

EDP FINANCE B.V.
Amsterdam

INTERIM REPORT
June 30, 2019

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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 and 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, 25 July 2019

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 2019.

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 2019, the Company recorded a loss of 29,507 thousand Euros (six-month period ending 30 June 2018 – gain 15,514 thousand Euros). The decrease in results YoY is essentially due to the YoY decrease on the interest income (resulting mostly from long-term assets that matured in the second half of 2018 and were replaced by other assets with lower interest rates as per improved market conditions) that was greater than the YoY decrease on the interest expenses (resulting from refinancing transactions conducted in recent years).

Relevant events in the first half year of 2019

In January 2019, EDP Finance B.V entered with EDP S.A a new Cross Currency Interest Rate Swap, with a notional position of USD 403 million.

In April 2019, EDP Finance B.V entered with EDPR Servicios Financieros, S.A a new loan in the amount of USD 300 million. Additionally, a bilateral loan in the amount of EUR 165 million, that was due to mature in 2022, was early repaid.

FUTURE DEVELOPMENTS

Given the strong equity position of the Company, as well as the cash flow expected to be generated by the Group and 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.

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REPORT OF THE MANAGEMENT BOARD

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.

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, 25 July 2019

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 2019 AND 2018

Thousand Euros	2019	2018
Interest income	171,530	238,531
Interest expenses	-230,861	-235,013
Net interest income / (expenses)	-59,331	3,518
Net other financial income and expenses	20,464	17,905
Net financial income / (expenses)	-38,867	21,423
Other income / (expenses)		
Services rendered	524	576
Supplies and services	-972	-1,256
Personnel costs	-19	-19
Profit / (Loss) before income tax	-39,334	20,724
Tax (expense) / benefit	9,827	-5,210
Net profit for the period	-29,507	15,514

INTERIM FINANCIAL STATEMENTS

CONDENSED COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

Thousand Euros	2019	2018
Net profit for the period	-29,507	15,514
Items that are or may be reclassified to profit or loss		
Cash flow hedge reserve	-	2,122
Cost of hedging reserve	583	-
Tax effect from the cash flow hedge and cost of hedging reserves	-146	-531
Other comprehensive income for the period (net of income tax)	437	1,591
Total comprehensive income for the period	-29,070	17,105

INTERIM FINANCIAL STATEMENTS

CONDENSED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30
JUNE 2019 AND 31 DECEMBER 2018

(Before proposed appropriation of profit)

Thousand Euros	2019	2018
Assets		
Loans to and receivables from group entities	10,966,979	10,684,127
Derivative financial instruments	178,007	146,051
Deferred tax assets	10,453	772
Total Non-Current Assets	11,155,439	10,830,950
Loans to and receivables from group entities	2,706,855	2,592,033
Derivative financial instruments	42,074	65,328
Debtors and other assets	1,443	3,095
Tax receivable	8,761	9,652
Cash and cash equivalents	10,311	432,703
Total Current Assets	2,769,444	3,102,811
Total Assets	13,924,883	13,933,761
Equity		
Share capital	2,000	2,000
Share premium	11,980	11,980
Reserves and retained earnings	112,303	125,508
Profit / (loss) for the period	-29,507	-13,642
Total Equity	96,776	125,846
Liabilities		
Debt securities	9,421,424	10,331,930
Loans and credit facilities from third parties	757,067	381,030
Derivative financial instruments	23,684	21,590
Total Non-Current Liabilities	10,202,175	10,734,550
Debt securities	2,008,776	1,896,712
Loans and credit facilities from third parties	491,326	401,872
Loans from group entities	724,542	571,452
Amounts owed on commercial paper	360,000	150,000
Derivative financial instruments	40,584	52,173
Trade and other payables	704	1,096
Tax payable	-	60
Total Current Liabilities	3,625,932	3,073,365
Total Liabilities	13,828,107	13,807,915
Total Equity and Liabilities	13,924,883	13,933,761

INTERIM FINANCIAL STATEMENTS

CONDENSED COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2019 AND 31 DECEMBER 2018

Thousand Euros	Total Equity	Share capital	Share premium	Cash flow hedge reserve	Retained earnings	Profit for the period
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
Balance as at 31 December 2018	125,846	2,000	11,980	-	125,508	-13,642
Prior year profit	-	-	-	-	-13,642	13,642
Comprehensive income:	-	-	-	-	-	-
Net profit for the period	-29,507	-	-	-	-	-29,507
Changes in the cost of hedging reserve net of taxes	437	-	-	437	-	-
Total comprehensive income for the period	-29,070	-	-	437	-	-29,507
Balance as at 30 June 2019	96,776	2,000	11,980	437	111,866	-29,507

INTERIM FINANCIAL STATEMENTS

CONDENSED COMPANY STATEMENT OF CASH FLOWS AS AT 30 JUNE 2019
AND 2018

Thousand Euros	Jun 2019	Jun 2018
Cash flows from operating activities		
Profit / (loss) for the period	-29,507	15,514
Adjustments for:		
Net interest income / (expense)	59,331	-3,518
Net other financial income and expenses	-20,869	-35,178
Tax income	-9,827	5,210
	-872	-17,972
Changes in:		
Loans to and receivables from group entities	125,007	-1,519,656
Debtors and other assets	648	-2,945
Amounts owed on commercial paper	210,000	85,000
Loans from group entities	-211,119	1,916,200
Trade and other payables	615	660
	124,279	461,287
Interest received	53,939	126,132
Interest paid	-235,643	-261,802
Tax received / (paid)	830	-3,890
Net cash used in operating activities	-56,595	321,727
Cash flows from financing activities		
Proceeds from issued debt securities	-	744,795
Redemption of debt securities	-831,487	-800,512
Proceeds of loans and credit facilities from third parties	467,068	-546,234
Redemption of loans and credit facilities from third parties	-	-
Net cash flow from financing activities	-364,419	-601,951
Net increase / (decrease) in cash and cash equivalents	-421,014	-280,224
Cash and cash equivalents at the beginning of the year	432,703	301,738
Effect of exchange rate fluctuations on cash and cash equivalents held	-1,378	-20,089
Cash and cash equivalents at the end of the period (*)	10,311	1,425

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 2018 Annual Report, except regarding the adoption of IFRS 16 and the application of hedge accounting requirements in IFRS 9, as from 1 January 2019, which had no significant impacts on the statement of financial position and equity.

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 loss for the year 2018, being 13,642 thousand Euros, to accumulated results.

5. ISSUED MEDIUM TERM NOTES

No Bonds were issued by the Company in the first half of 2019, 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 2019, the Company's net financial income was negative. This loss is due to the YoY decrease on the interest income, resulting mostly from the replacement of long-term assets by other assets with lower interest rates, reflecting the improvement in market conditions. This decrease was greater than the YoY decrease on the interest expenses (resulting from refinancing transactions conducted in recent years).

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OTHER INFORMATION

SUBSEQUENT EVENTS

No subsequent events to be reported in the second half of 2019.

AUDIT

The interim report is not audited.