%	n.a.	Jun-20	300 EUR	300,000	-
EDP Finance B.V.(vi)	Nov-07	Fixed rate USD 6.00%	Net Investment	Feb-18	531 USD	496,247	-
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	97,811	-
EDP Finance B.V.(vi)	Sep-09	Fixed rate USD 4.90%	Net Investment	Oct-19	969 USD	906,802	-
EDP Finance B.V.	Sep-12	Fixed rate EUR 5.75%	n.a.	Sep-17	750 EUR	750,000	-
			Fair Value/ Cash Flow				
EDP Finance B.V.(i)	Nov-12	Fixed rate CHF 4.00%		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	701,525	-
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	93,537	-
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	701,525	-
EDP Finance B.V.(i)	Apr-15	Fixed rate EUR 2.00%	Fair Value	Apr-25	750 EUR	750,000	-
EDP Finance B.V.	Mar-16	Fixed rate EUR 2.375%	n.a.	Mar-23	600 EUR	600,000	-
EDP Finance B.V.(i)	Aug-16	Fixed rate EUR 1.125%	n.a.	Feb-24	1,000 EUR	1,000,000	-
EDP Finance B.V.	Jan-17	Fixed rate EUR 1.875%	n.a.	Sep-23	600 EUR	600,000	-
						11,085,040	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market							
Energest	Apr-12	CDI + 0.98%	n.a.	Apr-17	60 BRL	17,751	-
Lajeado Energia	Nov-13	CDI + 1.20%	n.a.	Nov-19	450 BRL	133,136	-
EDP São Paulo (ex-Bandeirante)	Apr-14	CDI + 1.39%	n.a.	Apr-19	180 BRL	53,254	-
EDP Espírito Santo (ex-Escelsa)	Aug-14	CDI + 1.50%	n.a.	Aug-20	177 BRL	52,308	-
Energias do Brasil	Oct-15	IPCA + 8.3201%	n.a.	Sep-21	198 BRL	58,574	-
Energias do Brasil	Oct-15	CDI + 1.74%	n.a.	Sep-18	664 BRL	196,525	-
Energias do Brasil	Oct-15	IPCA + 8.2608%	n.a.	Sep-24	53 BRL	15,651	-
EDP São Paulo (ex-Bandeirante)	Feb-16	CDI + 2.30%	n.a.	Feb-20	100 BRL	29,586	-
EDP Espírito Santo (ex-Escelsa)	Feb-16	CDI + 2.30%	n.a.	Feb-20	120 BRL	35,503	-
Energias do Brasil	Apr-16	IPCA + 8.3479%	n.a.	Apr-22	262 BRL	77,484	-
Energest	Apr-16	CDI + 2.25%	n.a.	Apr-18	54 BRL	15,976	-
Energest	Apr-16	CDI + 2.265%	n.a.	Apr-20	36 BRL	10,651	-
Enerpeixe	Nov-16	114.50% * CDI	n.a.	Nov-19	350 BRL	103,550	-
Pecém	Dec-16	CDI + 2.95%	n.a.	Nov-21	330 BRL	97,633	-
						897,582	-
						12,782,622	800,000

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

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

(iii) These issues correspond to private placements.

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

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

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

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EDP Group has various credit facilities it uses for liquidity management. EDP Group has short-term credit facilities of 231,000 thousand Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, which as at 31 March 2017 are totally available. Also EDP Group has Commercial Paper programs of 100,000 thousand Euros with guaranteed placement, which as at 31 March 2017 are totally available. EDP Group has a medium term Revolving Credit Facility (RCF) of 3,150 million Euros, with a firm underwriting commitment and maturing in 2019, which as at 31 March 2017 is totally available, and an RCF of 500,000 thousand Euros, with a firm underwriting commitment and maturing in 2020, which as at 31 March 2017 is totally available.

As at 31 March 2017, future debt and interest payments, by type of loan and currency, are analysed as follows:

Thousand Euros	Mar 2018	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Following years	Total
Bank loans:							
Euro	505,739	110,432	107,747	1,760,752	95,825	368,556	2,949,051
Brazilian Real	118,967	129,260	165,389	73,536	65,827	268,419	821,398
US Dollar	16,010	9,324	338,579	12,204	12,396	185,387	573,900
Other	24,160	19,950	22,741	24,289	26,738	118,594	236,472
	664,876	268,966	634,456	1,870,781	200,786	940,956	4,580,821
Bond loans:							
Euro	1,097,481	168,456	653,293	1,075,642	595,235	4,683,864	8,273,971
Brazilian Real	220,050	259,434	177,546	104,410	107,087	48,990	917,517
US Dollar	538,057	-	1,080,847	698,358	695,200	-	3,012,462
	1,855,588	427,890	1,911,686	1,878,410	1,397,522	4,732,854	12,203,950
Hybrid Bond:							
Euro	1,767	-	-	-	-	739,168	740,935
	1,767	-	-	-	-	739,168	740,935
Commercial paper:							
Euro	157,081	-	-	-	200,000	-	357,081
US Dollar	1,391	-	233,842	-	-	-	235,233
	158,472	-	233,842	-	200,000	-	592,314
Other loans:							
Euro	1,892	63	50	-	-	-	2,005
Brazilian Real	7,331	1,934	2,648	1,423	663	15,798	29,797
	9,223	1,997	2,698	1,423	663	15,798	31,802
	2,689,926	698,853	2,782,682	3,750,614	1,798,971	6,428,776	18,149,822

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

The Group has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 March 2017 and 31 December 2016 these loans amounted to 1,100,831 thousand Euros and 1,100,951 thousand Euros, respectively (see note 38).

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

Thousand Euros	Mar 2017		Dec 2016	
	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Non-Current	15,459,896	16,022,991	15,550,273	16,355,711
Debt and borrowings - Current	2,689,926	2,539,527	2,476,403	2,242,288
	18,149,822	18,562,518	18,026,676	18,597,999

In accordance with the Group's accounting policies, the financial liabilities whose risks are being hedged by derivative financial instruments and that comply with hedge accounting requirements of IAS 39, are accounted at fair value. The financial liabilities are booked at amortised cost.

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

30. Employee Benefits

Employee benefits are analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Provisions for social liabilities and benefits	781,298	815,264	2,998	3,088
Provisions for medical liabilities and other benefits	914,684	911,581	1,904	1,858
	1,695,982	1,726,845	4,902	4,946

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This caption is analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Non-Current	1,379,128	1,410,136	4,611	4,655
Current	316,854	316,709	291	291
	1,695,982	1,726,845	4,902	4,946

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

Thousand Euros	Group
	Mar 2017
Balance at the beginning of the period	815,264
Charge for the period	5,068
Actuarial (gains)/losses	610
Charge-off	-39,317
Transfers, reclassifications and exchange differences	-327
Balance at the end of the period	781,298

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

Thousand Euros	Mar 2017			
	Portugal	Spain	Brazil	Group
Current service cost	2,204	153	-196	2,161
Operational component (see note 9)	2,204	153	-196	2,161
Net interest on the net pensions plan liability	2,621	338	-52	2,907
Financial component (see note 12)	2,621	338	-52	2,907
	4,825	491	-248	5,068

Thousand Euros	Mar 2016			
	Portugal	Spain	Brazil	Group
Current service cost	2,324	153	-41	2,436
Operational component (see note 9)	2,324	153	-41	2,436
Net interest on the net pensions plan liability	3,202	399	-131	3,470
Financial component (see note 12)	3,202	399	-131	3,470
	5,526	552	-172	5,906

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

Thousand Euros	Group
	Mar 2017
Balance at the beginning of the period	911,581
Charge for the period	10,463
Charge-off	-10,069
Transfers, reclassifications and exchange differences	2,709
Balance at the end of the period	914,684

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

Thousand Euros	Mar 2017			Mar 2016		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	1,627	226	1,853	1,932	115	2,047
Operational component (see note 9)	1,627	226	1,853	1,932	115	2,047
Net interest on the medical liabilities and other benefits	3,055	5,555	8,610	3,912	2,478	6,390
Financial component (see note 12)	3,055	5,555	8,610	3,912	2,478	6,390
Net cost for the period	4,682	5,781	10,463	5,844	2,593	8,437

As at 31 March 2017, the net movement for the period in Provisions for social liabilities and benefits corresponds to a decrease of 33,966 thousand Euros (31 March 2016: 35,794 thousand Euros), from which 32,019 thousand Euros correspond to the negative net movement occurred in Portugal (31 March 2016: 32,933 thousand Euros) and 1,947 thousand Euros correspond to the negative net movement occurred in Spain and Brazil (31 March 2016: 2,861 thousand Euros). The variation in Portugal relates essentially to benefit payments.

The net movement for the period in Provisions for medical liabilities and other benefits corresponds to an increase of 3,103 thousand Euros (31 March 2016: 3,044 thousand Euros), from which 3,473 thousand Euros correspond to the negative net movement occurred in Portugal (31 March 2016: 2,893 thousand Euros) and 6,576 thousand Euros correspond to the positive net movement occurred in Brazil (31 March 2016: 5,937 thousand 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: 259,331 thousand Euros; (ii) from 1 to 3 years: 478,362 thousand Euros; (iii) from 3 to 5 years: 433,734 thousand Euros, and (iv) more than 5 years: 881,052 thousand Euros.

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

31. Provisions for Liabilities and Charges

Provisions for liabilities and charges are analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Provision for legal and labour matters and other contingencies	103,097	98,574	20	20
Provision for customer guarantees under current operations	8,173	10,435	-	-
Provision for dismantling and decommissioning	463,465	462,887	-	-
Provision for other liabilities and charges	99,473	99,596	8,414	8,303
	674,208	671,492	8,434	8,323

This caption is analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Non-Current	642,663	637,613	7,710	7,599
Current	31,545	33,879	724	724
	674,208	671,492	8,434	8,323

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

Thousand Euros	Group
	Mar 2017
Balance at the beginning of the period	98,574
Charge for the period	4,594
Reversals	-762
Charge-off for the period	-3,068
Other and exchange differences	3,759
Balance at the end of the period	103,097

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

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

- i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa) in the amount of 13,326 thousand Euros (31 December 2016: 13,443 thousand Euros). These requests result from the application of Administrative Orders DNAEE no. 38 of 27 February 1986 and no. 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;
- ii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousand Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, at 31 March 2017, the estimated liability amounts to 5,836 thousand Euros (31 December 2016: 5,836 thousand Euros), corresponding to the indemnity discounted amount. This process is in a foreclosure stage and an appeal was 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 thousand Euros. It was decided to appeal the decision within the legal deadline set for this purpose, and a provision in the above mentioned amount has been recognised. Following the Appeal brought by EDP Comercial, the case was returned to the Competition, Regulation and Supervision Court for trial. On 2 March 2017, the Court delivered a sentence objections, which found null the Notice of Illegality and final decision of ERSE. ERSE appealed against this decision and a decision is still pending;
- 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 in 2015, the Board of Directors identified a contingency, which estimated responsibility amounts to 6,433 thousand Euros (21,745 thousand Brazilian Reais) as at 31 March 2017.

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

Thousand Euros	Group	
	Mar 2017	
Balance at the beginning of the period	10,435	
Other and exchange differences	-2,262	
Balance at the end of the period	8,173	

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

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

Thousand Euros	Group	
	Mar 2017	
Balance at the beginning of the period	462,887	
Unwinding (see note 12)	1,447	
Increase of the responsibility (see note 15)	278	
Other and exchange differences	-1,147	
Balance at the end of the period	463,465	

As at 31 March 2017, Provision for dismantling and decommissioning includes the following situations:

- i) The Group has recognised a provision of 43,907 thousand Euros (31 December 2016: 43,865 thousand Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;
- ii) Provisions for dismantling of wind farms of 268,513 thousand Euros (31 December 2016: 268,191 thousand Euros) to cover the costs of bringing the sites to their original conditions, of which 102,874 thousand Euros refer to the wind farms of the EDPR NA Group, 163,428 thousand Euros refer to the wind farms of the EDPR EU Group, 1,574 thousand Euros refer to the wind farms of the EDPR Brasil Group and 637 thousand 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 31 March 2017, the provision amounts to 90,233 thousand Euros (31 December 2016: 90,183 thousand Euros) and 58,296 thousand Euros (31 December 2016: 58,210 thousand Euros) for the electric power plants located in Portugal and Spain, respectively.

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

Thousand Euros	Mar 2017	
	Group	Company
Balance at the beginning of the period	99,596	8,303
Charge for the period	293	110
Charge-off for the period	-729	-
Other and exchange differences	313	1
Balance at the end of the period	99,473	8,414

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

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

The processes whose losses were considered as possible, do not require the recognition of provisions and are periodically reassessed. As at 31 March 2017, there were no significant changes in the contingencies classified as remote risk presented as at 31 December 2016, namely:

- i) During April 2015, ERSE has notified EDP Distribuição about the resolution regarding the opening of the administrative infraction proceedings, within the framework of the Energy Sector Sanctions Regime (RSSE) requesting several information (without further developments until the present moment). After negotiations with ERSE, in December 2016, EDP Distribuição formally submitted a transaction proposal, which was accepted by ERSE, and involved the conviction of 14 negligent administrative offenses, the payment of a fine in the amount of 40,000 Euros and also the payment of compensation to injured consumers. Therefore, this contingency, in March 2017, is finished;

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ii) On 29 July 2016, the Portuguese Competition Authority has notified EDP, S.A. and EDP Comercial, S.A. with a notice for alleged violation of competition laws, regarding the process about the commercial campaign done in partnership with Modelo Continente, designated as "Plano EDP Continente". This was an occasional campaign, limited to two years, which was one of several campaigns of this kind, very common in Portugal, usually performed by several other market agents. EDP Group is convinced that this campaign has clearly benefited consumers and competition in both sectors. At this moment, the deadline for EDP, S.A. and EDP Comercial to pronounce on the notice of alleged violation is running. As at 31 March 2017, EDP Group and its legal advisors believe this is a possible contingency. However, considering the defense arguments presented and the lack of jurisprudence in this matter, the respective risk value is indeterminate to this date;

iii) EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa) have administrative and judicial actions regarding tax compensations not ratified by the Brazilian Federal Revenue Bureau, which: (i) are protected by judicially recognised credits (IRPJ - Corporate tax income and CSLL - Social Contribution on net profits) and (ii) that result from tax contributions in 2001 of IRPJ, CSLL, PIS (Social integration programme) and COFINS considered excessive as a consequence of the application of "Parecer COSIT 26/2002" (Extraordinary Tariff Adjustment - RTE) published by the Brazilian Tax Authorities. According to this opinion, the amounts resulting from tariffs updating under RTE should be recognised and taxed only as of 2002. As at 31 March 2017, the updated values amount to 107,770 thousand Euros (31 December 2016: 96,828 thousand Euros);

iv) Porto do Pecém was subject to a tax execution procedure in the amount of 23,656 thousand Euros, related to an alleged non-taxation under Corporate Income Tax (CIT) and Social Contribution on Net Profits (CSLL) of prior years' financial income and exchange rate gains (31 December 2016: 21,225 thousand Euros).

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

i) On 27 October 2009 and 5 January 2010, the EDP Group received two tax settlements regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely EDP Espírito Santo (ex-Escelsa) and Enersul. As at 31 March 2017, the amount of this tax contingency totals 266 million Euros (31 December 2016: 264 million Euros).

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

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

ii) EDP São Paulo (ex-Bandeirante) through the Power Industry Union of the State of São Paulo - SindiEnergia, filed two claims against the Treasury Department of the State of São Paulo, seeking the suspension of the effects of Decrees 55.421/2010 and 55.867/2010. Both claims deal with VAT incidence on energy technical losses (theft, deviation or fraud) and obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts, however, given that the higher courts jurisprudence supports the thesis discussed in this process, the EDP Group classifies as remote the risk of losing this action. The estimated value at 31 March 2017 amounts to 121,470 thousand Euros (31 December 2016: 115,195 thousand Euros).

32. Institutional Partnerships in USA

The caption Institutional partnerships in USA is analysed as follows:

Thousand Euros	Group	
	Mar 2017	Dec 2016
Deferred income related to benefits provided	778,293	819,199
Liabilities arising from institutional partnerships in USA	1,422,442	1,520,226
	2,200,735	2,339,425

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

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

Thousand Euros	Group
	Mar 2017
Balance at the beginning of the period	2,339,425
Cash paid to institutional investors	-64,458
Income (see note 7)	-68,175
Unwinding (see note 12)	26,813
Exchange differences	-32,379
Other	-491
Balance at the end of the period	2,200,735

33. Trade and Other Payables from Commercial Activities

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

Thousand Euros	Group	
	Mar 2017	Dec 2016
Investment government grants	548,086	595,201
Amounts payable for tariff adjustments - Electricity - Portugal	62,254	76,611
Amounts payable for tariff adjustments - Electricity - Brazil	38,612	31,900
Energy sales contracts - EDPR NA	18,522	19,857
Deferred income - CMEC	261,646	226,521
Amounts payable for concessions	229,593	226,012
Other creditors and sundry operations	116,740	117,031
	1,275,453	1,293,133

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

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Suppliers	748,237	1,020,684	210,570	255,888
Accrued costs related with supplies	523,387	478,797	209,284	288,274
Property, plant and equipment suppliers and accruals	525,863	800,429	746	1,459
Holiday pay, bonus and other charges with employees	172,254	164,407	30,412	27,256
CO2 emission Licenses	104,390	84,474	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	80,211	81,045	-	-
Amounts payable for tariff adjustments - Electricity - Brazil	90,973	103,054	-	-
Deferred income - CMEC	29,509	33,712	-	-
Other creditors and sundry operations	665,888	595,819	16,430	13,915
	2,940,712	3,362,421	467,442	586,792

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

Thousand Euros	Current	Non-Current
	Balance as at 31 December 2016	81,045
Payment through the electricity tariff	-20,061	-
Tariff adjustment of the period	-	4,796
Interest expense	89	-
Transfer to/from tariff adjustment receivable	-15	-
Transfer from Non-Current to Current	19,153	-19,153
Balance as at 31 March 2017	80,211	62,254

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments booked in EDP São Paulo (ex-Bandeirante) and EDP Espírito Santo (ex-Escelsa) in the accumulated amount of 103,324 thousand Euros (31 December 2016: 119,156 thousand Euros) and 26,261 thousand Euros (31 December 2016: 15,798 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 34,525 thousand Euros (see note 6), transfer to tariff adjustment receivable of 35,390 thousand Euros (see note 21), unwinding in the amount of 3,594 thousand Euros (see note 12), decrease in the amount received through the electricity tariff of 80,965 thousand Euros and the exchange differences due to appreciation of Brazilian Real with a positive impact of 2,087 thousand Euros.

Investment government grants are amortised through the recognition of a revenue in the income statement over the useful life of the related assets, in the amount of 8,235 thousand Euros as at 31 March 2017 (see note 11). This caption includes grants received by EDPR NA subgroup under the American Recovery and Reinvestment Act promoted by the United States of America Government.

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

Deferred income - CMEC Current and Non-Current in the amount of 291,155 thousand Euros (31 December 2016: 260,233 thousand Euros) refers to the initial CMEC amount (833,467 thousand Euros) net of the amortisation of initial CMEC during the years 2007 to 2017 and including unwinding (see note 12).

Amounts payable for concessions includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 144,721 thousand Euros (31 December 2016: 142,248 thousand Euros) and the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 84,264 thousand Euros (31 December 2016: 83,066 thousand Euros).

The caption CO2 emission licenses includes the CO2 consumptions during 2017 and 2016 in Portugal and Spain of 64,273 thousand Euros and 40,117 thousand Euros, respectively. The licenses related with the consumption of a certain year are delivered to the regulatory authorities until April of the following year.

In the energy distribution activity, the subsidiaries of EDP Group in Portugal and Spain recover the deficits and tariff adjustments assets through the tariffs charged to their customers. The caption Other creditors and sundry operations - Current, includes the amounts payable to entities that have acquired the right to receive these assets in securitization or direct sales operations in Portugal and settlements to be made to the regulatory entity in Spain. As at 31 March 2017, under the transfer to these entities of assets recovered through the tariffs, these payables amount to 129,579 thousand Euros and 43,760 thousand Euros in Portugal and Spain, respectively (31 December 2016: 112,900 thousand Euros and 35,209 thousand Euros). Additionally, this caption includes 14,317 thousand Euros related to tariff adjustment payable (31 December 2016: 14,317 thousand Euros).

34. Other Liabilities and Other Payables

Other liabilities and other payables are analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	595,444	563,862	-	-
Put options over non-controlling interest liabilities	2,299	2,299	-	-
Derivative financial instruments	117,286	138,642	121,384	155,453
Group companies	-	-	1,607,468	2,577,517
Amounts payable for acquisitions and success fees	14,031	17,796	-	-
Lease contract with EDP Pension Fund	28,738	28,873	28,738	28,873
Tax liabilities	68,694	68,156	-	-
Other creditors and sundry operations	8,039	9,629	-	-
	834,531	829,257	1,757,590	2,761,843
Other liabilities and other payables - Current				
Loans from non-controlling interests	137,762	121,902	-	-
Dividends attributed to related companies	92,991	68,300	-	-
Derivative financial instruments	138,928	133,214	140,573	182,202
Group companies	-	-	1,513,429	214,382
Amounts payable for acquisitions and success fees	10,796	10,409	-	-
Lease contract with EDP Pension Fund	2,484	2,484	2,484	2,484
Other creditors and sundry operations	5,311	8,723	156,562	144,470
	388,272	345,032	1,813,048	543,538
	1,222,803	1,174,289	3,570,638	3,305,381

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

i) loans granted by Vortex Energy Investments II due to the sale in 2016 of 49% of shareholding in EDPR Participaciones S.L. and subsidiaries for a total amount of 248,934 thousand Euros, including accrued interests (31 December 2016: 245,981 thousand Euros), bearing interest at a fixed rate of a range between 3.3% and 7.55%;

ii) loans granted by CTG due to the sale in 2016 of 49% of shareholding in EDP Renewables Polska HoldCo, S.A. and subsidiaries for a total amount of 125,413 thousand Euros including accrued interests (31 December 2016: 120,390 thousand Euros), bearing interest at a fixed rate of a range between 1.31% and 7.23% (see note 39);

iii) loans granted by CTG due to the sale in 2016 of 49% of shareholding in EDP Renewables Italia, S.R.L. and subsidiaries for a total amount of 84,558 thousand Euros including accrued interests (31 December 2016: 83,618 thousand Euros), bearing interest at a fixed rate of 4.5% (see note 39);

iv) loans granted by CTG due to the sale in 2013 of 49% of shareholding in EDP Renováveis Portugal, S.A. for a total amount of 72,484 thousand Euros including accrued interests (31 December 2016: 71,501 thousand Euros). The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% (see note 39);

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v) loans granted by Vortex Energy Investments I due to the sale in 2014 of 49% of shareholding in EDPR France and subsidiaries for a total amount of 66,959 thousand Euros, including accrued interests (31 December 2016: 66,264 thousand Euros), bearing interest at a fixed rate of a range between 3.1% and 7.18%;

vi) loans from Sonatrach to Central Térmica Ciclo Combinado Grupo 4 in the amount of 58,220 thousand Euros (31 December 2016: 58,220 thousand Euros), from which 4,664 thousand Euros are classified as Non-Current and 53,556 thousand Euros as Current.

The Amounts payable for acquisitions and success fees comprises the amounts related to the contingent prices payable for the acquisition of several European (mainly in Poland, Romania and Italy) and Brazilian projects.

As at 31 December 2016, the caption Tax liabilities Non-Current includes 52,965 thousand Euros of special autonomous taxation on revaluations as a result of the fiscal revaluation of certain eligible EDP assets held in Portugal.

The caption Group companies Non-Current, on a Company basis, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group (see notes 39 and 43).

The caption Group companies Current, on a Company basis, includes 968,266 thousand Euros (31 December 2016: 37,752 thousand Euros) related to the debt financing obtained by EDP S.A. Sucursal en España through EDP Finance B.V. (see note 43). Additionally, this caption includes the amounts to be paid under the EDP Group's financial system (see note 39).

The caption Lease Contract with EDP Pension Fund corresponds to the lease contract regarding the building units of Porto headquarters acquired by EDP Pension Fund in December 2015. Given the substance of this lease contract, the underlying assets corresponding to the building component were booked as an asset of EDP, S.A. in Property, Plant and Equipment - Buildings and other constructions and Investment Properties, at the present value of the minimum lease payments. The lease contract is for a period of 25 years, with a monthly income of 270 thousand Euros and an implicit rate of 6.42%. As at 31 March 2017, it amounts to 31,222 thousand Euros (31 December 2016: 31,357 thousand Euros) (see note 39).

35. Current Tax Liabilities

Current tax liabilities are analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Income tax	462,925	326,951	385,273	263,313
Withholding tax	58,715	74,066	1,484	993
Value Added Tax (VAT)	152,677	289,807	-	2,809
Turnover tax (Brazil)	56,307	50,631	-	-
Social tax (Brazil)	19,074	23,652	-	-
Other taxes	267,589	188,157	925	886
	1,017,287	953,264	387,682	268,001

As at 31 December 2016, for the Group, the caption Value added tax (VAT) included the VAT due by HC Energia Group (including NG Energia), in the amount of 197.5 million Euros, in the context of an intragroup sale of gas distribution assets occurred in December 2016, which, which was paid in the first quarter of 2017.

As at 31 March 2017, for the Group, the caption Other taxes includes the amount of 69,559 thousand Euros, related with the estimate for the Extraordinary Contribution to the Energy Sector (CESE) for the year 2017 (see note 14).

36. 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 the Group's accounting policies.

This caption is analysed as follows:

Thousand Euros	Group	
	Mar 2017	Dec 2016
Assets held for sale		
Assets of the activity of gas distribution - EDP Gás Portugal	569,500	551,802
Assets of the activity of gas distribution - Spain	2,184,400	-
Other assets	1,071	-
	2,754,971	551,802
Liabilities held for sale		
Liabilities of the activity of gas distribution - EDP Gás Portugal	82,449	75,854
Liabilities of the activity of gas distribution - Spain	326,650	-
	409,099	75,854
	2,345,872	475,948

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The variation occurred in Assets and Liabilities Held for Sale relates essentially with the acceptance of EDP, as at 27 March 2017, of the main terms and conditions of a formal binding offer to acquire its gas distribution subsidiary in Spain (Naturgas Energía Distribución, S.A.U) by Nature Investments, a special purpose vehicle set up on behalf of the consortium formed by Covalis Capital and White Summit Capital. The completion of the proposed transaction will be subject to the customary regulatory approvals.

As a result, during the first quarter of 2017, the assets and liabilities associated with this activity were reclassified to non-current assets and liabilities held for sale. The main movements occurred in the quarter in the Group Condensed Statement of Consolidated Financial Position associated with this reclassification are as follows:

Thousand Euros	Mar 2017
Property, plant and equipment (see note 15)	-508,488
Intangible assets (see note 16)	-38,272
Goodwill (see note 17)	-1,056,138
Deferred tax assets (see note 20)	-255,578
Current tax assets (see note 23)	-239,605
Amounts receivable from tariff expenses - Gas - Spain (see note 21)	-63,169
Other assets	-23,150
Assets of the activity of gas distribution - Spain	2,184,400
	-
Deferred tax liabilities (see note 20)	-226,261
Other liabilities	-100,389
Liabilities of the activity of gas distribution - Spain	326,650
	-

These reclassifications were made only for financial statement presentation purposes, without changing the measurement criteria of these assets and liabilities, as it is expected that the fair value less costs to sell is higher than the book value of these assets and liabilities in accordance with IFRS 5.

37. 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 31 March 2017 and 31 December 2016 is analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Derivatives held for trading	-10,501	-10,545	34,167	23,454
Fair value hedge	101,296	141,957	633,191	668,047
Cash flow hedge	-32,347	-8,177	34,305	37,430
Net Investment hedge	-11,655	-12,138	-	-
	46,793	111,097	701,663	728,931

The fair value of derivative financial instruments is booked in Other debtors and other assets (see note 22) and Other liabilities and other payables (see note 34), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities, which are compared in each date of report to fair values available in common financial information platforms. Therefore, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of level 2 (see note 40) 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 quarter of 2017 and 2016 the following market inputs were considered for the fair value calculation:

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

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38. Commitments

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 31 March 2017 and 31 December 2016, are analysed as follows:

Thousand Euros	Group		Company	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Financial guarantees				
EDP Brasil Group	1,520,728	1,510,507	-	-
Other	5,920	21,039	-	-
	1,526,648	1,531,546	-	-
Operating guarantees				
EDP, S.A.	464,224	501,334	464,224	501,334
HC Energia Group	299,043	257,773	-	-
EDP Brasil Group	519,147	463,704	-	-
EDP Renováveis Group	2,464,060	2,367,120	-	-
Other	4,257	4,323	-	-
	3,750,731	3,594,254	464,224	501,334
Total	5,277,379	5,125,800	464,224	501,334
Real guarantees	2,456	4,137	-	-

The financial guarantees contracted as at 31 March 2017 and 31 December 2016 include 1,109,582 thousand Euros and 1,110,133 thousand Euros, respectively, related with loans obtained by Group companies and are already included in the consolidated debt.

The operating guarantees contracted as at 31 March 2017 and 31 December 2016, in the amounts of 318,205 thousand Euros and 495,692 thousand Euros, respectively, refer to corporate guarantees provided by EDP Renováveis relating to EDP Renováveis Group commercial commitments already reflected in the Statement of Financial Position. Additionally, EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 31 March 2017 and 31 December 2016, 407,411 thousand Euros and 325,674 thousand Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

In addition to the information disclosed above:

- i) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, willful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 31 March 2017 and 31 December 2016, EDPR's obligations under the tax equity agreements, in the amount of 1,434,305 thousand Euros and 1,428,275 thousand Euros, respectively, are already reflected under the caption Institutional Partnerships in USA;
- ii) The Group has also project finance loans and deposits constituted as collateral for financial guarantee, which are disclosed in note 29.

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

Thousand Euros	Mar 2017				
	Total	Capital outstanding by maturity			
		Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	1,270,985	71,260	120,020	102,776	976,929
Purchase obligations	22,679,493	4,019,425	5,162,787	3,365,396	10,131,885
	23,950,478	4,090,685	5,282,807	3,468,172	11,108,814

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

Purchase obligations include 15,535,347 thousand Euros essentially related with very long-term contracts for energy acquisition in the Brazilian market (by regulatory imposition) which are updated with the respective projected rates and discounted at present value by a rate that represents the weighted average cost of capital (WACC) of the EDP Brasil Group, as follows:

Thousand Euros	Mar 2017	Dec 2016
Purchase obligation - Present value	15,535,347	15,088,520
Purchase obligation - Notional value	20,551,659	20,286,380

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

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The nature of purchase obligations breaks down as follows:

Thousand Euros	Mar 2017	Dec 2016
Fuel acquisitions	4,182,157	4,273,355
Electricity acquisition	14,738,279	14,382,677
O&M contracts	1,195,390	1,257,234
Fixed assets, equipment and miscellaneous materials acquisition	894,807	802,169
Work contracts	662,365	774,832
Other supplies and services	1,006,495	987,105
	22,679,493	22,477,372

The increase of purchase obligations of electricity results mainly from the appreciation of Brazilian Real against the Euro.

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

Thousand Euros	Mar 2017				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Fuel acquisitions	4,182,157	959,679	1,323,971	874,587	1,023,920
Electricity acquisition	14,738,279	1,598,790	2,602,000	2,202,046	8,335,443
	18,920,436	2,558,469	3,925,971	3,076,633	9,359,363

As at 31 March 2017, purchase obligations of fixed assets, equipment and miscellaneous materials corresponds to: (i) 621,005 thousand Euros relating to property, plant and equipment acquisition; (ii) 91,564 thousand Euros relating to intangible assets acquisition; and (iii) 182,238 thousand Euros relating to equipment and miscellaneous materials acquisition.

The commitments relating to future lease payments under finance leases and to short and medium-long term financial debt are disclosed in notes 15 and 29, respectively. The commitments relating to pension and medical plans and other benefits are disclosed in note 30.

As at 31 March 2017, the EDP Group has the following liabilities arising from put options on investments, held by third parties:

- Put option related to 25% of the share capital of Tivano S.R.L., exercisable under certain conditions, between 2016 and 2020. The exercise price is 450 thousand Euros, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 31 March 2017 the put option amounts to 1,575 thousand Euros (see note 34);
- Put option related to 25% of the share capital of San Mauro S.R.L., exercisable under certain conditions, between 2017 and 2022. The exercise price shall be 25% of the final purchase price of the company when obtaining control, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 31 March 2017 the put option amounts to 341 thousand Euros (see note 34);
- Put option related to 25% of the share capital of AW 2 S.R.L., exercisable under certain conditions, between 2017 and 2022. The exercise price shall be 25% of the final purchase price of the company when obtaining control, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 31 March 2017 the put option amounts to 383 thousand Euros (see note 34).

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

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

Thousand Euros	Mar 2017				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	86,121	6,240	11,094	6,531	62,256
Purchase obligations	155,417	59,400	75,133	20,884	-
	241,538	65,640	86,227	27,415	62,256

As at 31 March 2017, the caption Purchase obligations relates to O&M contracts.

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39. Related Parties

Balances and transactions with companies of China Three Gorges Group

In June 2013, in accordance with the EDP/CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control, of 49% equity shareholding in EDP Renováveis Portugal, S.A. As a result, the Group recognised non-controlling interests of 111,231 thousand Euros and an impact in reserves attributable to Group of 112,566 thousand Euros. Following the conclusion of the sale, CTG became holder of a loan over EDPR Group in the amount of 111 million Euros. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and interests are paid half-yearly. At 31 March 2017, this loan amounts to 72,484 thousand Euros (31 December 2016: 71,501 thousand Euros) (see note 34) and interests in the amount of 983 thousand Euros.

Following the sale in 2016, of 49% of the shareholding in EDP Renewables Polska HoldCo, S.A. and its subsidiaries, CTG provided a loan of 120,390 thousand Euros, bearing interest at a fixed rate of a range between 1.31% and 7.23%. At 31 March 2017, this loan amounts to 125,413 thousand Euros (see note 34) and interests in the amount of 178 thousand Euros.

Additionally, following the sale in 2016 of 49% of the shareholding in EDP Renewables Italia, S.r.l. and its subsidiaries, CTG provided a loan in the amount of 83,618 thousand Euros, with a fixed rate of 4.5%. At 31 March 2017, this loan amounts to 84,558 thousand Euros (see note 34), and interests in the amount of 941 thousand Euros.

On 27 February 2017, EDP Renováveis, S.A. has entered into an agreement with ACE Portugal Sarl which is 100% owned by ACE Investment Fund II LP (an entity participated of China Three Gorges Hong Kong Ltd, a fully-owned subsidiary of CTG) to sell 49% of equity shareholding and shareholder loans in a portfolio of wind assets for a total consideration of 242 million Euros.

This portfolio corresponds to the portuguese company EDPR PT PE, which is the only owner of Eólica da Coutada, Eólica das Serras das Beiras, Eólica da Terra do Mato, Eólica do Espigão, Eólica do Alto da Lagoa, Eólica do Alto do Mourisco and Eólica dos Altos de Salgueiros. These assets cover 422 MW of wind technology, located in Portugal, with an average age of 6 years, which were part of ENEOP project and have been fully consolidated at EDPR following the conclusion of the asset split process in 2015.

The closing of this sale is subject to the usual regulatory approvals and other precedent conditions, and it is expected to occur in the second quarter of 2017.

Balances with EDP Pension Fund

In December 2015, EDP, S.A. signed a lease contract related with the building units of the Porto headquarters (sold to the EDP Pension Fund in late December) for a period of 25 years with an implicit rate of 6.42%. As at 31 March 2017, the present value of the contract amounts to 31,222 thousand Euros (31 December 2016: 31,357 thousand Euros), which given it's nature, was booked as Property, Plant and Equipment against Other creditors and other liabilities (see note 34).

Balances and transactions with subsidiaries, joint ventures and associates

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

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

Credits held

Thousand Euros	March 2017			Total
	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	
EDP Comercial	40,046	75,476	201,503	317,025
EDP Distribuição	1	1,711,860	133,743	1,845,604
EDP Finance B.V.	-	472,701	56,368	529,069
EDP Produção	159,236	4,572,385	402,628	5,134,249
EDP Imobiliária e Participações	3,740	88,413	227	92,380
EDP IS (ex-Balwerk)	4,619	194,454	3,569	202,642
EDP Renováveis	-	-	638,484	638,484
EDP Servicios Financieros España	320,126	893,364	7,690	1,221,180
EDP Serviço Universal	-	-	431,917	431,917
Other	76,288	47,280	184,776	308,344
	604,056	8,055,933	2,060,905	10,720,894

The amount of 472,701 thousand Euros refers to the repurchase in market by EDP Finance B.V. of two bond issues issued by EDP, S.A.

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Debits held

Thousand Euros	March 2017			Total
	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	
EDP Distribuição	523,562	-	59,801	583,363
EDP Finance B.V.	-	11,657,210	120,153	11,777,363
EDP Produção	-	-	312,374	312,374
EDP Imobiliária e Participações	-	-	80,763	80,763
Pebble Hydro	-	63,505	1,214	64,719
Other	21,601	1,856	193,411	216,868
	545,163	11,722,571	767,716	13,035,450

The amount of 11,657,210 thousand Euros includes 5 intragroup bonds issuance by EDP Finance B.V. to EDP S.A. as at 31 March 2017, in the total amount of 7,935,176 thousand Euros, with variable rate at medium-long term (5, 7 and 10 years).

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

Expenses

Thousand Euros	March 2017			Total
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	
EDP Finance B.V.	-	-92,193	-21,099	-113,292
EDP Produção	-	-	-399,248	-399,248
Other	-	-15	-53,209	-53,224
	-	-92,208	-473,556	-565,764

Income

Thousand Euros	March 2017			Total
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	
EDP Comercial	72	609	269,813	270,494
EDP Distribuição	-	22,175	11,381	33,556
EDP Produção	306	51,937	348,239	400,482
EDP Finance B.V.	-	6,837	27,858	34,695
Other	149	10,285	121,951	132,385
	527	91,843	779,242	871,612

Other gains include income from equity investments of 270,350 thousand Euros (see note 12).

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

Assets and Liabilities

Thousand Euros	March 2017		
	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioeléctrica	15,405	3,486	11,919
Empresa de Energia Cachoeira Caldeirão	15,759	1	15,758
Empresa de Energia São Manoel	31,338	1	31,337
Cide HC Energía	8,996	11,220	-2,224
HC Tudela Cogeneración	3,084	1,756	1,328
Other	10,079	1,721	8,358
	84,661	18,185	66,476
Associates			
MABE Construção e Administração de Projectos	5,670	-	5,670
Parque Eólico Sierra del Madero	12,785	-	12,785
Other	8,017	907	7,110
	26,472	907	25,565
	111,133	19,092	92,041

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Transactions

Thousand Euros	March 2017			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioeléctrica	479	47	-11,515	-
Cide HC Energia	24,277	-	-62	-
Empresa de Energia Cachoeira Caldeirão	779	451	-	-
Other	1,236	28	-2,863	-
	26,771	526	-14,440	-
Associates				
MABE Construção e Administração de Projectos	35	168	-	-
Other	418	204	-368	-
	453	372	-368	-
	27,224	898	-14,808	-

40. Fair Value of Financial Assets and Liabilities

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

Thousand Euros	Group Mar 2017			Group Dec 2016		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	169,993	169,993	-	165,044	165,044	-
Debtors/other assets from commercial activities	5,379,881	5,379,881	-	5,656,055	5,656,055	-
Other debtors and other assets	397,356	397,356	-	440,632	440,632	-
Derivative financial instruments	303,007	303,007	-	382,953	382,953	-
Financial assets at fair value through profit or loss	8,653	8,653	-	9,567	9,567	-
Collateral deposits/financial debt	53,660	53,660	-	52,031	52,031	-
Cash and cash equivalents	1,563,647	1,563,647	-	1,521,253	1,521,253	-
	7,876,197	7,876,197	-	8,227,535	8,227,535	-
Financial liabilities						
Financial debt	18,149,822	18,562,518	412,696	18,026,676	18,597,999	571,323
Suppliers and accruals	1,274,100	1,274,100	-	1,821,113	1,821,113	-
Institutional partnerships in USA	2,200,735	2,200,735	-	2,339,425	2,339,425	-
Trade/other payables from commercial activities	2,393,979	2,393,979	-	2,239,240	2,239,240	-
Other liabilities and other payables	966,589	966,589	-	902,433	902,433	-
Derivative financial instruments	256,214	256,214	-	271,856	271,856	-
	25,241,439	25,654,135	412,696	25,600,743	26,172,066	571,323

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

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

As at 31 March 2017, for the Company, the caption Held to maturity financial investments, in the amount of 489,181 thousand Euros (31 December 2016: 507,003 thousand Euros) corresponds to the recognition at amortised cost, according to the Group's accounting policy, of bonds issued by EDP Finance B.V., acquired in a market operation by EDP, S.A. in 2016. On a consolidated basis, this operation represents a debt extinction. As at 31 March 2017, these investments' fair value amounts to 471,517 thousand Euros (31 December 2016: 498,201 thousand Euros). As at 31 March 2017, the bond with maturity in February 2018 was transferred to current assets.

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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.

Thousand Euros	31 March 2017			31 December 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	53,042	75,436	41,515	50,369	72,725	41,950
Derivative financial instruments	-	303,007	-	-	382,953	-
Financial assets at fair value through profit or loss	-	-	8,653	-	-	9,567
	53,042	378,443	50,168	50,369	455,678	51,517
Financial liabilities						
Derivative financial instruments	-	256,214	-	-	271,856	-
	-	256,214	-	-	271,856	-

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

Thousand Euros	Available for sale investments		Financial assets at fair value through profit or loss	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Balance at beginning of period	41,950	33,733	9,567	9,288
Change in fair value	22	-1,307	-	-
Acquisitions	49	112	-	-
Disposals	-209	-	-	-
Impairment	-305	-206	-	-
Other changes	8	5	-914	-885
Balance at the end of the period	41,515	32,337	8,653	8,403

41. Relevant or Subsequent Events

Voluntary tender offer for the acquisition of the shares issued by EDP Renováveis, S.A.

On 27 March 2017, EDP – Energias de Portugal, S.A. (EDP) published a preliminary notice informing the market of the launching of a general and voluntary tender offer over the shares representing the share capital of EDP Renováveis, S.A. (EDPR) which are dispersed on the regulated market of Euronext Lisbon.

The offer to acquire EDPR's shares is in line with the strategy defined by EDP's management bodies and aims to:

- a) reinforce EDP' strategy as leader in energy generation through renewable sources and continue to focus on growth of the EDPR business;
- b) simplify the equity story of EDP by integrating one of its main growth vehicles;
- c) enable EDP to increase its exposure to the activity developed by EDPR, in order to benefit on a grater scale from the attractive growth of renewable energies.

Moody's affirmed EDP rating at "Baa3" and outlook at stable

On 3 April 2017, the rating agency Moody's Investors Service (Moody's) affirmed the long term rating of EDP, its subsidiary EDP Finance B.V. and its Spanish subsidiary, Hidroelectrica del Cantabrico, S.A. in "Baa3/Prime-3". All ratings have stable outlook.

EDP Gás

On 7 April 2017, EDP through its subsidiary EDP Iberia, S.L.U., has reached an agreement with REN Gás, S.A. for the sale of 100% of EDP Gás S.G.P.S., S.A. (EDP Gás). EDP Gás owns the gas distribution concession in Northwest Portugal, covering 29 municipalities in the districts of Porto, Braga and Viana do Castelo, comprising 339 thousand supply points.

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

The agreed transaction does not include any natural gas supply activities, namely, due to regulatory restrictions, the natural gas last resort supplier – EDP Gás, Serviço Universal, S.A. – will be carved out of the current EDP Gás perimeter before completion and therefore will have no impact on EDP's relationship with natural gas customers in Portugal.

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EDP has signed a definitive agreement for the sale of 100% of gas distribution in Spain

On 24 April 2017, EDP and the consortium of investors comprising institutional investors advised by J.P. Morgan Asset Management, the Abu Dhabi Investment Council, Swiss Life Asset Managers and Covalis Capital, have signed a definitive agreement, as per the Binding Offer accepted by EDP, to acquire 100% of the share capital of Naturgas Energía Distribución, S.A.U., EDP's gas distribution subsidiary in Spain.

The completion of the transaction will be subject to the usual regulatory approvals and is expected to occur by the end of the second quarter or in the beginning of the third quarter of 2017.

EDP Brasil awarded with 4 new electricity transmission concessions

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

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

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

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

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

42. Recent Accounting Standards and Interpretations Issued

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

The standards, amendments and interpretations issued but not yet effective for the Group, which impact is being evaluated, are the following:

• **IFRS 9 - Financial Instruments**

The International Accounting Standards Board (IASB) issued, in November 2009, IFRS 9 - Financial instruments, changed in July 2014, with effective date of mandatory application for periods beginning on or after 1 January 2018, being allowed its early adoption.

This standard is included in the IASB's comprehensive project to replace IAS 39 and relates to issues of classification and measurement of financial instruments. The main issues considered are as follows:

- the financial assets can be classified in two categories: at amortised cost or at fair value. This decision will be made upon the initial recognition of the financial assets. Its classification depends on how the entity presents these financial assets and the contractual cash flows associated to each financial asset in the business;

- debt instruments can only be measured at amortised cost when the contractual cash-flows represent only principal and interest payments, which means that it contains only basic loan features, and for which an entity holds the asset to collect the contractual cash flows. All the other debt instruments are recognised at fair value;

- equity instruments issued by third parties are recognised at fair value with subsequent changes recognised in the profit and loss. However, an entity can irrevocably select equity instruments at initial recognition for which fair value changes and the realised gains or losses are recognised in fair value reserves. Gains and losses recognised in fair value reserves can not be recycled to profit and loss. This is a discretionary decision, and does not imply that all the equity instruments should be treated on this basis. The dividends received are recognised as income for the year;

- the exemption that allows unquoted equity investments and related derivatives to be measured at cost, under IAS 39, is not allowed under IFRS 9; and

- changes in fair value attributable to own credit risk of financial liabilities classified as fair value through profit or loss, shall be recognised in Other comprehensive income. The remaining fair value changes related to these financial liabilities shall be recognised through profit or loss. The amounts recognised in Other comprehensive income shall not be reclassified/transferred to profit and loss.

• **IFRS 15 - Revenue from the Contracts with Customers**

The International Accounting Standards Board (IASB) issued, in May 2014, IFRS 15 - Revenue from the Contracts with Customers, with effective date of mandatory application for periods beginning on or after 1 January 2018, being allowed its early adoption.

This new standard presents the principles that shall be applied by an entity in order to provide more useful information to users of financial statements about the nature, amount, term and uncertainty of revenue and cash flows arising from a contract with a client.

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The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as provided in the 5 steps methodology.

The 5 steps methodology consists in the following steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations; and (v) recognise revenue when (or as) the entity satisfies a performance obligation.

- IFRS 16 - Leases

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

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

The main issues considered are as follows:

- inclusion of some considerations in order to distinguish leases from service contracts, based on the existence of control of the underlying asset at the time that it is available for use by the lessee; and
- introduction of a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. As a consequence, a lessee recognises depreciation costs and interest costs separately.

- IAS 7 (Amended) - Disclosure Initiative

The International Accounting Standards Board (IASB) issued, in January 2016, amendments to IAS 7 - Statement of Cash Flows, with effective date of mandatory application for periods beginning on or after 1 January 2017, being allowed its early adoption. This standard has not yet been adopted by the European Union.

These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, such as:

- Changes from financing cash flows;
- Changes arising from obtaining or losing control of subsidiaries or other businesses;
- The effect of changes in foreign exchange rates; or
- Changes in fair values.

These disclosures may be presented by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

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

- IFRS 2 (Amended) - Classification and Measurement of Share-based Payment Transactions;
- IFRS 4 (Amended) - Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts;
- IFRS 14 - Regulatory Deferral Accounts;
- IAS 12 (Amended) - Recognition of Deferred Tax Assets for Unrealised Losses;
- IAS 40 (Amended) - Transfers of Investment Property;
- IFRIC 22 - Foreign Currency Transactions and Advance Payments;
- "Annual Improvement Project (2014-2016)".

43. EDP Branch in Spain

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

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

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

The Executive Committee is composed essentially by five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP in Spain, namely the Department of M&A ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Administration and Finance ("Direcção de Administração e Finanças"), Department of Human Resources ("Direcção de Recursos Humanos"), Department of Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of EDP Spain Foundation ("Direcção da Fundação EDP Espanha") and IT Department ("Direcção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory, being provided with 201 human resources as at 31 March 2017, including 104 in its own payroll. Lastly, the Spanish branch of EDP has direct representation on Iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

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

Thousand Euros	EDP Branch	
	Mar 2017	Dec 2016
Investments in subsidiaries:		
- EDP Renováveis, S.A.	3,854,811	3,854,811
- Hidroeléctrica del Cantábrico, S.A.	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	68,515	66,652
Other debtors and others assets (see note 22)	1,129,260	1,397,592
Total Non-Current Assets	7,922,137	8,188,606
Debtors and other assets	805,024	600,756
Tax receivable	60,114	29,600
Cash and cash equivalents	1,566	1,627
Total Current Assets	866,704	631,983
Total Assets	8,788,841	8,820,589
Equity	6,132,603	6,141,016
Employee benefits	1,943	2,062
Trade and other payables (see note 34)	1,607,468	2,577,517
Provisions	260	260
Total Non-Current Liabilities	1,609,671	2,579,839
Trade and other payables	1,046,110	96,638
Tax payable	457	3,096
Total Current Liabilities	1,046,567	99,734
Total Liabilities	2,656,238	2,679,573
Total Equity and Liabilities	8,788,841	8,820,589

44. Transfers of Financial Assets - Tariff Adjustments

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

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

- In March 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus - Sociedade de Titularização de créditos, S.A. (Tagus), the right to receive the non-regular tariff adjustments (tariff deficit) related to 2007 and 2008 of 1,225,376 thousand Euros. With the sale of those rights, EDP Group received 1,204,422 thousand Euros, generating a loss of 22,969 thousand Euros (including financial expenses incurred);
- In December 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive the non-regular tariff adjustments (tariff deficit) related to the estimated special regime overcost related to 2009 of 447,469 thousand Euros. The transaction totalised 434,720 thousand Euros, net of expenses, and generated a loss of 12,749 thousand Euros;

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the three-month period ended 31 March 2017

- In May 2013, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2012 overcost of the acquisition of electricity activity from special regime production, in the amount of 422,692 thousand Euros. The transaction was performed by the amount of 450,000 thousand Euros, generating a gain of 22,510 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Service of Class R Notes issued by Tagus at par value in the amount of 400 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 4,695 thousand Euros, both maturing in 2017. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 81 thousand Euros, as at 31 March 2017;

- In April 2014, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2013 overcost of the acquisition of electricity activity from special regime production, in the amount of 694,857 thousand Euros. The transaction was performed by the amount of 750,000 thousand Euros, generating a gain of 50,141 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal Service of Class R Notes issued by Tagus at par value in the amount of 473 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 5,588 thousand Euros, both maturing in 2018. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 1,362 thousand Euros, as at 31 March 2017;

- In December 2014, EDP Distribuição de Energia, S.A., sold without recourse to Tagus, the right to recover part of the 2012 CMEC compensation adjustment in the amount of 228,826 thousand Euros. The transaction was performed by the amount of 239,832 thousand Euros generating a gain of 10,711 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Distribuição de Expense Reserve Notes issued by Tagus at par value in the amount of 317 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,690 thousand Euros, both maturing in 2019. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account and are booked under financial assets at fair value through profit or loss, by the net amount of 1,817 thousand Euros, as at 31 March 2017;

- In March 2015, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2014 overcost of the acquisition of electricity activity from special regime production, in the amount of 465,418 thousand Euros. The transaction was performed by the amount of 499,461 thousand Euros, generating a gain of 31,737 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 410 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,488 thousand Euros, both maturing in 2019. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 1,552 thousand Euros, as at 31 March 2017;

- In August 2016, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2016 overcost of the acquisition of electricity activity from special regime production, in the amount of 598,883 thousand Euros. The transaction was performed by the amount of 599,987 thousand Euros, generating a loss of 7,417 thousand Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 381 thousand Euros and Liquidity Notes issued by Tagus at par value in the amount of 3,635 thousand Euros, both maturing in 2021. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 3,841 thousand Euros, as at 31 March 2017.

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

45. 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; and
- (iii) for which discrete financial information is available.

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

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

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

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

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the three-month period ended 31 March 2017

Following the legislation issued in December 2016 (article 170 of Law 42/2016 - State Budget for 2017), which determines that the final adjustment of the CMEC will be determined and based on a study prepared and presented by ERSE until the end of the first semester of 2017, power plants held by EDP - Gestão da Produção de Energia, S.A., covered by the CMEC mechanism included in the "LT Contracted Production" segment will migrate to the free-market production regime until 30 June 2017. Thus, the EDP Group started to present the segments previously denominated "LT Contracted Production" and "Liberalised Activities" in the segment "Generation and Supply in the Iberian Peninsula".

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

The segments defined by the Group are the following:

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

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

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

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

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

Segment Definition

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

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

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the three-month period ended 31 March 2017

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

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

Under IFRS 8, the EDP Group discloses as Operating investment, additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore, in each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment and in Intangible Assets, excluding CO2 licenses and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period. Goodwill is disclosed in the note 17.

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

The EDP Group by operating segment report is presented in Annex I.

46. Explanation Added for Translation

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

**EDP Group Operating Segments Report
as at 31 March 2017**

	Iberia				Total Segments
	Generation and Supply	Regulated Networks	EDP Renováveis	EDP Brasil	
Thousand Euros					
Receipts from energy sales and services and others	2,192,109	1,576,280	467,438	731,409	4,967,236
Gross Profit	358,728	443,891	459,959	261,993	1,524,571
Other income	10,411	7,290	73,779	783	92,263
Supplies and services	-69,466	-81,300	-75,885	-44,256	-270,907
Personnel costs and employee benefits	-39,080	-35,404	-23,766	-34,930	-133,180
Other costs	-59,885	-69,952	-60,653	-19,351	-209,841
Gross Operating Profit	200,708	264,525	373,434	164,239	1,002,906
Provisions	2	-853	-134	-3,030	-4,015
Amortisation and impairment	-91,616	-81,942	-130,803	-42,553	-346,914
Operating Profit	109,094	181,730	242,497	118,656	651,977
Equity method in joint ventures and associates	1,306	33	-1,687	-1,051	-1,399
Assets	11,459,586	5,891,784	15,896,498	4,588,939	37,836,807
Equity accounted Investments in joint ventures and associates	19,453	745	335,015	358,759	713,972
Liabilities	2,303,049	2,327,684	1,211,395	918,503	6,760,631
Operating Investment	31,883	73,144	92,835	49,362	247,224

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

Thousand Euros	
Total Receipts from energy sales and services and others of Reported Segments	4,967,236
Receipts from energy sales and services and others from Other Segments	114,248
Adjustments and Inter-segments eliminations*	-848,281
Total Receipts from energy sales and services and others of EDP Group	4,233,203
Total Gross Profit of Reported Segments	1,524,571
Gross Profit from Other Segments	108,804
Adjustments and Inter-segments eliminations*	-110,571
Total Gross Profit of EDP Group	1,522,804
Total Gross Operating Profit of Reported Segments	1,002,906
Gross Operating Profit from Other Segments	6,944
Adjustments and Inter-segments eliminations*	1,057
Total Gross Operating Profit of EDP Group	1,010,907
Total Operating Profit of Reported Segments	651,977
Operating Profit from Other Segments	-697
Adjustments and Inter-segments eliminations*	-3,739
Total Operating Profit of EDP Group	647,541
Total Assets of Reported Segments	37,836,807
Assets Not Allocated	6,686,165
Financial Assets	4,550,924
Taxes Assets	1,116,300
Other Assets	1,018,941
Assets from Other Segments	930,940
Inter-segments assets eliminations*	-1,280,790
Total Assets of EDP Group	44,173,122
Total Equity accounted Investments in joint ventures and associates of Reported Segments	713,972
Equity accounted Investments in joint ventures and associates from Other Segments	116,604
Total Equity accounted Investments in joint ventures and associates of EDP Group	830,576
Total Liabilities of Reported Segments	6,760,631
Liabilities Not Allocated	23,920,726
Financial Liabilities	18,558,921
Institutional partnership in USA	2,200,735
Taxes Liabilities	1,550,561
Other payables	1,608,935
Hydrological correction account	1,574
Liabilities from Other Segments	529,666
Inter-segments Liabilities eliminations*	-1,090,074
Total Liabilities of EDP Group	30,120,949
Total Operating Investment of Reported Segments	247,224
Operating Investment from Other Segments	4,581
Total Operating Investment of EDP Group	251,805
Discomission of Tangible Assets	278
Emission of CO2 Licenses and Green Certificates	6,207
Investment Grants	1,682
Other Investments	-3,926
Total Investment of EDP Group (Notes 15 e 16)	256,046

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	92,263	14,505	-7,893	98,875
Supplies and services	-270,907	70,509	-26,384	-226,782
Personnel costs and employee benefits	-133,180	42,372	-80,524	-171,332
Other costs	-209,841	3,484	-6,301	-212,658
Provisions	-4,015	110	-220	-4,125
Amortisation and impairment	-346,914	7,531	-19,858	-359,241
Equity method in joint ventures and associates	-1,399	812	10	-577

* Mainly related with intragroup balances and transactions eliminations

EDP Group Operating Segments Report
as at 31 March 2016

Thousand Euros	Iberia				Total Segments
	Generation and Supply	Regulated Networks	EDP Renováveis	EDP Brasil	
Receipts from energy sales and services and others	2,291,934	1,533,323	459,446	493,294	4,777,997
Gross Profit	511,009	417,123	452,461	176,544	1,557,137
Other income	3,129	5,911	66,836	80,349	156,225
Supplies and services	-65,507	-84,149	-68,575	-32,404	-250,635
Personnel costs and employee benefits	-32,289	-36,207	-23,720	-25,907	-118,123
Other costs	-77,561	-68,467	-47,812	-13,716	-207,556
Gross Operating Profit	338,781	234,211	379,190	184,866	1,137,048
Provisions	6	-1,465	-	-1,708	-3,167
Amortisation and impairment	-91,460	-82,350	-147,395	-31,702	-352,907
Operating Profit	247,327	150,396	231,795	151,456	780,974
Equity method in joint ventures and associates	576	28	-7,206	-1,949	-8,551
Assets (31 December 2016)	11,482,269	7,830,709	15,662,361	4,456,809	39,432,148
Financial assets - Investments in joint ventures and associates (31 December 2016)	18,146	712	340,119	344,224	703,201
Liabilities (31 December 2016)	2,180,188	2,523,921	1,475,553	910,376	7,090,038
Operating Investment	49,766	65,074	88,643	20,985	224,468

* Segments report restatement due to the segment change

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

Thousand Euros	
Total Revenues from energy sales and services and other of Reported Segments	4,777,997
Receipts from energy sales and services and others from Other Segments	115,896
Adjustments and Inter-segments eliminations*	-1,106,975
Total Revenues from energy sales and services and other of EDP Group	3,786,918
Total Gross Profit of Reported Segments	1,557,137
Gross Profit from Other Segments	111,046
Adjustments and Inter-segments eliminations*	-121,228
Total Gross Profit of EDP Group	1,546,955
Total Gross Operating Profit of Reported Segments	1,137,048
Gross Operating Profit from Other Segments	2,924
Adjustments and Inter-segments eliminations*	-10,363
Total Gross Operating Profit of EDP Group	1,129,609
Total Operating Profit of Reported Segments	780,974
Operating Profit from Other Segments	-6,251
Adjustments and Inter-segments eliminations*	-14,318
Total Operating Profit of EDP Group	760,405
Total Assets of Reported Segments (31 December 2016)	39,432,148
Assets Not Allocated	4,846,130
Financial Assets	2,299,697
Taxes Assets	1,398,916
Other Assets	1,147,517
Assets from Other Segments	1,144,234
Inter-segments assets eliminations*	-1,338,766
Total Assets of EDP Group (31 December 2016)	44,083,746
Total Equity accounted Investments in joint ventures and associates of Reported Segments (31 December 2016)	703,201
Equity accounted Investments in joint ventures and associates from Other Segments	117,364
Total Equity accounted Investments in joint ventures and associates of EDP Group (31 December 2016)	820,565
Total Liabilities of Reported Segments (31 December 2016)	7,090,038
Liabilities Not Allocated	23,692,678
Financial Liabilities	18,102,530
Institutional partnership in USA	2,339,425
Taxes Liabilities	1,675,665
Other payables	1,573,484
Hydrological correction account	1,574
Liabilities from Other Segments	910,829
Inter-segments Liabilities eliminations*	-1,346,171
Total Liabilities of EDP Group (31 December 2016)	30,347,374
Total Operating Investment of Reported Segments	224,468
Operating Investment from Other Segments	8,808
Total Operating Investment of EDP Group	233,276
Discommission of Tangible Assets	3,064
Emission of CO2 Licenses and Green Certificates	5,829
Investment Grants	1,373
Other Investments	1,279
Total Investment of EDP Group (Note 15 and 16)	244,821

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	156,225	7,839	-4,161	159,903
Supplies and services	-250,635	-64,666	109,805	-205,496
Personnel costs and employee benefits	-118,123	-47,609	4,629	-161,103
Other costs	-207,556	-3,685	591	-210,650
Provisions	-3,167	-162	-1	-3,330
Amortisation and impairment	-352,907	-9,013	-3,954	-365,874
Equity method in joint ventures and associates	-8,551	349	574	-7,628

* Mainly related with intragroup balances and transactions eliminations

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04
Annexes

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The Executive Board of Directors

António Luís Guerra Nunes Mexia (Chairman)

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Fernando Melo Martins da Costa

João Manuel Veríssimo Marques da Cruz

Miguel Stilwell de Andrade

Miguel Nuno Simões Nunes Ferreira Setas

Rui Manuel Rodrigues Lopes Teixeira

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LIMITED REVIEW REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(This report is a free translation to English from the original Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail.)**

Introduction

We have performed a limited review of the accompanying condensed consolidated financial statements of **EDP – Energias de Portugal, S.A.**, which comprise the condensed consolidated statement of financial position as of 31 March 2017 (that presents a total of Euro 44,173,122 thousand and total equity attributable to the shareholders of Euro 9,623,797 thousand, including a consolidated net profit of Euro 215,302 thousand), the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

Executive Board of Directors' responsibilities

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

Auditor's responsibilities

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



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

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

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of EDP – Energias de Portugal, S.A. for the three month period ended 31 March 2017, are not prepared in all material respects, in accordance with the International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

Lisbon, 3 May 2017

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

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



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LIMITED REVIEW REPORT ON CONDENSED FINANCIAL STATEMENTS

**(This report is a free translation to English from the original Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail.)**

Introduction

We have performed a limited review of the accompanying condensed financial statements of **EDP – Energias de Portugal, S.A.**, which comprise the condensed statement of financial position as of 31 March 2017 (that presents a total of Euro 23,033,711 thousand and total equity of Euro 7,668,847 thousand, including a net profit of Euro 249,845 thousand), the condensed statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and the accompanying explanatory notes to these condensed financial statements,.

Executive Board of Directors' responsibilities

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

Auditor's responsibilities

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

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



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

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying condensed financial statements of EDP – Energias de Portugal, S.A. for the three month period ended 31 March 2017, are not prepared in all material respects in accordance with the International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

Lisbon, 3 May 2017

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

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