

EDP FINANCE B.V.
Amsterdam

INTERIM REPORT
June 30, 2018

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EDP FINANCE Amsterdam

RESPONSIBILITY STATEMENT

The Managing Directors of the Company wish to state:

1. That the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of EDP Finance B.V.;
2. That the interim report gives a true and fair view of the position as per the balance sheet date, the development during the financial period of EDP Finance B.V. in the semi-annual financial statements, together with a description of principal risks it faces.

Amsterdam, 26 July 2018

The Managing Directors:

EDP – Energias de Portugal S.A.

de Kanter, H. P.

Nagelmaker, A. G. M.

TMF Netherlands B.V.

REPORT OF THE MANAGEMENT BOARD

The Managing Directors of EDP Finance B.V. (hereinafter “the Company”) submit the interim report and the condensed financial statements of the Company for the period ended 30 June 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

General

The Company was incorporated under the laws of The Netherlands on 1st October 1999.

Activities

The principal activity of the Company is to act as a finance company to EDP Group. The policy of the group is to centralize financing in EDP – Energias de Portugal S.A. (hereinafter “EDP S.A.”) and the Company.

Results

During the six-month period under review, ending on 30 June 2018, the Company recorded a profit of 15,514 thousand Euros (six-month period ending 30 June 2017 – gain 2,387 thousand Euros). The increase in results YoY is essentially due to a reduction in the average cost of its debt portfolio, partially offset by a decrease in the average return of its asset portfolio, particularly the portion exposed to floating interest rates. The results also benefited from two EUR/USD CCIRS, that EDP Finance B.V. entered in late 2017 and beginning of 2018 to hedge FX risk and which have had positive results in the interest rate component, therefore improving the net other financial income and expenses results.

Major developments in the first half year of 2018

In March 2018, EDP Finance B.V. prepaid and cancelled a Syndicated Loan of 2,000 million Euros that was due to mature in February 2020 and which consisted of a Term Loan (fully disbursed) of 1,500 million Euros and a Revolving Credit Facility (RCF) of 500 million Euros. On the same date, EDP signed a syndicated RCF of 2,240 million Euros with a term of 5 years, extendable for an additional 2 years, subject to the authorization of the creditors.

In June, the Company issued a long 7-year EUR 750 million Bond, under the EDP S.A. and EDP Finance B.V.’s “Programme for the Issuance of Debt Instruments” (EMTN).

REPORT OF THE MANAGEMENT BOARD

FUTURE DEVELOPMENTS

Given the cash flow expected to be generated by the Group as well as the available liquidity, the company expects to continue its normal course of business during the second half of the year, as in the previous years.

KEEP WELL AGREEMENT

During the period under review, there were no changes to the keep-well agreement between EDP S.A. and the Company, signed on 14 March 2001.

REPORT OF THE MANAGEMENT BOARD

AUDIT COMMITTEE

The Company makes use of the exemption to establish its own Audit Committee, based on Article 3a of the Royal Decree of 26 July 2008 implementing article 41 of the EU Directive 2006/43/EG. The Audit Committee of the parent company, EDP S.A., will act as Audit Committee for the Company. This Committee is composed as follows:

- Luis Amado: President
- João Carvalho das Neves: Vice-President
- Clementina Barroso: Member
- María del Carmen Rozado: Member
- Maria Celeste Ferreira Lopes Cardona: Member

Amsterdam, 26 July 2018

The Managing Directors:

EDP – Energias de Portugal S.A.

de Kanter, H. P.

Nagelmaker, A. G. M.

TMF Netherlands B.V.

INTERIM FINANCIAL STATEMENTS

**CONDENSED COMPANY INCOME STATEMENT FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2018 AND 2017**

Thousand Euros	2018	2017
Interest income	238,531	282,531
Interest expenses	-235,013	-279,482
Net interest income / (expenses)	3,518	3,049
Net other financial income and expenses	17,905	574
Net financial income / (expenses)	21,423	3,623
Other income / (expenses)		
Services rendered	576	796
Supplies and services	-1,256	-1,224
Personnel costs	-19	-19
Profit / (Loss) before income tax	20,724	3,176
Tax (expense) / benefit	-5,210	-789
Net profit for the period	15,514	2,387

INTERIM FINANCIAL STATEMENTS

**CONDENSED COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 AND 2017**

Thousand Euros	2018	2017
Net profit for the period	15,514	2,387
Items that are or may be reclassified to profit or loss		
Cash flow hedge reserve	2,122	-350
Tax effect from the cash flow hedge reserve	-531	88
Other comprehensive income for the period (net of income tax)	1,591	-262
Total comprehensive income for the period	17,105	2,125

INTERIM FINANCIAL STATMENTS

**CONDENSED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30
JUNE 2018 AND 31 DECEMBER 2017**

(Before proposed appropriation of profit)

Thousand Euros	2018	2017
Assets		
Loans to and receivables from group entities	6,128,921	5,960,631
Derivative financial instruments	128,399	77,410
Total Non-Current Assets	6,257,320	6,038,041
Loans to and receivables from group entities	8,310,127	9,466,291
Derivative financial instruments	52,184	65,863
Debtors and other assets	2,872	2,870
Tax receivable	5,049	5,049
Cash and cash equivalents	1,425	301,738
Total Current Assets	8,371,657	9,841,811
Total Assets	14,628,977	15,879,852
Equity		
Share capital	2,000	2,000
Share premium	11,980	11,980
Reserves and retained earnings	127,136	106,943
Profit / (loss) for the period	15,514	18,602
Total Equity	156,630	139,525
Liabilities		
Debt securities	10,550,765	10,522,529
Loans and credit facilities from third parties	995,419	1,942,285
Derivative financial instruments	42,189	45,738
Total Non-Current Liabilities	11,588,373	12,510,552
Debt securities	1,071,687	1,160,475
Loans and credit facilities from third parties	452,534	34,207
Loans from group entities	1,137,426	1,900,641
Amounts owed on commercial paper	200,000	115,000
Derivative financial instruments	15,907	12,615
Trade and other payables	704	2,987
Tax payable	5,716	3,850
Total Current Liabilities	2,883,974	3,229,775
Total Liabilities	14,472,347	15,740,327
Total Equity and Liabilities	14,628,977	15,879,852

INTERIM FINANCIAL STATEMENTS

CONDENSED COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2018 AND 31 DECEMBER 2017

Thousand Euros	Total Equity	Share capital	Share premium	Cash flow hedge reserve	Retained earnings	Profit for the period
Balance as at 31 December 2016	121.557	2.000	11.980	671	83.059	23.847
Prior year profit	-	-	-	-	23.847	-23.847
Comprehensive income:						
Net profit for the period	2.387	-	-	-	-	2.387
Changes in the cash flow hedge reserve net of taxes	-262	-	-	-262	-	-
Total comprehensive income for the period	2.125	-	-	-262	-	2.387
Balance as at 30 June 2017	123.682	2.000	11.980	409	106.906	2.387
Balance as at 31 December 2017	139.525	2.000	11.980	37	106.906	18.602
Prior year profit	-	-	-	-	18.602	-18.602
Comprehensive income:						
Net profit for the period	15.514	-	-	-	-	15.514
Changes in the cash flow hedge reserve net of taxes	1.591	-	-	1.591	-	-
Total comprehensive income for the period	17.105	-	-	1.591	-	15.514
Balance as at 30 June 2018	156.630	2.000	11.980	1.628	125.508	15.514

INTERIM FINANCIAL STATEMENTS

CONDENSED COMPANY STATEMENT OF CASH FLOWS AS AT 30 JUNE 2018
AND 2017

ousand Euros	Jun 2018	Jun 2017
Cash flows from operating activities		
Profit / (loss) for the period	15,514	2,387
Adjustments for:		
Net interest income / (expense)	-3,518	-3,049
Net other financial income and expenses	-35,178	950
Tax income	5,210	789
	-17,972	1,077
Changes in:		
Loans to and receivables from group entities	-1,519,656	-514,052
Debtors and other assets	-2,945	-2,533
Amounts owed on commercial paper	85,000	95,000
Loans from group entities	1,916,200	-589,197
Trade and other payables	660	2,583
	461,287	-1,007,122
Interest received	126,132	128,450
Interest paid	-261,802	-272,298
Tax received / (paid)	-3,890	25
Net cash used in operating activities	321,727	-1,150,945
Cash flows from financing activities		
Proceeds from issued debt securities	744,795	1,479,121
Redemption of debt securities	-800,512	-
Proceeds of loans and credit facilities from third parties	-546,234	-125,000
Redemption of loans and credit facilities from third parties	-	75,000
Net cash flow from financing activities	-601,951	1,429,121
Net increase / (decrease) in cash and cash equivalents	-280,224	278,176
Cash and cash equivalents at the beginning of the year	301,738	219,037
Effect of exchange rate fluctuations on cash and cash equivalents held	-20,089	185
Cash and cash equivalents at the end of the period (*)	1,425	497,398

INTERIM FINANCIAL STATEMENTS

1. GENERAL

The principle activity of the Company is to act as a finance company.

2. ACCOUNTING POLICIES

The financial information presented in this Interim Report was prepared under the same accounting principles as in the 2017 Annual Report.

3. ISSUED SHARE CAPITAL

The authorised share capital of the Company consists of 80,000 shares of 100 Euros each, of which 20,000 shares have been issued and fully paid-up.

4. UNDISTRIBUTED RESULTS

The Company allocated the profit for the year 2017, being 18,602 thousand Euros, to accumulated results.

5. ISSUED MEDIUM TERM NOTES

The Company issued a long 7-year EUR 750 million Bond on 20th June 2018, under the EDP S.A. and EDP Finance B.V.'s "Programme for the Issuance of Debt Instruments" (EMTN).

6. NET FINANCIAL INCOME

During the first semester of 2018, the Company's net financial income was positive. This profit is due to a reduction in the average cost of debt portfolio, reflecting the improvement in market conditions, partially offset by a decrease in the average return of its asset portfolio, particularly the portion exposed to floating interest rates. The results also benefited from two EUR/USD CCIRS, that EDP Finance B.V. entered in late 2017 and beginning of 2018 to hedge FX risk and which have had positive results in the interest rate component, therefore improving the net other financial income and expenses results.

EDP FINANCE Amsterdam

OTHER INFORMATION

SUBSEQUENT EVENTS

In July, a 5-Year EUR 3,000 million Bond was issued by EDP S.A., with a fixed coupon of 1.15%, which was fully subscribed by EDP Finance B.V., replacing an existing Bond in the same amount at maturity.

AUDIT

The interim report is not audited.