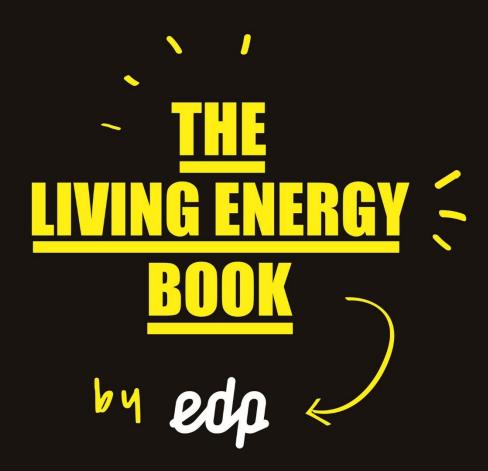
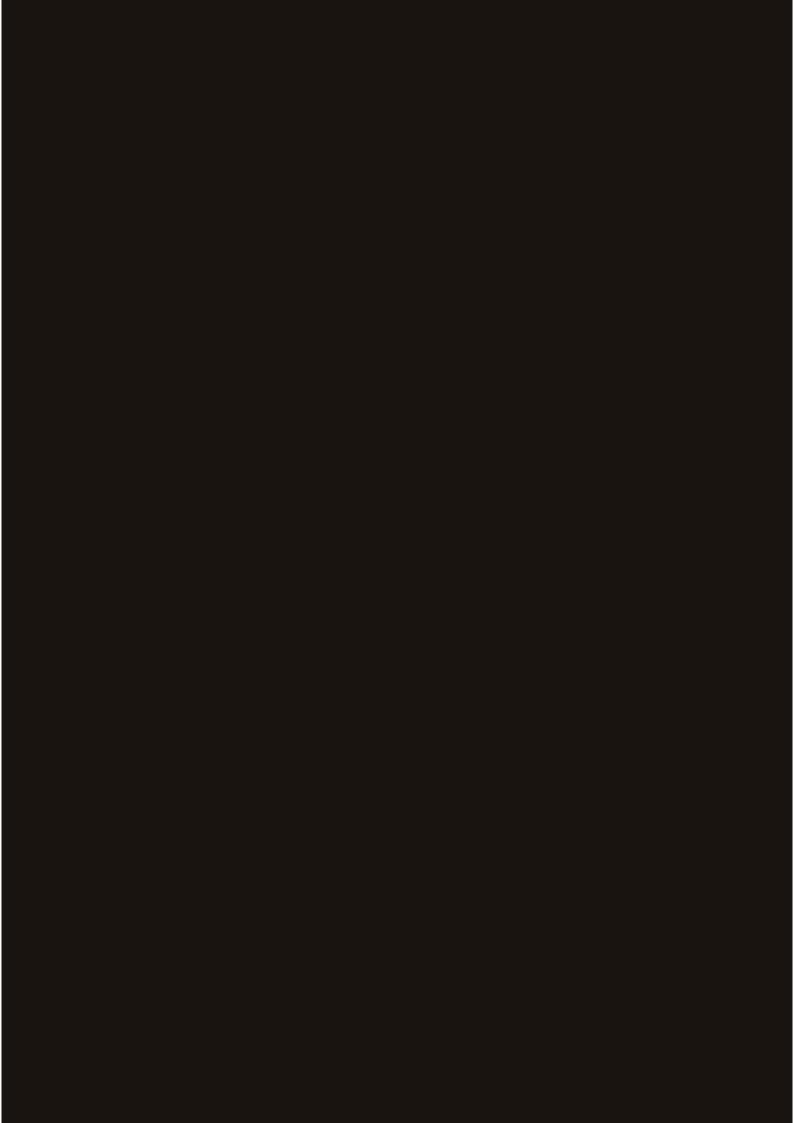
INTERIM REPORT 1H18





We are energy in the journey we make every day. Energy that changes, reinvents itself and takes different forms.

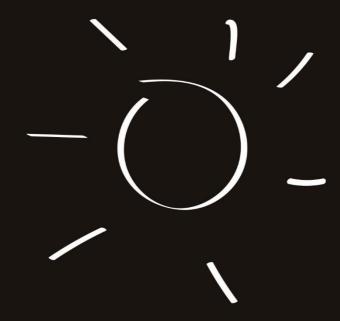
Energy that lives within us, that is a universal language, that moves us and takes us further.

A living energy that brings us closer, that innovates and with which, together with small actions, we create change.

The energy that lives within every one of us is contagious and is everywhere, in a hug, in the lighting of a lamp, in our houses, in the streets or even across them in the sidewalks.

A living energy that together we continue to write in a book that reveals the present and which is also a building block for the future.

The Living Energy Book.



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01

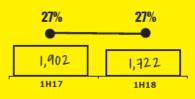
<u>EDP</u>

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1.1.1. KEY METRICS

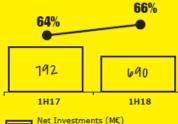
FINANCIAL DATA

EBITDA



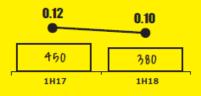


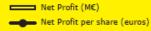
NET INVESTMENTS²



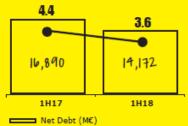


NET PROFIT¹





NET DEBT



Adjusted Net Debt/EBITDA (x)

OPERATIONAL DATA

GENERATION

26,806 MW +2 1/. vs 1H17

Installed capacity

38,191 GWh + 1/. vs 1H17

Net generation

912 MW +31/. vs 1H17

Installed capacity - equity

1,086 MW + 72 1/2 vs 1H17

Capacity under construction

DISTRIBUTION³

40,262 GWh +3/. vs 1H17

Electricity distributed

10,277 ('000) + // vs 1H17

Electricity supply points

SUPPLY

32,532 GWh +2 /. vs 1H17

Electricity supplied

9,844 ('000) 0 % vs 1H17

Electricity customers

9,785 GWh + 4 /. vs 1H17

Gas supplied

1,583 ('000) +3 /. vs 1H17

Gas customers

Net Profit attributable to EDP Equity shareholders

² Considers CAPEX of EDP Group, organic financial investments €3M (30 Jun 2017: €45M) and financial divestments (asset rotation) -€40M (30 Jun 2017: €0M).

Excludes gas distribution business discontinued in 2017.
 2018 excludes retroactive 2017 final CMEC compensation (€18.3M).

1.1.2 RECOGNITION

Group

Feb: Ethisphere Institute - World's Most Ethical Companies 2018

The World's Most Ethical Companies 2018, published by the Ethisphere Institute, covers 135 companies from 23 countries and recognizes the EDP Group for the seventh consecutive year.

Apr: EDP is one of the 100 world companies with science-based climate commitments

According to CDP - one of the international organizations behind the Science-Based Target Initiative (SBTi) - the number of companies with CO2 emission reduction targets now stands at 100. EDP is part of this universe of companies contributing to compliance with the Paris Agreement.

Portugal

Jan: 5 Star Award for services provided by EDP

The 5-star award was attributed to EDP for supplying high added value services for the customer such as energy certification, electronic invoice, *Funciona* service and EDP solar energy.

May: EDP aknowledged in several categories by the Human Resources Awards

Those in Portugal considered the best in people management were distinguished at the Electricity Museum in Lisbon. EDP was awarded in the categories of "Internal Communication", "Internal Events" and "Social Responsibility". António Mexia was awarded in the category "President / CEO".

Spain

Jun: United Nations Global Pact awards EDP for its cooperation with Red Española

The United Nations Global Pact awarded EDP for its collaboration with Red Española, thus becoming "Bronze Prescribing Partner" of the Spanish Network of Global Compact. The award was received by Yolanda Fernández Montes, Director of Environment, Sustainability, Innovation and Quality of EDP in Spain.

Renewables

Feb: EDP Renováveis named Top Employer in Spain

EDP Renováveis has been named by the Top Employers Institute as one of the best companies to work for in Spain.

Brazil

Jan: EDP Brasil is one of the 20 most innovative companies in the country

EDP Brasil was selected by Best Innovator award as one of the 20 most innovative companies in the country.

Jan: EDP is among the 50 companies most loved by employees in Brazil

Research conducted by Love Mondays, elected EDP as one of the 50 companies most loved by employees in Brazil. The company is in the 27th position with emphasis on culture, payroll and benefits.

Jan: EDP is among the most transparent large companies in Brazil

EDP was recognized as one of the three best placed in the Transparency International ranking, the main organization dedicated to the fight against corruption in the world.

INTERIM REPORT EDP 1H18

Feb: Distributors of the EDP Group are among the five best energy distributors in the Southeast Brazil

Residential consumers of the EDP Group Distributors, which serve São Paulo and Espírito Santo regions, elected the companies among the five best energy distributors in the Southeast region in the IASC 2017 - ANEEL Customer Satisfaction Index.

Mar: EDP is among the best management companies in Brazil

EDP was recognized in a ceremony held in São Paulo by the National Quality Foundation, with the Best in Management Award, awarded to electric power distributors in São Paulo and Espírito Santo.

Jun: EDP achieves gold in the category of customer respect in Smart 2018 award

EDP achieved gold in the Customer Respect category in Smart 2018 Award, with the case study "Elevation of Operational Efficiency in Customer Service". The award-winning work was upon the good customer relations practices developed in the last 12 months, such as EDP Online, the virtual channel of the Internet service provider and the smartphone application, as well as the specialized call center and SMS team.

1.2. EDP GROUP PROFILE

1.2.1. WHO WE ARE

EDP IS A MULTINATIONAL, VERTICALLY INTEGRATED UTILITY COMPANY

Throughout its 40 years of history, EDP has been building a relevant presence in the world energy scene, being present in 14 countries in 4 continents.

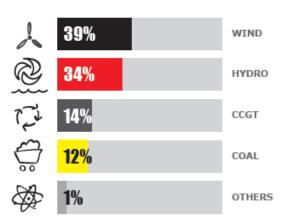
EDP has around 12,000 employees and is present throughout the electricity value chain and in the gas commercialization activity.



Production is the first activity in the value chain of the electricity sector. Power plants transform the various energy sources into electricity. These energy sources may be of renewable origin (water, wind and sun) or non-renewable (coal, natural gas, nuclear and cogeneration).

In the **transport activity** the energy produced is delivered to the transmission network, which is made up of very high voltage lines and which then channels the energy to the distribution network. This is a new segment in EDP's portfolio, being developed in Brazil, and is still not in operation.

27 GW OF INSTALLED CAPACITY



1,297 Km

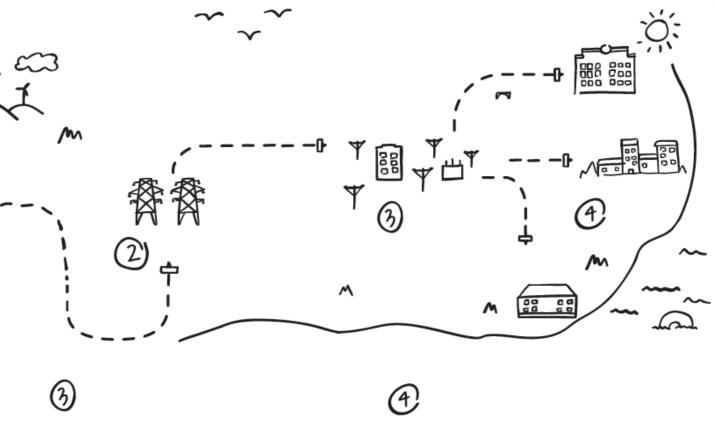
of transport network under construction



38 TWH OF NET ELECTRICITY GENERATION



THE LIVING ENERGY BOOK



In the distribution activity the transported energy is channeled to the distribution grid. The distribution network allows the flow of energy to the supply points. Electricity distribution networks are composed of high, medium and low voltage lines and cables. Substations, processing stations and public lighting installations as well as the necessary connections to consumer installations and power stations are also an integral part of the distribution networks.

Energy arrives at the supply point and is sold by the supplier. Throughout the electricity and gas value chain, supply is the closest activity to the customer and responsible for the relationship with final consumers.

338,519 KM OF NETWORK

184,557km	(\mathbf{A})
distribution overhead lines	

of distribution underground lines

53,962 Km

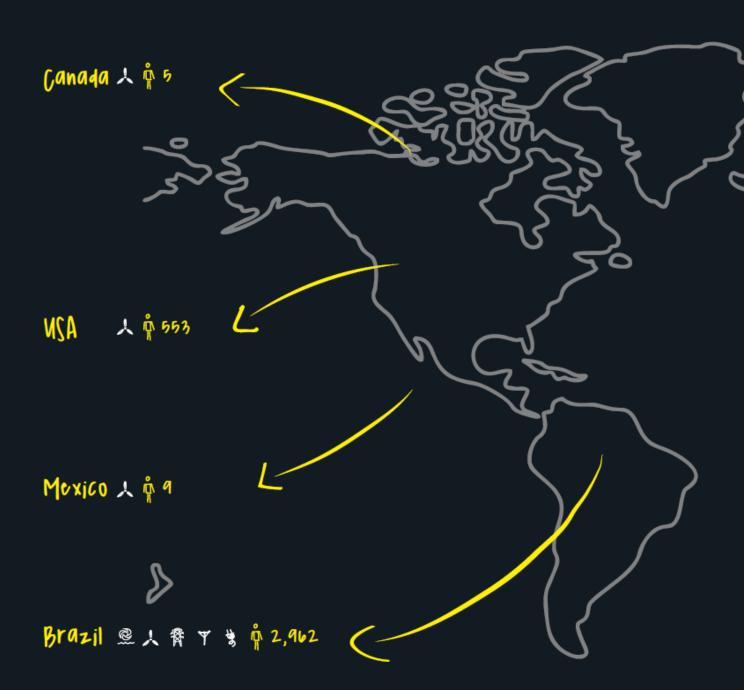
40 TWh OF ELECTRICITY DISTRIBUTED

ELECTRICITY CUSTOMERS	9,843,504
ŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶŶ	
Customers in liberalized market	5,056,394
Customers in last resort	4,787,110

GAS CUSTOMERS	1,583,463
Customers in liberalized market	1,140,153
Customers in last resort	93,310

1.2.2. WHERE WE ARE





THE LIVING ENERGY BOOK



<u>1.2.3. HOW WE ARE</u> <u>ORGANIZED</u>

BUSINESS AREAS

01 IBERIAN GENERATION AND SUPPLY





hc energia





02 IBERIAN NETWORKS





hc energia





#1 GENERATOR AND SUPPLIER IN PORTUGAL

#3 IBERIAN GENERATOR

#I PORTUGUESE DISTRIBUTOR

<mark>03</mark> Brazil







#4 PRIVATE SUPPLIER IN THE FREE MARKET
#5 PRIVATE GENERATOR

04 RENEWABLES







#4 GLOBAL WIND PLAYER

1.2.4. VISION, VALUES AND COMMITMENTS

VISION

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

edp

HUMANITY

Building genuine and trusting relationships with our customers, partners and communities.

VALUES

INNOVATION

With the aim of creating value in the many areas in which we operate.

SUSTAINABILITY

Aiming to improve the quality of life of current and future generations.

COMMITMENTS

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.

SUSTAINABILITY

- We assume the social and environmental responsabilities 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.

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.

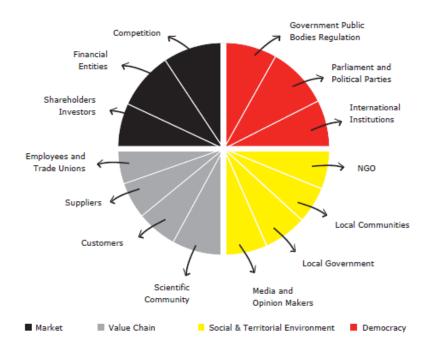
PEOPLE

- 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.

1.2.5. STAKEHOLDERS

Stakeholder management is a demanding activity, which requires the transparency of businesses in their relationship with society and, in particular, with all those that have an impact on or are being impacted by business activities.

Stakeholder engagement within the EDP Group is a strategic priority for the maintenance of a transparent and open dialogue with all those to whom the business relates to. Building and strengthening relationships of trust, sharing knowledge and relevant information, anticipating challenges and identifying new opportunities for cooperation are the main goals of EDP's Stakeholder Relationship Policy.



DESPITE THE GROWING EXIGENCE IN THE CRITERIA OF STAKEHOLDER ENGAGEMENT ESTABLISHED BY THE DOW JONES SUSTAINABILITY INDEX 2017 WAS CHARACTERIZED BY THE LEAD ACCOMPLISHED BY EDP IN THAT CRITERIA. ULTIMATELY ACHIEVING THE HIGHEST POSSIBLE SCORE.

EDP invests in open relationships with its stakeholders, believing that it improves performance, anticipates and manages risks, and creates value for the various stakeholders within all the geographies in which the Group operates. For this purpose, the commitment of EDP Group's various business units, which seek to identify their stakeholders and the relevant critical issues, has been fundamental in guaranteeing relationship channels and drawing up action plans that address the identified risks and that meet the expectations of the relationships.

COMPREHEND

We have dynamically and systematically identified the Stakeholders that influence and are influenced by the Company, and we analyze and try to understand their expectations and interests in the decisions that directly impact on them.

TRUST

We believe that the promotion of a climate of trust with our Stakeholders is crucial to establishing stable, long-term relationships. Our relationship with stakeholders is based on values like transparency, integrity and mutual respect.

COMMUNICATE

We are committed to promoting two-way dialogue with Stakeholders through information and consulting initiatives. We listen, inform and respond to Stakeholders in a consistent, clear, rigorous and transparent manner, with the aim of building strong, durable close relationships.

COLLABORATE

We aim to collaborate with Stakeholders to build strategic partnerships that bring together and share knowledge, skills and tools, thereby promoting the creation of shared value in a differentiating manner.

02

PERFORMANCE

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02 PERFORMANCE

2.1 GROUP'S FINANCIAL ANALYSIS

INCOME STATEMENT

EUR MILLION	1H18	1H17	Δ%	Δ ABS.
Gross Profit	2,692	2,893	-7%	-201
Operating costs	768	813	-6%	-46
Other Income/(Costs)	-203	- 177	-14%	-26
EBITDA	1,722	1,902	-10%	-181
EBIT	1,026	1,192	-14%	-166
Net Profit for the period	571	643	-11%	-72
Net Profit attributable to EDP shareholders	380	450	-16%	-70
Non-controlling interests	191	192	-1%	-1

EBITDA €1,722M -10% VS. 1H17 **EBITDA** amounted to €1,722 million in the first half of 2018 (-10% vs. the first half of 2017).

Nevertheless, if disregarded (i) the contribution from Iberian gas networks in the first half of 2017 (\in 115 million), following the sale of gas distribution assets in Iberia during 2017; (ii) the \in 18 million negative impact in the first half of 2018 of a revision of the accounted in 2017 as CMEC final adjustment; and (iii) the \in 101 million negative impact in the first half of 2018 of the devaluation of the average USD and BRL against the EUR, EBITDA would have risen by 3% vs. the first half of 2017;

- In **Iberia**, results in distribution in Portugal were negatively impacted by the regulatory review in electricity distribution and by the lower 10-Y Portuguese government yields; while for generation the YoY negative impact came from the end of CMEC annual adjustment since July 2017, which outstood the impact of better hydro conditions particularly observed in the second quarter of 2018;
- In **EDP Renováveis**, EBITDA increased 1% YoY if disregarded the impact of devaluation of the average USD and BRL against the EUR, driven by portfolio expansion;
- In **EDP Brasil**, 3% YoY decrease in EBITDA, on unfavorable ForEx impact. In local currency, however, EBITDA increased 17% YoY on the back of a better operational performance in thermal and hydro generation but also in distribution, where grid losses have kept decreasing;
- **Opex costs** decreased €46 million, to €768 million in the first half of 2018, driven mostly by ForEx impact;
- Other net operating income/(costs) varied €26 million YoY, to a net cost of €203 million, mostly due to higher clawback paid in Portugal and to lower tax equity revenues in the United States of America.

€1,026M-14% VS. 1H17

EBIT was 14% lower YoY, at €1,026 million in the first half of 2018, mainly impacted by EBITDA performance, although EBITDA reduction impact was partially offset by the decrease in amortisation on the back of the sale of Iberian gas networks in 2017 and by the devaluation of the average USD and BRL against the EUR.

NET PROFIT

(ATTRIBUTABLE TO EQUITY HOLDERS OF EDP)

€380M

-16% VS. 1H17

- Net financial results and Results with joint-ventures and associates amounted to -€274 million in the first half of 2018 (€89 million better vs. the first half of 2017), benefitting from a 40bp YoY decline in average cost of debt (to 3.7% in the first half of 2018) and lower average net debt.
- **Income tax expense** decreased €2 million YoY to €117 million in the first half of 2018, implying an 16% effective tax rate.
- **Non-controlling interests** reached to €191 million in the first half of 2018, almost stable YoY, reflecting the mixed impact from the lower share of non-controlling interests at EDP Renováveis and higher results at EDP Brasil.
- Net profit attributable to EDP shareholders amounted to €380 million in the first half of 2018 (vs. €450 million in the first half of 2017).

CAPEX

CAPEX **€728M**

-3% VS. 1S17

MAINTENANCE €228M

-20% VS. 1H17

EXPANSION €500M

+8% VS. 1H17

- Capex amounted to €728 million in the first half of 2018, representing a decrease of 3% vs. the first half of 2017.
- Expansion capex was 69% of total capex and was mostly dedicated to the construction of wind capacity.
- Maintenance capex amounted to €228 million in the first half of 2018, mostly absorbed by regulated networks in Iberia and Brazil.

NET DEBT



Net debt amounted to \in 14.2 billion in June 2018, up from \in 13.9 billion in December 2017, mainly impacted by the fully-in-cash annual dividend payment to EDP shareholders, totalling \in 691 million, and by the investment in property, plant and equipment and intangible assets, which was partly offset by EDP's operational activity and by the sale of tariff deficit adjustments in Portugal in the first half of 2018.

2.2 OPERATIONAL INDICATORS

IBERIAN GENERATION AND SUPPLY	UN	1H18	1H17	1H16	1H15
INSTALLED CAPACITY					
Liberalised Electricity Generation	MW	13,626	13,680	12,691	12,565
Portugal ¹	MW	10,098	10,151	9,163	8,797
Hydro	MW	6,719	6,752	5,761	5,390
CCGT	MW	2,031	2,039	2,039	2,039
Coal	MW	1,180	1,180	1,180	1,180
M ini-hydro	MW	143	157	159	164
Cogeneration	MW	24	24	24	24
Spain ¹	MW	3,528	3,528	3,528	3,768
Hydro	MW	426	426	426	426
CCGT	MW	1,698	1,698	1,698	1,698
Coal	MW	1,224	1,224	1,224	1,463
Nuclear	MW	156	156	156	156
Cogeneration and Waste	MW	25	25	25	25
Capacity under Construction	MW	-	-	1,019	1,368
Portugal ¹	MW	-	-	1,019	1,368
Equity Installed Capacity ²	MW	41	41	41	46
Portugal ¹	MW	32	32	32	32
Spain ¹	MW	10	10	10	15
NET ELECTRICITY GENERATION	GWh				
Liberalised Electricity Generation	GWh	17,232	16,778	19,620	16,935
Portugal ¹	GWh	12,999	11,486	15,736	11,337
Hydro	GWh	7,655	4,258	11,247	5,527
CCGT	GWh	1,567	2,308	613	753
Coal	GWh	3,369	4,678	3,304	4,728
M ini-hydro	GWh	307	200	473	227
Cogeneration	GWh	101	41	100	102
Spain ¹	GWh	4,233	5,292	3,884	5,598
Hydro	GWh	777	264	761	620
CCGT	GWh	580	793	404	333
Coal	GWh	2,293	3,619	2,102	4,030
Nuclear	GWh	518	557	560	546
Cogeneration and Waste	GWh	64	61	57	68
Steam Generation	GWh	441	441	231	341
TECHNICAL AVAILABILITY					
Portugal ¹	%	93	95	95	97
Hydro	%	96	95	97	99
CCGT	%	84	95	92	94
Coal	%	93	95	91	100
M ini-hydro	%	97	99	98	94
Cogeneration	%	100	43	98	99
Spain ¹	%	95	94	92	95
Hydro	%	100	100	100	100
CCGT	%	100	99	99	100
Coal	%	89	86	81	89
Nuclear	%	79	84	85	83
Cogeneration	%	100	88	94	98
Waste	%	91	96	95	96

 $^{^{1}}$ Excludes EDP Renováveis | 2 Share of the MW installed in plants owned by companies equity consolidated

IBERIAN GENERATION AND SUPPLY	UN	1H18	1H17	1H16	1H15
ELECTRICITY CUSTOMERS	'000	6,438	6,498	6,494	6,447
Portugal	'000	5,295	5,401	5,448	5,460
Last Resort	'000	1,166	1,295	1,545	2,000
Liberalised Market	'000	4,130	4,106	3,904	3,460
Market Share EDP - Liberalised Market	%	n.d.	84	85	85
Spain	'000	1,143	1,097	1,045	987
Last Resort	'000	216	222	232	243
Liberalised Market	'000	927	876	813	744
Social Tariff	'000	707	736	184	113
Portugal	'000	637	676	124	52
Spain	'000	71	60	60	61
Special Needs	'000	n.d.	0.6	0.5	0.5
Portugal	'000	n.d.	0.6	0.5	0.5
Green Tariff	'000	1,026	932	829	771
Portugal	'000	3	3	4	4
Spain	'000	1,023	929	825	767
ELECTRICITY SUPPLIED	GWh	17,060	17,903	19,755	19,384
Portugal	GWh	10,788	10,828	11,404	11,852
Last Resort	GWh	1,523	1,634	2,307	3,199
Liberalised Market	GWh	9,265	9,194	9,097	8,653
Market Share EDP - Liberalised Market	%	n.d.	44	45	45
Spain	GWh	6,272	7,076	8,351	7,532
Last Resort	GWh	229	230	249	261
Liberalised Market	GWh	6,043	6,846	8,101	7,271
Market Share EDP - Liberalised Market	%	7	7	9	8
Social Tariff	GWh	172	175	45	76
Portugal	GWh	107	113	10	10
Spain	GWh	65	63	35	66
Green Tariff	GWh	2,773	2,777	2,401	2,981
Portugal	GWh	5	5	8	6
Spain	GWh	2,768	2,772	2,393	2,975
GAS CUSTOMERS	'000	1,583	1,541	1,454	1,358
Portugal	'000	697	679	612	527
Last Resort	'000	42	47	56	70
Liberalised Market	'000	654	632	555	457
Spain	'000	887	862	843	831
Last Resort	'000	51	53	57	60
Liberalised Market	'000	836	809	786	771
GAS SUPPLIED	GWh	9,785	9,440	12,863	16,041
Portugal	GWh	2,515	2,185	2,599	2,664
Last Resort	GWh	154	159	203	256
Liberalised Market	GWh	2,362	2,026	2,396	2,408
Market Share EDP - Liberalised Market	%	n.d.	9	n.d	11
Spain	GWh	7,269	7,256	10,264	13,377
Last Resort	GWh	165	153	148	187
Liberalised Market	GWh	7,104	7,102	10,115	13,189
Market Share EDP - Liberalised Market	%	3	4	3	3

IBERIAN NETWORKS	UN	1H18	1H17	1H16	1H15
ELECTRICITY DISTRIBUTED	GWh	27,790	26,727	26,924	26,999
Portugal	GWh	23,092	22,094	22,287	22,368
Spain	GWh	4,698	4,633	4,637	4,630
ELECTRICITY SUPPLY POINTS	'000	6,871	6,830	6,787	6,753
Portugal	'000	6,206	6,168	6,126	6,094
Spain	'000	665	662	661	659
GRID EXTENSION	Km	246,817	246,406	245,504	244,823
Portugal	Km	226,168	225,853	225,092	224,498
Overhead lines	Km	177,399	177,190	176,643	176,304
Underground lines	Km	48,769	48,663	48,449	48,194
Spain	Km	20,649	20,553	20,411	20,325
Overhead lines	Km	15,703	15,679	15,631	15,580
Underground lines	Km	4,947	4,874	4,780	4,745
GRID LOSSES					
Portugal	%	10.1	11.2	9.4	9.7
Spain	%	3.7	3.8	4.4	4.7
SERVICE QUALITY					
Portugal					
Installed Capacity Equivalent Interruption Time 1	Min	29	25	23	26
Spain					
Installed Capacity Equivalent Interruption Time ¹	Min	10	14	12	21

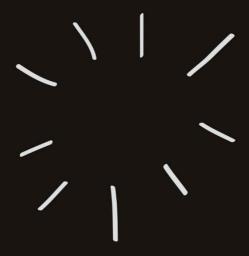
 $^{^{\}rm 1}\,\rm ICEIT$ in M V grid, excluding extraordinary effects

EDP BRASIL	UN	1H18	1H17	1H16	1H15
GENERATION					
EBITDA Installed Capacity	MW	2,467	2,466	2,466	3,237
Hydro	MW	1,747	1,746	1,745	2,517
Coal	MW	720	720	720	720
Equity Installed Capacity 1	MW	539	296	260	547
Equity Capacity under Construction ¹	MW	-	231	231	341
Net Electricity Generation	GWh	5,507	4,296	4,858	4,494
Hydro	GWh	3,278	2,249	2,521	3,885
Coal	GWh	2,229	2,048	2,337	610
Technical Availability	%	94	94	95	97
Hydro	%	92	95	97	97
Coal	%	98	92	89	87
ENERGY SUPPLY					
Electricity Supplied	GWh	15,472	13,950	13,438	13,057
Last Resort ²	GWh	6,989	7,001	7,787	7,849
Liberalised Market	GWh	8,482	6,949	5,651	5,209
Social Tariff	GWh	77	137	84	180
Number of Customers	'000	3,405	3,347	3,281	3,209
Last Resort ²	'000	3,405	3,346	3,281	3,209
Liberalised Market	'000	0.3	0.3	0.2	0.4
Social Tariff	'000	162	150	177	180
Special Needs	'000	1	1	1	0
ENERGY DISTRIBUTION					
Electricity Distributed	GWh	12,472	12,338	12,429	13,142
Electricity Supply Points	'000	3,406	3,347	3,281	3,209
Grid Extension	Km	91,702	91,201	91,105	89,938
Overhead lines	Km	91,456	90,958	90,871	89,736
Underground lines	Km	246	242	234	202
Grid Losses	%	10	11	11	11
Average Interruption Duration per Consumer					
EDP São Paulo	Hours	7.6	8.1	9.3	7.5
EDP Espírito Santo	Hours	8.4	8.8	9.2	9.3
Frequency of Interruptions per Consumer					
EDP São Paulo	#	4.9	5.1	5.6	5.0
EDP Espírito Santo	#	5.0	5.2	5.5	5.4
TRANSMISSION					
Grid extension Under Construction	Km	1,297	-	-	-

 $^{^{1}\,}Share\,of\,the\,M\,W\,installed\,in\,plants\,o\,wned\,by\,companies\,equity\,consolidated\,|^{\,2}\,Regulated\,Customers\,supplied\,by\,Distribution$

EDP RENOVÁVEIS	UN	1H18	1H17	1H16	1H15
INSTALLED CAPACITY					
EBITDA Installed Capacity	MW	10,713	10,072	9,365	8,254
Portugal	MW	1,253	1,253	1,249	630
Spain	MW	2,244	2,194	2,194	2,194
Rest of Europe	MW	1,601	1,560	1,485	1,413
North America	MW	5,284	4,861	4,233	3,934
Brazil	MW	331	204	204	84
Capacity under Construction	MW	1,086	633	656	556
Portugal	MW	102	-	2	-
Spain	MW	68	-	-	2
Rest of Europe	MW	100	4	226	135
North America	MW	679	502	429	300
Brazil	MW	137	127	-	120
Equity Installed Capacity 1	MW	331	356	356	886
Portugal	MW	-	-	-	533
Spain	MW	152	177	177	174
Rest of Europe	MW	0	0	0	0
North America	MW	179	179	179	179
Brazil	MW	-	-	-	-
NET ELECTRICITY GENERATION	GWh	15,451	14,546	13,314	10,842
Portugal	GWh	1,676	1,536	1,751	807
Spain	GWh	2,866	2,665	2,879	2,727
Rest of Europe	GWh	1,799	1,840	1,728	1,651
North America	GWh	8,690	8,191	6,750	5,562
Brazil	GWh	420	314	205	94
TECHNICAL AVAILABILITY	%	97	98	98	97
Portugal	%	99	99	98	98
Spain	%	96	97	97	96
Rest of Europe	%	98	98	98	98
North America	%	97	98	98	98
Brazil	%	98	98	98	98

 $^{^{\}rm 1}$ Share of the M W installed in plants owned by companies equity consolidated



03

CORPORATE GOVERNANCE

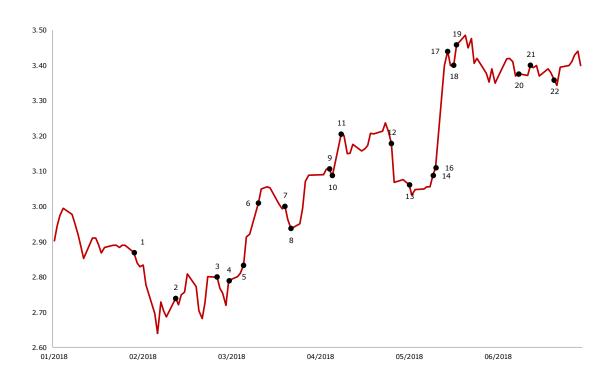
A. Performance of EDP stock on the stock market	35	
B. Corporate Bodies		
1. Corporate Governance Structure		
2. Organic Corporate Structure		
3. Shareholder Strucure	55	



03 CORPORATE GOVERNANCE

A. PERFORMANCE OF EDP ON THE STOCK MARKET

MAIN EVENTS AFFECTING THE EDP SHARE PRICE IN THE 1ST HALF OF 2018



#	Date	Description	Share Price
1	29/01/2018 E	DP sells tariff deficit in Portugal (€97 million)	2.87
2	12/02/2018 E	DP Renováveis secures 50 MW long-term contract for wind power in the US	2.74
3	26/02/2018 E	DP Renováveis secures 200 MW long-term contract for wind power in the US	2.80
4	02/03/2018 E	DP publishes 2017 financial results	2.79
5	07/03/2018 E	DP signed a 5-year revolving credit facility in the amount of €2,240 million	2.83
6	12/03/2018 E	DP sells tariff deficit in Portugal (€150 million)	3.01
7	21/03/2018 E	DP Brasil acquires 14,5% of Celesc and announces the launch of a take-over bid for up to 33.6% of Celesc	3.00
8	23/03/2018 E	DP Renováveis announces the sale of 20% stake in an offshore wind project in the UK	2.94
9	05/04/2018 G	General Shareholders' Meeting of EDP: approval of 2017 accounts and election of the corporate bodies.	3.11
10	06/04/2018 E	DP Renováveis secures 200 MW long-term contract for solar power in the US	3.09
11	09/04/2018 E	DP clarifies the market on news published by the press regarding a potential public tender offer (PTO) by Engie on EDP	3.21
12	26/04/2018 E	nd of offer period for the partial acquisition of Celesc - EDP Brasil reaches 19% of Celesc's share capital	3.18
13	02/05/2018 E	DP pays 2017 dividend	3.06
14	10/05/2018 E	DP Renováveis secures 150 MW long-term contract for wind power in the US	3.09
15	10/05/2018 E	DP publishes first quarter 2018 financial results	3.09
16	11/05/2018 C	thina Three Gorges (CTG) announces launch of a PTO over 100% of the share capital of EDP	3.11
17	15/05/2018 E	DP clarifies that the EBD considers the price of the PTO doesn't adequately reflect the value of EDP	3.44
18	17/05/2018 E	DP Renováveis secures 50 MW long-term contract for wind power in the US	3.40
19	18/05/2018 C	Capital Group reduces its shareholding in EDP	3.46
20	08/06/2018 E	DP publishes EBD's considerations report on the PTO launched by CTG	3.38
21	12/06/2018 E	DP sells EUR 641 million in securitization of electricity tariff deficit in Portugal	3.40
22	20/06/2018 E	DP issues €750 million bond maturing in January 2026	3.36

B. CORPORATE BODIES

1. CORPORATE GOVERNANCE STRUCTURE

1.1. CORPORATE GOVERNANCE MODEL

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

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

The separation of management and supervision roles is expressed in the existence of an Executive Board of Directors, which is responsible for the executive management of the Company, and a General and Supervisory Board, responsible for permanently monitor and supervise the activity of the former.

Thus, this governance model and equilibrium inherent in this duality has allowed effective separation of the company's supervision and management in pursuit of the goals and interests of the Company and its shareholders, employees and other stakeholders, thereby contributing to achieving the degree of trust and transparency necessary for its adequate functioning and optimisation.

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

For a better understanding of EDP's corporate governance, EDP's website (https://www.edp.com/en/investors/corporate-governance/companys-data/by-laws-regulations) allows shareholders and the general public to view the up-to-date Articles of Association in Portuguese and English, the Internal Regulations of the Executive Board of Directors, General and Supervisory Board and its committees.

The Company has, since 2010, a Corporate Governance Manual which primary objective is to record and share the understanding of the Executive Board of Directors and the General and Supervisory Board in terms of the recommendations of good corporate governance practices applying to EDP and appropriate guidelines to comply with them.

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

• To reflect critically on recommendations on best practices set out in the CMVM Corporate Governance Code in order to contribute actively in optimising EDP's practices;

- To select the recommendations deemed most appropriate to EDP's governance model, focusing on measures taken and indicating potential measures for full adoption of good practices;
- To identify recommendations that are not appropriate to EDP's interests and give reasons for this position and indicate other ways of achieving the goals set out in the CMVM Corporate Governance Code;
- To help targets of the recommendations to reflect on the best governance practices to be followed at EDP;
- To draft a formal document that will help compliance with reporting obligations on corporate governance
 practices, such as the annual report required by law;
- Describe EDP's governance practices that are not set out in the Corporate Governance Code but achieve
 the goal shared by the General and Supervisory Board and the Executive Board of Directors to develop
 and increase the quality of EDP's governance processes.

The Manual for the Corporate Governance of EDP is available to shareholders and general public at its website (www.edp.com).

In what concerns prevention and fighting against harassment at work, and complementing the commitments already taken on by EDP in its Code of Ethics, available at EDP's website (https://www.edp.com/en/edp/about-us/ethics), the Good Conduct Code for the Prevention and Fight Against Harassment at Work entered into force as of 21 November 2017 and it is applicable to all EDP Group's employees. According to this Code, other service providers and suppliers are explicitly required to uphold or adhere to the principles established, in accordance with their obligations under qualification procedures or current contracts

The Executive Board of Directors approved, on 15 May 2018, the Integrity Policy and is of immediate and mandatory application for all the subsidiaries of EDP. This policy aims to define the general principles of action and duties for EDP Group companies, their workers and business partners, in order to avoid the practice of illicit acts, in particular, conduct associated with acts of corruption, money laundering and terrorism financing. In addition, our ambition is to contribute to fostering ethics and integrity in the pursuit of business in the EDP Group, ensuring compliance with the law and the adopted principles and rules. This policy is available at EDP's website (https://www.edp.com/en/edp/about-us/principles-and-policies)

1.2. INCOMPATIBILITY RULES AND INDEPENDENCE CRITERIA

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

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

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

In view of the need to clarify the aforementioned Article 414 (5) of the Companies Code, as there are diverging legal opinions, Associação de Emitentes de Valores Cotados em Mercado ("AEM") requested an opinion from the CMVM, whose opinion was that the capacity as independent is only lost if, "on the basis of the criterion of number of terms of office, in a situation likely to affect his/her impartiality in analyses or decisions if the

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members of the supervisory bodies of public limited companies, having been elected for a first term of office and re-elected continuously or intermittently for a second and third term, are re-elected (for the third time, therefore) for a fourth term of office."

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

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

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

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

- Being holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in EDP or the same percentage in a company of which it is a subsidiary;
- Being a holder, director, having contractual ties or acting on behalf or on the account of owners of a
 qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in a company
 that is a competitor of EDP; and
- Having been re-elected for more than two consecutive or non-consecutive terms of office.

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

- The board must consist of a majority of independent members (Article 434 (4) of the Companies Code and Article 21 (4) of EDP's Articles of Association);
- The Financial Matters Committee/Audit Committee is entirely consisted of independent members of the General and Supervisory Board (Article 23 (2) of EDP's Articles of Association and Article 3 of the Financial Matters Committee/Audit Committee's Internal Regulations);
- The Remuneration Committee of the General and Supervisory Board must comprise a majority of independent members (Article 27 (1) of EDP's Articles of Association and Article 27 (1) (b) of the General and Supervisory Board's Internal Regulations).

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

The members of the General and Supervisory Board renewed, at the end of 2017, their statements on incompatibilities and independence. On 6 April 2018, the General and Supervisory Board assessed compliance

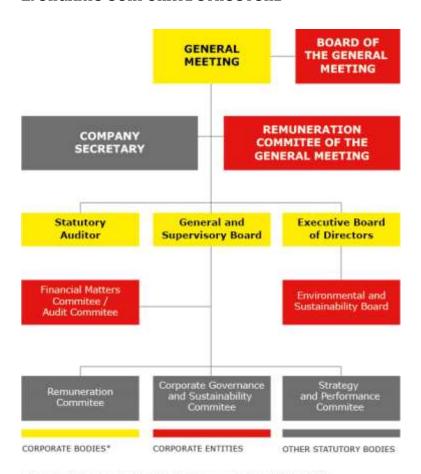
with the rules on incompatibilities and independence of the elected members at the General Meeting of 5 April 2018.

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

The above statements are available to the public on EDP's website, at https://www.edp.com/en/investors/corporate-governance/companys-data/incompatibility-declaration.

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

2. ORGANIC CORPORATE STRUCTURE



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

2.1. CORPORATE BODIES

Pursuant to Article 8 of EDP's Articles of Association, the corporate bodies of the company are:

- a) the General Shareholders Meeting;
- b) the Executive Board of Directors
- c) the General and Supervisory Board
- d) the Statutory Auditor.

The company has also the following statutory bodies: Board of the General Meeting, the Environment and Sustainability Board, the Remuneration Committee, the Remuneration Committee of the General Meeting and the Financial Matters Committee/Audit Committee.

The shareholders elected, at the General Meeting of 4 April 2018, the members of Corporate Bodies for the three-year 2018/2020 term of office. The term of office of the members of the corporate bodies therefore ends on 31 December 2020, though they may remain in office until a new appointment.

2.1.1. GENERAL MEETING

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

At the Annual General Meeting held on 5 April 2018, the Chairman and the Vice-Chairman of the Board of the General Meeting were elected for a three-year period regarding the 2018/2020 term of office and the Company Secretary was appointed by the Executive Board of Directors to her post on the same date and for the referred term of office.

The members of the Board of the General Meeting in office until 5 April 2018 was composed as follows:

BOARD OF THE GENERAL MEETING	
Chairman	António Manuel de Carvalho Ferreira Vitorino
Vice-Chairman	Rui Pedro Costa Melo Medeiros
Company	Maria Teresa Isabel Pereira

Since 5 April 2018, Board of the General Meeting is composed as follows:

BOARD OF THE GENERAL MEETING		
Chairman	António Manuel de Carvalho Ferreira Vitorino	
Vice-Chairman	Rui Pedro Costa Melo Medeiros	
Company	Ana Rita Pontífice Ferreira de Almeida Côrte-Real	

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

2.1.2. GENERAL AND SUPERVISORY BOARD

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

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

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

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

- Approve internal rules, including rules on relations with the other corporate bodies;
- Exercise any other powers that may be granted by law, the Articles of Association or by the General Meeting.

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

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

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

- Representing the General and Supervisory Board and being the spokesman for its decisions with the other governing bodies.
- Taking the necessary steps to ensure that the General and Supervisory Board adequately monitors the Company's and its Subsidiary Companies' business.
- Coordinating the work of the General and Supervisory Board and ensuring the correct operation of its committees, being entitled to attend any meeting and being kept informed of their activities.
- Propose to the General and Supervisory Board the Members, the Chairman, and, when appropriate, the Vice-Chairman of each Committee. Ensuring that the members of the General and Supervisory Board punctually receive the information they need for their duties.
- Monitoring implementation of the General and Supervisory Board's budget and managing the material and human resources assigned to it.
- · Convening and presiding over meetings of the General and Supervisory Board.

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

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

At the Annual General Meeting held on 5 April 2018, the members of the General and Supervisory Board were elected for a three-year period regarding the 2018/2020 term of office. The term of office of the members of

this corporate body therefore ends on 31 December 2020, though they may remain in office until a new appointment.

Until 5 April 2018, the General and Supervisory Board had the following composition:

GENERAL AND	SUPERVISORY BOARD	INDEPENDENT MEMBERS	FIRST APPOINTMENT DATE
Chairman	China Three Gorges Corporation represented by Eduardo de Almeida Catroga ¹		20-02-2012
Vice-Chairman	Luís Filipe Marques Amado	Independent	21-04-2015
	China Three Gorges New Energy Co. Ltd. represented by Ya Yang		20-02-2012
	China International Water & Electric Corp. represented by Guojun Lu		20-02-2012
	China Three Gorges (Europe), S.A.) represented by Dingming Zhang		20-02-2012
	China Three Gorges (Portugal), Sociedade Unipessoal, Lda. represented by Shengliang W	u	21-04-2015
	DRAURSA, S.A. represented by Felipe Fernández Fernández		21-04-2015
	Fernando Maria Masaveu Herrero		20-02-2012
	Banco Comercial Português, S.A. represented by Nuno Manuel da Silva Amado		21-04-2015
	Sonatrach represented by Ferhat Ounoughi		12-04-2007
	Senfora BV represented by Mohammed Issa Khalfan Alhuraimel Alshamsi		21-04-2015
	António Sarmento Gomes Mota	Independent	15-04-2009
	Maria Celeste Ferreira Lopes Cardona	Independent	20-02-2012
	Ilídio da Costa Leite de Pinho	Independent	20-02-2012
	Jorge Avelino Braga de Macedo	Independent	20-02-2012
	Vasco Joaquim Rocha Vieira	Independent	20-02-2012
	Augusto Carlos Serra Ventura Mateus	Independent	06-05-2013
	João Carvalho das Neves	Independent	21-04-2015
	Alberto Joaquim Milheiro Barbosa	Independent	21-04-2015
	María del Carmen Fernández Rozado	Independent	21-04-2015
	António Manuel de Carvalho Ferreira Vitorino	Independent	21-04-2015

¹ Eduardo de Almeida Catroga was an independent member of the GSB in 2006-2008, 2009-2011 mandates and chairman, also indepedent, in 2012-2014 mandate.

The representatives of the companies China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges New Energy Co., Ltd. and China Three Gorges (Europe) SA, initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011.

Since 5 April 2018, the General and Supervisory Board is composed as follows:

GENERAL A	ND SUPERVISORY BOARD	INDEPENDENT MEMBERS	FIRST APPOINTMENT DATE
Chairman	Luís Filipe Marques Amado	Independent	21-04-201
Vice-Chairman	China Three Gorges Corporation represented by Ya Yang		20-02-201
	China Three Gorges International Corp. represented by Dingming Zhang		05-04-201
	China Three Gorges (Europe), S.A. represented by Shengliang Wu		20-02-201
	China Three Gorges Brasil Energia Ltda represented by Yinsheng Li		05-04-201
	China Three Gorges (Portugal), Sociedade Unipessoal, Lda. represented by Eduardo de Almeida Catroga¹		21-04-201
	DRAURSA, S.A. represented by Felipe Fernández Fernández		21-04-201
	Fernando Maria Masaveu Herrero		20-02-201
	Banco Comercial Português, S.A. represented por Nuno Manuel da Silva Amado		21-04-201
	Sonatrach represented by Karim Djebbour		12-04-200
	Senfora BV represented by Mohammed Issa Khalfan Alhuraimel Alshamsi		21-04-201
	Clementina Maria Dâmaso de Jesus Silva Barroso	Independent	05-04-201
	Maria Celeste Ferreira Lopes Cardona	Independent	20-02-201
	Ilídio da Costa Leite de Pinho	Independent	20-02-201
	Jorge Avelino Braga de Macedo	Independent	20-02-201
	Vasco Joaquim Rocha Vieira	Independent	20-02-201
	Augusto Carlos Serra Ventura Mateus	Independent	06-05-201
	João Carvalho das Neves	Independent	21-04-201
	Laurie Lee Fitch	Independent	05-04-201
	María del Carmen Fernández Rozado	Independent	21-04-201
	António Manuel de Carvalho Ferreira Vitorino	Independent	21-04-201

¹ Eduardo de Almeida Catroga was an independent member of the GSB in 2006-2008, 2009-2011 mandates and chairman, also indepedent, in 2012-2014 mandate.

The representatives of the companies China Three Gorges Corporation and China Three Gorges (Europe) SA, initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011.

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

The General and Supervisory Board met seven times in the first half of 2018 and minutes were kept of all the meetings.

2.1.3. EXECUTIVE BOARD OF DIRECTORS

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

According to article 16 (2) of the Articles of Association, amended at the Annual General Meeting held on 5 April 2018, there must be a minimum of five and a maximum of nine members of the Executive Board of Directors.

At that General Meeting of Shareholders held on 5 April 2018 the members of the Executive Board of Directors were elected for a three-year period regarding the 2018/2020 term of office. The term of office of the members of this corporate body therefore ends on 31 December 2020, though they may remain in office until a new appointment.

Until 5 April 2018, the Executive Board of Directors had the following composition:

EXECUTIVE	BOARD OF DIRECTORS	FIRST APPOINTMENT DATE
Chairman	António Luís Guerra Nunes Mexia	30-03-2006
	Nuno Maria Pestana de Almeida Alves	30-03-2006
	João Manuel Manso Neto	30-03-2006
	António Fernando Melo Martins da Costa	30-03-2006
	João Manuel Veríssimo Marques da Cruz	20-02-2012
	Miguel Stilwell de Andrade	20-02-2012
	Miguel Nuno Simões Nunes Ferreira Setas	21-04-2015
	Rui Manuel Rodrigues Lopes Teixeira	21-04-2015

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

Since 5 April 2018, the Executive Board of Directors is composed as follows:

EXECUTIV	E BOARD OF DIRECTORS	FIRST APPOINTMENT DATE
Chairman	António Luís Guerra Nunes Mexia	30-03-2006
	João Manuel Manso Neto	30-03-2006
	António Fernando Melo Martins da Costa	30-03-2006
	João Manuel Veríssimo Marques da Cruz	20-02-2012
	Miguel Stilwell de Andrade	20-02-2012
	Miguel Nuno Simões Nunes Ferreira Setas	21-04-2015
	Rui Manuel Rodrigues Lopes Teixeira	21-04-2015
	Maria Teresa Isabel Pereira	05-04-2018
	Vera de Morais Pinto Pereira Carneiro	05-04-2018

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

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

- Setting the goals and management policies of EDP and the EDP Group;
- Drawing up the annual business and financial plans;
- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the responsibilities of other company bodies;
- Representing the company in and out of court, actively and passively, with the power to waive, transact and admit guilt in any legal proceedings and make arbitration agreements;

- Buying, selling or by any other means disposing or encumbering rights or immovable assets;
- Setting up companies and subscribing, purchasing, encumbering and selling shareholdings;
- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, in compliance with the annual quantitative limits set by the General and Supervisory Board;
- Establishing the technical and administrative organisation of EDP and the rules of procedure, particularly in relation to personnel and their remuneration;
- Appointing proxies with such powers as it sees fit, including the power to delegate;
- Appointing the Company Secretary and alternate;
- Hiring and dismissing the External Auditor on recommendation of the General and Supervisory Board;
- Exercising any other powers that may be granted to it by law or by the General Meeting;
- Establishing its own internal rules.

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

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

On the other hand, pursuant to Article 18 of the Articles of Association, the Chairman of the Executive Board of Directors is granted particular powers by. These powers are:

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

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

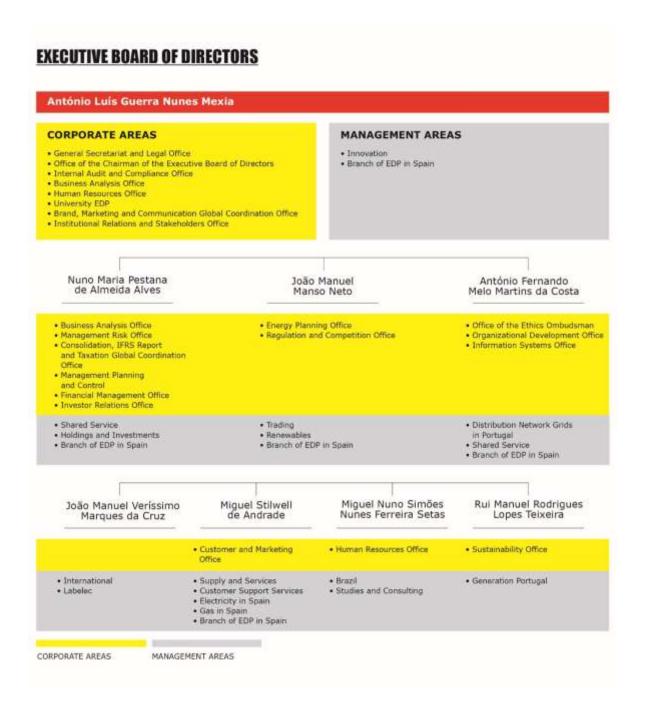
Pursuant Article 20 (1) of EDP's Articles of Association and Article 6 (1) of the Executive Board of Directors' Internal Regulation, this corporate body must meet bi-monthly, however, it usually meets weekly.

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

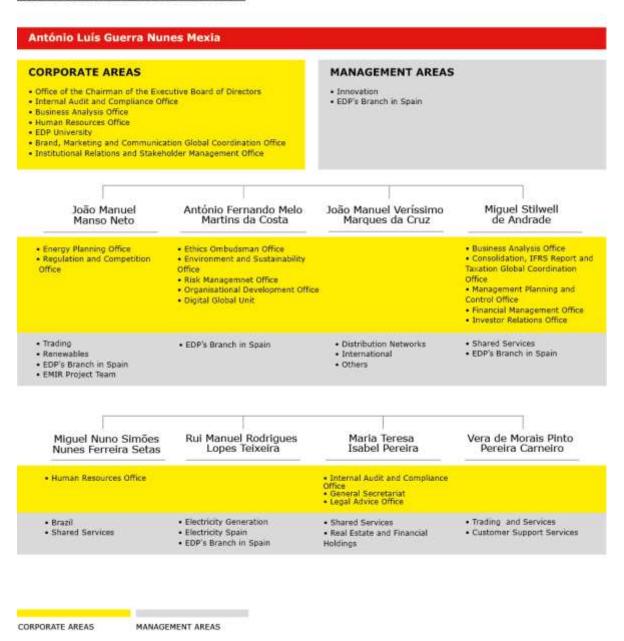
The Executive Board of Directors met twenty-five times in the first half of 2018 and minutes were kept of all the meetings.

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

Until 5 April 2018, the members of the Executive Board of Directors were responsible for the following management areas and corporate matters:



On 17 April 2018, the Executive Board of Directors elected at the Annual General Meeting held on 5 April 2018 approved the following functional division of management areas and corporate matters to each of its members:



2.1.4. STATUTORY AUDITOR

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

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

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

At the Annual General Meeting on 5 April 2018, the Statutory Auditor and its Alternate were elected for a three-year period regarding the 2018/2020 term of office. The term of office of the members of this corporate body therefore ends on 31 December 2020, though they may remain in office until a new appointment.

Until 5 April 2018, the Statutory Auditor and its Alternate were the following:

STATUTORY AUDITOR	
Permanent	KPMG & Associados, SROC, S.A. represented by Vítor Manuel da Cunha Ribeirinho
Alternate	Susana de Macedo Melim de Abreu Lopes

Since 5 April 2018, the Statutory Auditor and its Alternate are the following:

STATUTORY AL	STATUTORY AUDITOR		
Permanent	PricewaterhouseCoopers & Associados, Sociedade de Revisores de Contas, Lda., represented by João Rui Fernandes Ramos		
Alternate	Aurélio Adriano Rangel Amado		

EDP's auditor is PricewaterhouseCoopers & Associados - Sociedade de Revisores de Contas, Lda., represented by João Rui Fernandes Ramos.

2.1.5. ENVIRONMENT AND SUSTAINABILITY BOARD

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

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

Pursuant to Article 28 (2) of EDP's Articles of Association, the Environment and Sustainability Board is composed by five members with acknowledged competence in the field of environmental protection and sustainability, which are appointed by the General Shareholders' Meeting under proposal of the Executive Board of Directors.

In view of these responsibilities, the Environment Board met twice in the first half of 2018 and the minutes of this meetings were drawn up.

The members of the Environment and Sustainability Board elected at the Annual General Meeting, on 5 April 2018, for a three-year period regarding the 2018/2020 term of office.

Until 5 April 2018, the Environment and Sustainability Board had the following composition:

ENVIRONMENTAL AND SUSTAINABILITY BOARD

Chairman José Pedro Sucena Paiva

António José Tomás Gomes de Pinho José Manuel Viegas

Maria da Graça Madeira Martinho

Since 5 April 2018, the Environment and Sustainability Board is composed as follows:

ENVIRONMENTAL AND SUSTAINABILITY BOARD

Chairman José Manuel Viegas

António José Tomás Gomes de Pinho Joana Pinto Balsemão Joaquim Poças Martins Pedro Oliveira

2.1.6. REMUNERATION COMMITTEE OF THE GENERAL MEETING

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

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

The members of the Remunerations Committee of the General Meeting were designated at the Annual General Meeting held on 5 April 2018 for the three-year period of the 2018/2020 term of office.

REMUNARATION COMMITTEE OF THE GENERAL MEETING

Chairman Luís Miguel Nogueira Freire Cortes Martins

José Gonçalo Ferreia Maury Jaime Amaral Anahory

2.1.7. SPECIALISED COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

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

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

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

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

The General and Supervisory Board, elected at the Annual General Meeting on 5 April 2018, decided to maintain for the 2018/2020 term of office the four specialised committee that had operated as counselors in the previous mandate (2015/2017): Financial Matters Committee/Audit Committee, Remuneration Committee, Corporate Governance and Sustainability Committee and Strategy and Performance Committee.

FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

The Financial Matters Committee/Audit Committee is made up of five independent members with the appropriate qualifications and experience, including at least one member with a degree in the area of the committee's duties and specific knowledge of auditing and accounting, as confirmed by the Curriculum Vitae of the Chairman, which available on EDP's website (www.edp.com).

Until 5 April 2018, the Financial Matters Committee/Audit Committee was composed of the following members:

FINANCIAL MA	TTERS COMMITTEE/AUDIT COMMITTEE	FIRST APPOINTMENT DATE
Chairman	António Sarmento Gomes Mota*	07-05-2009
Vice-Chairman	João Carlos Carvalho das Neves	22-04-2015
	Alberto Joaquim Milheiro Barbosa	22-04-2015
	Maria del Carmen Ana Fernández Rozado	22-04-2015
	Maria Celeste Ferreira Lopes Cardona	18-04-2012
* Appointed as Chairman o	on 22 April 2015	

Since 6 April 2018, the Financial Matters Committee/Audit Committee is composed as follows:

FINANCIAL MA	TTERS COMMITTEE/AUDIT COMMITTEE	FIRST APPOINTMENT DATE
Chairman	Luís Filipe Marques Amado	06-04-2018
Vice-Chairman	João Carlos Carvalho das Neves	22-04-2015
	Clementina Maria Dâmaso de Jesus Silva Barroso	06-04-2018
	María del Carmen Ana Fernández Rozado	22-04-2015
	Maria Celeste Ferreira Lopes Cardona	18-04-2012
* Appointed as Chairma	n on 22st April 2015	

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

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

The Financial Matters Committee/Audit Committee, as a specialised committee of the General and Supervisory Board, also assists it in the hiring and dismissal of the External Auditor, pursuant to the Articles of Association (Article 22 (1) (q)) and the Internal Regulations of the Financial Matters Committee/Audit Committee (Article 10 (1) (K).

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

In view of these responsibilities, the Financial Committee/Audit Committee held nine meeting in the first half of 2018 and the minutes of these meetings were drawn up.

REMUNERATION COMMITTEE OF THE GENERAL AND SUPERVISORY BOARD

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

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

In the first half of 2018, in view of these responsibilities, the Remuneration Committee of the General and Supervisory Board held two meetings and the minutes of these meetings were drawn up.

The members of the Remuneration Committee of the General and Supervisory Board were designated at the Annual General Meeting held on 5 April 2018 for the three-year period of the 2018/2020 term of office:

REMUNERAT	ION COMMITTEE OF THE GENERAL AND SUPERVISORY BOARD	FIRST APPOINTMENT DATE
Chairman	Yang Ya	21-04-2015
	Fernando María Masaveu Herrero	21-04-2015
	Ilídio da Costa Leite de Pinho	22-05-2012
	João Carvalho das Neves	21-04-2015
	Vasco Joaquim Rocha Vieira	21-04-2015

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

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

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

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

In the first half of 2018, the Corporate Governance and Sustainability Committee held two meetings and the minutes of the meetings were drawn up.

Until 5 April 2018, the Corporate Governance and Sustainability Committee had the following composition:

CORPORATE	GOVERNANCE AND SUSTAINABILITY COMMITTEE	FIRST APPOINTMENT DATE
Chairman	Luís Filipe Marques Amado	22-04-2015
	Felipe Fernández Fernández	22-04-2015
	Jorge Avelino Braga de Macedo	22-04-2015
	Maria Celeste Ferreira Lopes Cardona	18-04-2012
	Shengliang Wu	11-05-2012

Since 6 April 2018, the Corporate Governance and Sustainability Committee is composed as follows:

CORPORATE	GOVERNANCE AND SUSTAINABILITY COMMITTEE	FIRST APPOINTMENT DATE
Chairman	Luís Filipe Marques Amado	22-04-2015
	Felipe Fernández Fernández	22-04-2015
	Augusto Carlos Serra Ventura Mateus	06-04-2018
	Jorge Avelino Braga de Macedo	22-04-2015
	Li Yinsheng	06-04-2018
	Maria Celeste Ferreira Lopes Cardona	18-04-2012
	Shengliang Wu	11-05-2012

STRATEGY AND PERFORMANCE COMMITTEE

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

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

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

In the first half of 2018, the Strategy and Performance Committee held three meetings and the minutes of the meetings were drawn up.

Until 5 April 2018, the Strategy and Performance Committee had the following composition:

STRATEGY AND PERFORMANCE COMMITTEE		FIRST APPOINTMENT DATE
Chairman	Eduardo de Almeida Catroga	18-06-2015
	Alberto Joaquim Milheiro Barbosa	18-06-2015
	Augusto Carlos Serra Ventura Mateus	18-06-2015
	Zhang Dingming	18-06-2015
	Ferhat Onoughi	18-06-2015
	Fernando Maria Masaveo Herrero	18-06-2015
	João Carlos Carvalho das Neves	18-06-2015
	Jorge Avelino Braga de Macedo	18-06-2015
	Mohammed Issa Khalfan Alhuraimel Alshamsi	18-06-2015
	Shengliang Wu	18-06-2015

Since 6 April 2018, the Strategy and Performance Committee is composed as follows:

STRATEGY A	ND PERFORMANCE COMMITTEE	FIRST APPOINTMENT DATE
Chairman	Eduardo de Almeida Catroga	18-06-2015
	Augusto Carlos Serra Ventura Mateus	18-06-2015
	Dingming Zhang	18-06-2015
	Fernando Maria Masaveu Herrero	18-06-2015
	Jorge Avelino Braga de Macedo	18-06-2015
	Karim Djebbour	06-04-2018
	Laurie Lee Fitch	06-04-2018
	Mohammed Issa Khalfan Alhuraimel Alshamsi	18-06-2015
	Nuno Manuel da Silva Amado	18-06-2015*
	Shengliang Wu	18-06-2015
	Vasco Rocha Vieira	06-04-2018

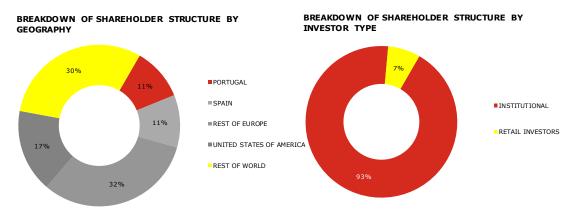
^{*} Nuno Manuel da Silva Amado was a member of the Strategy and Performance Committee between 18/06/2015 and 02/11/2017 and, on 06/04/2018 integrated again the composition of this Committee.

III. SHAREHOLDER STRUCTURE AND MANAGEMENT TRANSACTIONS

3.1 CAPITAL STRUCTURE

EDP's share capital amounts to 3,656,537,715.00 euros and is fully paid, pursuant to article 4 the Articles of Association, and is represented by 3,656,537,715 shares with a nominal value of 1 euro each.

The geographical and investor type breakdown of the EDP shareholder structure on 30 June 2018 was as follows:



Source: Interbolsa

3.2 QUALIFYING HOLDINGS

Pursuant to Article 8 (1) (b) of CMVM Regulation 5/2008, we are providing the following information on qualifying holdings owned by EDP shareholders as at 30 June 2017 and their voting rights in accordance with Article 20 (1) of the Securities Code.

SHAREHOLDER	NR. OF SHARES	% CAPITAL WITH VOTING RIGHTS
CHINA THREE GORGES CORPORATION		
Stakes held by entities in a control or group relationship		
China Three Gorges (Europe), S.A.	850,777,024	23.27%
Total	850,777,024	23.27%

China Three Gorges (Europe), S.A. is fully owned by China Three Gorges (Hong Kong) Co. Ltd , which is fully owned by CWE Investment Co. Ltd. China Three Gorges Corporation directly holds 100% equity of CWE Investment Co. Ltd. China Three Gorges Corporation is in turn fully owned by People Republic of China.

CNIC CO. LTD.		
Stakes held by entities in a control or group relationship		
Orise, S.a.r.l.	182,081,216	4.98%
Total	182 081 216	4.98%

Orise, S.a.r.I. is fully owned by Kindbright Holdings Corp. Limited, which in turn is fully owned by CNIC Co., Ltd (formerly know as Guoxin International Investment Co., Ltd.), which in turn is fully owned by People's Republic of China.

According to paragraph 1(b) of article 20 of the Portuguese Securities Code, which dictates the aggregation of China Three Gorges and CNIC Co., Ltd.'s shareholdings, a total of 28.25% of voting rights are attributable to People's Republic of China.

70,650,307 72,360,498	1.98%
70,050,307	1.3370
70.650.307	1.93%
178,199,552	4.87%
364,675,613	9.97%
	178,199,552

Capital Research and Management Company ("CRMC") is fully owned by Capital Group Companies, Inc. CRMC is an investment consultancy vehicle which manages mutual funds registered in the United States. CRMC manages capital assets for several investment companies through three divisions, Capital Research Global Investors, Capital Investors, Capital Investors and World Investors. CRMC fully owns Capital Group International, Inc. ("CGII"), which in turn controls investment management companies ("fund management companies ("GII"). Capital Guardian Trust Company, Capital International, Inc., Capital International Limited and Capital International Sair. The fund management companies CGII operate primarily as investment managers for institutional clients. The reported shareholdings are held by mutual investment funds under discretionary investment management.

Capital Group Companies, Inc. latest shareholding disclosure occurred in May 15th and 16th, 2018, except for Income Fund of America which disclosed its stake in November 29th, 2017. Worth noting that Capital Group Companies, Inc. held in May 15th, 2018 10 American Depositary Receipts, each representing 10 shares of EDP - Energias de Portugal, S.A.

Total	262 046 646	7 10%
Oppidum Capital, S.L.	263,046,616	7.19%
Stakes held directly		
OPPIDUM CAPITAL, S.L.		

According to paragraph 1(b) of article 20 of the Portuguese Securities Code, the voting rights inherent to the share capital held by Oppidum Capital, SL and Flicka Forestal, SL are imputable to Fernando Masaveu Herrero. Oppidum Capital, SL is 55.9% owned by Masaveu Internacional, SL is and 44.1% owned by Liberbank, SA. In turn, Masaveu Internacional, SL is 100% held by Corporación Masaveu, SA. Corporación Masaveu, SA is 41.38% held by Fundación María Cristina Masaveu Peterson, 10.73% by Flicka Forestal, SL and 0.03% by Fernando Masaveu Herrero. Fernando Masaveu Herrero controls Fundación María Cristina Masaveu Peterson, Flicka Forestal, SL and Peña María, S.L. Flicka Forestal, SL holds 2,000,000 shares of EDP's share capital, which correspond to 0.00465% of the voting rights. Also, three dependents of Fernando Masaveu Herrero, namely Pedro Masaveu Compostizo, Jaime Masaveu Compostizo and Elias Masaveu Compostizo hold each 500 shares of EDP's share capital. In this sense, in total, 7.25% of the voting rights of EDP, corresponding to 265,065,136 shares of EDP's share capital, should be imputable to Fernando Masaveu Herrero.

49,282,565 776,486 1,046,389 3,836,968 1,059,783 9,606,564 18,662,688 9,693	1.38 0.02 0.03 0.10 0.03 0.22
776,486 1,046,389 3,836,968 1,059,783 9,606,564 18,662,688	0.02 0.03 0.10 0.03
776,486 1,046,389 3,836,968 1,059,783 9,606,564 18,662,688	0.02 0.03 0.10 0.03
1,046,389 3,836,968 1,059,783 9,606,564 18,662,688	0.03 0.10 0.03
3,836,968 1,059,783 9,606,564 18,662,688	0.10 0.03
1,059,783 9,606,564 18,662,688	0.03
9,606,564 18,662,688	
18,662,688	0.2
9 693	0.5
	0.0
11,076	0.0
45,287	0.0
32,320,429	0.8
	0.4
	0.9
	0.0
	0.0
	0.0
	0.0
	0.0
	0.1
	0.0 5.0 0
148 431 999	4.0
	4.06
350,000	
	0.0
	0.0
88,639,949	0.0 2.4
	2.4
88,639,949	
88,639,949	2.4
88,639,949	2.4 2.4
88,639,949 88,989,949	2.4 2.4:
88,639,949 88,989,949 87,007,433	2.4 2.4:
88,639,949 88,989,949 87,007,433	2.4 2.4; 2.3
88,639,949 88,989,949 87,007,433 87,007,433	2.4
88,639,949 88,989,949 87,007,433 87,007,433	2.4 2.4 2.3 2.3
88,639,949 88,989,949 87,007,433 87,007,433	2.4 2.43 2.38 2.38
88,639,949 88,989,949 87,007,433 87,007,433 82,868,933 82,868,933	2.4 2.4; 2.3; 2.3; 2.2;
88,639,949 88,989,949 87,007,433 87,007,433	2.4 2.4 2.3 2.3 2.2 2.2
88,639,949 88,989,949 87,007,433 87,007,433 82,868,933 82,868,933	2.4 2.4 2.3 2.3 2.2 2.2
88,639,949 88,989,949 87,007,433 87,007,433 82,868,933 82,868,933 78,097,245 78,097,245	2.4 2.4; 2.3; 2.3;
	16,462,044 32,735,889 428,495 773,921 1,132,323 3,388,710 3,244,637 6,412,059 1,497,174 182,733,180

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

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

The table below shows the financial instruments held by members of Executive Board of Directors and the changes occurred during the first semester of 2018, as required by Article 447 (5) of the Companies Code.

The financial instruments owned and/or imputable by the members of the Executive Board of Directors in office until 5 April 2018:

	EDP - ENERGIAS DE PORTUGAL, S.A.				EDP - ENE BRASI	
EXECUTIVE BOARD OF DIRECTORS ¹	Nº SHARES 05-04-2018	Nº SHARES 31-12-2017	Nº BONDS 05-04-2018	Nº BONDS 31-12-2017	Nº SHARES 05-04-2018	Nº SHARES 31-12-2017
António Luís Guerra Nunes Mexia	91,000	91,000	0	0	1	1
Nuno Maria Pestana de Almeida Alves	150,000	150,000	0	0	1	1
João Manuel Manso Neto	1,268	1,268	0	0	0	0
António Fernando Melo Martins da Costa	54,299	54,299	0	0	0	0
João Manuel Veríssimo Marques da Cruz	79,578	79,578	200,000	200,000	0	0
Miguel Stilwell de Andrade	140,000	140,000	0	0	0	0
Miguel Nuno Simões Nunes Ferreira Setas	7,382	7,382	0	0	6,000	6,000
Rui Manuel Rodriques Lopes Teixeira ²	31,733	31,733	0	0	0	0

¹ The members of the Executive Board of Directors do not hold any shares of EDP Renováveis, S.A.

In turn, the financial instruments owned and/or imputable by the members of the Executive Board of Directors in office since 5 April 2018 are the following:

	EDP - ENERGIAS DE PORTUGAL, S.A.			EDP - ENERGIAS DE PORTUGAL, S.A. EDP - ENERGIAS DO BRASIL, S.A.			
EXECUTIVE BOARD OF DIRECTORS ¹	Nº SHARES 30-06-2018	Nº SHARES 05-04-2018	Nº BONDS 30-06-2018	Nº BONDS 05-04-2018	Nº SHARES 30-06-2018	Nº SHARES 05-04-2018	
António Luís Guerra Nunes Mexia	91.000	91.000	0	0	1	1	
João Manuel Manso Neto	1.268	1.268	0	0	0	0	
António Fernando Melo Martins da Costa	54.299	54.299	0	0	0	0	
João Manuel Veríssimo Marques da Cruz	79.578	79.578	200.000	200.000	0	0	
Miguel Stilwell de Andrade	140.000	140.000	0	0	0	0	
Miguel Nuno Simões Nunes Ferreira Setas	7.382	7.382	0	0	6.000	6.000	
Rui Manuel Rodrigues Lopes Teixeira 2	31.733	31.733	0	0	0	0	
Maria Teresa Isabel Pereira 3	71.281	66.256	0	0	0	0	
Vera Pinto Pereira	0	0	0	0	0	0	

¹ The members of the Executive Board of Directors do not hold any shares of EDP Renováveis, S.A.

In the first half 2018, the members of the Executive Board of Directors did not perform any operations with EDP – Energias de Portugal, S.A. shares. Nevertheless, it is worth noting that on April 30th, 2018, 5,025 shares of EDP share capital were attributed to Maria Teresa Isabel Pereira through an off-market transaction. This transaction occurred due to a payment in kind, by EDP - Energias de Portugal, S.A., of part of the performance annual bonus for 2017, attributable to Top Management.

 $^{^2}$ The shares of EDP - Energias de Portugal, S.A. includes 1,490 held by his spouse, Lina Lago da Silva Dantas Martins.

² The shares of EDP - Energias de Portugal, S.A. includes 1,490 held by his spouse, Lina Lago da Silva Dantas Martins.

³ On April 30th 2018, were attributed 5,025 shares, 3 euro each, as a payment in kind of part of the performance annual bonus for 2017, attributable to the Top Management.

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE GENERAL AND **SUPERVISORY BOARD**

Financial instruments owned and/or imputable to members of the General and Supervisory Board until 5 April 2018:

	EDP - ENERGIAS DE PORTUGAL, S.A.			
GENERAL AND SUPERVISORY BOARD ¹	N.º SHARES 05-04-2018	N.º SHARES 31-12-2017	N.º BONDS 05-04-2018	N.º BONDS 31-12-2017
China Three Gorges Corporation	850,777,024	850,777,024	0	0
Eduardo Catroga (in representation of China Three Gorges Corporation)	0	0	0	0
Luís Filipe Marques Amado	0	0	0	0
China Three Gorges New Energy Co. Ltd.	0	0	0	0
Ya Yang (in representation of da China Three Gorges New Energy Co. Ltd.)	0	0	0	0
China International Water & Electric Corp.	0	0	0	0
Guojun Lu (in representation of China International Water & Electric Corp.)	0	0	0	0
China Three Gorges (Europe) S.A.	850,777,024	850,777,024	0	0
Dingming Zhang (in representation of da China Three Gorges (Europe) S.A.)	0	0	0	0
China Three Gorges (Potugal), Sociedade Unipessoal, Lda.	0	0	0	0
Shengliang Wu (in representation of China Three Gorges (Portugal), Sociedade Unipessoal, Lda.)	0	0	0	0
Draursa, S.A.	0	0	0	0
Felipe Fernández Fernández (in representation of Draursa, S.A.) ²	1,350	1,350	0	0
Fernando Maria Masaveu Herrero ³	265,065,136	265,065,136	0	0
Banco Comercial Português, S.A.	89,126,167	89,126,167	0	0
Nuno Manuel da Silva Amado (in representation of Banco Comercial Português, S.A.)	0	0	0	0
Sonatrach	87,007,433	87,007,433	0	0
Ferhat Ounoughi (in representation of Sonatrach)	0	0	0	0
Senfora BV	148,431,999	148,431,999	0	0
Mohammed Issa Khalfan Alhuraimel Alshamsi (in representation of Senfora BV)	0	0	0	0
António Sarmento Gomes Mota	0	0	0	0
Alberto Joaquim Milheiro Barbosa	0	0	0	0
António Manuel de Carvalho Ferreira Vitorino	0	0	0	0
Augusto Carlos Serra Ventura Mateus	0	0	0	0
Ilídio da Costa Leite de Pinho	0	0	0	0
João Carvalho das Neves	7,429	7,429	5	5
Jorge Avelino Braga de Macedo	0	0	0	0
Maria Celeste Ferreira Lopes Cardona	0	0	0	0
María del Carmen Ana Fernández Rozado	0	0	0	0
Vasco Joaquim Rocha Vieira	3,203	3,203	0	0

 $^{^{}m 1}$ The members of the General and Supervisory Board do not hold any shares of EDP Renováveis, S.A. or Energias do Brasil, S.A.

In turn, the financial instruments owned and/or imputable by the members of the General and Supervisory Board in office since 5 April 2018 are the following:

² The shares of EDP - Energias de Portugal are held by his spouse, Maria Teresa Fernández Veja, and were identified following a process of division of an inheritance.

The shares of EDP - Energias de Portugal are held by his spouse, Maria Teresa Fernández Veja, and were identified following a process of division of an inheritance.

3 According to paragraph 1(b) of article 20 of the Portuguese Securities Code, the voting rights inherent to the share capital held by Oppidum Capital, SL and Flicka Forestal, SL are imputable to Fernando Masaveu Herrero. Oppidum Capital, SL is 55.9% owned by Masaveu Internacional, S.L. and 44.1% owned by Liberbank, S.A. In turn, Masaveu Internacional, SL is 100% held by Corporación Masaveu, SA is 41.38% held by Fundación María Cristina Masaveu Peterson, 10.73% by Flicka Forestal, SL and 0.03% by Fernando Masaveu Herrero. Fernando Masaveu Herrero controls Fundación María Cristina Masaveu Peterson, Flicka Forestal, SL and Peña Maria, S.L. Flicka Forestal, SL holds 2,000,000 shares of EDP's share capital, which correspond to 0.05% of the voting rights. Additionally, Fernando Masaveu Herrero's spouse holds 17,020 shares of EDP's share capital, which correspond to 0.000465% of the voting rights. Also, three dependents of Fernando Masaveu Compostizo hold each 500 shares of EDP's share capital. In this sense, in total, 7.25% of the voting rights of EDP, corresponding to 265,065,136 shares of EDP's share capital, should be imputable to Fernando Masaveu Herrero.

		EDP - ENERGIAS DE PORTUGAL, S.A.			
GENERAL AND SUPERVISORY BOARD ¹	N.º SHARES 30-06-2018	N.º SHARES 05-04-2018	N.º BONDS 30-06-2018	N.º BONDS 05-04-2018	
Luís Filipe Marques Amado	0	0	0	0	
China Three Gorges Corporation	850,777,024	850,777,024	0	0	
Ya Yang (in representation of China Three Gorges Corporation)	0	0	0	0	
China Three Gorges International Corp.	850,777,024	850,777,024	0	0	
Dingming Zhang (in representation of China Three Gorges International Corp.)	0	0	0	0	
China Three Gorges (Europe) S.A.	850,777,024	850,777,024	0	0	
Shengliang Wu (in representation of China Three Gorges (Europe) S.A.)	0	0	0	0	
China Three Gorges Brasil Energia Ltda.	0	0	0	0	
Yinsheng Li (in representation of China Three Gorges Brasil Energia Ltda.)	0	0	0	0	
China Three Gorges (Potugal), Sociedade Unipessoal, Lda.	0	0	0	0	
Eduardo Catroga (in representation of China Three Gorges (Potugal), Sociedade Unipessoal, Lda.)	0	0	0	0	
Draursa, S.A.	0	0	0	0	
Felipe Fernández Fernández (in representation of Draursa, S.A.)2	1,350	1,350	0	0	
Fernando Maria Masaveu Herrero ³	265,065,136	265,065,136	0	0	
Banco Comercial Português, S.A.	88,989,949	89,126,167	0	0	
Nuno Manuel da Silva Amado (em representaçãpo do Banco Comercial Português, S.A.)	0	0	0	0	
Sonatrach	87,007,433	87,007,433	0	0	
Karim Djebbour (in representation of Sonatrach)	0	0	0	0	
Senfora BV	148,431,999	148,431,999	0	0	
Mohammed Issa Khalfan Alhuraimel Alshamsi (in representation of Senfora BV)	0	0	0	0	
Clementina Maria Dâmaso de Jesus Silva Barroso	0	0	0	0	
Laurie Fitch	0	0	0	0	
António Manuel de Carvalho Ferreira Vitorino	0	0	0	0	
Augusto Carlos Serra Ventura Mateus	0	0	0	0	
Ilídio da Costa Leite de Pinho	0	0	0	0	
João Carvalho das Neves	7,429	7,429	5	5	
Jorge Avelino Braga de Macedo	0	0	0	0	
Maria Celeste Ferreira Lopes Cardona	0	0	0	0	
María del Carmen Ana Fernández Rozado	0	0	0	0	
Vasco Joaquim Rocha Vieira	3,203	3,203	0	0	

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

In the first semester of 2018, the members of the General and Supervisory Board did not perform any operations with EDP – Energias de Portugal, S.A. shares. The variation found at the shareholding held by Banco Comercial Português, S.A. is due to the change of the amount of shares held by the Fundo de Pensões do Grupo BCP, whose management company exercises independently their voting rights, according to the table on item 3.2.

² The shares of EDP - Energias de Portugal are held by his spouse, Maria Teresa Fernández Veja, and were identified following a process of division of an inheritance.

³ According to paragraph 1(b) of article 20 of the Portuguese Securities Code, the voting rights inherent to the share capital held by Oppidum Capital, SL and Flicka Forestal, SL are imputable to Fernando Masaveu Herrero. Oppidum Capital, SL is 55.9% owned by Masaveu Internacional, S.L. and 44.1% owned by Liberbank, S.A. In turn, Masaveu Internacional, S.L. is 100% held by Corporación Masaveu, SA is 41.38% held by Fundación Maria Cristina Masaveu Peterson, 10.73% by Flicka Forestal, SL and 0.03% by Fernando Masaveu Herrero. Fernando Masaveu Herrero controls Fundación Maria Cristina Masaveu Peterson, Flicka Forestal, SL and Peña Maria, S.L. Flicka Forestal, SL holds 2,000,000 shares of EDP's share capital, which correspond to 0.05% of the voting rights. Additionally, Fernando Masaveu Herrero's spouse holds 17,020 shares of EDP's share capital, which correspond to 0.000465% of the voting rights. Also, three dependents of Fernando Masaveu Herrero, namely Pedro Masaveu Compostizo, Jaime Masaveu Compostizo and Elias Masaveu Compostizo hold each 500 shares of EDP's share capital. In this sense, in total, 7.25% of the voting rights of EDP, corresponding to 265,065,136 shares of EDP's share capital, should be imputable to Fernando Masaveu Herrero.

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THE LIVING ENERGY S BOOK by edp



Condensed Financial Statements 30 June 2018

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Condensed Consolidated Income Statement for the six-month periods ended at 30 June 2018 and 2017

Thousand Euros	Notes	2018	2017
Revenues from energy sales and services and other	7	7,558,990	7,875,410
Cost of energy sales and other	7	-4,866,504	-4,982,355
		2,692,486	2,893,055
Other income	8	186,312	199,020
Supplies and services	9	-442,720	-472,361
Personnel costs and employee benefits	10	-324,893	-340,788
Other expenses	11	-389,459	-376,442
Outer expenses		-970,760	-990,571
		1,721,726	1,902,484
		1,721,720	1,302,404
Provisions	34	3,088	-1,647
Amortisation and impairment	12	-698,961	-708,664
		1,025,853	1,192,173
Financial income	13	291,028	240,254
Financial expenses	13	-568,127	-610,200
Share of net profit in joint ventures and associates	20	3,458	7,228
Profit before income tax and CESE		752,212	829,455
Income tax expense	14	-116,918	-119,153
Extraordinary contribution to the energy sector (CESE)	15	-64,057	-67,415
		-180,975	-186,568
			, ,
Net profit for the period		571,237	642,887
Attributable to:			
Equity holders of EDP		379,989	450,430
Non-controlling Interests	30	191,248	192,457
Net profit for the period		571,237	642,887
Earnings per share (Basic and Diluted) - Euros	27	0.10	0.12

LISBON, 26 JULY 2018

THE CERTIFIED ACCOUNTANT N.º 17,713

THE MANAGEMENT

Condensed Consolidated Statements of Comprehensive Income for the six-month periods ended at 30 June 2018 and 2017

	2018		2017		
	Equity holders	Non-controlling	Equity holders	Non-controlling	
Thousand Euros	of EDP	Interests	of EDP	Interests	
Net profit for the period	379,989	191,248	450,430	192,457	
I tems that will never be reclassified to profit or loss (i)					
Actuarial gains/(losses)	4,003	916	46,765	-1,976	
Tax effect from the actuarial gains/(losses)	-1,279	-311	-13,691	672	
Fair value reserve with no recycling					
(financial assets) (ii)	-1,620				
Tax effect from the fair value reserve with no recycling					
(financial assets) (ii)	399				
	1,503	605	33,074	-1,304	
Items that may be reclassified to profit or loss (i)	424.000	120 575	420.207	224.406	
Exchange differences arising on consolidation	-124,890	-128,575	-128,307	-224,196	
Fair value reserve	101.046	2.260	F2 200	2 506	
(cash flow hedge) (ii) Tax effect from the fair value reserve	-101,946	-2,268	-53,380	3,586	
(cash flow hedge) (ii)	24,421	361	13,267	-1,695	
Fair value reserve with recycling	24,421		13,207	-1,093	
(financial assets) (ii)	-1,110	_	-23,491	-	
Tax effect from the fair value reserve with recycling	,				
(financial assets) (ii)	350	-	-2,082	-	
Share of other comprehensive income of			<u> </u>		
joint ventures and associates, net of taxes	-2,810	244	604	3,822	
	-205,985	-130,238	-193,389	-218,483	
Other comprehensive income for the period, net of income tax	-204,482	-129,633	-160,315	-219,787	
Total comprehensive income for the period	175,507	61,615	290,115	-27,330	

⁽i) See Condensed Consolidated Statement of Changes in Equity

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⁽ii) See Note 29



Condensed Consolidated Statements of Financial Position as at 30 June 2018 and 31 December 2017

Thousand Euros	Notes	2018	2017
Assets			
Property, plant and equipment	16	22,749,361	22,730,615
Intangible assets		4,483,622	4,747,360
Goodwill	18	2,239,190	2,232,668
Investments in joint ventures and associates	20	869,517	843,082
Available for sale investments		-	124,016
Equity instruments at fair value	21	123,399	124,010
Investment property		27,614	39,199
Deferred tax assets	22	1,053,330	808,521
Debtors and other assets from commercial activities	23	2,612,112	2,839,379
Other debtors and other assets	24	560,081	518,772
Non-Current tax assets	25	49,245	60,793
Collateral deposits associated to financial debt	32	26,832	34,874
Total Non-Current Assets		34,794,303	34,979,279
Total Non-Carrent Assets		31,731,303	31,373,273
Inventories		304,676	265,775
Debtors and other assets from commercial activities	23	3,083,863	3,325,730
Other debtors and other assets	24	368,311	304,628
Current tax assets	25	509,354	520,500
Financial assets at fair value through profit or loss		309,334	37,544
Collateral deposits associated to financial debt	32	14,571	10,381
Cash and cash equivalents	26	1,554,539	2,400,077
Assets held for sale	39	268,632	231,135
Total Current Assets		6,103,946	7,095,770
Total Assets		40,898,249	42,075,049
Total Assets		40,030,243	42,073,049
Equity			
Equity Chara conital	27	2 656 520	2 (56 520
Share capital	27	3,656,538	3,656,538
Treasury stock	28	-62,410 503,923	-62,957 503,923
Share premium	<u>27</u> 29	4,475,737	4,335,265
Reserves and retained earnings Consolidated net profit attributable to equity holders of EDP	29	379,989	1,113,169
Total Equity attributable to equity holders of EDP		8,953,777	9,545,938
Non-controlling Interests	30	3,886,520	3,934,322
Total Equity		12,840,297	13,480,260
Total Equity		12,040,237	13,400,200
Liabilities			
Financial debt	32	14,370,396	15,469,636
Employee benefits	33	1,097,835	1,198,362
Provisions	34	793,435	726,771
Deferred tax liabilities	22	557,297	466,532
Institutional partnerships in USA	35	2,090,103	2,163,722
Trade and other liabilities from commercial activities	36	1,404,087	1,343,171
Other liabilities and other payables	37	883,632	874,984
Non-current tax liabilities	38	92,650	91,551
Total Non-Current Liabilities		21,289,435	22,334,729
Total Non-Carrent Elabilities		21,203,133	22,33 1,723
Financial debt	32	1,997,764	1,448,129
Employee benefits	33	345,654	323,891
Provisions	34	22,700	26,058
Hydrological correction account	31	787	1,574
, ,		3,194,272	3,498,131
Trade and other liabilities from commercial activities Other liabilities and other payables	36		284,140
Other liabilities and other payables	37	410,278	
Current tax liabilities	38	686,618	563,456
Liabilities held for sale	39	110,444	114,681
Total Current Liabilities Total Liabilities		6,768,517	6,260,060
		28,057,952	28,594,789
Total Equity and Liabilities		40,898,249	42,075,049

LISBON, 26 JULY 2018

THE CERTIFIED ACCOUNTANT N.º 17,713

THE MANAGEMENT

Condensed Consolidated Income Statements for the three-month periods from 1 April to 30 June 2018 and 2017

Thousand Euros	2018	2017
Revenues from energy sales and services and other	3,526,600	3,642,207
Cost of energy sales and other	-2,227,380	-2,271,956
	1,299,220	1,370,251
		_,
Other income	100,809	100,145
Supplies and services	-233,222	-245,579
Personnel costs and employee benefits	-162,262	-169,456
Other expenses	-175,584	-163,784
	-470,259	-478,674
	828,961	891,577
Provisions	-4,004	2,478
Amortisation and impairment	-347,619	-349,423
	477,338	544,632
Financial income	162,898	123,292
Financial expenses	-312,696	-296,623
Share of net profit in joint ventures and associates	2,024	7,805
Profit before income tax	329,564	379,106
Income tax expense	-42,938	-53,403
Extraordinary contribution to the energy sector (CESE)	2,299	2,144
	-40,639	-51,259
	•	
Net profit for the period	288,925	327,847
·		
Attributable to:		
Equity holders of EDP	214,156	235,128
Non-controlling Interests	74,769	92,719
Net profit for the period	288,925	327,847
Earnings per share (Basic and Diluted) - Euros	0.06	0.06

LISBON, 26 JULY 2018

THE CERTIFIED ACCOUNTANT N.º 17.713

THE MANAGEMENT



EDP - Energias de Portugal

Condensed Consolidated Statements of Comprehensive Income for the three-month periods from 1 April to 30 June 2018 and 2017

	20	018	20	017
	Equity holders	Non-controlling	Equity holders	Non-controlling
Thousand Euros	of EDP	Interests	of EDP	Interests
Net profit for the period	214,156	74,769	235,128	92,719
I tems that will never be reclassified to profit or loss				
Actuarial gains/(losses)	4,003	916	47,078	-1,679
Tax effect from the actuarial gains/(losses)	-1,279	-311	-13,797	571
Fair value reserve with no recycling				
(financial assets)	-1,620			
Tax effect from the fair value reserve with no recycling (financial assets)	399		_	
	1,503	605	33,281	-1,108
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-89,943	-61,734	-146,506	-235,850
Fair value reserve (cash flow hedge)	-104,118	-375	-29,197	2,878
Tax effect from the fair value reserve				
(cash flow hedge)	25,663	189	6,349	-1,471
Fair value reserve with recycling				
(financial assets)	-1,841		-26,897	
Tax effect from the fair value reserve with recycling (financial assets)	647	_	-1,198	_
Share of other comprehensive income of	017			
joint ventures and associates, net of taxes	4,832	734	908	3,608
	-164,760	-61,186	-196,541	-230,835
Other comprehensive income	462.255	60 501	162.252	224 242
for the period (net of income tax)	-163,257	-60,581	-163,260	-231,943
Total comprehensive income for the period	50,899	14,188	71,868	-139,224

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EDP - Energias de Portugal

Condensed Consolidated Statements of Changes in Equity for the six-month periods ended at 30 June 2018 and 2017

Thousand Euros	Total Equity	Share capital (i)	Share premium (i) r	Legal eserve (ii)	Reserves and retained earnings	Fair value reserve (cash flow hedge) (ii)	Fair value reserve (financial assets) (ii)	Exchange differences (ii)	Treasury stock (iii)	Equity attributable to equity holders of EDP	Non- controlling Interests (iv)
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 Changes in the fair value reserve	642,887	<u> </u>	<u> </u>	-	450,430			<u>-</u>		450,430	192,457
(cash flow hedge) net of taxes Changes in the fair value reserve (available for sale investments)	-38,222	-	-	-		-40,113	-	-	-	-40,113	1,891
net of taxes Share of other comprehensive	-25,573		<u>-</u>	_			-25,573		_	-25,573	_
income of joint ventures and associates net of taxes	4,426			_			_	604		604	3,822
Actuarial gains/(losses) net of taxes Exchange differences arising on	31,770	-	-		33,074	<u> </u>	-		-	33,074	-1,304
consolidation Total comprehensive income for the period	-352,503 262,785	-			483,504	-40.113	-25,573	-128,307 -127,703		-128,307 290,115	-224,196 -27,330
Dividends paid Dividends attributable to non-controlling	-690,637	<u>-</u>			-690,637	-40,113	-23,373	-127,703	<u>-</u>	-690,637	-27,330
interests Share-based payments	-39,384 1,364	<u> </u>	<u>-</u>		- -76		<u>-</u>		1,440	1,364	-39,384
Sale without loss of control of windfarms in Europe	210,023	-	-	-	127,855	1,940	-	-	-	129,795	80,228
Changes resulting from acquisitions/sales, equity increases/decreases and other	2,919			-	-3,892		_	29		-3,863	6,782
Balance as at 30 June 2017	13,483,442	3,656,538	503,923	739,024	4,552,318	-8,687	24,525	-272,492	-62,088	9,133,061	4,350,381
Balance as at 31 December 2017	13,480,260	3,656,538	503,923	739,024	5,116,253	-76,142	31,255	-361,956	-62,957	9,545,938	3,934,322
Comprehensive income: Net profit for the period	571,237	_	_		379,989	_	_	_	_	379,989	191,248
Changes in the fair value reserve (cash flow hedge) net of taxes	-79,432	-	_	-	_	-77,525	-	_	_	-77,525	-1,907
Changes in the fair value reserve (financial assets), net of taxes Share of other comprehensive	-1,981	-	-	-			-1,981		-	-1,981	-
income of joint ventures and associates net of taxes	-2,566	-	-	-	-	-3,941	-	1,131	-	-2,810	244
Actuarial gains/(losses) net of taxes	3,329			_	2,724	_	_	_		2,724	605
Exchange differences arising on consolidation	-253,465		<u>-</u>					-124,890	<u> </u>	-124,890	-128,575
Total comprehensive income for the period Dividends paid	237,122 -690,517	-	-	-	382,713 -690,517	-81,466	-1,981	-123,759	-	175,507 -690,517	61,615
Dividends attributable to non-controlling interests	-81,491	_			- 390,317			_		- 030,317	-81,491
Purchase and sale of treasury stock Share-based payments	-952 1,393	-	-	-	-106	-		-	-952 1,499	-952 1,393	
Impacts related with IFRS 9 and IFRS 15's adoption (v)	-81,494	-	_	_	-60,609	_	-16,423	_		-77,032	-4,462
Changes resulting from acquisitions/sales, equity increases/decreases and other	-24,024	-	-	-	-560		-		-	-560	-23,464
Balance as at 30 June 2018	12,840,297	3,656,538	503,923	739,024	4,747,174	-157,608	12,851	-485,715	-62,410	8,953,777	3,886,520

LISBON, 26 JULY 2018

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

⁽i) See note 27 (ii) See note 29 (iii) See note 28 (iv) See note 30 (v) See note 3



EDP - Energias de Portugal

Condensed Consolidated and Company Statements of Cash Flows for the six-month periods ended at 30 June 2018 and 2017

Company
Cash receipts from customers 7,034,690 7,171,210 1,596,098 1,501,998 1,401,918 1,406,788 1,401,918 1,406,788 1,401,918 1,406,788 1,401,909 1,403,995 1,403,996 1,403,996 1,209,6870 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,289,155 1,683,996 1,499,199,199,199,199,199,199,199,199,19
Proceeds from tariff adjustments sales 904,601 592,916 - Payments to suppliers -5,410,472 -5,388,813 -1,461,918 -1,496,7 Payments to personnel -429,831 -461,767 -44,526 -41,7 Concession rents paid -145,090 -140,395 - Concession rents paid -145,090 -140,395 - Concession rents paid -145,090 -140,395 - Concession rents paid -1,296,870 -483,996 -42,926 23,7 Net cash flows from operations 1,657,028 1,289,155 46,728 -12,7 Income tax received/(paid) -20,494 -311,426 38,486 10,7 Net cash flows from operating activities 1,636,534 977,729 85,214 -2,0
Payments to suppliers -5,410,472 -5,388,813 -1,461,918 -1,496,7
Payments to personnel
Concession rents paid
Other receipts/(payments) relating to operating activities -296,870 -483,996 -42,926 23,7 Net cash flows from operations 1,657,028 1,289,155 46,728 -12,7 Income tax received/(paid) -20,494 -311,426 38,486 10,7 Net cash flows from operating activities 1,636,534 977,729 85,214 -2,0 Investing activities 2
Net cash flows from operations
Income tax received/(paid)
Net cash flows from operating activities
Net cash flows from operating activities
Net cash flows from operating activities
Investing activities Cash receipts relating to: Sale of assets/subsidiaries with loss of control (i) 30,026 - -
Cash receipts relating to: 30,026 - - Sale of assets/subsidiaries with loss of control (i) 30,026 - - Other financial assets and investments 63,237 52,914 111 50,7 Held to maturity financial investments - - 398,005 13,8 Changes in cash resulting from consolidation perimeter variations - 26,497 - Property, plant and equipment and intangible assets 5,359 7,306 472 4 Other receipts relating to tangible fixed assets 2,535 8,866 - - - - 169,1 - - - 169,1 -
Cash receipts relating to: 30,026 - - Sale of assets/subsidiaries with loss of control (i) 30,026 - - Other financial assets and investments 63,237 52,914 111 50,7 Held to maturity financial investments - - 398,005 13,8 Changes in cash resulting from consolidation perimeter variations - 26,497 - Property, plant and equipment and intangible assets 5,359 7,306 472 4 Other receipts relating to tangible fixed assets 2,535 8,866 - - - - 169,1 - - - 169,1 -
Sale of assets/subsidiaries with loss of control (i) 30,026 - - Other financial assets and investments 63,237 52,914 111 50,7 Held to maturity financial investments - 398,005 13,8 Changes in cash resulting from consolidation perimeter variations - 26,497 - Property, plant and equipment and intangible assets 5,359 7,306 472 4 Other receipts relating to tangible fixed assets 2,535 8,866 - Interest and similar income 46,725 48,853 132,891 169,1 Dividends 16,251 16,478 597,950 320,3 Loans to related parties 22,274 28,119 4,708,087 17,9 Cash payments relating to: - - -1,100 - Acquisition of assets/subsidiaries - - -1,100 - Other financial assets and investments (ii) -127,874 -59,715 -3,600,312 Changes in cash resulting from consolidation perimeter variations -8,098 -34,206 - Property, plant and equipment and intangible assets -872,758 -1,110,058<
Other financial assets and investments 63,237 52,914 111 50,7 Held to maturity financial investments - - 398,005 13,8 Changes in cash resulting from consolidation perimeter variations - 26,497 - Property, plant and equipment and intangible assets 5,359 7,306 472 4 Other receipts relating to tangible fixed assets 2,535 8,866 - - - - - - 46,725 48,853 132,891 169,1 - 169,1 -
Held to maturity financial investments
Changes in cash resulting from consolidation perimeter variations - 26,497 - Property, plant and equipment and intangible assets 5,359 7,306 472 4 Other receipts relating to tangible fixed assets 2,535 8,866 - Interest and similar income 46,725 48,853 132,891 169,1 Dividends 16,251 16,478 597,950 320,3 Loans to related parties 22,274 28,119 4,708,087 17,9 Cash payments relating to: 186,407 189,033 5,837,516 572,5 Cash payments relating to: -1,100 - - - Acquisition of assets/subsidiaries -1,100 - - - - Other financial assets and investments (ii) -127,874 -59,715 -3,600,312 -
Property, plant and equipment and intangible assets 5,359 7,306 472 4 Other receipts relating to tangible fixed assets 2,535 8,866 - Interest and similar income 46,725 48,853 132,891 169,1 Dividends 16,251 16,478 597,950 320,3 Loans to related parties 22,274 28,119 4,708,087 17,9 Cash payments relating to: 186,407 189,033 5,837,516 572,5 Cash payments relating to: -1,100 -
Other receipts relating to tangible fixed assets 2,535 8,866 - Interest and similar income 46,725 48,853 132,891 169,1 Dividends 16,251 16,478 597,950 320,3 Loans to related parties 22,274 28,119 4,708,087 17,9 Cash payments relating to: 186,407 189,033 5,837,516 572,5 Acquisition of assets/subsidiaries 1,100 - - Other financial assets and investments (ii) -127,874 -59,715 -3,600,312 Changes in cash resulting from consolidation perimeter variations -8,098 -34,206 - Property, plant and equipment and intangible assets -872,758 -1,110,058 -28,290 -14,9 Loans to related parties -32,379 -4,677 -667,099 -32,7
Interest and similar income 46,725 48,853 132,891 169,1 Dividends 16,251 16,478 597,950 320,3 Loans to related parties 22,274 28,119 4,708,087 17,9 Cash payments relating to: 186,407 189,033 5,837,516 572,5 Acquisition of assets/subsidiaries 1,100 - - Other financial assets and investments (ii) -127,874 -59,715 -3,600,312 Changes in cash resulting from consolidation perimeter variations -8,098 -34,206 - Property, plant and equipment and intangible assets -872,758 -1,110,058 -28,290 -14,9 Loans to related parties -32,379 -4,677 -667,099 -32,7
Dividends 16,251 16,478 597,950 320,3 Loans to related parties 22,274 28,119 4,708,087 17,9 186,407 189,033 5,837,516 572,5 Cash payments relating to: - -1,100 - Acquisition of assets/subsidiaries - -1,100 - Other financial assets and investments (ii) -127,874 -59,715 -3,600,312 Changes in cash resulting from consolidation perimeter variations -8,098 -34,206 - Property, plant and equipment and intangible assets -872,758 -1,110,058 -28,290 -14,9 Loans to related parties -32,379 -4,677 -667,099 -32,7
Loans to related parties 22,274 28,119 4,700,087 17,9 Cash payments relating to: Acquisition of assets/subsidiaries
Cash payments relating to: 186,407 189,033 5,837,516 572,5 Acquisition of assets/subsidiaries 1,100 - Other financial assets and investments (ii) -127,874 -59,715 -3,600,312 Changes in cash resulting from consolidation perimeter variations -8,098 -34,206 - Property, plant and equipment and intangible assets -872,758 -1,110,058 -28,290 -14,9 Loans to related parties -32,379 -4,677 -667,099 -32,7
Cash payments relating to: 1,100 - Acquisition of assets/subsidiaries 1,100 - Other financial assets and investments (ii) -127,874 -59,715 -3,600,312 Changes in cash resulting from consolidation perimeter variations -8,098 -34,206 - Property, plant and equipment and intangible assets -872,758 -1,110,058 -28,290 -14,9 Loans to related parties -32,379 -4,677 -667,099 -32,7
Acquisition of assets/subsidiaries1,100 Other financial assets and investments (ii) -127,874 -59,715 -3,600,312 Changes in cash resulting from consolidation perimeter variations -8,098 -34,206 - Property, plant and equipment and intangible assets -872,758 -1,110,058 -28,290 -14,9 Loans to related parties -32,379 -4,677 -667,099 -32,7
Other financial assets and investments (ii) -127,874 -59,715 -3,600,312 Changes in cash resulting from consolidation perimeter variations -8,098 -34,206 - Property, plant and equipment and intangible assets -872,758 -1,110,058 -28,290 -14,9 Loans to related parties -32,379 -4,677 -667,099 -32,7
Changes in cash resulting from consolidation perimeter variations -8,098 -34,206 - Property, plant and equipment and intangible assets -872,758 -1,110,058 -28,290 -14,9 Loans to related parties -32,379 -4,677 -667,099 -32,7
Property, plant and equipment and intangible assets -872,758 -1,110,058 -28,290 -14,9 Loans to related parties -32,379 -4,677 -667,099 -32,7
Loans to related parties -32,379 -4,677 -667,099 -32,7
-1,041,109 -1,209,756 -4,295,701 -47,6
Net cash flows from investing activities -854,702 -1,020,723 1,541,815 524,8
1,541,613 324,6
Financing activities
Receipts/(payments) relating to financial debt (include Collateral Deposits) -369,819 1,656,682 -480,680 767,2
Interest and similar costs of financial debt including hedge derivatives -330,787 -408,914 -124,395 -111,6
Receipts/(payments) relating to loans from non-controlling interests -40,373 10,432 -
Interest and similar costs relating to loans from non-controlling interests -18,111 -13,383 -
Receipts/(payments) relating to loans from related parties707,566 -362,3
Interest and similar costs of loans from related parties including hedge
derivatives27,783 -61,5
Governmental grants received6 -
Share capital increases/(decreases) by non-controlling interests -27,165 -11,899 -
Receipts/(payments) relating to derivative financial instruments 15,772 9,116 131,037 4,1
Dividends paid to equity holders of EDP (iii) -690,517 -690,637 -690,805 -690,9
Dividends paid to non-controlling interests -41,753 -53,173 -
Treasury stock sold/(purchased) (iii) -952952 1,3
Sale of assets/subsidiaries without loss of control - 210,847 -
Receipts/(payments) from institutional partnerships - USA (iv) -74,749 -131,613 -
Net cash flows from financing activities -1,578,454 577,452 -1,901,144 -453,7
Changes in cash and cash equivalents -796,622 534,458 -274,115 69,0
Effect of exchange rate fluctuations on cash held -48,916 -66,667 10 -4
Cash and cash equivalents at the beginning of the period 2,400,077 1,521,253 1,138,760 317,7
Cash and cash equivalents at the end of the period* 1,554,539 1,989,044 864,655 386,3

- (i) Relates to the amounts received of contingent prices associated with the sale of gas distribution activity in Spain (see note 24);
- (ii) Relates to payments made for the acquisition of Celesc, capital increase in São Manoel and the acquisition of Investment Funds (see notes 20 and 24);
- (iii) See Consolidated and Company Statement of Changes in Equity;
- (iv) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in note 35).
 - * See details of Cash and cash equivalents in note 26 and the Consolidated and Company Reconciliation of Changes in the responsabilities of Financing activities in note 48 of the Financial Statements.

LISBON, 26 JULY 2018

THE CERTIFIED ACCOUNTANT N.º 17,713

THE MANAGEMENT

Condensed Company Income Statements for the six-month periods ended at 30 June 2018 and 2017

Thousand Euros	Notes	2018	2017
Revenues from energy sales and services and other	7	1,483,309	1,344,080
Cost of energy sales and other	7	-1,374,900	-1,265,731
		108,409	78,349
Other income		8,937	8,862
Supplies and services	9	-76,430	-81,585
Personnel costs and employee benefits	10	-37,807	-35,231
Other expenses		-9,334	-9,670
		-114,634	-117,624
		-6,225	-39,275
Provisions	34	7,727	79
Amortisation and impairment	12	-18,894	-11,239
		-17,392	-50,435
Financial income	13	1,191,302	957,637
Financial expenses	13	-680,181	-640,935
Profit before income tax		493,729	266,267
Income tay evpence	14	55,220	31,923
Income tax expense		55,220	31,923
Net profit for the period		548,949	298,190
net profit for the period		340,747	270,170

LISBON, 26 JULY 2018

THE CERTIFIED ACCOUNTANT N.º 17,713

THE MANAGEMENT



Condensed Company Statements of Comprehensive Income for the six-month periods ended at 30 June 2018 and 2017

Thousand Euros	2018	2017
Net profit for the period	548,949	298,190
Items that will never be reclassified to profit or loss (i)		
Actuarial gains/(losses)	-	94
Tax effect from the actuarial gains/(losses)	-	-26
	-	68
Items that may be reclassified to profit or loss (i)		
Fair value reserve (cash flow hedge)	-24,703	-6,009
Tax effect from the fair value reserve (cash flow hedge)	5,558	1,773
Fair value reserve (financial assets)	_	-20,190
Tax effect from the fair value reserve (financial assets)	_	-2,741
· · · · · · · · · · · · · · · · · · ·	-19,145	-27,167
Other comprehensive income for the period (net of income tax)	-19,145	-27,099
Total comprehensive income for the period	529,804	271,091

⁽i) See Condensed Company Statement of Changes in Equity

LISBON, 26 JULY 2018

THE CERTIFIED ACCOUNTANT N.º 17,713

THE MANAGEMENT

Condensed Company Statements of Financial Position as at 30 June 2018 and 31 December 2017

Thousand Euros	Notes	2018	2017
Assets			
Property, plant and equipment	16	157,133	156,347
Intangible assets		11,257	12,311
Investments in subsidiaries	19	15,102,014	11,501,702
Held to maturity financial investments		-	451,257
Investments in joint ventures and associates	20	2	6,597
Available for sale investments		-	1,556
Equity instruments at fair value	21	1,537	-
Investment property		49,454	51,496
Deferred tax assets	22	120,634	78,258
Debtors and other assets from commercial activities		458	586
Other debtors and other assets	24	4,149,914	6,623,831
Total Non-Current Assets		19,592,403	18,883,941
Held to maturity financial investments		-	419,946
Debtors and other assets from commercial activities	23	518,254	609,630
Other debtors and other assets	24	2,487,199	2,907,222
Current tax assets	25	212,540	185,256
Cash and cash equivalents	26	864,655	1,138,760
Assets held for sale	39	21,373	-
Total Current Assets		4,104,021	5,260,814
Total Assets		23,696,424	24,144,755
Equity			
Share capital	27	3,656,538	3,656,538
Treasury stock	28	-56,315	-56,862
Share premium	27	503,923	503,923
Reserves and retained earnings	29	2,630,914	2,575,543
Net profit for the period		548,949	765,427
Total Equity		7,284,009	7,444,569
rotal Equity		7,201,003	7,111,303
Liabilities			
Financial debt	32	5,748,995	5,785,760
Employee benefits	33	4,920	5,763
Provisions	34	1,522	8,902
Trade and other liabilities from commercial activities		1,643	2,048
Other liabilities and other payables	37	553,706	391,408
Total Non-Current Liabilities		6,310,786	6,193,881
Financial debt	32	7,274,490	7,702,537
Employee benefits	33	441	376
Provisions	34	1,193	1,553
Hydrological correction account	31	787	1,553
	36		686,463
Trade and other liabilities from commercial activities		728,208	
Other liabilities and other payables Current tax liabilities	37	1,942,874	2,094,629
Total Current Liabilities	38	153,636	19,173
Total Liabilities		10,101,629	10,506,305
		16,412,415	16,700,186
Total Equity and Liabilities		23,696,424	24,144,755

LISBON, 26 JULY 2018

THE CERTIFIED ACCOUNTANT N.º 17,713

THE MANAGEMENT



Condensed Company Income Statements for the three-month periods from 1 April to 30 June 2018 and 2017

Thousand Euros	2018	2017
Revenues from energy sales and services and other	687,347	559,262
Cost of energy sales and other	-646,012	-521,869
	41,335	37,393
Other income	3,483	4,406
Supplies and services	-41,420	-43,865
Personnel costs and employee benefits	-19,284	-16,960
Other expenses	-8,504	-8,990
	-65,725	-65,409
	-24,390	-28,016
	102	100
Provisions	102	189
Amortisation and impairment	-5,701	-5,666
	-29,989	-33,493
Financial income	333,527	360,142
Financial expenses	-326,770	-301,365
Profit before income tax	-23,232	25,284
Income tax expense	59,290	23,061
and the tark of parison	33,230	23,001
Net profit for the period	36,058	48,345
p	30,030	10/3 13

LISBON, 26 JULY 2018

THE CERTIFIED ACCOUNTANT N.º 17,713

THE MANAGEMENT

Condensed Company Statements of Comprehensive Income for the three-month periods from 1 April to 30 June 2018 and 2017

Thousand Euros	2018	2017
Net profit for the period	36,058	48,345
Items that will never be reclassified to profit or loss		
Actuarial gains/(losses)	-	94
Tax effect from the actuarial gains/(losses)	-	-26
	-	68
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	-14,104	5,181
Tax effect from the fair value reserve (cash flow hedge)	3,173	-1,528
Fair value reserve (available for sale investments)	-	-22,863
Tax effect from the fair value reserve (available for sale investments)	-	-1,952
	-10,931	-21,162
Other comprehensive income for the period (net of income tax)	-10,931	-21,094
Total comprehensive income for the period	25,127	27,251

LISBON, 26 JULY 2018

THE CERTIFIED ACCOUNTANT N.º 17,713

THE MANAGEMENT



Condensed Company Statements of Changes in Equity for the six-month periods ended at 30 June 2018 and 2017

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 (financial assets) (ii)	Treasury stock (iii)
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	298,190				298,190		_	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-4,236					-4,236		
Changes in the fair value reserve (available for sale investments) net of taxes	-22,931						-22,931	
Actuarial gains / (losses) net of taxes	68				68			
Total comprehensive income for the period	271,091	=	=	=	298,258	-4,236	-22,931	-
Dividends paid	-690,924		-		-690,924	-	=	_
Share-based payments	1,364				-76		-	1,440
Balance as at 30 June 2017	7,006,538	3,656,538	503,923	739,024	2,129,099	33,947		-55,993
Balance as at 31 December 2017	7,444,569	3,656,538	503,923	739,024	2,596,176	5,770		-56,862
Comprehensive income: Net profit for the period	548,949	<u>=</u>	=		548,949	<u> </u>	<u>-</u>	
Changes in the fair value reserve (cash flow hedge), net of taxes	-19,145	-	-	-	-	-19,145	-	-
Total comprehensive income for the period	529,804	-	-	-	548,949	-19,145	-	-
Dividends paid	-690,805	=	=	=	-690,805	=	-	-
Purchase and sale of treasury stock	-952	_		_	-		-	-952
Share-based payments	1,393		-		-106	-	-	1,499
Balance as at 30 June 2018	7,284,009	3,656,538	503,923	739,024	2,454,214	-13,375	-	-56,315

⁽i) See note 27 (ii) See note 29 (iii) See note 28

LISBON, 26 JULY 2018

THE CERTIFIED ACCOUNTANT N.º 17,713

THE MANAGEMENT

INTERIM REPORT EDP 1H18

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1. Economic Activity of EDP Group

EDP - Energias de Portugal, S.A. (hereinafter referred to as EDP), currently with head office in Lisbon, Avenida 24 de Julho 12 and with its shares listed on the Euronext Lisbon stock exchange, results from the transformation of Electricidade de Portugal, E.P., incorporated in 1976 following the nationalization and consequent merger of the main companies in the electricity sector in Portugal. 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, which led to a number of directly or indirectly wholly owned subsidiaries of EDP.

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

EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors.

During the six-month period ended 30 June 2018, we emphasize the following regulatory changes, with potential significant impact in the economic activity of the EDP Group:

Activity in the energy sector in Portugal

Electricity

Generation

On 5 March, the Secretary of State for Energy published Dispatch 2224/2018, which determines the creation and composition of a Working Group, called "Working Group for the extinction of the hydrological correction account", with the purpose of preparing a reasoned report with the hydrological correction account 's annual movements and their origin, as well as the determination of rights on the differentials of the updated amounts of the payments and receipts flows and the financial charges associated with the hydrological correction account. This working group was created following the extinction of an earlier working group with the same purpose, operated by Dispatch 5443/2017 of June 22.

On 27 January 2017, Order 41/2017 established a new regime for the payment of the security reserve provided to the National Electricity System (SEN) through the availability services provided by electric producers and other market agents. Under this scheme, the remuneration of the security reserve is established through an annual competitive auction mechanism that pays exclusively for the availability services provided, favoring low carbon technologies. However, Law 114/2017 of 29 December 2017, that approves the State Budget for 2018, determined the postponement of the annual auction until the Portuguese State receives the unequivocal pronouncement of the European Commission regarding the compatibility of the mechanism of the SEN security reserve with the community provisions on State aid in the energy sector.

On 3 April, Ordinance 93/2018 was published, which maintains the postponement of the auction that clarifies that if the European Commission's pronouncement is favorable and approved during the year 2018, the allocation of security reserve of SEN in the auction will have effects for the entire number of months remaining from the call of the auction until the end of the year 2018.

The Law 114/2017, of 29 December 2017, which approves the State Budget for 2018, established the end of the Tax on Petroleum Products and Energy (ISP) and CO2 Addition exemptions for coal purchases used in generation of electricity and electricity and heat (cogeneration). According to this law, this exemption will be eliminated progressively, applying a rate corresponding to 10% of the ISP rate and the CO2 Addition rate in 2018. Subsequently, the evolution of this rate will be as follows: (i) 2019-25%, (ii) 2020-50%, (iii) 2021-75% and (iv) 2022-100%.

ERSE's Directive 10/2018, of 10 July, determined that the intraday market would start operating continuously, in accordance with the Regulation (EU) 2015/1222 of 24 July, regarding of an intraday coupling process.

The Resolution 126/2018 of the National Assembly of 17 May established the Parliamentary Committee of Inquiry for the payment of excessive rent to electricity producers, CMEC or others, whose work, with a duration of 120 days, are in progress.

The purpose of the Parliamentary Committee of Inquiry is to determine:

- a) The extent of the payments made and to be made under the existing arrangements for the payment of excessive rent to electricity producers;
- b) The effect on the costs of the electricity system produced by legislative changes and administrative acts carried out within the CMEC and the Energy Acquisition Contracts (CAE) by the governments between 2004 and 2018;

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- c) The effect on the costs of the electricity system produced by other legislative changes, namely in Special Regime Production (PRE), in the extension of the subsidised tariff regime to wind power, in the rent of the power plants or in the capacity payments remuneration;
- d) The conditions under which governmental decisions have been made, namely possible studies and opinions of regulatory bodies, from the Energy Services Regulatory Authority (ERSE) and the Competition Authority (ADC), or other acts and documents of other entities with attributions in this scope;
- e) The existence of omission or major behavioral failure in the fulfillment of the obligations of the energy services and regulatory entities, including the legal attribution of ERSE to propose legislative changes;
- f) The evaluation of the implementation of the Extraordinary Contribution on the Energy Sector, since its inception to the present day;
- g) The existence of fostering by governments regarding EDP, REN and other companies in the electricity sector, in the case of CMECs, PPAs and other instruments;
- h) The existence of acts of corruption or no visible cause of enrichment by administrative officials or political office holders with influence or power in the definition of incomes in the energy sector.

Distribution

On 11 January the Presidency of the Council of Ministers published the Resolution 5/2018, that approves the program of actions and studies to be developed by the Energy Services Regulatory Agency (ERSE) in the granting, by contract, of concessions intended exclusively for the operation of municipal low-tension electricity distribution networks.

ERSE's Directive 2/2018, of 4 January, approved tariffs and prices for electricity and other services to be in force in 2018.

Supply

Ordinance 39/2017, of 26 January 2017, Ordinance 364-A/2017 of 4 December 2017 – electricity and Ordinance 144/2017, of 24 April – natural gas, extended in more 3 years the deadline for the extinction of regulated tariffs in these sectors, which was thus extended to 31 December 2020. On 30 August 2017, Law 105/2017, established the free choice of domestic consumers of electricity to maintain the regulated tariff regime and eliminated the possibility of including aggravation factors in Low Voltage (BTN) tariffs.

Ordinance 348/2017, of 14 November 2017 established a regime similar to the transitional or regulated tariffs in the liberalised market, as well as the conditions under which a liberalised market customer may request the return to the regulated market. In this context, on 3 January 2018, ERSE published Directive 1/2018, which implemented these changes.

As already mentioned for the distribution activity, on 4 January, ERSE published Directive 2/2018, which approves tariffs and prices for electricity and other services in force in 2018.

Natural Gas - Supply

On 16 April, ERSE Regulation 225/2018 approved the Tariff Regulation of the natural gas sector, revoking the previous one, approved by Regulation 415/2016 of 29 April 2016.

Also on 16 April, ERSE published Regulation 224/2018, which proceeds to the first amendment to the Regulation of Commercial Relations of the Natural Gas Sector.

Both Regulations reflect the need to adapt the previous ones to i) the changes introduced by Decree-Law 38/2017 of 31 March 2017, related to the activity of logistics operator for switching suppliers; and ii) the changes in Law 114/2017, which approves the state budget for 2018, related to the social tariff financing mechanism.

To better accommodate the changes made in Law 114/2017, which approves the State Budget for 2018, for the social tariff framework:

- a) on 21 June, the ERSE Regulation 385/2018 was published, which amends the Tariff Regulation (RT) of the natural gas sector;
- b) on 22 June, the ERSE Regulation 387/2018 was published, which makes the second amendment to the Business Relations Regulation (RRC) of the natural gas sector;

Also on June 22, ERSE Directive no. 9/2018 was published, which approves the rates and prices of Natural Gas for the gas year 2018-2019.



Activity in the energy sector in Brazil

Electricity

Regulatory Changes

On 09 February 2018, the Ministry of Mines and Energy (MME) published a proposal for a Decree-Law for the Modernization and Opening of the liberalised market of Electric Energy that resulted from the discussions and contributions sent in the scope of the Public Consultation 033 - Enhancement of the Legal Framework of the Electric Sector. The purpose of this Decree-Law is to introduce improvements in the sector's regulatory model, namely: (i) liberalised market expansion for a wider range of customers; (ii) separation of the "lastro" of the commercialization of electric energy"; (iii) reduction of distributors' responsibilities regarding the energy purchase management and (iv) greater participation and autonomy of agents in the sector. The document is in the Civil House to be sent to the National Congress.

On 6 March 2018, the National Electric Energy Agency (ANEEL) defined that the weighted average cost of capital (WACC) for energy distributors will be maintained at 8.09% until 31 December 2019, in anticipation of the review of the methodology from 2020 to 2019. On the same date, ANEEL approved the new efficiencies to introduce in the definition of regulatory operational costs. EDP São Paulo Distribuição de Energia, S.A. maintained its efficiency level at 82% and EDP Espirito Santo Distribuição de Energia, S.A. increased its efficiency from 72% to 82%. The distributors' overall efficiency increased from 76% to 79%. ANEEL accepted the request to introduce the labor convictions and the costs with the deactivation of assets. Regarding the operational cost of the test year and civil convictions, ANEEL chose to postpone the discussion for the methodological review in 2019.

The Government's Law 10322/2018, allows the privatization of six power distributors companies controlled by Eletrobras. This Government's Law takes advantage of MP 814/17 policies and is currently in process.

On April 27 2018, ANEEL published the new criteria of the tariff flags for the cumulative distribution function (FDA) and the adjustment of the Energy Reallocation Mechanism (MRE).

Provisional Measure 814, published on 29 December 2017, covers, among other topics, the electric power services in Isolated Systems and on the expansion of electric power supply, and allows the inclusion of Eletrobrás Group in the National Privatisation Plan, since the measure has the force of law. The hopped solution to the recent judicialisation of the electricity sector that already involves 6 billion Brazilian Reals in amounts not paid in the liberalised market, related to the deficit of generation of hydroelectric energy (GSF) was not an object of this Provisional Measure (PM). The PM pointed to a path of hydrological risk solution in the Free Contracting Environment (ACL), addressed the Eletrobras privatization, the increased costs with subsidies and charges (CCC / CDE, the increase of the Low Income policy and the "Light for All" Program) and increase of the price of energy for the continuity of Angra 3. The fear of the political effects of these tariff impacts contributed to the loss of parliamentary support for the MP 814/2017, which ceased to be valid in June 2018.

Generation

The Ordinance No. 178 of the MME reviewed the physical guarantees of the hydropower plants of Lajeado Hydroelectric Power Plant and Mascarenhas, which passed from 386 MW to 370 MW and from 139 MW to 135 MW, respectively.

In 6 January 2018, the increase of the physical guarantee of the UHE Santo Antônio do Jarí was published, as a result of the increase in its installed capacity to 222 MW.

The Normative Resolution 7017 from May 15, agreed to a change in the installed capacity of the Swiss Hydroelectric Plant from 33,900 kW to 35,337 kW.

Distribution

On 13 March 2018, ANEEL approved the update of the efficiency ratios for the calculation of distributors' regulatory operating costs.

On 27 April 2018, ANEEL announced the new criteria for triggering the tariff flags and will take into account the hydrological risk thresholds defined according to the known operational history of the National Interconnected System (SIN). From 2019, the rule to start the treatment of tariff coverage will be re-evaluated based on the hydrological calendar, in April, the end of the rainy period. The metric will take into account the definition of hydrological risk cost, where there is an indirect relationship between the depth of the hydraulic generation deficit (GSF) and the price of short-term electricity (PLD). The composition of these two variables causes the proposed values to approximate the costs incurred. The yellow flag remains R\$1 per 100 kWh consumed and fractions. The red flag on landing 1, R\$3 per 100 kWh and, on level 2, R\$5 per 100 kWh.

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On 15 May 2018, Aneel approved the normative resolution that restructures the Manual of Accounting of the Electric Sector - MCSE with respect to the principles and procedures to be fulfilled. The principles refer to MCSE themes or chapters that impact financially or organizationally the management of companies: basic accounting structure and premises, accounting structure, key premises of the accounting system, and the registration and control of assets and rights. The Superintendency of Economic and Financial Supervision (SFF) will be in charged of the topics or chapters of the MCSE with low impact in the management, such as accounting instructions and operating techniques.

On 5 June 2018, the Law No. 13,673, established a mandatory disclosure on the distributors' electronic website, clearly and easily understood by the final consumer, of a table with the value of the tariffs and the evolution of revisions or readjustments made in the last five years.

As a result of the Public Hearing 029/2017, ANEEL approved Normative Resolution No. 819, on 19 June 2018, allowing any interested party to carry out electric vehicle recharging activities, including for commercial exploitation at freely negotiated prices.

Transmission

On 28 May 2018, Normative Resolution No. 815 was published, which amends Resolutions Nos. 67 and 68, both of 2004 and also 722/2017. The main change was the establishment of rules related to the costs associated with the verification of the specifications and the projects, and the contribution in commissioning incurred by the transmission company, when another transmission company initiates a connection, formulated through an Installation Sharing Contract.

Activity in the renewable energy sector

Electricity

Regulatory framework for the activities in Romania

On 26 June 2018 EGO 24/2017 concluded the process of convalidation within Romanian Parliament with the approval by the Chamber of Deputies (CD). During the discussions in the CD several amendments to the text approved in March 2017 were discussed. The final set of amendments includes among others (i) a potential change to a Feed-in-Premium scheme for operating assets; (ii) a gradual increase in the maximum allowed impact to final consumers currently of maximum 11.1€/MWh, (ii) the removal of the loss of Green Certificates from positive unbalances (iii) the pro-rata allocation of GCs sold in the centralized platforms when the supply exceeds demand; and (iv) modifications in the postponement of solar PV GCs.

Regulatory framework for the activities in the United States of America

On 8 January 2018, the Federal Energy Regulatory Commission ("FERC") rejected a proposal from the Department of Energy to subsidize certain coal and nuclear plants by providing cost recovery for plants with onsite fuel supplies. The FERC instead asked regional grid operators to assess how best to enhance the resilience of the power system. FERC's five members unanimously rejected the proposed Department of Energy ("DoE") rule. Instead, FERC asked regional grid operators to review an extensive list of questions about improving power system resilience and report back within 60 days.

On 3 April 2018, the Trump administration released a list of more than 1,300 imported products from China that may be subject to a 25% tariff. The list of imports from China includes "wind-powered electric generating sets," which will have minimal impact on the U.S. wind industry due to the low number of wind turbines imported from China. A 25% tariff on steel imports and a 10% tariff on aluminum imports may cause a modest increase in U.S. wind and solar project costs.

On 22 June 2018, the Internal Revenue Service ("IRS") released Notice 2018-59, which provides guidance to determine when a solar project begins construction for Investment Tax Credits ("ITC") purposes and specifies that projects have until 2024 to be placed in service and qualify for the ITC at levels above 10%. The ITC percentage for a solar project is determined based on the year in which construction of the project begins – provided the solar project is also placed in service before 1 Jan 2024 – as follows: (i) before 1 Jan 2020, 30%; (ii) in 2020, 26%; (iii) in 2021, 22%; and (iv) any time thereafter (regardless of the year in which the solar project is placed in service), 10%. Similar to the IRS guidance regarding the wind Production Tax Credit ("PTC"), establishing the beginning of construction is deemed by (i) engaging significant physical work or (ii) paying or incurring 5% of the ultimate tax basis of the project. Thus, if a developer safe harbors 5% of project Capex in 2019, the project will be qualified for a 30% ITC if the construction is concluded before 1 Jan 2024. Similarly, if a developer safe harbors 5% of project Capex in 2021, the project will be qualified for a 22% ITC if the construction is concluded before 1 Jan 2024.

On 9 February 2016, the US Supreme Court stayed implementation of the Clean Power Plan (CPP) announced by the United States' Environmental Protection Agency (EPA) on 3 August 2015, a rule to cut carbon pollution from existing power plants, which is pending judicial review. On 7 December 2017, EPA Administrator Scott Pruitt announced at a hearing of the U.S. House Energy and Commerce Committee that the EPA will introduce a replacement rule to CPP. As of 29 June 2018, EPA's agenda put a final Clean Power Plan repeal date in October with speculation a replacement rule will be proposed at the same time.



Regulatory framework for the activities in Poland

On 29 June 2018 Polish Parliament (Sejm and Senate) approved a set of amendments to the RES Act to the Wind Turbine Investment Act, amendments which were published in Polish Official Gazette in 30 June. The approved amendments envisaged a return to the initial taxable base of the Real Estate Tax as of January 2018. The amendments include also changes in the RES Act however they do not include any relevant changes towards operating assets and focus mainly on operative changes and clarifications to the new tender scheme. Therefore, the amendments include the budget (values and volumes) for 2018 tenders.

2. Accounting Policies

Basis of presentation

The accompanying 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 sixmonth periods ended 30 June 2018 and 2017 and EDP S.A.'s Executive Board of Directors approved them on 26 July 2018. 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 (E.U.). 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 S.A.'s consolidated and company condensed financial statements for the six-month period ended 30 June 2018 were prepared in accordance with IFRS as adopted by the E.U. until 30 June 2018 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 2017.

As at 1 January 2018, IFRS 9 - Financial Instruments and IFRS 15 - Revenue from contracts with customers came into force, being adopted for the first time by EDP Group in these financial statements.

The adoption of these standards led to several changes in the Group accounting policies, models and procedures, as well as in disclosures.

Unless otherwise disclosed, namely because of these standards adoption, 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 2017. The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, are detailed in note 3.

As at 30 June 2018, EDP Group has not identified any significant changes in key assumptions used in impairment tests performed in the end of 2017, which could indicate that an asset may be impaired.

EDP Group's activity does not have, at a quarter basis, any significant seasonality.

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.

Accounting policies changed due to the application of IFRS 9 and IFRS 15

d) Derivative financial instruments and hedge accounting

Hedge accounting

Pursuant to IFRS 9, the EDP Group chose to continue to apply the hedge accounting requirements in IAS 39 until there is greater visibility of the current Dynamic Risk Management project (macro-hedging), in order to avoid a partial application of the hedge accounting premises of the new standard.

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e) Other financial assets

IFRS 9 introduced a model for the classification of financial assets based on the business model for managing the financial assets ("business model test") and their contractual cash flow characteristics ("SPPI test"), replacing prior requirements which determined the classification in the categories present in IAS 39. EDP Group classifies its other financial assets, at the time of their acquisition, in accordance with the aforementioned requirements introduced by IFRS 9.

Debt instruments

A financial asset is measured at amortised cost if (i) is held to collect its contractual cash flows; and (ii) the contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognized at fair value and subsequently measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if (i) the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and (ii) the asset's contractual cash flows represent solely payments of principal and interest. Financial assets included within in this category are initially recognised and subsequently measured at fair value, with the changes in the carrying amount booked in other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

The financial assets that do not meet the criteria to be classified under the previously referred categories, are classified at fair value through profit or loss, deemed to be a residual category under IFRS 9.

Regardless of the business model assessment, EDP Group can elect to classify a financial asset at fair value through profit or loss if doing so reduces or eliminates a measurement or recognition inconsistency ("accounting mismatch").

Equity instruments at fair value

Equity instruments at fair value ("Assets available for sale" according to the terminology of IAS 39) are always measured at fair value. Equity instruments that are held for trading are required to be classified at fair value to profit or loss. For all other equity instruments, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in other comprehensive income.

If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in other comprehensive income. There is no recycling of amounts from other comprehensive income to profit and loss (for example, on sale of an equity investment) being, at that time, transferred to retained earnings.

Impairment

IFRS 9 establishes a new impairment model based on the expected credit losses (ECL), which replaces the previous impairment model based on the incurred credit losses set out in IAS 39. This model is the basis for the recognition of impairment losses on held debt instruments that are measured at amortised cost or at fair value through other comprehensive income (which includes loans, bank balances and deposits, trade receivables and debt securities).

If the credit risk on a financial asset has not increased significantly since its initial recognition, EDP Group recognises a cumulated loss allowance for that financial asset at an amount equal to 12-month expected credit losses.

If the credit risk has increased significantly since its inicial recognition, EDP Group recognises a cumulated loss allowance for that financial asset at an amount equal to lifetime expected credit losses.

As soon as the loss event occurs (what is previous defined in IAS 39 as 'objective evidence of impaiment'), the impairment allowance would be allocated directly to financial asset affected, which provide the same accounting treatment, from that point, similar to the previous IAS 39, including the treatment of interest revenue.

h) Property, plant and equipment

Transfers of assets from customers

Transfers of assets from customers concession arrangement and out of the scope of IFRIC 12, in accordance with IFRS 15, are related to payments of performance obligations fulfilled over the useful life of the underlying asset. Accordingly, when they are received from the customers, they are booked as liabilities instead of revenue. The assets are recognised by the estimated construction cost and are depreciated over their useful lives. The liabilities are recognised as revenue based on the corresponding useful life of the underlying asset.



m) Accounts receivable

The EDP Group uses the simplified approach precluded in IFRS 9 in the determination and recognition of impairment losses in trade receivables, contracts assets and lease receivables. Life time expected losses are recorded based on real losses experience overtime which were statistically relevant and representative of the specific features of the respective credit risk.

p) Recognition of costs and revenues

EDP Group recognises revenue in accordance with the core principle introduced by IFRS 15, thus the Group 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, namely: (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.

EDP Group sells products and/or services separately or as a part of an integrated commercial offer ("bundled"). In a bundled sale arrangement, the Group accounts the sale of each product and/or service separately if they are distinct, this is, if the product or service is separately identifiable in the context of the integrated offer and the customer benefits from it. The consideration paid is allocated between the goods or services separately identifiable based on their relative stand-alone selling prices. The stand-alone selling price is determined based on EDP Group price lists on goods or services sold separately or, if they are not listed, based on the market valuation approach.

In what concerns variable transaction prices, EDP Group only recognises revenue when it is highly probable that there will not be any significant reversal of the recognised revenue, when it becomes certaint.

EDP Group considers the facts and circumstances when analyzing the terms of each contract with customers, applying the requirements that determine the recognition and measurement of revenue in a harmonized manner, when considering contracts with the same characteristics and in similar circumstances.

Incremental costs of obtaining a contract

EDP Group establishes certain contracts with third parties for the promotion (sale) of energy and related services. These third parties act as sales agents and are paid through sales commissions. Previously the application of IFRS 15, EDP Group recognised those costs as an expense as they were incurred. In accordance with IFRS 15, the Group recognises the incremental costs of obtaining contracts with customers as an asset if the entity expects to recover these costs over the respective contracts. The costs incurred by an entity to obtain a contract with a customer are considered as incremental costs whenever it is clear that the entity would not incur those costs if the contract had not been obtained (for example, a sales commission).

Therefore, EDP Group understands that the incremental costs to obtain a contract are eligible for capitalization, accounting for a contract asset under the caption Debtors and other assets of commercial activities - Non-current. This asset shall be recognised in the income statement as amortisation, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Considering the analysis carried out on the set of goods and services provided by the EDP Group to which these commissions relate, the useful life allocated to them varies between 6 and 8 years.

q) Financial results

Due the changes occurred on classification and measurement of the financial assets previously classified as available-for-sale financial assets under IAS 39, financial results no longer include the impairment losses related to those assets. Nonetheless, financial results include the changes in the fair value of certain assets identified by the EDP Group as held for trading and consequently measured at fair value through profit or loss.

x) Tariff adjustments and deficits

The classification and measurement of the regulatory assets, which comprises financial assets in EDP Group's financial statements, comply with the new requirements introduced by IFRS 9. Thus, the Group performs an analysis based on the business model used in the management of the assets and the characteristics of the contractual cash flows, according to the accounting policy 2 e).

In this sense, deviations and tariff deficits exclusively recovered or returned through electricity and gas tariffs, applicable to customers in subsequent periods, are recognised at amortised cost.

On the other hand, deviations or deficits that can be recovered, either through electricity rates (receipt of capital and interest) or through sales with recourse to third parties (contracts bilateral or securitization operations) are recognised at fair value through comprehensive income. This classification results from the existing history of sales to third parties and from the management's perspective regarding the existing assets at each reporting date.

3. Recent Accounting Standards and Interpretations Issued

Standards, amendments and interpretations issued effective for the Group

The amendments to standards already issued and effective and that the Group applied in the preparation of its financial statements, can be analysed as follows:

• IFRS 9 - Financial Instruments

IFRS 9 was endorsed by European Commission Regulation 2067/2016, 22 November 2016, with an effective date of adoption for periods beginning on or after 1 January 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required but the restatement of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment of financial assets and hedge accounting.

EDP Group has adopted the new standard on the required effective date and has not restated comparative information, as provided by IFRS 9. With regard to hedge accounting, EDP Group has decided to continue to apply IAS 39 until there is greater visibility on the project on the accounting for macro hedging. Therefore, EDP Group will maintain its accounting policy, as described in note 2 (d).

EDP Group has reviewed its financial assets and liabilities in order to assess qualitative and quantitative impacts on the adoption of the Standard. Accordingly, qualitative changes are presented in Note 2 and quantitative impacts resulting from its adoption are summarized on Condensed Consolidated Statements of Financial Position, presented below.

• IFRS 15 - Revenue from the Contracts with Customers (object of clarification issued on 12 April 2016)

The International Accounting Standards Board (IASB), issued on 28 May 2014, IFRS 15 Revenue from Contracts with Costumers, which was changed in April 2016 and was endorsed by EU Commission Regulation 1905/2016, of 22 September 2016. This standard replaces existing revenue recognition guidance and is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

EDP Group has adopted IFRS 15 using the cumulative effect method (modified retrospective approach), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, EDP Group has not restated comparative information, as provided by the standard.

EDP Group has analised the changes resulting from the adoption of IFRS 15 in order to assess qualitative and quantitative impacts. Accordingly, qualitative changes are presented in note 2 and quantitative impacts resulting from its adoption are summarized on Condensed Consolidated Statements of Financial Position, presented below.



• Summary of the impacts of the adoption of IFRS 9 and IFRS 15 in Condensed Consolidated Statements of Financial Position on 01 January 2018

		Impact of	Impact of	
	01-Jan-18	IFRS 9	IFRS 15	31-Dec-17
Thousand Euros		adoption	adoption	
Assets				
Property, plant and equipment	22,730,615	-	-	22,730,615
Intangible assets	4,747,360	-	-	4,747,360
Goodwill	2,232,668			2,232,668
Investments in joint ventures and associates	843,082	-	-	843,082
Available for sale investments i)	-	-124,016	-	124,016
Equity instruments at fair value ii)	123,997	123,997		-
Investment property	39,199			39,199
Deferred tax assets iii)	830,667	15,583	6,563	808,521
Debtors and other assets from commercial activities iv)	2,854,486	-2,727	17,834	2,839,379
Other debtors and other assets v)	546,345	27,573		518,772
Non-Current tax assets	60,793			60,793
Collateral deposits associated to financial debt	34,874	-	-	34,874
Total Non-Current Assets	35,044,086	40,410	24,397	34,979,279
Inventories	265,775			265,775
Debtors and other assets from commercial activities iv)	3,277,983	-47,747		3,325,730
Other debtors and other assets v)	314,618	9,990	-	304,628
Current tax assets	520,500	-	-	520,500
Financial assets at fair value through profit or loss vi)	-	-37,544		37,544
Collateral deposits associated to financial debt	10,381	-	-	10,381
Cash and cash equivalents	2,400,077			2,400,077
Assets held for sale	231,135		_	231,135
Total Current Assets	7,020,469	-75,301	-	7,095,770
Total Assets	42,064,555	-34,891	24,397	42,075,049
Equity				
Share capital	3,656,538	_	_	3,656,538
Treasury stock	-62,957			-62,957
Share premium	503,923			503,923
Reserves and retained earnings vii)	4,258,233	-31,409	-45,623	4,335,265
Consolidated net profit attributable to equity holders of EDP	1,113,169	31,105	13,023	1,113,169
Total Equity attributable to equity holders of EDP	9,468,906	-31,409	-45,623	9,545,938
Non-controlling Interests	3,929,860	-4,345	-117	3,934,322
Total Equity	13,398,766	-35,754	-45,740	13,480,260
	,	,	,	, ,
Liabilities				
Financial debt	15,469,636	-	-	15,469,636
Employee benefits	1,198,362			1,198,362
Provisions viii)	709,146	_	-17,625	726,771
Deferred tax liabilities iii)	461,291	863	-6,104	466,532
Institutional partnerships in USA	2,163,722	_		2,163,722
Trade and other liabilities from commercial activities ix)	1,437,037		93,866	1,343,171
Other liabilities and other payables	874,984	_		874,984
Non-current tax liabilities	91,551	_	_	91,551
Total Non-Current Liabilities	22,405,729	863	70,137	22,334,729
Cinnain debt	1 440 130			1 440 120
Financial debt	1,448,129			1,448,129
Employee benefits	323,891			323,891
Provisions Hydrological correction account	26,058	<u>-</u>		26,058
Hydrological correction account Trade and other liabilities from commercial activities	1,574	-		1,574
	3,498,131			3,498,131
Other liabilities and other payables	284,140			284,140
Current tax liabilities Liabilities held for sale	563,456			563,456
Total Current Liabilities	6,260,060			114,681 6,260,060
Total Liabilities Total Liabilities	28,665,789	863	70,137	
Total Equity and Liabilities	42,064,555			28,594,789
rotar Equity and Elabilities	42,004,333	-34,891	24,397	42,075,049

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- i) Under IFRS 9, the category of "Available for sale investments" previously provided for in IAS 39 ceases to exist. Accordingly, the amounts recorded under this caption as at 31 December 2017 were reclassified according to their nature to Equity instruments at fair value (123,997 thousand Euros) and to Other debtors and other assets Non-current (19 thousand Euros).
- ii) As at 1 January 2018, the caption Equity instruments at fair value includes instruments held by the Group in the amount of 123,997 thousand Euros, measured at fair value through comprehensive income (96,290 thousand Euros) and equity instruments at fair value through profit or loss (27,707 thousand Euros) (see note 21).
- iii) Within the implementation of IFRS 9 and IFRS 15 by EDP Group, were accounted for deferred tax assets and liabilities amounting 22,146 thousand Euros and -5,241 thousand Euros, respectively.
- iv) Due to the adoption of IFRS 9, the tariff deficit of EDP Serviço Universal, S.A., amounting to 439,797 thousand Euros, was classified and measured at fair value through comprehensive income, which led to an increase of 2,739 thousand Euros (negative amount of 2,727 thousand Euros Non Current and 5,466 thousand Euros Current), inherent to the recognition of the difference between the valuation at fair value and the amortised cost (previous valuation under IAS 39) (see note 23).

The caption Debtors and other assets from commercial activities – Non Current includes, as at 1 January 2018, the amount of 65,491 thousand Euros corresponding to the recognition of a set of incremental costs to obtain a contract, which are eligible for capitalization under IFRS 15. Additionally, as at 31 December 2017, the same caption included the amount of 47,657 thousand Euros corresponding to income receivable that do not meet the requirements for revenue recognition under IFRS 15, for being variable consideration, according to the accounting policy 2 p).

- As at 1 January 2018, the caption Debtors and other commercial assets Current includes a negative amount of 53,213 thousand Euros, which resulted from the increase of impairment losses in accordance with the new expected credit losses model provided by IFRS 9 (see note 23).
- v) As at 1 January 2018, the caption Other debtors and other assets Non Current and Current includes instruments that under IFRS 9, by their nature, should be classified and measured at amortised cost. Therefore, EDP Group has reclassified to this caption the instruments recognised under the caption Financial assets at fair value through profit or loss (27,554 thousand Euros Non Current and 9,990 thousand Euros Current) and of instruments recognised under the caption Available for sale investments (19 thousand Euros Non Current) (see note 24).
- vi) In the scope of IFRS 9, EDP Group has reclassified the instruments recognised under the caption Financial assets at fair value through profit or loss to the caption Other debtors and other assets non-current (see paragraph v)).
- vii) Due to the implementation of IFRS 9 and IFRS 15, EDP Group has recorded in the caption Reserves and retained earnings an impact of 77,032 thousand Euros, net of deferred tax, related to the counterparts of the movements mentioned in the remaining paragraphs.
- viii) As at 31 December 2017, the caption Provisions included the amount of 17,625 thousand Euros, corresponding to liabilities over assets recognised under IAS 18, that no longer qualify as assets due to IFRS 15's adoption.
- ix) As at 1 January 2018, the caption Trade and other liabilities from commercial activities Non Current includes the amount of 97,646 thousand Euros corresponding to income previously recognised under IFRIC 18 Transfer of Assets from Customers, which have now been classified as income to be recognised, due to the performance obligation, as envisaged in IFRS 15, has not yet been met. In addition, as at 31 December 2017, this caption included a negative amount of 3,780 thousand Euros that do not meet the requirements for revenue recognition under IFRS 15, for being variable consideration, according to the accounting policy 2 p).



• Summary of the impacts of the adoption of IFRS 9 and IFRS 15 in Condensed Company Statement of Financial Position on 01 January 2018

		Impact of	Impact of	
	01-jan-18	IFRS 9	IFRS 15	31-dec-17
Thousand Euros		adoption	adoption	
Assets		·		
Property, plant and equipment	156,347	-	-	156,347
Intangible assets	12,311		_	12,311
Investments in subsidiaries	11,501,702	_	=	11,501,702
Held to maturity financial investments	-	-451,257	-	451,257
Investments in joint ventures and associates	6,597	-	=	6,597
Available for sale investments	-	-1,556	-	1,556
Equity instruments at fair value	1,537	1,537	-	-
Investment property	51,496	<u>-</u>	-	51,496
Deferred tax assets	78,258	<u>-</u> _	-	78,258
Debtors and other assets from commercial activities	586			586
Other debtors and other assets	7,075,107	451,276	-	6,623,831
Total Non-Current Assets	18,883,941		-	18,883,941
Held to maturity financial investments	-	-419,946		419,946
Debtors and other assets from commercial activities	609,630	<u> </u>		609,630
Other debtors and other assets	3,327,168	419,946		2,907,222
Current tax assets	185,256		<u>-</u>	185,256
Cash and cash equivalents	1,138,760		-	1,138,760
Total Current Assets	5,260,814		-	5,260,814
Total Assets	24,144,755		-	24,144,755
Equity				
Share capital	3,656,538	<u>-</u> _	-	3,656,538
Treasury stock	-56,862			-56,862
Share premium	503,923			503,923
Reserves and retained earnings	2,575,543			2,575,543
Net profit for the period	765,427		-	765,427
Total Equity	7,444,569		-	7,444,569
Liabilities				
Financial debt	5,785,760		-	5,785,760
Employee benefits	5,763		-	5,763
Provisions	8,902		-	8,902
Trade and other liabilities from commercial activities	2,048		-	2,048
Other liabilities and other payables	391,408		-	391,408
Total Non-Current Liabilities	6,193,881		-	6,193,881
Financial debt	7,702,537		<u>-</u>	7,702,537
Employee benefits	376		<u>-</u>	376
Provisions	1,553		-	1,553
Hydrological correction account	1,574		-	1,574
Trade and other liabilities from commercial activities	686,463			686,463
Other liabilities and other payables	2,094,629		-	2,094,629
Current tax liabilities	19,173		-	19,173
Total Current Liabilities	10,506,305		-	10,506,305
Total Liabilities	16,700,186		_	16,700,186
Total Equity and Liabilities	24,144,755		_	24,144,755

The adjustments in the Condensed Company Statement of Financial Position related to the transition to IFRS 15 and IFRS 9 represent only reclassifications that are presented in the respective notes.

The new standards that have been issued and that are already effective and that the Group has applied on its financial statements, with no significant impacts are the following:

- IFRIC 22 Foreign Currency Transactions and Advance Payments;
- IFRS 2 (Amended) Classification and Measurement of Share-based Payment Transactions;
 IAS 40 (Amended) Transfers of Investment Property;
- IFRS 4 (Amended) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts; and
- "Annual Improvement Project (2014-2016)".

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

The standard issued but not yet effective for the Group, which impact is being evaluated, is the following:

• 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.

At the date of the publication of these consolidated financial statements, the EDP Group has already carried out an inventory of the existing lease contracts and is currently performing a technical analysis considering the provisions of IFRS 16. In addition, EDP Group is revising the existing information systems in order to assess to what extent will be necessary to adapt them to the requirements of this standard. At this stage, it is not possible to estimate the magnitude of the impacts inherent to the adoption of this standard.

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 estimated significant impact are the following:

- IFRS 9 (Amended) Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IFRS 17 Insurance Contracts;
- IAS 28 (Amended) Long-term Interests in Associates and Joint Ventures;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- "Annual Improvement Project (2015-2017)";
- IAS 19 (Amended) Plan Amendment, Curtailment or Settlement; and
- Amendments to References to the Conceptual Framework in IFRS.

4. 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 2017, with a special note for the following items.

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

In the first quarter of 2018, the EDPR Group reviewed and extended the useful life of its solar farms from 30 to 35 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.

Fair value measurement of contingent consideration

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

Contractual Stability Compensation - CMEC

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

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

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousand Euros, booked at its net present value, against deferred income. Part of the initial compensation is recognised as operating income each year against a reduction of the deferred initial compensation. According to the applicable legislation, securitisation of this amount is possible.

Contractual Stability Compensation - Annual Revisibility mechanism

During period I (2007/2017) of the revisable mechanism, there is a correction on an annual basis, resulting from positive or negative deviations between the estimates made for the initial stability compensation calculation and actual amounts arising from an efficient performance, using the "Valorágua" model, as established in the Decree-Law 240/2004. Later, Order 4694/2014 was published to define the guidelines of the annual revisibility calculation in what concerns the revenues from the system services market, regarding power plants under CMEC.

Revisibility amounts for the years 2007 to 2014 were determined and approved by the Member of the Government responsible for the energy sector. The annual revisibility amounts from 2015 to 2017 are pending for approval.

The use of different methodologies and assumptions could lead to different results.

CMEC Final Adjustment

The calculation of CMEC's Final Adjustment is, under number 7 of article 3rd and Annex IV of Decree-Law 240/2004, of 27 December, performed by a joint technical group EDP/REN. The State budget for 2017 (Law 42/2016) determined, in its article 170, that the final adjustment amount shall be calculated and justified in a study done and presented by ERSE. This entity had the technical support of the Working Group EDP Produção/REN, legally enforced.

Accordingly, the technical group EDP/REN has presented to ERSE its report on the CMEC final adjustment calculation, which was achieved by strictly following the calculation methodology described in Decree-Law 240/2004. This calculation, performed by the technical group EDP/REN was presented to ERSE and comes to a range of amounts between 256.5 and 271 million Euros.

At the end of September, ERSE has also presented to the Government its report on the calculation of the CMEC final adjustment, reaching an amount of 154 million Euros, which was provisionally considered in the document of tariffs and prices for 2018.

In the Financial statements as at 31 December 2017, EDP Group has included its best estimate of the CMEC final adjustment, by recognising an asset in the amount 256.5 million Euros against deferred income, based on the document done jointly by EDP and REN and the legal opinions obtained on this subject.

On 3 May, it has come to EDP's knowledge (through a DGEG's letter) that the CMEC final adjustment had been officially approved, according to ERSE's proposal, in the amount of 154 million Euros. Thus, even though the Group is still analysing the technical and legal foundations of this approval, this has been reflected in the financial statements as at 30 June, through a provision by the difference of the final adjustment amounts already recognised in revenues.

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The use of a different estimate would result in different asset, deferred income and provision amounts, with the consequent impact in the Statement of Financial Position and Income Statement.

Clawback

Following some tax changes occurred in Spain, which affected electricity generators operating in this country, Decree-Law 74/2013 was approved in Portugal, which aimed to rebalance the competition between electricity generators operating in Portugal and other players operating in Europe.

This Decree-Law and subsequent regulation have determined a payment for MWh generated by power plants operating on market regime, excluding from this payment power plants operating under CAE/CMEC regime, as long as these subsist.

The amount payable by generators located in Portugal should consider an estimate of the impact that the off-market events in the EU (such as the above-mentioned tax changes in Spain) would have in pool prices, as well as off-market events in Portugal that would affect the competitiveness of electricity generators operating in Portugal. This way, a net competition advantage would allegedly arise to generators operating in Portugal.

Under this mechanism regulation – commonly known as clawback – Social tariff and CESE were approved by Dispatch 11566-A/2015 as off-market events that should be considered as competitive disadvantages of generators operating in Portugal.

Dispatch 7557-A/2017, of 25 August, superseded Dispatch 11566-A/2015, of 3 October, (which defined the variables for the computation formula of the amount to be paid by each of the power-generating plants under Decree-Law 74/2013, of 4 June, for each injected MWh) in its entirety. It states that ERSE, after consulting DGEG, shall present proposals for a new definition of the variables, as well as reference terms for the new study.

Subsequently, in Dispatch 8004-A/2017, of 13 September, the intention to declare the partial nullity of Dispatch 11566-A/2015, of 3 October, was expressed in relation to the decisions presented under its numbers 11 and 12 – elimination of off-market events' deductions (Social tariff and CESE) in the amounts to be paid by each of the power-generating plants for each injected MWh.

In the Dispatch 9371/2017, of 24 October, is declared the partial nullity of Dispatch 11566-A/2015, of 3 October from the Secretary of State for Energy (SEE), in relation to the decisions presented under its numbers 11 and 12 (the deduction of social tariff and CESE costs in the unit price). ERSE was asked to consider in 2018 UGS tariff, the recovery, in benefit of the consumers, of the amounts allegedly unproperly included in previous years' tariffs (2016 and 2017). Dispatch 9955/2017, of 17 November, defines a new amount for the estimate of the off-market events' impact in EU, which is 4.75 €/MWh, with retroactive effects as at August 24. Following these Dispatches, the document of prices and tariffs for 2018 has included a clawback amount of around 90 million Euros to be returned to tariffs, which includes power plants operating under CMEC and estimated generation.

Based on its interpretation of the Law, as well as on legal opinions obtained in the meantime, EDP Group considers that the Decree-Law 74/2013 aims to reestablish a situation of competition balance between generators operating in Portugal and their peers operating in other European countries, what means to consider as off-market events all the taxes and contributions that fall only over generators located outside of Portugal (particularly in Spain), as well as all the taxes and contributions that fall only over generators located in Portugal. Additionally, in the Group's understanding, clawback is not applicable to power plants operating under CMEC regime, therefore, in January 2018, EDP Group has contested Dispatches 9371 and 9955.

In the Financial statements as at 30 June 2018, EDP Group has included the clawback amount as calculated by EDP Produção, regarding the legislation in place in each period, namely Decree-Law 74/2013, Order 225/2015, Dispatch 9371/2017 from October 24 and Dispatch 9955/2017, from 17 November, which determines, from 24 August 2017 onwards, a clawback in the amount of 4.75 Euros/MWh and zero for off-market events, considering actual generation verified in each period. It is important to notice that this mechanism is not applicable to power plants still operating under CMEC regime.

The use of different assumptions would result in a different liability amount, with the consequent impact in the Statement of Financial Position and Income Statement.

System Services

On 10 June 2017, following Dispatch 10840/2016 on the audit conclusions on the determination of an overcompensation risk in the CMEC revisibility calculation, ERSE clarified that it would continue to monitor the market of system services in accordance with its legal capability and that it would incorporate the conclusions of the referred audit, in all aspects that should be taken into account, in its opinion on the calculation of the 2016 annual revisibility.

On 5 September 2017, EDP Group was notified by DGEG that, following the above-mentioned audit conclusions and ERSE's recommendations, it would submit to the Energy State Secretary a regulation project that pursuits the deduction in tariffs and prices for 2018 the amount of 72.9 million Euros, as a deduction of 2016's revisibility, following the overcompensation in the system services market of the power plants which benefited from this mechanism between 2009 and 2014. DGEG asked EDP Group to comment this situation.



On 20 September 2017, EDP Produção produced a set of observations to this notification by reassuring its conviction that the referred audit report has serious flaws and limitations and presenting its reasons for this belief supported on a study performed by an independent entity. It is important to notice that ERSE, in the document of tariffs and prices for 2018, published on 15 December 2017, has not included any deduction to the revisibility amount of 2016, even though it stated that the identified overcompensation should be included in the CMEC Final adjustment to be officially approved.

On 3 May, with the final adjustment's official approval, the Group verified that there is no deduction whatsoever related to this matter, leaving a decision on this subject for a later opportunity.

EDP Group considers that EDP Produção has not benefitted from any overcompensation in the service systems market between 2009 and 2014, that it has always complied with the legal and regulatory framework in place and also that any different strategy from the one adopted would lead to losses for EDP Group. According to this belief, the Group has not registered any effect from this situation in the 2017 financial statements, neither has it considered any update on this matter in the 30 June 2018 financial statements. Nevertheless, in case the Government determines that indeed there was an overcompensation of the power plants under CMEC regime by their participation in system services market, significant corrections may arise to the 2016 annual revisibility or to the CMEC final adjustment amounts recognised in the financial statements as at 30 June 2018, with the consequent impact in the Statement of Financial Position and Income Statement. In case there is any change to the CMEC final adjustment related to this matter, it is EDP Group's intention to analyse all means available in order to protect the best interests of EDP and its shareholders.

Innovative Features

On 3 May, EDP Group has also acknowledged that the final adjustment, in the amount of 154 million Euros, may be subject to a downward revision, depending on the results of the current procedures in place related to the possibility of innovative features from the change from CAE to CMEC to have been or may be considered in the annual revisibility and in the CMEC final adjustment. This downward revision's possibility comes into light following the Opinion 23/2017 of the Consulting Council of Attorney General's Office.

Besides the amount that may be reviewed being unknown, EDP Group considers that there was no innovative feature considered in the annual revisibility or in the CMEC final adjustment, which are the reasons why it has not reflected this aspect in these financial statements as at 30 June 2018. Moreover, this position was reinforced by a subsequent Opinion (Opinion 26/2017) from the Consulting Council of Attorney General's Office.

Meanwhile, on 9 July 2018, EDP has been notified, within the scope of a stakeholder hearing promoted by the DGEG, to present its opinion on the possibility of DGEG proposing to the Secretary of State for Energy an amount associated with the alleged "innovatory features" of up to a maximum amount of 357.9 million Euros. According to the DGEG, this amount shall be associated with the lack of legal scope for tests on the availability of the CMEC plants and the above mentioned system services.

In case of a different position despite all arguments presented, it is EDP Group's intention to analyse all means available in order to protect the best interests of EDP and its shareholders.

5. 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 and from the volatility of commodity prices, resulting in interest and exchange rate exposures, as well as commodity market prices. 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, foreign exchange rate and commodity prices 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.

As for the subsidiaries in Brazil, the management of the financial risks inherent to the variation of interest rates, exchange rates and commodities 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), 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, and such financing is complemented in certain cases with derivatives to hedge exchange-rate risk on net investment.

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.

The exchange 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 30 June 2018 and 2017, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

	Jun 2018				
	Profit o	r loss	Equi	ty	
Thousand Euros	+10%	-10%	+10%	-10%	
USD	22,632	-27,662	-78,997	96,552	
	22,632	-27,662	-78,997	96,552	

		Jun 2017					
	Profit o	r loss	Equi	ty			
Thousand Euros	+10%	-10%	+10%	-10%			
USD	11,492	-14,045	-29,903	36,548			
	11,492	-14,045	-29,903	36,548			

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 considered appropriate, 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 15 years. The Group's Financial Departments undertake sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. As at 30 June 2018, after the hedging effect of the derivatives 57% of the Group's liabilities are at fixed rate.



Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Based on the Group's debt portfolio, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 30 June 2018 and 2017 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

Jun 2018				
	Profit	Profit or loss		iity
Thousand Euros	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-14,821	14,821	-	-
Unhedged debt	-10,786	10,786	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	8,589	-15,294
Trading derivatives (accounting perspective)	-2,413	-2,662		-
	-28,020	22,945	8,589	-15,294

	Jun 2017			
	Profit or loss Equ		uity	
Thousand Euros	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:	merease	ueci ease	increase	decrease
Hedged debt	-16,421	16,421	-	-
Unhedged debt	-20,811	20,811	-	-
Fair value effect:			· ·	
Cash flow hedging derivatives	-	-	12,733	-13,251
Trading derivatives (accounting perspective)	-130	-4,859	-	-
	-37,362	32,373	12,733	-13,251

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

Brazil - Exchange and interest rate risk management

Stress tests and sensitivity analysis are carried out for purposes of risk management in the Brazilian subsidiaries. Through these two tools, the financial impact in different market scenarios is monitored.

For sensitivity analysis, the exposure of portfolio of operations is evaluated through 25% and 50% changes in the main risk factors, currency and interest rates. The stress test is performed on the fair value of the operations and uses as premise the interest rate curve projections of the main crises that affected the market in Brazil.

Brazil - Sensitivity analysis - exchange rate

	Jun 2	2018
Thousand Euros	+25%	-25%
USD	889	-701
	889	-701
	Dec 2	2017
Thousand Euros	+25%	-25%
USD	-	-
	-	-

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

The Brazilian subsidiaries are solely exposed to the USD/BRL exchange rate, mainly arising from USD debt for which the exposure is completely offset by cross currency interest rate swaps.

Brazil - Sensitivity analysis - Interest rates

Based on the portfolio of operations, a 25% change in the interest rates, to which the Brazilian subsidiaries are exposed to, would have an impact to EDP Energias do Brasil Group, at 30 June 2018 and 31 December 2017, in the amount of:

	Jun 2	2018
Thousand Euros	+ 25%	- 25%
Financial instruments - assets	5,039	-5,039
Financial instruments - liabilities	-50,222	50,463
Derivative financial instruments	-668	865
	-50,890	51,328

	Dec 2	2017
Thousand Euros	+ 25%	- 25%
Financial instruments - assets	5,793	-5,793
Financial instruments - liabilities	-81,950	82,494
Derivative financial instruments	-1,333	1,351
	-83,283	83,845

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, to which the exposure is limited to the energy supplied until the supply interruption occurs. The very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

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

Liquidity risk management

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with international reliable 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 32).

Energy market risk management

In its operations in the 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. Given this, the Group is exposed, since July 2017, to energy market risks. Previously, some electricity generating plants, despite operating in the market, were subject to the CMEC legislation, and the changes in the operating margins were 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 futures to fix prices.

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

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

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

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



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

		P@R Distribution by risk factor		
Thousand Euros	Jun 2018	Dec 2017		
Risk factor				
Negotiation	5,000	3,800		
Fuel	73,000	64,000		
CO2	37,000	19,000		
Electricity	183,000	39,000		
Hydrological	225,000	153,000		
Diversification effect	-335,000	-146,000		
	188,000	132,800		

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

	Jun 2018	Dec 2017
Credit risk rating (S&P)		
A+ to A-	51.32%	63.68%
BBB+ to BBB-	47.44%	31.54%
BB+ to B-	0.50%	0.93%
No rating assigned	0.74%	3.85%
	100.00%	100.00%

Capital management

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

Additionally, management describes this aspect of its strategic objectives in the chapter "Strategic Agenda" of the Annual Report of 2017.

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.

6. Consolidation Perimeter

During the six-month period ended 30 June 2018, the following changes occurred in the EDP Group consolidation perimeter:

Companies acquired:

- The acquisition, by EDP Renewables Italia Holding, S.r.L., of 100% of the company Breva Wind S.r.L., in the first quarter of 2018, was classified as an asset purchase, out of the scope of IFRS 3 Business Combinations, due to the substance of the transaction, the type of assets acquired and the very early stage of the projects;
- The acquisition, by EDP Renováveis Brasil, S.A., of 100% of the companies Central Eólica Aventura III, S.A., Central Eólica Aventura IV, S.A., Central Eólica SRMN I, S.A., Central Eólica SRMN II, S.A., Central Eólica SRMN III, S.A., Central Eólica SRMN III, S.A., Central Eólica SRMN IV, S.A., in the first quarter of 2018, was classified as an asset purchase, out of the scope of IFRS 3 Business Combinations, due to the substance of the transaction, the type of assets acquired and the very early stage of the projects;
- In the first quarter of 2018, EDP Energias do Brasil, S.A. acquired 14.46% of the share capital of Centrais Elétricas de Santa Catarina, S.A. Celesc. During the second quarter of 2018, with the Voluntary Public Tender Offer's Auction for the acquisition of preferred shares in Centrais Elétricas De Santa Catarina, S.A. Celesc, EDP now holds 2,427,820 preferred shares that, added to the 5,140,868 ordinary shares, are equivalent to 19.62% of the total share capital of Celesc.
 - With reference to the date of acquisition by EDP Energias do Brasil, S.A., EDP Group has determined the fair value of the assets acquired and liabilities assumed, based on a preliminary valuation performed by an independent entity. This preliminary valuation determined a fair value of the assets and liabilities as follows:

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Thousands of Reais	
The deal nate of the dis	
Amount paid (14.45% of participation)	244,004
Amount paid (5.16% of participation)	53,730
Total paid	297,734
Fair value of the net assets of Celesc on 31/03/2018	1,896,448
Fair value of the net assets acquired (19.62%)	372,129
Cost of acquisition	-10,701
Net gain on the acquisition	63,694
Net gain on the acquisition in Euros (see note 13)	15,385

• The acquisition, by EDP Renewables Europe, S.L.U., of 100% of the companies Energiaki Arvanikou M.epe and Wind Park Aerorrachi A.E., in the second quarter of 2018, was classified as an asset purchase, out of the scope of IFRS 3 – Business Combinations, due to the substance of the transaction, the type of assets acquired and the very early stage of the projects.

Companies sold and liquidated:

- EDP Energias de Portugal, S.A. liquidated O e M Serviços Operação e Manutenção Industrial, S.A.;
- EDP Gestão Produção Energia, S.A. liquidated EDERG Produção Hidroeléctrica, Lda.

Companies merged:

• EDP Renewables Canada LP Holdings, Ltd. was merged into EDP Renewables Canada Ltd.

Companies incorporated:

- 2018 Vento XIX LLC *;
- 2018 Vento XVIII LLC *;
- Bayou Bend Solar Park LLC *;
- Blue Bridge Solar Park GP Ltd *;
- Blue Bridge Solar Park LP *;
- Bromhead Solar Park GP Ltd *;
- Bromhead Solar Park LP *;
- Casa Grande Carmel Solar LLC *;
- Cielo Solar Park LLC *;
- EDP Energia Italia S.R.L.;
- \bullet EDP Renewables Canada Management Services Ltd *;
- EDP Renewables Sask SE GP Ltd *;
- EDP Renewables Sask SE Limited Partnership *;
- EDPR Wind Ventures XIX LLC *;
- EDPR Wind Ventures XVIII LLC *;
- Halbrite Solar Park GP Ltd *;
- Halbrite Solar Park LP *;
- Helena Harbor Solar Park LLC *;
- ullet Indiana Crossroads Wind Farm III LLC *;
- Kennedy Wind Farm GP Ltd *;
- Kennedy Wind Farm LP *;
- Lobolly Hill Solar Park LLC *;
- Loma de la Gloria Solar Park LLC *;
- Loyal Wind Farm LLC *;
- Marathon Wind Farm LLC *;
- Moray East Holdings Limited;
- Moray West Holdings Limited;
- Parque Eólico Cañete, S.L.;
- Parque Eólico La Estancia, S.L.;
- Parque Eólico Valdelugo, S.L.;
 Quilt Block Wind Farm II LLC *;
- San Clemente Solar Park LLC *;
- Shullsburg Wind Farm LLC *;
- Wrangler Solar Park LLC *.

^{*} EDP Group holds, through EDP Renováveis and its subsidiaries, a set of subsidiaries legally established in the United States without share capital and that, as at 30 June 2018, do not have any assets, liabilities or any operating activity.



Other changes:

- According to the sale agreement celebrated in 2017, Moray Offshore Renewable Power Limited sold 20% of Moray Offshore Windfarm (East) Limited to Diamond Generation Europe Limited by 20,168 thousand Euros the equivalent of 17,817 thousand Pound Sterling (which corresponds to a sale price of 35,766 thousand Pound Sterling deducted from 17,751 thousand Pound Sterling of loans and transaction costs in the amount of 198 thousand Pound Sterling) generated a gain of 14,688 thousand Euros (see note 13);
- In the second quarter of 2018, EDP Renewables SGPS, S.A. has acquired 60% of shareholding in the company Windplus S.A. in which previously held 19.4% and had significant influence, being therefore consolidated by the equity method. In accordance with the Shareholders Agreement, it has been established a shared control of the Company, without change its consolidation by the equity to full method.

7. Revenues and cost of Energy Sales and Services and Other

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

	Group		Company	
Thousand Euros	Jun 2018	Jun 2017	Jun 2018	Jun 2017
Electricity and network access	6,927,006	7,123,731	1,366,001	1,225,145
Gas and network access	398,359	466,286	-	17,577
Sales of CO2 Licenses	-	-	34,369	12,696
Revenue from assets assigned to concessions	148,421	183,335	-	-
Other	85,204	102,058	82,939	88,662
	7,558,990	7,875,410	1,483,309	1,344,080

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

	Jun 2018					
Thousand Euros	Portugal	Spain	Brazil	USA	Other	Group
Electricity and network access	3,632,678	1,405,450	1,449,107	296,212	143,559	6,927,006
Gas and network access	94,909	303,450	-		-	398,359
Revenue from assets assigned to concessions	71,818	_	76,603		<u>-</u>	148,421
Other	24,141	20,009	40,864	-	190	85,204
	3,823,546	1,728,909	1,566,574	296,212	143,749	7,558,990

			Jun 2	017		
Thousand Euros	Portugal	Spain	Brazil	USA	Other	Group
Electricity and network access	3,733,339	1,502,919	1,378,137	332,689	176,647	7,123,731
Gas and network access	131,782	334,504	-	-	=	466,286
Revenue from assets assigned to concessions	105,809	-	77,526	=	-	183,335
Other	23,691	15,908	62,230	5	224	102,058
	3,994,621	1,853,331	1,517,893	332,694	176,871	7,875,410

The caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 694,679 thousand Euros (revenue in 30 June 2017: 804,500 thousand Euros) regarding tariff adjustments of the period (see notes 23 and 36). This caption also includes a net revenue of 57,559 thousand Euros (30 June 2017: net cost of 40,558 thousand Euros) related to recognition of tariff adjustments for the period in Brazil (see notes 23 and 36).

Additionally, the caption Electricity and network access includes, on a consolidated basis, a positive amount of 1,549 thousand Euros (30 June 2017: negative amount of 111,258 thousand Euros) related to the contractual stability compensation (CMEC) as a result of the power purchase agreements (PPA) termination, including a positive amount of 9,474 thousand Euros related to the CMEC final adjustment, net from the recognised provision due to the final adjustment official approval (see note 4).

The caption Electricity and network access, on a company basis, includes 575,678 thousand Euros (30 June 2017: 465,576 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, are as follows (see note 47 - Operating Segments).

		Jun 2018				
	Re	ported Opera	ating Segment	ts	Other Segm	
Thousand Euros	Iberia	EDP R	EDP Brasil	Total	/ Adjustm	Group
Electricity and network access	4,966,343	533,407	1,429,551	6,929,301	-2,295	6,927,006
Gas and network access	398,359	-	-	398,359	-	398,359
Revenue from assets assigned to concessions	71,818	=	76,603	148,421	=	148,421
Other	43,210	1,033	40,864	85,107	97	85,204
	5,479,730	534,440	1,547,018	7,561,188	-2,198	7,558,990

	Jun 2017					
		Operating	Segments		Other Segm	
Thousand Euros	Iberia	EDP R	EDP Brasil	Total	/ Adjustm	Group
Electricity and network access	5,033,443	728,936	1,357,714	7,120,093	3,638	7,123,731
Gas and network access	466,286	-	-	466,286	=	466,286
Revenue from assets assigned to concessions	105,809	-	77,526	183,335	=	183,335
Other	38,680	1,060	62,230	101,970	88	102,058
	5,644,218	729,996	1,497,470	7,871,684	3,726	7,875,410

Revenues from energy sales and services and other by segment are considered globally as "overtime" and not as "at a point in time".

Cost of energy sales and other are as follows:

	Group		Company	
Thousand Euros	Jun 2018	Jun 2017	Jun 2018	Jun 2017
Cost of electricity	3,842,805	3,850,229	1,340,536	1,235,456
Cost of gas	448,518	422,824	-	
Expenditure with assets assigned to concessions	148,421	183,335	-	-
Changes in inventories and cost of raw materials and consumables				
used				
Fuel, steam and ashes	257,598	343,859	-	
Gas	39,019	59,909	-	17,577
CO2 Licenses	47,441	48,045	34,354	12,696
Own work capitalised	-967	-60,870	-	
Other	83,669	135,024	10	2
	426,760	525,967	34,364	30,275
	4,866,504	4,982,355	1,374,900	1,265,731

Cost of electricity includes, on a company basis, costs of 672,845 thousand Euros (30 June 2017: 623,850 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.

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, are as follows:

	Gro	oup
Thousand Euros	Jun 2018	Jun 2017
Revenue from assets assigned to concessions	148,421	183,335
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-100,903	-133,039
Personnel costs capitalised (see note 10)	-44,475	-46,224
Capitalised borrowing costs (see note 13)	-3,043	-4,072
	-148,421	-183,335
	-	

Revenue from assets assigned to concessions include 132,599 thousand Euros (see note 17) relative to electricity distribution concessions in Portugal and in Brasil resulting from the aplication of the mixed model. Additionally, it also includes the revenue related to the financial asset to be received by EDP Group under the transmission concessions in Brazil, resulting from the application of the financial asset model (see note 23).

8. Other Income

Other income, for the Group, are as follows:

	Gre	oup
Thousand Euros	Jun 2018	Jun 2017
Income arising from institutional partnerships - EDPR NA	100,404	132,102
Gains from contractual indemnities and insurance companies	10,309	7,711
Other	75,599	59,207
	186,312	199,020



Income arising from institutional partnerships - EDPR NA relates to income arising from production and investment tax credits (PTC/ITC), mostly from accelerated tax depreciations regarding Vento I to XVII, Sol I, Sol II and Blue Canyon I projects, in wind farms and solar plants in USA (see note 35).

The caption Other also includes gains on the reinsurance activity and recovery of doubtful debts.

9. Supplies and Services

Supplies and services are as follows:

	Group		Company	
Thousand Euros	Jun 2018	Jun 2017	Jun 2018	Jun 2017
Consumables and communications	25,266	25,337	4,229	4,047
Rents and leases	66,459	66,528	25,515	25,213
Maintenance and repairs	173,247	179,858	15,649	18,581
Specialised works:				
- Commercial activity	71,248	86,480	379	318
- IT services, legal and advisory fees	21,838	23,365	3,803	2,533
- Other services	21,309	21,766	11,604	11,456
Provided personnel	-	-	3,716	7,225
Other supplies and services	63,353	69,027	11,535	12,212
	442,720	472,361	76,430	81,585

10. Personnel Costs and Employee Benefits

Personnel costs and employee benefits are as follows:

	Gro	up	Comp	oany
Thousand Euros	Jun 2018	Jun 2017	Jun 2018	Jun 2017
Personnel costs				
Board of Directors remuneration	8,067	8,932	3,316	3,299
Employees' remuneration	241,717	258,251	19,820	18,099
Social charges on remuneration	58,751	62,472	4,894	4,396
Performance, assiduity and seniority bonus	37,894	38,169	6,922	6,710
Other costs	11,152	13,865	129	386
Own work capitalised:				
- Assigned to concessions (see note 7)	-44,475	-46,224	-	-
- Other (see note 16)	-20,100	-26,270	-	
	293,006	309,195	35,081	32,890
Employee benefits				
Pension plans costs	11,930	12,646	1,171	1,110
Medical plans costs and other benefits (see note 33)	3,568	3,991	211	225
Other	16,389	14,956	1,344	1,006
	31,887	31,593	2,726	2,341
	324,893	340,788	37,807	35,231

Pension plans costs include 4,360 thousand Euros (30 June 2017: 4,401 thousand Euros) related to defined benefit plans (see note 33) and 7,570 thousand Euros (30 June 2017: 8,245 thousand Euros) related with defined contribution plans.

In the first half of 2018, EDP Group distributed treasury stocks to employees (464,358 shares) totalling 1,393 thousand Euros.

11. Other Expenses

Other expenses are as follows:

	Group		
Thousand Euros	Jun 2018	Jun 2017	
Concession rents paid to local authorities and others	144,202	142,004	
Direct and indirect taxes	168,331	155,423	
Donations	12,594	11,155	
Impairment losses:			
- Trade receivables	13,382	28,745	
- Debtors	589	-11	
Other	50,361	39,126	
	389,459	376,442	

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.

The caption Other includes losses on the reinsurance activity and losses on property, plant and equipment.

12. Amortisation and Impairment

Amortisation and impairment are as follows:

	Group		Company	
Thousand Euros	Jun 2018	Jun 2017	Jun 2018	Jun 2017
Amortisation/impairment of Property, plant and equipment (see note 16)	513,964	533,080	16,020	11,109
Amortisation/impairment of Intangible assets (see note 17)	184,302	190,739	840	41
	698,266	723,819	16,860	11,150
Amortisation/impairment of Investment property	1,753	125	2,034	534
	700,019	723,944	18,894	11,684
Compensation of amortisation				
Partially-funded property, plant and equipment (see note 36)	-11,231	-15,280	-	-445
	•	· · · ·		
Incremental costs of obtaining contracts with customers	10,173	-	-	-
	698,961	708,664	18,894	11,239

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 liabilities from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

With the implementation of IFRS 15, incremental costs of obtaining contracts with customers are recognized as an asset, as the entity expects to recover these costs over the respective contracts. The EDP Group understands that these costs are eligible for capitalization. As at 30 June 2018, the incremental costs are amortised under the adoption of IFRS 15 (see notes 2 p), 3 and 23).



13. Financial Income and Expenses

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

	Group	
Thousand Euros	Jun 2018	Jun 2017
Financial income		
Interest income from bank deposits and other investments	17,506	32,563
Interest from derivative financial instruments	3,124	11,760
Interest income on tariff deficit:		
- Portugal - Electricity (see note 23)	6,734	8,003
- Brazil - Electricity (see notes 23 and 36)	3,145	1,356
Other interest income	32,287	23,180
Derivative financial instruments	122,796	63,539
Foreign exchange gains	18,630	22,708
CMEC:		
- Interest on the initial CMEC	18,414	13,435
- Financial effect considered in the calculation and final adjustment of CMEC	3,867	6,499
Gains on the sale of financial investments	19,351	24,632
Gains on the sale of the electricity tariff deficit - Portugal (see note 23)	4,592	11,982
Other financial income	40,582	20,597
	291,028	240,254
	•	
Financial expenses		
Interest expense on financial debt	313,114	386,652
Capitalised borrowing costs:		
- Assigned to concessions (see note 7)	-3,043	-4,072
- Other (see note 16)	-11,504	-12,255
Interest from derivative financial instruments	-638	878
Interest expense on tariff deficit:		
- Portugal - Electricity (see note 36)	213	177
- Brazil - Electricity (see notes 23 and 36)	2,247	626
Other interest expense	20,268	18,060
Derivative financial instruments	86,979	77,718
Impairment of available-for-sale investments	-	465
Foreign exchange losses	39,891	24,991
CMEC (see note 36)	8,809	5,768
Unwinding of discounted liabilities	61,684	65,541
Net interest on the net pensions plan liability (see note 33)	5,563	5,817
Net interest on the medical liabilities and other benefits (see note 33)	14,393	16,998
Other financial expenses	30,151	22,836
	568,127	610,200
Financial income/(expenses)	-277,099	-369,946

On 23 March 2018, EDP Group sold to Diamond Generation Europe Limited (DGE) 20% of the equity and shareholder loans of Moray Offshore Windfarm (East) Limited. This operation generated a gain of 14,688 thousand Euros (see note 6), included in Gains on the sale of financial investments.

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 16 and 17), it varies depending on the country and currency, since EDP Group incorporates in its scope of consolidation a significant number of subsidiaries in several geographies with different currencies.

The Unwinding of discounted value liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 2,296 thousand Euros (30 June 2017: 3,038 thousand Euros) (see note 34); (ii) the implied financial return in institutional partnership in USA of 40,441 thousand Euros (30 June 2017: 48,415 thousand Euros) (see note 35); and (iii) the financial expenses related to the discount of the liability associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe of 10,620 thousand Euros (30 June 2017: 6,689 thousand Euros).

In the first half of 2018, EDP Energias do Brasil, S.A. acquired 19.62% of the share capital of Centrais Elétricas de Santa Catarina, S.A. - Celesc. With reference to the date of acquisition, EDP Group has determined the fair value of the financial investment acquired which resulted in a gain of 15,385 thousand Euros (see note 6). This amount is included in "Other financial income".

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

	Com	pany
Thousand Euros	Jun 2018	Jun 2017
Financial income		
Interest income from loans to subsidiaries and related parties (see note 42)	106,316	171,849
Interest from derivative financial instruments	93,093	93,114
Derivative financial instruments	399,327	322,522
Income from equity investments (see note 42)	550,948	320,339
Gains on the sale of financial investments	-	20,271
Other financial income	41,618	29,542
	1,191,302	957,637
Financial expenses		
Interest expense on financial debt	176,553	211,426
Interest from derivative financial instruments	80,272	73,114
Derivative financial instruments	412,429	315,975
Other financial expenses	10,927	40,420
	680,181	640,935
Financial income/(expenses)	511,121	316,702

The caption Other financial income includes 12,166 thousand Euros related to nominal interests from bonds issued by EDP Finance B.V., repurchased by EDP S.A. in 2016 and 2017 (see notes 24 and 42). The effective interest of these instruments amounts to 5,207 thousand Euros (includes the recognition of premium and transaction costs associated with the buyback transaction by the effective interest rate method).

14. 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:

	Jun 2018	Jun 2017
Europe:		
Portugal	21% - 31,5%	21% - 29,5%
Spain	25% - 26%	25% - 28%
Netherlands	25%	25%
America:		
Brazil	34%	34%
United States of America	24.9%	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 2013, 2017 and 2018); and 12 years (for tax losses of 2014, 2015 and 2016); 9 years in the Netherlands, and without term in the USA, 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. However, the deduction of tax losses in the USA, 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, over the first 10 years of the asset's life. Wind facilities that qualify for the application of the Production Tax Credits prior to 1 January 2017, benefit from 100% of the credit (\$24/MWh in 2017 and 2018 – the rate is adjusted each year for inflation). The credit amount is reduced by 20% for wind facilities qualifying in 2017, 40% in 2018 and 60% in 2019.

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 half of 2018

In Portugal, according to the State Budget Law for 2018 (Law 114/2017, of 29 of December), which entered into force in 1 January 2018, the maximum state surcharge ("derrama estadual"), applicable to companies in which the tax basis higher than 35 million euros, increased from 7% to 9%.

In the USA, the tax reform signed into law on 22 December 2017, introduced extensive changes to the US tax system. For EDP Group, the most significant change is the reduction of the US federal corporate income tax rate, from the existing 35% to 21%, from 1 January 2018 onwards. Thus, when combined with average state corporate income taxes, the US combined tax rate drops to 24.91% in 2018.

Furthermore, according to the above mentioned tax reform, the utilization of carried forward tax losses in the USA will be limited to 80% of the taxable income in each year, for fiscal years starting after 1 January 2018. Moreover, tax losses generated after that period will be carried forward for an indefinite period, but will not be carried back. There is no change to the rules applied to net operating losses generated before the end of 2017.

In Spain, particularly in the Basque Country, the legal document Norma Foral 2/2018, of 21 March introduced certain tax changes related to the taxation of corporate income in Vizcaya, of which the most relevant relates to the progressive reduction of tax rates (from 28% in 2017, to 26% in 2018 and 24% from 2019 onwards).

Corporate income tax provision

Income tax expense are as follows:

	Group		Comp	Company	
Thousand Euros	Jun 2018	Jun 2017	Jun 2018	Jun 2017	
Current tax	-219,422	-143,731	39,614	17,271	
Deferred tax	102,504	24,578	15,606	14,652	
	-116,918	-119,153	55,220	31,923	

Reconciliation between the theoretical and the effective income tax expense

The effective income tax rate are as follows:

	Group		Company		
Thousand Euros	Jun 2018	Jun 2017	Jun 2018	Jun 2017	
Profit before tax	752,212	829,455	493,729	266,267	
Income tax expense	-116,918	-119,153	55,220	31,923	
Effective income tax rate	15.5%	14.4%	-11.2%	-12.0%	

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, in June 2018, is as follows:

Profit before income tax and CESE Theoretical income tax rate * Theoretical income tax expense	752,212 29.5% 221,903
Theoretical income tax expense	221 002
	221,903
Tax losses and tax credits	-45,864
Tax benefits	-13,766
Differences between accounting and fiscal provisions/depreciations	13,260
Accounting/fiscal temporary differences on the recognition/derecognition of assets	-36,053
Taxable differences attributable to non-controlling interests (USA)	-12,374
Other adjustments and changes in estimates	-10,188
Effective income tax expense as per the Consolidated Income Statement	116,918

^{*} Average tax rate considering the different tax rates applicable to EDP Group companies in Portugal

The reconciliation between the theoretical and the effective income tax expense for the Group, in June 2017, is as follows:

Thousand Euros	Jun 2017
Profit before income tax and CESE	829,455
Theoretical income tax rate *	29.5%
Theoretical income tax expense	244,689
Tax benefits	-8,879
Differences between accounting and fiscal provisions/depreciations	-10,849
Accounting/fiscal temporary differences on the recognition / derecognition of assets	-79,950
Other adjustments and changes in estimates	-25,858
Effective income tax expense as per the Consolidated Income Statement	119,153

^{*} 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 cocurred at the end during the first half of 2017.

15. Extraordinary Contribution to the Energy Sector (CESE)

The Law 83-C/2013, Law of the State Budget 2014 ("Lei do Orçamento de Estado 2014"), approved by the Portuguese Government on 31 December 2013, introduced an extraordinary contribution applicable to the energy sector (CESE), with the objective of financing mechanisms that promote the energy sector systemic sustainability, through the establishment of a fund which aims to contribute for the reduction of tariff debt and to finance social and environmental policies in the energy sector. This contribution focuses generally on the economic operators that develop the following activities: (i) generation, transport or distribution of electricity; (ii) transport, distribution, storage or wholesale supply of natural gas; and (iii) refining, treatment, storage, transport, distribution and wholesale supply of crude oil and oil products.

CESE is calculated based on the companies' net assets as at 1 January, which comply, cumulatively, to: (i) tangible assets; (ii) intangible assets, except industrial property elements; and (iii) financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets if it is higher than the value of those assets.

The general rate is 0.85%. However, in case of natural gas combined cycle power plants with an annual utilization equivalent of installed capacity equal or higher to 1,500 hours and lower than 3,000 hours, is expected a reduced rate of 0.565%. Nervertheless, this rate could be 0,285% in case of the annual utilization of installed capacity be lower than 1,500 hours.

The exemptions include assets of wind generation, mini-hydric power plants, and power plants with licenses granted following a public tender and land comprising the public domain.

The CESE system has been extended for the years 2015, 2016, 2017 and 2018 by the Law 82-B/2014, of 31 December, Law 159-C/2015 of 30 December, Law 42/2016 of 28 December and Law 114/2017 of 29 December, respectively.

Concerning EDP Group's activity, this tax has been paid between 2014 and 2016, even though, by disagreeing with its legal and constitutional requirements, EDP Group has been disputing this tax payment with the competent authorities. On 2017, EDP Group continued disputing CESE but stop the payment of these contribution and constituted a provision in the unpaid amount.

It should be kept in mind that the extraordinary contribution on the energy sector has emerged as an extraordinary measure introduced in 2014, with a temporary nature, justified by the need for the energy sector to contribute to budget stability in the context of the special economic situation that Portugal was in. Nevertheless, and contrary to what was initially foreseen and stipulated, the CESE has been successively extended by the Portuguese State, being implicit in the assumptions presented in the Stability Program 2017-2021 published in April 2017 by the Portuguese Government, that this contribution will continue until 2021. In this context, EDP Group considers that it should continue to challenge the legality and constitutionality of this tax and shall not proceed with its payment.

As at 30 June 2018, the EDP Group booked under the caption Extraordinary contribution to the energy sector (CESE) in the Consolidated Income Statement, the estimated amount of 64,057 thousand Euros (30 June 2017: 67,415 thousand Euros) concerning to CESE for the period 2018. The liability is booked in Provision for other liabilities and charges - Non-Current (see note 34).



16. Property, Plant and Equipment

This caption is as follows:

	Gro	oup	Company	
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Cost				
Land and natural resources	94,942	94,961	7,863	7,863
Buildings and other constructions	471,034	500,052	80,229	80,488
Plant and machinery:				
- Hydroelectric generation	10,633,590	10,742,276	254	254
- Thermoelectric generation	8,581,924	8,700,510	-	-
- Renewable generation	17,356,406	17,026,048	-	
- Electricity distribution	1,607,156	1,602,404	-	
- Other plant and machinery	35,091	34,865	196	196
Other	1,022,431	1,004,888	175,190	172,712
Assets under construction	1,790,236	1,373,994	51,803	37,647
	41,592,810	41,079,998	315,535	299,160
Accumulated amortisation and impairment losses				
Amortisation charge of the period (see note 12)	-499,674	-1,067,814	-9,736	-21,404
Accumulated amortisation in previous periods	-17,971,425	-16,921,858	-137,600	-116,627
Impairment losses of the period (see note 12)	-14,290	-248,743	-6,284	-
Impairment losses in previous periods	-358,060	-110,968	-4,782	-4,782
	-18,843,449	-18,349,383	-158,402	-142,813
Carrying amount	22,749,361	22,730,615	157,133	156,347

The movements in Property, plant and equipment, for the Group, for the period ended 30 June 2018, are as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari- sations	Balance at 30 June
Cost							
Land and natural resources	94,961	456	-3	-	-4,825	4,353	94,942
Buildings and other constructions	500,052	-248	-637	229	-29,082	720	471,034
Plant and machinery	38,106,103	-2,038	-12,660	139,823	-51,640	34,579	38,214,167
Other	1,004,888	9,542	-2,806	9,489	1,122	196	1,022,431
Assets under construction	1,373,994	581,414	-202	-149,541	-8,593	-6,836	1,790,236
	41,079,998	589,126	-16,308	-	-93,018	33,012	41,592,810

Thousand Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari- sations	Balance at 30 June
Accumulated amortisation							
and impairment losses							
Land and natural resources	4,032	-750	-	-	=	3,929	7,211
Buildings and other constructions	156,354	6,465	-384	-	-7,821	-4,122	150,492
Plant and machinery	17,378,628	463,881	-11,146	-	-3,756	2,912	17,830,519
Other	746,078	36,584	-2,316	-	1,096	-73	781,369
Assets under construction	64,291	7,784		-	-1,770	3,553	73,858
	18,349,383	513,964	-13,846	-	-12,251	6,199	18,843,449

Assets under construction are as follows:

Thousand Euros	Jun 2018	Dec 2017
Wind and solar farms in North America	737,978	513,269
Wind and solar farms in Europe	395,391	321,080
Hydric Portugal	250,577	195,873
Other assets under construction	406,290	343,772
	1,790,236	1,373,994

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

Thousand Euros	Jun 2018
Subcontracts and other materials	554,455
Purchase price allocation	1,847
Dismantling and decommissioning costs (see note 34)	763
Personnel costs (see note 10)	20,100
Borrowing costs (see note 13)	11,504
	588,670

Additions include the investment in wind farms and solar plants by the subgroups EDPR NA, EDPR EU and EDPR BR. In Portugal, the Group is carrying out hydroelectric investments in the construction of several power plants (Foz Tua, Canilada and Ribeiradio-Ermida) and improvements and repairs to thermoelectric power plants (Lares, Ribatejo e Sines).

Transfers refer mainly to wind and solar farms of EDP Renováveis that become operational in United States of America, Brazil, Spain and Italy.

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

As at 30 June 2018, 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 16,063 thousand Euros (31 December 2017: 16,764 thousand Euros).

As at 30 June 2018, future lease payments from Property, plant and equipment financed through lease contracts, are detailed as follows: (i) less than 1 year: 2,927 thousand Euros; (ii) from 1 to 3 years: 3,269 thousand Euros; and (iii) from 3 to 5 years: 226 thousand Euros.

17. Intangible Assets

This caption is as follows:

	Gro	oup
Thousand Euros	Jun 2018	Dec 2017
Cost		
Concession rights	12,991,060	13,408,547
CO2 Licenses	31,762	110,887
Other intangibles	290,627	311,679
Intangible assets in progress	525,190	495,562
	13,838,639	14,326,675
Accumulated amortisation and impairment losses		
Amortisation of concession rights of the period	-182,243	-377,303
Amortisation of other intangibles of the period	-2,059	-7,661
Accumulated amortisation in previous periods	-9,143,670	-9,167,294
Impairment losses of the period	-	-1,397
Impairment losses in previous periods	-27,045	-25,660
	-9,355,017	-9,579,315
Carrying amount	4,483,622	4,747,360

The concession rights over the electricity distribution networks in Brazil, namely EDP São Paulo Distribuição de Energia S.A. and EDP Espírito Santo Distribuição de Energia S.A. 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.

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



The movements in Intangible assets during the period ended 30 June 2018, for the Group, are as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 30 June
Cost							
Concession rights:							
- Distribution and generation Brazil	1,034,556				-39,021	10,604	1,006,139
- Hydric Portugal	1,418,592						1,418,592
CO2 licenses	110,887	85,270	-164,395	-	-	-	31,762
Assigned to concessions (IFRIC 12)							-
- Intangible assets	10,955,399	16,533	-254,478	28,048	-181,716	2,543	10,566,329
- Intangible assets in progress	153,516	116,066	652	-80,677	-8,506	-363	180,688
Other intangibles	311,679	12,488	-125	48	-1,553	-31,910	290,627
Other intangible in progress	342,046	4,311	-22	-48	-1,428	-357	344,502
	14,326,675	234,668	-418,368	-52,629	-232,224	-19,483	13,838,639

Thousand Euros	Balance at 1 January	Charge/ Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 30 June
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	640,294	20,941	-	-	-16,367	-	644,868
- Hydric Portugal	391,225	19,704		-	-	-	410,929
Assigned to concessions (IFRIC 12)	8,468,604	141,598	-249,058		-135,839	96	8,225,401
Other intangibles	79,192	2,059	-12		-1,225	-6,195	73,819
	9,579,315	184,302	-249,070		-153,431	-6,099	9,355,017

The assets allocated to concessions contracts (IFRIC 12) currently in force in EDP Group fall within the Financial Asset Model, in the electricity transmission concessions in Brazil, within the Intangible Asset Model, namely in the electricity special regime production concessions (PRE) in Portugal and 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 includes 50,901 thousand Euros refer to CO2 Licenses granted free of charge to EDP Group plants operating in Portugal and Spain and 34,369 thousand Euros of licenses purchased in the market for own consumption. The disposals/write-off of CO2 licenses correspond, essentially, to the licenses consumed during 2017 and delivered to regulatory authorities.

Disposals/Write-offs of intangible assets assigned to concessions (IFRIC 12) include essentially 236,666 thousand Euros in cost and accumulated amortisations related to extraordinary write-offs since the maximum technical useful life has been exceeded.

Transfers refer to the net transfers of intangible assets in progress assigned to concessions of 52,629 thousand Euros related to increases of the financial assets under IFRIC 12, transfered to Debtors and other assets from commercial activities (see note 23).

The capitalised costs of the period related to construction of intangible assets are included in own work capitalised in notes 7, 10 and 13.

18. Goodwill

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

	Group	
Thousand Euros	Jun 2018	Dec 2017
EDP España Group	884,574	884,574
EDP Renováveis Group	1,313,650	1,295,515
EDP Brasil Group	34,079	45,644
Other	6,887	6,935
	2,239,190	2,232,668

The movements in Goodwill, during the six-month period ended 30 June 2018, are analysed as follows:

Thousand Euros	Balance at 1 January	Increases	Decreases / Regulariz.	Impairment	Exchange differences	Balance at 30 June
EDP España Group	884,574	-	-	-	-	884,574
EDP Renováveis Group	1,295,515	-	-	-	18,135	1,313,650
EDP Brasil Group	45,644		-10,604	-	-961	34,079
Other	6,935		-48			6,887
	2,232,668		-10,652		17,174	2,239,190

19. Investments in Subsidiaries (Company Basis)

This caption is as follows:

	Com	pany
Thousand Euros	Jun 2018	Dec 2017
Acquisition cost	16,118,088	12,518,576
Effect of equity method (transition to IFRS)	-785,593	-785,593
Equity investments in subsidiaries	15,332,495	11,732,983
Impairment losses on equity investments in subsidiaries	-230,481	-231,281
	15,102,014	11,501,702

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

Investments in subsidiaries are as follows:

	Com	pany
	Jun 2018	Dec 2017
Thousand Euros	Net amount	Net amount
Equity investments in subsidiaries:		
EDP Renováveis, S.A.	4,154,431	4,154,431
EDP Gestão de Produção de Energia, S.A.	5,756,366	2,156,054
EDP España, S.A.U.	2,105,002	2,105,002
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Servicios Financieros España, S.A.U.	482,695	482,695
EDP Comercial - Comercialização de Energia, S.A.	299,073	299,073
EDP International Investments and Services, S.L.	281,854	281,854
Other	336,448	336,448
	15,102,014	11,501,702

The positive variation in the caption Investments in subsidiaries on a company basis results, essentially, from the share capital increase in the amount of 386,715 thousands of Euros and share premium increase in the amount of 3,213,597 thousands of Euros, of EDP Gestão de Produção de Energia, S.A.

20. Investments in Joint Ventures and Associates

This caption is as follows:

	Group		Group Company		pany
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017	
Investments in joint ventures	726,490	781,327	2	6,597	
Investments in associates	143,027	61,755	-	-	
	869,517	843,082	2	6,597	

The movement in Investments in joint ventures is mainly explained by the transfer of the investment in EDP Produção Bioeléctrica, S.A. to assets held for sale in the amount of 16,952 thousand Euros for the Group and in the amount of 6,595 thousand Euros for the Company, corresponding to its historical acquisition cost (see note 39) and the negative exchange differences in the amount of 44,485 thousand Euros.

The movement in Investments in associates is mainly explained by the acquisition of Centrais Elétricas de Santa Catarina, S.A. - Celesc in the amount of 93,211 thousand Euros (see note 6).

As at 30 June 2018, for the Group, this caption includes goodwill in investments in joint ventures of 42,226 thousand Euros (31 December 2017: 42,226 thousand Euros) and goodwill in investments in associates of 9,180 thousand Euros (31 December 2017: 9,154 thousand Euros).



21. Equity Instruments at Fair Value

In the context of the adoption of IFRS 9, the category of "Available-for-sale financial investments" previously foreseen in IAS 39 ceases to exist (see notes 2 and 3). Accordingly, on 1 January 2018, the Group performed an analysis of the business model applicable to its financial assets and classified them in accordance with the new categories set forth in IFRS 9. The equity instruments held by the Group were classified as equity at fair value, measured through other comprehensive income (OCI) (see note 21.1) or through Profit or Loss (PL) (see note 21.2). The debt instruments held by the Group at 31 December 2017 were classified as other financial assets measured at amortised cost (see note 24).

The detail of the reclassifications made following the Group's analysis for the adoption of IFRS 9 is as follows:

	Available- for-sale			Fair Value
Thousand Euros	financial assets	Through OCI	Through PL	Total
Available-for-sale financial assets at 31 Dec 2017	124,016	<u> </u>		-
Reclassification of Financial Assets for Equity Instruments at Fair Value				
through OCI (see note 21.1)	-96,290	96,290	-	96,290
Reclassification of Financial Assets for Equity Instruments at Fair Value		-		
through Profit or Loss (see note 21.2)	-27,707	-	27,707	27,707
Reclassification of Financial Assets for Other Assets at amortised Cost		-		
(see note 24)	-19			-
Equity Instruments at Fair Value as at 1 Jan 2018	-	96,290	27,707	123,997

As at 30 June 2018, this caption is analysed as follows:

	Group		Company	
Thousand Euros	Jun 2018	1 Jan 2018	Jun 2018	1 Jan 2018
Equity Instruments at Fair Value through OCI (see note 21.1)	95,692	96,290	1,537	1,537
Equity Instruments at Fair Value through Profit or Loss (see note 21.2)	27,707	27,707	-	-
	123,399	123,997	1,537	1,537

Under IFRS 13 (note 43), equity instruments at fair value are classified into three levels of fair value: level 1 includes essentially financial investments that are indexed to quoted market prices; level 2 includes the fund of stocks and bonds held by Energia RE; and level 3 covers all other equity instruments at fair value. As at 30 June 2018, there are no equity instruments at fair value within level 1.

21.1 Equity Instruments at Fair Value through Other Comprehensive Income (OCI)

As a result of the analysis of the business model applicable to available-for-sale financial assets at the date of adoption of IFRS 9, the EDP Group classifies equity instruments held for long-term strategic purposes as Equity instruments measured at fair value through other comprehensive income.

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 2018, Energia RE had a increase by 5.000 thousand Euros and a decrease of 4,289 thousand Euros and had a decrease in its fair value that was booked against fair value reserves in the amount of 1,178 thousand Euros (see note 29).

In 2018, the movements in Equity Instruments at Fair Value through OCI are as follows:

Thousand Euros	Balance at 1 January	Acquisitions	Disposals	Change in fair value	Other variations	Balance at 30 June
Zephyr Fund (Energia RE portfolio)	77,573	5,000	-4,289	-1,178	-	77,106
Other	18,717	901	-579	-442	-11	18,586
	96,290	5,901	-4,868	-1,620	-11	95,692

As at 30 June 2018, the fair value reserve attributable to the Group is as follows:

Thousand Euros	Jun 2018
Zephyr Fund (Energia RE portfolio)	9,025
Other	4,967
	13.992

21.2 Equity Instruments at Fair Value through Profit or Loss

As a result of the analysis of the business model applicable to available-for-sale financial assets at the date of adoption of IFRS 9, the EDP Group decided to classify the remaining equity instruments held for trading purposes as equity instruments measured at fair value through of results. During 2018, there were no changes in this caption, which includes the following instruments:

	Group
Thousand Euros	Jun 2018
EDA - Electricidade dos Açores, S.A.	13,045
Feedzai - Consultadoria e Inovação Tecnológica, S.A.	13,565
Other	1,097
	27,707

22. Deferred Tax Assets and Liabilities

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 as follows:

	Net deferred tax		
Thousand Euros	Assets	Liabilities	
Balance as at 31 December 2017	808,521	-466,532	
Adjustments due to IFRS 9 and IFRS 15 adoption (see note 3)	22,146	5,241	
Balance as at 1 January 2018	830,667	-461,291	
Tariff adjustment for the period	-22,865	136,573	
Provisions	-9,211		
Property, plant and equipment and intangible assets	31,678	-19,659	
Tax losses and tax credits	47,873	-	
Fair value of derivative financial instruments	40,903	-13,206	
Allocation of fair value adjustments to assets and liabilities acquired	-4,490	-10,200	
Other temporary differences	-31,471	-19,268	
Deferred tax assets and liabilities offset	170,246	-170,246	
Balance as at 30 June 2018	1,053,330	-557,297	

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 as follows:

	Net deferred tax		
Thousand Euros	Assets	Liabilities	
Balance as at 1 January 2018	78,258	-	
Tax losses and tax credits	38,828	-	
Fair value of derivative financial instruments	27,743	-22,185	
Other temporary differences	-904	-1,106	
Deferred tax assets and liabilities offset	-23,291	23,291	
Balance as at 30 June 2018	120,634	-	



23. Debtors and Other Assets from Commercial Activities

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

	Group		
Thousand Euros	Jun 2018	Dec 2017	
Assets measured at amortised cost:			
Trade receivables	131,933	141,517	
Impairment losses on trade receivables	-61,599	-61,929	
Contract assets	929	8,105	
Amounts receivable from tariff adjustments - Electricity - Portugal	190,371	183,637	
Amounts receivable from tariff adjustments - Electricity - Brazil	45,715	49,999	
Amounts receivable relating to CMEC	778,016	806,014	
Amounts receivable from concessions - IFRIC 12	769,921	747,630	
Other assets measured at amortised cost	31,640	87,068	
Impairment losses on other assets measured at amortised cost	-2,898	-3,182	
Access meaning at fair value through community income.			
Assets measured at fair value through comprehensive income: Amounts receivable from tariff adjustments - Electricity - Portugal	117,675	337,425	
Amounts receivable from turni adjustments Electricity Fortugal	117,075	337,723	
Assets measured at fair value through profit or loss:			
Amounts receivable from concessions - IFRIC 12	475,697	481,740	
Other assets:			
Incremental costs of obtaining contracts with customers	67,604		
Sundry debtors and other operations	67,108	61,355	
	2,612,112	2,839,379	

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

	Group		Group Company		oany
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017	
Assets measured at amortised cost:					
Trade receivables	1,479,662	1,712,574	168,998	306,651	
Impairment losses on trade receivables	-325,137	-305,909	-9,692	-9,699	
Contract assets	1,060,423	1,007,007	266,741	226,500	
Amounts receivable from tariff adjustments - Electricity - Portugal	259,695	243,879	-	-	
Amounts receivable from tariff adjustments - Electricity - Brazil	89,770	27,384	-	-	
Receivables relating to other goods and services	34,340	18,328	5,318	24,516	
Amounts receivable relating to CMEC	147,140	218,748	-	-	
Amounts receivable from concessions - IFRIC 12	60,847	60,978	-	-	
Other assets measured at amortised cost	166,021	187,446	76,139	61,039	
Impairment losses on other assets measured at amortised cost	-9,896	-12,416	-764	-788	
Assets measured at fair value through comprehensive income:					
Amounts receivable from tariff adjustments - Electricity - Portugal	46,207	105,111	-	-	
Other assets:					
Sundry debtors and other operations	74,791	62,600	11,514	1,411	
	3,083,863	3,325,730	518,254	609,630	

The caption Contract assets represents accrued income relating to energy sales activity. The change of the caption's name is due to the adoption of IFRS 15's updated terms.

With the adoption of IFRS 15, on 1 January 2018, the caption of Debtors and other assets from commercial activities - Non-Current started to include incremental costs of obtaining contracts with customers in the amount of 65,491 thousand Euros. These costs are eligible to be capitalised under IFRS 15 (see notes 2 and 3). As at 30 June 2018, the caption Incremental costs of obtaining contracts, in the amount of 67,604 thousand Euros includes the costs identified in the transition as at 1 January 2018 and the first half of 2018's capitalised costs, which are amortised under IFRS 15 (see note 12).

Following the adoption of IFRS 9 on 1 January 2018, the caption of Impairment losses on trade receivables - Current includes the amount of 53,213 thousand Euros, which are the result of increases in impairment losses under the new expected credit loss model recommended in IFRS 9 (see notes 2 and 3).

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

		Non-
Thousand Euros	Current	Current
Balance as at 31 December 2017	348,990	521,062
Impact of the tariff deficit measured at fair value through other comprehensive income (adoption of IFRS	5,466	-2,727
9 - see note 3)		· ·
Balance as at 1 January 2018	354,456	518,335
Receipts through the electric energy tariff	-107,504	
Partial sale of 2017 over costs for the special regime generators	-247,120	
Partial sale of 2018 over costs for the special regime generators	-641,069	_
Tariff adjustment for the period	685,494	45,732
Fair value of the tariff deficit measured at fair value through other comprehensive income	-3,505	2,395
Interest income (see note 13)	5,160	1,574
Transfer from Non-Current to Current	259,990	-259,990
Balance as at 30 June 2018	305,902	308,046

On 1 January 2018, with the adoption of IFRS 9, the EDP Serviço Universal, S.A tariff deficit included in the caption Debtors and other assets from commercial activities, in the amount of 439,797 thousand Euros, was classified and measured at fair value through other comprehensive income, which led to an increase of 2,739 thousand Euros associated with the difference between the fair value and the amortised cost (see notes 2 and 3). As at 30 June 2018, the caption Debtors and other assets from commercial activities includes the amount of 117,675 thousand Euros as non-current and the amount of 46,207 thousand Euros as current, all of which are classified and measured at fair value through other comprehensive income. According to IFRS 13, the tariff deficit fair value is classified as level 2 (see note 43).

During the first quarter of 2018, EDP SU sold, in two independent operations, a portion of the 2017 tariff deficit in the amount of 247,120 thousand Euros. The 2017 tariff deficit resulted 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 254,601 thousand Euros and generated a gain net of transaction costs of 2,591 thousand Euros (see note 13).

During the second quarter of 2018, EDP SU sold a portion of the 2018 tariff deficit in the amount of 641,069 thousand Euros. The 2018 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2018 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2016 and 2017). 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 650 million Euros and generated a gain net of transaction costs of 2,001 thousand Euros (see note 13).

The following table provides details for the caption Amounts receivable from tariff adjustments - Electricity - Portugal, by nature and year of establishment, as well as presents the amounts of tariff deficit that have been sold during the period ended 30 June 2018:

Thousand Euros	Deficit	Tariff adj.	Sales	Total
Year:				
2014	48,751	3,011	-	51,762
2015	14,308	-31	-	14,277
2016	18,892	9,440	-	28,332
2017	411,001	264,060	-247,120	427,941
2018	641,069	91,636	-641,069	91,636
	1,134,021	368,116	-888,189	613,948

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments booked in EDP São Paulo - Distribuição de Energia S.A. and EDP Espírito Santo - Distribuição de Energia S.A. with the accumulated amount as at 30 June 2018 of 89,808 thousand Euros (31 December 2017: 52,807 thousand Euros) and 45,677 thousand Euros (31 December 2017: 24,576 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 75,153 thousand Euros (see note 7), transfer from tariff adjustment payable of 41,746 thousand Euros (see note 36), amount received through the electricity tariff of 51,107 thousand Euros, unwinding in the amount of 6,806 thousand Euros (see note 13) and the exchange differences due to depreciation of Brazilian Real against Euro with a negative impact of 14,496 thousand Euros.

The caption Amounts receivable relating to CMEC amounts to 925,156 thousand Euros, and includes 778,016 thousand Euros as non-current and 147,140 thousand Euros as current. The amount receivable relating to the initial CMEC includes 463,749 thousand Euros as non-current and 43,780 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 and 220,737 thousand Euros as non-current and 36,610 thousand Euros as current, relating with the final adjustment recognised in accordance with the result achieved by the EDP/REN working group. The remaining 93,530 thousand Euros as non-current and 66,750 thousand Euros as current correspond to the receivable amounts through the revisibility calculation from 2014 to 2017. The revisibility calculation for 2015 to 2017 is still waiting the official approval.



The caption Amounts receivable from concessions - IFRIC 12 in the amount of 1,306,465 thousand Euros relates to the financial asset to be received by the EDP Group regarding the electricity distribution concessions in Portugal and electricity distribution and transmission concessions in Brazil, resulting from the application of the mixed and financial model. The variation in the period includes: (i) the effect of the depreciation of Brazilian Real against Euro in the negative amount of 61,923 thousand Euros; (ii) transfers from intangible assets assigned to concessions in the amount of 52,629 thousand Euros (see note 17); (iii) the re-measurement of IFRIC 12 indemnisation amount in Brasil concessions of 10,788 thousand Euros; and (iv) the increase of brazilian transmission companies in the amount of 15,822 thousand Euros.

24. Other Debtors and Other Assets

Other debtors and other assets are as follows:

	Gro	oup	Comp	pany
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Debtors and other assets - Non-Current				
Assets measured at amortised cost:				
Loans to subsidiaries	-		3,432,519	6,432,068
Loans to related parties	22,121	10,018	90	90
Guarantees rendered to third parties	52,527	51,041	-	
Other financial assets at amortised cost (i)	54,172		458,505	
Assets measured at fair value through profit or loss:				
Derivative financial instruments	194,729	163,874	258,728	191,610
Other assets:				
Excess of the pension fund financing (see note 33)	63,333	58,952	72	63
Sundry debtors and other operations	173,199	234,887	-	_
	560,081	518,772	4,149,914	6,623,831
Debtors and other assets - Current				
Assets measured at amortised cost:				
Loans to subsidiaries	-		505,608	1,573,553
Dividends attributed by subsidiaries	-		3,000	50,001
Loans to related parties	73,534	89,735	-	11,290
Receivables from the State and concessors	28,617	30,012	-	-
Deposits to third parties	44,254	24,606	14,643	6,727
Subsidiary companies	-	-	195,365	53,628
Group's financial system (see note 42)	-	-	1,191,744	688,078
Other financial assets at amortised cost (i)	13,680	-	17,482	
Assets measured at fair value through profit or loss:				
Derivative financial instruments	140,236	129,350	559,357	523,931
Other financial investments at through fair value	37,692	-	-	
Other assets:				
Sundry debtors and other operations	30,298	30,925	-	14
	368,311	304,628	2,487,199	2,907,222
	928,392	823,400	6,637,113	9,531,053

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 1,592,009 thousand Euros (31 December 2017: 4,875,717 thousand Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 2,017,793 thousand Euros (31 December 2017: 1,921,941 thousand Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 42). Additionally, in the first quarter of 2018, EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España liquidated the loan granted to EDP Servicios Financieros España, S.A., in the amount 885,497 thousand Euros (see note 45).

Loans to related parties - Non-Current and Current at a consolidated basis, mainly includes loans granted to Empresa de Energia São Manoel S.A., Moray Offshore Windfarm (East) Limited and Parque Eólico Sierra del Madero, S.A. During the second quarter of 2018, the loans granted to EDP Produção Bioeléctrica, S.A. that will be disposed are recognised in non-current assets held for sale, once the EDP Group started the sale process (see note 39).

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EDP - Energias de Portugal, S.A. Notes to the Condensed Consolidated and Company Financial Statements for the six-month periods ended 30 June 2018 and 2017

Derivative financial instruments – Current, for the Company, include 164,106 thousand Euros (31 December of 2017: 280,477 thousand Euros), 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 37). 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). During the period, EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España was made a partial repayment of the liability hedged in amount of 109,475 thousand Euros, corresponding to a notional of 1,000 million Dollars. 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.

The variation in the caption Sundry debtors and other operations - Non Current includes a partial receipt of the fair value of the contingent price related with the Naturgás transaction sale in 2017.

(i) Other financial assets at amortised cost

On a consolidated basis, this caption includes the securities issued by Tagus - Sociedade de Titularização de Créditos, S.A. (a limited liability company incorporated under the laws of Portugal for the purpose of carrying out securitization transactions through the acquisition, management and transmission of credits and the issuance of securitized bonds for the payment of the acquired credits, which share capital is fully owned by Deutsche Bank Aktiengesellschaft), in the context of the transmission of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, owned by EDP Distribuição, S.A. and EDP Serviço Universal, S.A. In accordance with the requirements of IFRS 9, after analysing their respective business model, these assets were classified as financial assets measured at amortized cost (see notes 2 and 3).

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 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 of 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. As at 30 June 2018, the amortised cost of these Notes corresponds to 731 thousand Euros;
- 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 reserve for administrative expenses and a liquidity reserve account. As at 30 June 2018, the amortised cost of these Notes corresponds to 597 thousand Euros;
- 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 reserve for administrative expenses and a liquidity reserve account. As at 30 June 2018, the amortised cost of these Notes corresponds to 2,706 thousand Euros;
- In December 2017, EDP Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2017 overcost of the acquisition of electricity activity from special regime production, in the amount of 583,539 thousand Euros. The transaction was performed by the amount of 600,000 thousand Euros, generating a gain of 13,004 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 372 thousand Euros, Liquidity Notes issued by Tagus at par value in the amount of 1,275 thousand Euros and Senior Notes issued by Tagus at par value in the amount of 30,000 thousand Euros, all maturing in 2021. The Liquidity and Class R Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account. As at 30 June 2018, the amortised cost of these Notes corresponds to 29,119 thousand Euros;



• In June 2018, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2018 overcost of the acquisition of electricity activity from special regime production, in the amount of 641,069 thousand Euros. The transaction was performed by the amount of 650,000 thousand Euros, generating a gain of 2,361 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 375 thousand Euros, Liquidity Notes issued by Tagus at par value in the amount of 1,788 thousand Euros and Senior Notes issued by Tagus at par value in the amount of 32,500 thousand Euros, all maturing in 2023. The Liquidity and Class R Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account. As at 30 June 2018, the amortized cost of these Notes corresponds to 34,680 thousand Euros.

On a company basis, this caption, in the amount of 475,987 thousand Euros (458,505 in Non Current and 17,482 thousand Euros in Current), corresponds to the amortised cost of the securities issued by EDP Finance B.V. reacquired on market by EDP, S.A., which in accordance with IFRS 9 requirements were classified as financial assets measured at amortised cost (see notes 2 and 3).

On 6 December 2016, EDP, S.A. has bought an amount of 500,000 thousand Dollars of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 500,624 thousand Euros. This amount includes a premium paid over the nominal debt of 21,101 thousand Euros and accrued interest as at the acquisition date. On 15 December 2017, EDP, S.A. has bought an amount of 500,000 thousand Dollars of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 446,802 thousand Euros. This amount includes a premium paid over the nominal debt of 18,016 thousand Euros and accrued interest as at the acquisition date.

The detail of these bonds issued by EDP Finance B.V., purchased on the market by EDP, S.A., is as follows:

Issuer	Maturity date	Currency	Interest rate	Nominal Value in Currency '000	
EDP Finance B.V.	01 Oct 2019	USD	4.90%	1,000,000	363,462
EDP Finance B.V.	15 Jan 2020	USD	4.13%	750,000	167,076
					530,538

During the first quarter of 2018, EDP Finance B.V. repaid, at maturity, 1,000 million Dollars of securities issued, of which EDP, S.A. had already reacquired 469,462 thousand Dollars.

As at 30 June 2018, the fair value of these assets amounted to 464,516 thousand Euros (31 December 2017: 863,930 thousand Euros, which included the amount of the issue reimbursed in February 2018).

25. Current Tax Assets

Current tax assets are as follows:

	Group		Company	
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Income tax	339,454	364,731	197,541	177,984
Value added tax (VAT)	137,899	83,415	14,122	6,395
Special taxes Brazil	78,797	130,977	-	=
Other taxes	2,449	2,170	877	877
	558,599	581,293	212,540	185,256

The detail of this item is analyzed as follows:

	Group Company		pany	
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Non-Current	49,24	5 60,793	-	-
Current	509,35	4 520,500	212,540	185,256
	558,59	9 581,293	212,540	185,256

The Special taxes Brazil caption relates to the following taxes: CSLL (Social Contribution on net profits), PIS (Social integration programme) and COFINS (Social Security Financing Contribution).

In December 2014, the distribution companies EDP São Paulo and EDP Espírito Santo began to recognise tariff adjustments as payable and receivable amounts, considering that the triggering event for the recognition of the various taxes (e.g. IRPJ, CSLL, PIS and COFINS) would only be verified when the respective energy was consumed, in accordance with the legal opinion of independent consultants. This understanding was consistent with the interpretation of Brazilian Fiscal Authorities ("Receita Federal do Brasil" - RFB), made public through the consultation no. 26/02 of the COSIT.

On 30 June 2016, RFB approved the COSIT opinion no. 101/16 where it concluded that the receivables over tariff adjustments should integrate the basis for tax calculation at the time of the accounting recognition. Thus, companies requested independent consultants to update their legal opinions, and they kept their initial understanding.

In the third quarter of 2017, considering that the new COSIT procedure is more conservative and the possibility of appealing to the Tax Regularisation Special Programme ("Programa Especial de Regularização Tributária" - PERT), created by Provisional Measure no. 783/17 and regulated by Normative Instruction RFB 1711/17, the distribution companies changed their criteria and started to recalculate all taxes since the initial recognition of payable and receivable amounts related with tariff adjustments.

Additionally, Enerpeixe identified energy sale contracts, signed before 31 of December of 2003, with the possibility of being integrated in the cumulative fiscal regime with the consequential application of a PIS and COFINS tax rate of 3.65% compared to the 9.25% previously considered. These contracts were submitted to the evaluation of an independent consultant, who demonstrated that the pre-determined price did not decrease, in accordance with Law no. 11.196/05 and Normative Instruction RFB 658/06.

Following these operations, the companies recognized tax receivables totaling 160,170 thousand Euros (718,779 thousand Brazilian Reais) and tax payables totaling 114,742 thousand euros (514,917 thousand Brazilian Reais) (see note 38).

As at 30 June 2018, the captions Income tax and Special taxes Brazil include the amount of 39,467 thousand Euros (177,113 thousand Brazilian Reais), corresponding to the recognised asset of 160,170 thousand Euros net of compensations.

26. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

	Group		Group Company		oany
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017	
Cash	395	217	33	14	
Bank deposits					
Current deposits	1,055,002	781,853	664,622	348,746	
Term deposits	441,575	1,516,533	-	675,000	
Specific demand deposits in relation to institutional partnerships	57,567	101,474	-	_	
	1,554,144	2,399,860	664,622	1,023,746	
Operations pending cash settlement					
Current deposits	-	-	200,000	115,000	
	1,554,539	2,400,077	864,655	1,138,760	

Specific demand deposits in relation to institutional partnerships corresponds to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 35), under the Group accounting policy.

As at 30 June 2018, on a company basis, the caption Operations pending cash settlement represents commercial paper issued by EDP, S.A., which is booked as financial debt at the issuance trade date, under the Group accounting policy. This caption of 200,000 thousand Euros (31 December 2017: 115,000 thousand Euros) refers to commercial paper issued on 29 June 2018, acquired by EDP Finance B.V., which settlement date occurred on 3 July 2018.

27. 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 and the voting rights 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.

On 29 September 2017, China Three Gorges (Europe), S.A. acquired 70,143,242 shares representing around 1.92% of EDP's share capital and voting rights. After this acquisition, an off-market transaction, CTG Europe became the holder of 850,777,024 shares.

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.



 $\ensuremath{\mathsf{EDP}}$ - Energias de Portugal S.A. shareholder structure as at 30 June 2018 is as follows:

	No. of Shares	% Capital	% Voting
China Three Gorges Corporation	850,777,024	23.27%	23.27%
CNIC Co., Ltd	182,081,216	4.98%	4.98%
Capital Group Companies, Inc.	364,675,613	9.97%	9.97%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
BlackRock, Inc.	182,733,180	5.00%	5.00%
Mubadala Investment Company	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	88,989,949	2.43%	2.43%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
Norges Bank	78,097,245	2.13%	2.13%
EDP (Treasury stock)	21,771,966	0.60%	
Remaining shareholders	1,306,056,541	35.72%	
	3,656,537,715	100.00%	

Share capital and Share premium are as follows:

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

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

	Group		Group Co		Com	oany
	Jun 2018	Jun 2017	Jun 2018	Jun 2017		
Net profit attributable to the equity holders of EDP (in Euros)	379,988,485	450,430,424	548,949,498	298,189,763		
Net profit from continuing operations attributable to the equity holders of						
EDP (in Euros)	379,988,485	450,430,424	548,949,498	298,189,763		
Weighted average number of ordinary shares outstanding	3,634,533,570	3,634,631,315	3,636,046,570	3,636,144,315		
Weighted average number of diluted ordinary shares outstanding	3,634,533,570	3,634,631,315	3,636,046,570	3,636,144,315		
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.10	0.12				
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.10	0.12				
Basic earnings per share from continuing operations (in Euros)	0.10	0.12				
Diluted earnings per share from continuing operations (in Euros)	0.10	0.12				

EDP Group calculates basic and diluted earnings per share attributable to equity holders of EDP using the weighted average number of ordinary shares outstanding during the period, net of changes in treasury stock during the period.

The average number of shares was determined as follows:

	Group		Company	
	Jun 2018	Jun 2017	Jun 2018	Jun 2017
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	-22,004,145	-21,906,400	-20,491,145	-20,393,400
Average number and diluted average number of shares during the				
period	3,634,533,570	3,634,631,315	3,636,046,570	3,636,144,315

28. Treasury Stock

This caption is as follows:

	Group		Company	
	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Book value of EDP, S.A.'s treasury stock (thousand Euros)	62,410	62,957	56,315	56,862
Number of shares	21,771,966	21,906,324	20,258,966	20,393,324
Market value per share (in Euros)	3.400	2.885	3.400	2.885
Market value of EDP, S.A.'s treasury stock (thousand Euros)	74,025	63,200	68,880	58,835

Shares' transactions occurred between 1 January and 30 June 2018:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	330,000	-
Average purchase price (in Euros)	2.883	-
Total purchases (thousand Euros)	952	-
Volume sold (number of shares)	-464,358	-
Average selling price (in Euros)	3.000	-
Total sales (thousand Euros)	1,393	-
Final position (number of shares)	20,258,966	1,513,000
Highest market price (in Euros)	3.486	-
Lowest market price (in Euros)	2.640	-
Average market price (in Euros)	3.075	-

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.

29. Reserves and Retained Earnings

This caption is as follows:

	Gro	Group		Company		
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017		
Legal reserve	739,024	739,024	739,024	739,024		
Fair value reserve (cash flow hedge)	-210,272	-103,578	-17,207	7,496		
Tax effect of fair value reserve (cash flow hedge)	52,664	27,436	3,832	-1,726		
Fair value reserve (financial assets)	15,621	36,649	-	-		
Tax effect of fair value reserve (financial assets)	-2,770	-5,394	-	_		
Exchange differences arising on consolidation	-485,715	-361,956	-	-		
Treasury stock reserve (EDP, S.A.)	56,315	56,862	56,315	56,862		
Other reserves and retained earnings	4,310,870	3,946,222	1,848,950	1,773,887		
	4,475,737	4,335,265	2,630,914	2,575,543		

Legal reserve

In accordance with article no. 295 of "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)

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

Fair value reserve (financial assets at farir value though other comprehensive income)

In the context of the adoption of IFRS 9, the category of "Available-for-sale financial investments" previously foreseen in IAS 39 ceases to exist (see note 21). The equity instruments held by the Group were classified as equity at fair value, measured through other comprehensive income (OCI) (see note 21.1) or through Profit or Loss (see note 21.2). Also in the context of the adoption of IFRS 9, the EDP Serviço Universal, S.A. tariff deficit began being classified and measured at fair value through other comprehensive income (see note 23).

The detail of the reclassifications made following the Group's analysis for the adoption of IFRS 9 is as follows:

	Fair value
Thousand Euros	reserve
Fair value reserve - Available for sale investments at 31.12.2017	36,649
Fair value reserve - Financial assets for equity instruments at fair value through profit	
or loss	-21,037
Fair value reserve - EDP Serviço Universal, S.A. tariff deficit	2,739
Fair value reserve - Financial assets at 01.01.2018	18,351



The changes in this consolidated caption for the period are as follows:

Thousand Euros	Group FV reserve
Balance as at 1 de January 2018	18,351
Positive changes in fair value	-
Negative changes in fair value	-2,730
Balance as at 30 June 2018	15,621

Changes in fair value reserve attributable to the EDP Group during the period ended 30 June 2018 are as follows:

Thousand Euros	Increases	Decreases
Zephyr Fund (Energia RE portfolio) (see note 21)	-	-1,178
EDP Serviço Universal, S.A. tariff deficit (see note 23)	-	-1,110
Other (see note 21)		-442
		-2,730

Exchange differences on consolidation

Exchange differences on consolidation corresponds to 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:

		_			e rates 2017	Exchange rates at Jun 2017	
Currency		Closing	Average	Closing	Average	Closing	Average
US Dollar	USD	1.166	1.210	1.199	1.129	1.141	1.083
Brazilian Real	BRL	4.488	4.140	3.973	3.605	3.760	3.443
Macao Pataca	MOP	9.421	9.773	9.653	9.063	9.174	8.666
Canadian Dollar	CAD	1.544	1.545	1.504	1.465	1.479	1.445
Polish Zloty	PLN	4.373	4.220	4.177	4.258	4.226	4.270
Romanian Leu	RON	4.663	4.654	4.659	4.569	4.552	4.537
Pound Sterling	GBP	0.886	0.880	0.887	0.877	0.879	0.861
South African Rand	ZAR	16.048	14.891	14.805	15.047	14.920	14.307
Mexican Peso	MXN	22.882	23.090	23.661	21.330	20.584	21.050
Chinese Yuan	CNY	7.717	7.709	7.804	7.628	7.739	7.444

Treasury stock reserve (EDP, S.A.)

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

Dividends

On 5 April 2018, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2017 in the amount of 694,742 thousand Euros, corresponding to a dividend of 0.19 Euros per share (including the treasury stock dividend owned by EDP, S.A. and Energia RE in the amount of 3,938 thousand Euros and 287 thousand Euros, respectively). This distribution occurred on 02 May 2018.

30. Non-Controlling Interests

This caption is as follows:

	Gr	oup
Thousand Euros	Jun 2018	Dec 2017
Non-controlling interests in income statement	191,248	328,266
Non-controlling interests in equity and reserves	3,695,272	3,606,056
	3,886,520	3,934,322

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

	Gr	oup
Thousand Euros	Jun 2018	Dec 2017
EDP Renováveis Group	2,718,336	2,653,911
EDP Brasil Group	1,194,270	1,308,065
Other	-26,086	-27,654
	3,886,520	3,934,322

The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits attributable to non-controlling interests of 123,386 thousand Euros; (ii) a negative impact of 46,281 thousand Euros related to dividends attributable to non-controlling interests; (iii) a positive impact of 13,582 thousand Euros resulting from exchange differences; and (iv) a negative impact of 27,550 thousand Euros resulting from share capital increases/decreases and other acquisitions/sales without change of control.

The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 66,180 thousand Euros of profits attributable to non-controlling interests; (ii) a decrease of 142,157 thousand Euros resulting from exchange differences; (iii) a negative impact of 35,210 thousand Euros related to dividends attributable to non-controlling interests; and (iv) a negative impact of 4,251 thousand Euros resulting from impacts related with adoption of IFRS 9 and IFRS 15.

31. Hydrological Account

The movements in the Hydrological account are as follows:

	Group and Company		
Thousand Euros	Jun 2018	Jun 2017	
Balance at the beginning of the period	1,574	1,574	
Amounts received/(paid) during the period	-787	-	
Balance at the end of the period	787	1,574	

The hydrological account was established by Decree-Law 23/89, of 19 January, and reflects the accounting movements resulting from the application of the hydrological correction mechanism established by the mentioned Decree-Law. This legal mechanism is designed to match a sharp interannual irregularity of production costs with a tariff stability policy, which, as a rule, affects consumers by the average of the hydrological conditions.

Given the evolution of the national electricity sector, in particular with the liberalised market, the legislature sought to adapt the mechanism of hydrological correction account to the market conditions, and for such, issued Decree-Law 110/2010 of 14 October, which provides the termination of this mechanism by 31 December 2016 and establishes a transitional regime applicable until that date. Under the terms of this Decree-Law, the differential of hydrological adjustment should be reflected in the tariff calculation applicable to all energy consumers, to cover the variation risk of tariff costs and revenues associated to the hydrological variability in Portugal.

The positive differentials of the hydrological correction account must be delivered by EDP - Energias de Portugal, SA (EDP, S.A.) to the National Distribution Network's (RND) concessionaire, against the hydrological correction account, in benefit of the overall system usage tariff or another tariff applicable to all electricity consumers. Thus, the negative differentials must be recovered in favor of the hydrological correction account through the same tariff and delivered by the RND concessionaire to EDP, S.A.

The financial charges or income that have always been associated with the accumulated balance of this account are booked against results.

This Decree-Law establishes that the hydrological correction account, which has always been applied to the accounts of the EDP Group, should be evidenced in EDP, S.A.'s financial position statement and the corresponding annual movements explained in the notes to the financial statements.

According with Decree-Law 110/2010 of 14 October, the hydrological correction account mechanism ceased in the end of 2016. In that year, the amount in the hydrological account was exclusively financial charges supported by EDP, S.A. The document "Tariffs and prices for the electricity and other services for 2017", published by ERSE, determined the tariffs of that year that do not considered any amount related to this mechanism, so the amount remained unchanged.

On December 2017, ERSE published the document "Tariffs and prices for the electricity and other services for 2018 and standards for 2018-2020 regulation" which integrates the annex "Profits allowed and Adjustments for Regulated Companies on Electricity Sector on 2018" which determines the amount considering on global use tariffs of system on 2018 in a negative amount of 1,574 thousand Euros, which corresponds to the amount on 31 December 2017.



32. Financial Debt

This caption is as follows:

	Group Company			
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Debt and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	245,382	288,137	245,382	288,137
- EDP Finance B.V.	995,419	1,942,285	-	-
- EDP Brasil Group	383,223	454,786	-	-
- EDP Renováveis Group	795,997	825,927	-	
	2,420,021	3,511,135	245,382	288,137
Non-convertible bond loans:				
- EDP, S.A.	-		4,350,000	4,350,000
- EDP Finance B.V.	10,025,113	10,000,982	-	
- EDP Brasil Group	654,250	679,445	-	
	10,679,363	10,680,427	4,350,000	4,350,000
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.	414,445	408,455	414,445	408,455
- EDP Brasil Group	28,969	32,722	-	
	443,414	441,177	414,445	408,455
Other loans	14,283	16,923	-	
	14,296,249	15,388,830	5,748,995	5,785,760
Accrued interest	3,731	1,249	-	
Other liabilities:				
- Fair value of the issued debt hedged risk	70,416	79,557	-	
Total Debt and Borrowings	14,370,396	15,469,636	5,748,995	5,785,760
Collectional Demonstra. New recovery #	26.000	2		
Collateral Deposits - Non-current *	-26,832	-34,874	-	
	14,343,564	15,434,762	5,748,995	5,785,760
Debt and borrowings - Current				
Bank loans:	66.070		66.070	76.400
- EDP, S.A.	66,072	64,984	66,072	76,433
- EDP Finance B.V.	430	29,990	-	
- EDP Brasil Group	87,902	110,779	-	
- EDP Renováveis Group	108,422	166,101	-	
- Other	262.020	20	-	76 422
	262,828	371,874	66,072	76,433
Non-convertible bond loans:				
- EDP, S.A.	-	50,000	4,500,000	4,550,000
- EDP Finance B.V.	919,878	549,035	-	
- EDP Brasil Group	182,471	205,561	-	
	1,102,349	804,596	4,500,000	4,550,000
Commercial paper:				
- EDP, S.A.	-	6,000	2,572,500	2,961,519
- EDP Finance B.V	450,000		-	
	450,000	6,000	2,572,500	2,961,519
Other loans	3,312	3,836	-	
	1,818,489	1,186,306	7,138,572	7,587,952
Accrued interest	179,275	260,116	135,918	114,585
Other liabilities:				
- Fair value of the issued debt hedged risk	-	1,707	-	
Total Debt and Borrowings	1,997,764	1,448,129	7,274,490	7,702,537
Collateral Deposits - Current *	-14,571	-10,381	-	
	1,983,193	1,437,748	7,274,490	7,702,537

^{*} Deposits constituted as collateral for financial guarantee

Commercial Paper non-current refers to a Commercial Paper program with firm underwriting commitment for a period of over one year, in the amounts of 250,000 thousand US Dollars, 200,000 thousand Euros and 130,000 thousand Reais.

Main events of the period:

In March 2018, EDP canceled a Syndicated Loan of 2,000 million Euros that matured 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 entered 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 2018, EDP issued debt securities under its "Debt Issuance Program (MTN)" of 750 million Euros maturing in January 2026.

The nominal value of outstanding Bond loans placed with external counterparties, as at 30 June 2018, is as follows:

Issuer	Issue date	Interest rate	Type of hedge	Conditions/ Redemption	Nominal Value in Million	Thousan	d Euros
					Currency	Group	Company
Hybrid by EDP S.A							
EDP, S.A. (iv)	Sep-15	Fixed rate EUR 5.375% (v)	n.a.	Sep-75	750 EUR	750,000	750,000
						750,000	750,000
		n Term Notes program					
EDP Finance B.V.	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.(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	89,698	-
EDP Finance B.V.(ii)	Sep-09	Fixed rate USD 4.90%	Net Investment	Oct-19	637 USD	546,010	-
			Fair Value/				
EDP Finance B.V.(i)	Nov-12	Fixed rate CHF 4.00%	Cash Flow	Nov-18	125 CHF	103,922	-
EDP Finance B.V.(i)	Sep-13	Fixed rate EUR 4.875%	Fair Value	Sep-20	750 EUR	750,000	-
EDP Finance B.V.	Nov-13	Fixed rate EUR 4.125%	n.a.	Jan-21	600 EUR	600,000	-
EDP Finance B.V.	Jan-14	Fixed rate USD 5.25%	Net Investment	Jan-21	750 USD	643,335	-
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	85,778	-
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.(ii)	Nov-14	Fixed rate USD 4.125%	Net Investment	Jan-20	583 USD	500,021	-
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	-
EDP Finance B.V.	Jun-17	Fixed rate USD 3.625%	Net Investment	Jul-24	1,000 USD	857,780	-
EDP Finance B.V.	Nov-17	Fixed rate EUR 1.50%	n.a.	Nov-27	500 EUR	500,000	-
EDP Finance B.V.	Jun-18	Fixed rate EUR 1.625%	n.a.	Jan-26	750 EUR	750,000	-
						10,990,215	-

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

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

⁽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.



Issuer	Issue date	Interest rate	Type of hedge	Conditions/ Redemption	Nominal Value in Million	Thousan	d Euros
					Currency	Group	Company
_		Brasil Group in the Brazil	ian domestic				
Lajeado Energia	Nov-13	CDI + 1.20%	n.a.	Nov-19	300 BRL	66,854	-
EDP São Paulo	Apr-14	CDI + 1.39%	n.a.	Apr-19	72 BRL	16,044	-
EDP Espírito Santo	Aug-14	CDI + 1.50%	n.a.	Aug-20	177 BRL	39,397	-
Energias do Brasil	Oct-15	IPCA + 8.3201%	n.a.	Sep-21	205 BRL	45,695	-
Energias do Brasil	Oct-15	CDI + 1.74%	n.a.	Sep-18	332 BRL	74,010	-
Energias do Brasil	Oct-15	IPCA + 8.2608%	n.a.	Sep-24	55 BRL	12,210	-
Energias do Brasil	Apr-16	IPCA + 8.3479%	n.a.	Apr-22	271 BRL	60,447	-
Energest	Apr-16	CDI + 2.265%	n.a.	Apr-20	43 BRL	9,627	-
Enerpeixe	Nov-16	114.50% * CDI	n.a.	Nov-19	350 BRL	77,993	-
Pecém	Dec-16	CDI + 2.95%	n.a.	Nov-21	330 BRL	73,536	-
EDP São Paulo	Apr-17	108.75% * CDI	n.a.	Apr-22	150 BRL	33,425	-
EDP Espírito Santo	Apr-17	108.75% * CDI	n.a.	Apr-22	190 BRL	42,339	-
Enerpeixe	Nov-17	116.00% * CDI	n.a.	Dec-22	320 BRL	71,308	-
EDP São Paulo	Dec-17	107.50% * CDI	n.a.	Jan-21	100 BRL	22,287	-
EDP PCH	Dec-17	CDI + 1.30%	n.a.	Dec-22	150 BRL	33,425	-
EDP Espírito Santo	Dec-17	107.50% * CDI	n.a.	Jan-21	120 BRL	26,740	-
Lajeado Energia	Dec-17	109.00% * CDI	n.a.	Dec-20	100 BRL	22,284	-
Lajeado Energia	Dec-17	113.70% * CDI	n.a.	Dec-22	200 BRL	44,567	-
EDP São Paulo	Jan-18	107.50% * CDI	n.a.	Jan-21	100 BRL	22,284	-
EDP Espírito Santo	Jan-18	107.50% * CDI	n.a.	Jan-21	100 BRL	22,284	-
EDP Transmissão	May-18	IPCA + 7.0267%	n.a.	May-23	115 BRL	25,626	-
						842,382	-
						12,582,597	750,000

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

The Group has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As at 30 June 2018 and 31 December 2017 these loans amounted to 974,711 thousand Euros and 1,249,771 thousand Euros, respectively (see note 41).

EDP Group has several credit facilities it uses for liquidity management. EDP Group has short-term credit facilities of 226 million Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, which as at 30 June 2018 were totally available. EDP Group also has a Commercial Paper program of 100 million Euros with guaranteed placement, which as at 30 June 2018 was totally available. EDP Group has a medium term RCF of 3,300 million Euros, maturing in 2022 and a RCF of 75 million Euros, maturing in 2019 both with firm underwritting commitment and totally available at 30 June 2018. The Group also has a RCF of 2,240 million Euros, with a firm underwriting commitment and maturing in 2023, which as at 30 June 2018 are available in 1,394 million Euros.

As at 30 June 2018, future debt and interest payments, by type of loan and currency, are as follows:

						Following	
Thousand Euros	Jun 2019	Dec 2019	Dec 2020	Dec 2021	Dec 2022	years	Total
Bank loans:							
Euro	128,397	39,402	92,056	85,237	239,835	624,111	1,209,038
Brazilian Real	102,602	83,605	75,583	67,358	64,011	291,538	684,697
US Dollar	16,527	5,481	11,958	12,147	11,899	611,522	669,534
Other	20,421	8,747	19,101	20,769	17,734	37,777	124,549
	267,947	137,235	198,698	185,511	333,479	1,564,948	2,687,818
Bond loans:							
Euro	855,525	3,051	1,067,574	596,695	1,189,287	4,705,856	8,417,988
Brazilian Real	194,882	97,944	199,994	221,048	111,194	24,418	849,480
US Dollar	209,618	544,572	498,375	639,320	-	850,950	2,742,835
	1,260,025	645,567	1,765,943	1,457,063	1,300,481	5,581,224	12,010,303
Hybrid Bond:							
Euro	11,818					739,168	750,986
	11,818	_	-	-	-	739,168	750,986
Commercial paper:							
Euro	450,051	-	-	200,000	-	-	650,051
Brazilian Real	_	32,351	_	-	_	_	32,351
US Dollar	3,449	214,445	_	-	-	-	217,894
	453,500	246,796	-	200,000	-	-	900,296
Other loans:							
Euro	1,259	42	42	-	-	-	1,343
Brazilian Real	3,215	717	778	379	-	12,325	17,414
	4,474	759	820	379	-	12,325	18,757
	1,997,764	1,030,357	1,965,461	1,842,953	1,633,960	7,897,665	16,368,160

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

						Following	
Thousand Euros	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022	years	Total
Bank loans:							
Euro	144,427	111,999	1,592,654	255,313	74,308	230,083	2,408,784
Brazilian Real	127,779	161,513	75,823	64,615	65,306	263,268	758,304
US Dollar	25,426	302,658	11,624	11,808	11,566	161,008	524,090
Other	83,741	19,189	19,932	21,675	18,494	38,683	201,714
	381,373	595,359	1,700,033	353,411	169,674	693,042	3,892,892
Bond loans:							
Euro	303,583	652,500	1,070,299	596,102	1,183,316	3,960,257	7,766,057
Brazilian Real	217,235	131,014	200,433	221,015	122,320	4,662	896,679
US Dollar	499,769	686,261	483,958	620,755	-	826,708	3,117,451
	1,020,587	1,469,775	1,754,690	1,437,872	1,305,636	4,791,627	11,780,187
Hybrid Bond:							
Euro	32,140	-	-	-	-	739,168	771,308
	32,140				-	739,168	771,308
Commercial paper:							
Euro	6,046	_	-	200,000	-	-	206,046
Brazilian Real	=	33,971	=	-	=	-	33,971
US Dollar	2,973	208,455		-	-	_	211,428
	9,019	242,426		200,000	-	-	451,445
Other loans:							
Euro	1,283	91	42	-	-	-	1,416
Brazilian Real	3,727	1,746	894	428	-	13,722	20,517
	5,010	1,837	936	428	-	13,722	21,933
	1,448,129	2,309,397	3,455,659	1,991,711	1,475,310	6,237,559	16,917,765

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

	Jun 2018		Dec 2017	
Thousand Euros	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Non-Current	14,370,396	15,216,106	15,469,636	16,747,971
Debt and borrowings - Current	1,997,764	1,737,941	1,448,129	1,094,003
	16,368,160	16,954,047	16,917,765	17,841,974



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).

33. Employee Benefits

Employee benefits are as follows:

	Group		Company	
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Provisions for social liabilities and benefits	701,426	763,249	3,258	4,137
Provisions for medical liabilities and other benefits	742,063	759,004	2,103	2,002
	1,443,489	1,522,253	5,361	6,139

This caption is detailed as follows:

	Group		Company	
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Non-Current	1,097,835	1,198,362	4,920	5,763
Current	345,654	323,891	441	376
	1,443,489	1,522,253	5,361	6,139

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

	Group
Thousand Euros	Jun 2018
Balance at the beginning of the period	763,249
Charge for the period	9,923
Actuarial (gains)/losses	-4,482
Charge-off Charge-off	-71,047
Surplus / (Deficit) pension funding (see note 24)	4,381
Transfers, reclassifications and exchange differences	-598
Balance at the end of the period	701,426

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

		Jun 2018			
Thousand Euros	Portugal	Spain	Brazil	Group	
Current service cost	3,628	1,006	-274	4,360	
Operational component (see note 10)	3,628	1,006	-274	4,360	
Net interest on the net pensions plan liability	4,694	573	296	5,563	
Financial component (see note 13)	4,694	573	296	5,563	
	8,322	1,579	22	9,923	

		Jun 2017			
Thousand Euros	Portugal	Spain	Brazil	Group	
Current service cost	4,404	380	-383	4,401	
Operational component (see note 10)	4,404	380	-383	4,401	
Net interest on the net pensions plan liability	5,242	676	-101	5,817	
Financial component (see note 13)	5,242	676	-101	5,817	
	9,646	1,056	-484	10,218	

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

	Group
Thousand Euros	Jun 2018
Balance at the beginning of the period	759,004
Charge for the period	17,961
Actuarial (gains)/losses	-437
Charge-off	-11,333
Transfers, reclassifications, exchange differences and "mútua"	-23,132
Balance at the end of the period	742,063

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

	Jun 2018			Jun 2017		
Thousand Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	3,139	429	3,568	3,552	439	3,991
Operational component (see note 10)	3,139	429	3,568	3,552	439	3,991
Net interest on the medical liabilities						
and other benefits	4,766	9,627	14,393	6,194	10,804	16,998
Financial component (see note 13)	4,766	9,627	14,393	6,194	10,804	16,998
Net cost for the period	7,905	10,056	17,961	9,746	11,243	20,989

As at 30 June 2018, the net movement for the period in Provisions for social liabilities and benefits corresponds to a decrease of 61,823 thousand Euros (30 June 2017: 54,093 thousand Euros), from which 54,355 thousand Euros correspond to the negative net movement occurred in Portugal (30 June 2017: 51,709 thousand Euros) and 7,468 thousand Euros correspond to the negative net movement occurred in Spain and Brazil (30 June 2017: 2,384 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 a decrease of 16,941 thousand Euros (30 June 2017: decrease of 17,914 thousand Euros), from which 420 thousand Euros correspond to the positive net movement occurred in Portugal (30 June 2017: 7,344 thousand Euros negative) and 17,361 thousand Euros correspond to the negative net movement occurred in Brazil (30 June 2017: negative net movement of 10,570 thousand Euros).

For the Group, the commitments relating to pension and medical plans and other benefits are disclosed by maturity, as at 31 December 2017, as follows: (i) less than 1 year: 264,281 thousand Euros; (ii) from 1 to 3 years: 483,811 thousand Euros; (iii) from 3 to 5 years: 419,624 thousand Euros, and (iv) more than 5 years: 823,875 thousand Euros.

As at 30 June 2018 and 2017, the current service cost and net interest cost recognised were based on the estimated cost for the period determined actuarially on 31 December 2017 and 2016, respectively.

34. Provisions

Provisions are as follows:

	Group		Com	pany
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Provision for legal and labour matters and other contingencies	86,035	85,049	-	
Provision for customer guarantees under current operation	3,746	6,235	-	-
Provision for dismantling and decommissioning	467,894	463,556	-	-
Provision for other liabilities and charges	258,460	197,989	2,715	10,455
	816,135	752,829	2,715	10,455

This caption is as follows:

	Gro	Group		Company	
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017	
Non-Current	793,435	726,771	1,522	8,902	
Current	22,700	26,058	1,193	1,553	
	816,135	752,829	2,715	10,455	

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

Thousand Func	Group
Thousand Euros	Jun 2018
Balance at the beginning of the period	85,049
Charge for the period	10,622
Reversals	-3,035
Charge-off for the period	-4,386
Exchange differences and other	-2,215
Balance at the end of the period	86,035

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.

In the first half of 2018, there were no significant changes in the Provisions for legal and labour matters and other contingencies.



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

	Group
Thousand Euros	Jun 2018
Balance at the beginning of the period	6,235
Charge-off for the period	-2,494
Exchange differences and other	5
Balance at the end of the period	3,746

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

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

	Group
Thousand Euros	Jun 2018
Balance at the beginning of the period	463,556
Unwinding (see note 13)	2,296
Increase of the responsibility (see note 16)	763
Exchange differences and other	1,279
Balance at the end of the period	467,894

In the first half of 2018, there were no significant changes in the Provision for dismantling and decommissioning.

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

	Jun 2018	
Thousand Euros	Group Compan	
Balance as at 31 December 2017	197,989	10,455
Adjustment due to IFRS 15 adoption (see note 3)	-17,625	-
Balance as at 1 January 2018	180,364	10,455
Charge for the period	5,814	168
Reversals	-16,489	-7,895
Charge-off for the period	-1,244	-13
CESE (see note 15)	64,057	-
CMEC	28,044	=
"Lesividad"	6,010	-
Exchange differences and other	-8,096	
Balance as at 30 June 2018	258,460	2,715

On 3 May, it has come to EDP's knowledge (through a DGEG's letter) that the CMEC final adjustment had been officially approved, according to ERSE's proposal, in the amount of 154 million Euros. Thus, even though the Group is still analysing the technical and legal foundations of this approval, this has been reflected in the financial statements as at 30 June, through a provision by the difference of the final adjustment amounts already recognised in revenues (see note 4).

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 30 June 2018, there were no significant changes in the losses considered as possible, except for the following:

- i) Within EDP Distribuição there is a contingency established by Gás Natural Comercializador, S.A. (GNC), for the undue payment of tariffs for access to networks charged by EDP Distribuição and surplus consumption by Repsol Polimeros, S.A. The situation is related with the attribution of a proper consumption producer status to Repsol Polimeros, S.A. in June 2014, being this energy invoiced only from October 2015 onwards. Regarding the year 2015, GNC was reimbursed for the over paid amounts, therefore the claim is only on payments about the second half of 2014, in the amount of 5,724 thousand Euros;
- ii) Banco de Portugal (BdP) claimed for an alleged default of the Legal Framework of Credit Institutions and Financial Companies, by EDP Soluções Comerciais, for performing activities related with payment services (which are legally reserved to credit institutions and similar entities) and non-compliance with some BdP premises. The accusation was addressed to EDP Soluções Comerciais and EDP S.A., and the amount of the contingency was shared by the two companies, in a total that could reach 10,000 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 and Enersul. As at 30 June 2018, the amount of this tax contingency amounts to 277 million Euros (31 December 2017: 273 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 no. 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.

35. Institutional Partnerships in USA

The caption Institutional partnerships in USA is as follows:

	Group		
Thousand Euros	Jun 2018	Dec 2017	
Deferred income related to benefits provided	968,885	914,612	
Liabilities arising from institutional partnerships in USA	1,121,218	1,249,110	
	2,090,103	2,163,722	

EDPR North America recognises under this caption the receipts of institutional investors associated with wind and solar projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, and recognised over the useful life of the related projects (see note 8). Additionally, this liability is increased by the estimated interest based on the liability outstanding and the expected rate of return of the institutional investors (see note 13).

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

Thousand Euros	Group Jun 2018
Balance at the beginning of the period	2,163,722
Proceeds received from institutional investors	9,663
Cash paid for deferred transaction costs	-201
Cash paid to institutional investors	-84,211
Other Income (see note 8)	-100,404
Unwinding (see note 13)	40,441
Exchange differences	57,187
Other	3,906
Balance at the end of the period	2,090,103

36. Trade and Other Liabilities from Commercial Activities

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

	Group	
Thousand Euros	Jun 2018	Dec 2017
Investment government grants	583,828	491,008
Amounts payable for tariff adjustments - Electricity - Portugal	47,613	10,632
Amounts payable for tariff adjustments - Electricity - Brazil	47,775	38,698
Energy sales contracts - EDPR NA	12,685	13,686
Deferred income - CMEC	344,493	364,428
Amounts payable for concessions	208,240	209,117
Property, plant and equipment suppliers and accruals	55,612	110,986
Other creditors and sundry operations	103,841	104,616
	1,404,087	1,343,171



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

	Group		Company	
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Suppliers	850,207	947,702	333,540	366,401
Accrued costs related with supplies	486,901	657,669	251,951	272,958
Property, plant and equipment suppliers and accruals	598,680	639,345	700	715
Holiday pay, bonus and other charges with employees	128,558	162,902	24,599	31,165
CO2 emission Licenses	47,687	101,693	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	136,171	249,914	-	-
Amounts payable for tariff adjustments - Electricity - Brazil	1,569	13,157	-	-
Deferred income - CMEC	83,205	83,012	-	=
Other creditors and sundry operations	861,294	642,737	117,418	15,224
	3,194,272	3,498,131	728,208	686,463

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

		Non-
Thousand Euros	Current	Current
Balance as at 31 December 2017	249,914	10,632
Payment through the electricity tariff	-113,522	-
Tariff adjustment of the period	-	36,547
Interest expense (see note 13)	175	38
Transfer from Non-Current to Current	-396	396
Balance as at 30 June 2018	136,171	47,613

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments booked in EDP São Paulo and EDP Espírito Santo in the accumulated amount of 36,697 thousand Euros (31 December 2017: 35,127 thousand Euros) and 12,647 thousand Euros (31 December 2017: 16,728 thousand Euros), respectively. The variation occurred includes the tariff deficit for the period with a positive impact of 17,594 thousand Euros (see note 7), the transfer to tariff adjustment receivable of 41,746 thousand Euros (see note 23), the unwinding in the amount of 5,908 thousand Euros (see note 13), the decrease in the amount received through the electricity tariff of 61,525 thousand Euros and the exchange differences due to depreciation of Brazilian Real with a negative impact of 6,234 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 11,231 thousand Euros as at 30 June 2018 (see note 12). This caption includes grants received by EDPR NA subgroup under the "American Recovery and Reinvestment Act" promoted by the United States of America Government.

At the moment of the EDPR NA acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 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 427,698 thousand Euros (31 December 2017: 447,440 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 13), in the amount of 239,828 thousand Euros. This caption also includes 187,870 thousand Euros relating with the final adjustment recognised in accordance with the result achieved by EDP/REN working group (256,539 thousand Euros), deducted of amortisation and unwinding charges of the period (see note 13).

Amounts payable for concessions includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 144,727 thousand Euros (31 December 2017: 139,809 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 63,482 thousand Euros (31 December 2017: 69,072 thousand Euros).

The caption CO2 emission licenses includes the CO2 consumptions during 2017 and 2018 in Portugal and Spain of 30,416 thousand Euros and 17,271 thousand Euros, respectively (31 December 2017: 58.789 milhares de Euros e 42.904 milhares de Euros). This decrease in comparison with 2017 relates to the delivery in 2018 of the 2017 licences consumption, which are returned to regulatory authorities until April of the year following its consumption.

In the energy distribution activity, the subsidiaries of EDP Group in Portugal and Spain recover the deficits and tariff adjustments assets through the tariffs charged to their customers. The caption Other creditors and sundry operations - Current, includes the amounts payable to entities that have acquired the right to receive these assets in securitisation or direct sales operations in Portugal and settlements to be made to the regulatory entity in Spain. As at 30 June 2018, due to the transfer to these entities of the assets recovered through the tariffs, the amounts to be paid are 129,801 thousand Euros and 17,503 thousand Euros in Portugal and Spain, respectively (31 December 2017: 133,107 thousand Euros and 13,092 thousand Euros). Additionally, this caption includes 14,317 thousand Euros related to tariff adjustment payable (31 December 2017: 14,317 thousand Euros) and 202,247 thousands of Euros related to the antecipated sale of tariff deficit of 2018 (see note 23), which right to be received by EDP Serviço Universal will occur in the second half of 2018.

The decrease of the caption Property, plant and equipment suppliers and accruals is mainly driven by payments in EDPR NA and EDPR Brasil, where the construction of relevant windfarms is ongoing.

37. Other Liabilities and Other Payables

Other liabilities and other payables are as follows:

	Group		Company	
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	493,403	591,779	-	
Put options over non-controlling interest liabilities (see note 41)	1,027	2,197	-	
Derivative financial instruments	215,284	91,092	272,626	112,714
Group companies	-	-	202,380	199,280
Amounts payable and contigent prices for acquisitions/sales	88,623	94,660	-	-
Lease contracts with EDP Pension and Medical and Death Subsidy Funds	78,700	79,414	78,700	79,414
Other creditors and sundry operations	6,595	15,842	-	
	883,632	874,984	553,706	391,408
Other liabilities and other payables - Current				
Loans from non-controlling interests	172,683	121,023	-	
Dividends attributed to related companies	77,831	42,207	-	
Derivative financial instruments	138,254	94,522	307,614	190,643
Group companies	-		771,068	1,591,110
Group's financial system	-	-	795,804	197,174
Amounts payable and contigent prices for acquisitions/sales	10,109	14,525	-	
Lease contracts with EDP Pension and Medical and Death Subsidy Funds	6,447	6,434	6,447	6,434
Other creditors and sundry operations	4,954	5,429	61,941	109,268
	410,278	284,140	1,942,874	2,094,629
	1,293,910	1,159,124	2,496,580	2,486,037

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

- i) loans granted by ACE Portugal (CTG Group) due to the sale in 2017 of 49% of shareholding in EDPR PT Parques Eólicos S.A and subsidiaries for a total amount of 30,609 thousand Euros, including accrued interests (31 December 2017: 37,362 thousand Euros), bearing interest at a fixed rate of 3.75% (see note 42);
- ii) 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 220,233 thousand Euros, including accrued interests (31 December 2017: 231,751 thousand Euros), bearing interest at a fixed rate of a range between 3.32% and 7.55%;
- iii) loans granted by ACE Poland (CTG Group) due to the sale in 2016 of 49% of shareholding in EDP Renewables Polska HoldCo, S.A. and subsidiaries for a total amount of 117,583 thousand Euros, including accrued interests (31 December 2017: 123,430 thousand Euros), bearing interest at a fixed rate of a range between 1.33% and 7.23% (see note 42);
- iv) loans granted by ACE Italy (CTG Group) due to the sale in 2016 of 49% of shareholding in EDP Renewables Italia, S.r.l. and subsidiaries for a total amount of 67,726 thousand Euros, including accrued interests (31 December 2017: 78,436 thousand Euros), bearing interest at a fixed rate of 4.5% (see note 42);
- 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 53,346 thousand Euros, including accrued interests (31 December 2017: 58,388 thousand Euros), bearing interest at a fixed rate of a range between 3.1% and 7.18%;
- vi) loans granted by CITIC CWEI Renewables (CTG Group) due to the sale in 2013 of 49% of shareholding in EDP Renováveis Portugal, S.A. for a total amount of 55,786 thousand Euros, including accrued interests (31 December 2017: 61,140 thousand Euros), bearing interest at a fixed rate of 5.5% (see note 42); and
- vii) loans from Sonatrach to Central Térmica Ciclo Combinado Grupo 4 in the amount of 58,220 thousand Euros (31 December 2017: 58,220 thousand Euros).

The Amounts payable and contigent prices for acquisitions/sales includes the amounts related with the contingent prices for the acquisition of several European projects (mainly in Italy) and Brazilian projects, as well as the contingent prices related to the sale of gas distribution business in Spain and Portugal, in the amount of 40,670 thousand Euros and 51,927 thousand Euros, respectively.

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 note 45). The component in foreign currency is covered by a hedging instrument (see note 24).



The variation in the caption Group companies Current, on a Company basis, corresponds to the repayment of a loan of EDP S.A. Sucursal en España, in the amount of 1,000 million US Dollars (see notes 24 and 45).

The caption'Lease contracts with EDP Pension and Medical and Death Subsidy Funds corresponds to the lease contract regarding the building units of Porto headquarters acquired by EDP Pension Fund in December 2015 and the Lisbon headquarters building given as an inkind contribution to EDP Medical and Death Subsidy Fund in September 2017.

Regarding the building units of Porto's headquarters, the lease contract is for a period of 25 years, with a monthly expense of 271 thousand Euros and an implicit rate of 6.42%. As at 30 June 2018, it amounts to 30,519 thousand Euros (31 December 2017: 30,808 thousand Euros) (see note 42).

Regarding the Lisbon headquarters' building, the building component was booked as an asset of EDP, S.A. in Property, Plant and Equipment, at the present value of the minimum lease payments. The lease contract is for a period of 25 years, with a monthly expense of 491 thousand Euros and an implicit rate of 5.82%. As at 30 June 2018, it amounts to 54,628 thousand Euros (31 December 2017: 55,040 thousand Euros) (see note 42).

38. Tax Liabilities

Tax liabilities are as follows:

	Group		Company	
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Income tax	247,290	86,645	139,949	-
Withholding tax	19,207	36,269	1,561	1,176
Value Added Tax (VAT)	95,250	133,896	977	17,042
Special taxes Brazil	172,252	193,901	-	-
Other taxes	245,269	204,296	11,149	955
	779,268	655,007	153,636	19,173

This caption is as follows:

	Group		Company	
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Non-Current	92,650	91,551	-	-
Current	686,618	563,456	153,636	19,173
	779,268	655,007	153,636	19,173

As at 30 June 2018, the captions Income tax and Special taxes Brazil include the amount of 87,789 thousand Euros (393,962 thousand Brazilian Reais), corresponding to the recognised liability value of 114,742 thousand Euros (514,917 thousand Brazilian Reais) net of payments (see note 25).

39. 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 EDP Group's consolidated financial statements, are described in the Group's accounting policies.

This caption is as follows:

	Group		Com	oany
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Assets held for sale				
Electricity generation assets - United Kingdom	49,893	58,179	-	-
Electricity generation assets - Brazil	7,560	10,271	-	-
Electricity generation assets - Portugal	203,507	161,819	21,373	-
Other assets	7,672	866	-	-
	268,632	231,135	21,373	-
Liabilities held for sale				
Electricity generation liabilities - Brazil	667	3,262	-	-
Electricity generation liabilities - Portugal	109,777	111,419	-	-
	110,444	114,681	-	-
	158,188	116,454	21,373	_

In 2017, EDPR Group committed to the plan of selling and consequent loss of control of Moray Offshore Windfarm (East) Limited, so, according to the analysis performed under IFRS 5, this sale was considered highly probable, and as at 30 June 2017, its assets and liabilities were classified as held for sale. During to 2017, EDPR Group finished the sale to Engie and a subsequent loss of control of 23.3% of the equity shareholding and shareholder loans of the company. In addition, on 23 March 2018, EDPR Group sold 20% of the equity shareholding and shareholder loans of the company to Diamond Generation Europe Limited (DGE) for an amount of 36 million Pounds (see notes 6 and 13). As at 30 June 2018, the assets attributable to the remaining capital shares and respective loans that will be disposed are recognised in non-current assets held for sale in the amount of 49,893 thousand Euros.

During the last quarter of 2017, the EDP Brasil Group has started the process of selling Costa Rica Energética, Ltda. As at 31 December 2017, the assets and liabilities attributable to the remaining capital shares and respective loans that will be disposed are recognised in non-current assets held for sale.

In the last quarter of 2017, the EDP Group started the sale process of EDP Small Hydro, S.A. and Pebble Hydro - Consultoria, Investimento e Serviços, Lda. As at 31 December 2017, the assets and liabilities attributable to the remaining capital shares and respective loans that will be disposed are recognised in non-current assets held for sale.

In 2018, the EDP Group started the sale process of EDP Produção Bioeléctrica, S.A. As at 30 June 2018, the financial interest included in the financial statements of the EDP Group accounted by the equity method (16,952 thousands of Euros) and the loans granted (14,778 thousands of Euros) to EDP Produção Bioeléctrica, S.A. were presented as non-current assets held for sale (see notes 20 and 24). For the Company, the financial investment, recorded at historical cost, and the loans granted to EDP Produção Bioeléctrica, S.A., were reclassified to non-current assets held for sale.

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 its book value, in accordance with IFRS 5.

40. 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 is as follows:

	Group		Company	
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Derivatives held for trading				
Interest rate swaps and Cross-currency interest rate swaps	12,385	-2,649	77,171	83,048
Commodities swaps, forwards and options	-5,765	-2,743	31,661	40,175
Currency forwards	5,959	-3,929	-16	5,186
Fair value hedge				
Interest rate swaps and Cross-currency interest rate swaps	114,113	141,377	164,183	280,477
Cash flow hedge				
Commodities swaps	-191,532	-37,767	-63,679	3,298
Interest rate swaps	-16,331	-20,680	-	_
Currency forwards related with commodities	34,068	-8,187	28,525	-
Net Investment hedge				
Cross-currency interest rate swaps	28,530	42,188	-	
	-18,573	107,610	237,845	412,184

The fair value of derivative financial instruments is booked in Other debtors and other assets (see note 24) and Other liabilities and other payables (see note 37), 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 43) 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 5), however such instruments are not eligible for hedge accounting under IFRS.



During the first half of 2018 and 2017 the following market inputs were considered for the fair value calculation:

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

41. Commitments

Financial, operating and real guarantees granted by EDP Group, not included in the Statement of Financial Position, are as follows:

	Gro	Group		pany
Thousand Euros	Jun 2018	Dec 2017	Jun 2018	Dec 2017
Financial guarantees				
EDP, S.A.	11,483		11,483	
EDP Brasil Group	1,130,674	1,297,333	-	-
EDP Renováveis Group	3,771	6,955	-	
	1,145,928	1,304,288	11,483	-
Operating guarantees				
EDP, S.A.	999,210	902,592	999,210	902,592
EDP España Group	277,434	303,101	-	-
EDP Brasil Group	561,500	604,285	-	_
EDP Renováveis Group	3,024,486	2,789,736	-	
	4,862,630	4,599,714	999,210	902,592
Total	6,008,558	5,904,002	1,010,693	902,592
Real guarantees	3,193	7,762	-	

The financial guarantees contracted as at 30 June 2018 and 31 December 2017 include 814,480 thousand Euros and 942,646 thousand Euros, respectively, related with loans obtained by Group companies and are already included in the consolidated debt.

The operating guarantees contracted as at 30 June 2018 and 31 December 2017, includes the amounts of 374,879 thousand Euros and 393,944 thousand Euros which, respectively, refer to corporate guarantees provided by EDP Renováveis relating to EDPR Renováveis Group commercial commitments already reflected in the Statement of Financial Position. Additionally, EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation, distribution and supply activities. The total guarantees outstanding include, at 30 June 2018 and 31 December 2017, 771,903 thousand Euros and 784,049 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 30 June 2018 and 31 December 2017, EDPR's obligations under the tax equity agreements, in the amount of 1,150,325 thousand Euros and 1,258,661 thousand Euros, respectively, are already reflected under the caption Institutional Partnerships in USA; and
- ii) The Group has also project finance loans and deposits constituted as collateral for financial guarantee, which are disclosed in note 32.

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

	Jun 2018				
	Capital outstanding by maturity				
		Less	From	From	More
		than 1	1 to 3	3 to 5	than 5
Thousand Euros	Total	year	years	years	years
Operating lease commitments	1,401,100	81,580	131,270	118,860	1,069,390
Purchase obligations	21,584,142	4,580,307	4,816,967	2,841,990	9,344,878
	22,985,242	4,661,887	4,948,237	2,960,850	10,414,268

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 10,797,838 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	Jun 2018	Dec 2017
Purchase obligation - Present value	10,797,838	14,481,883
Purchase obligation - Nominal amount	17,611,426	18,313,855

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

The nature of purchase obligations breaks down as follows:

Thousand Euros	Jun 2018	Dec 2017
Fuel acquisition	7,435,253	3,380,444
Electricity acquisition	9,802,293	12,900,272
O&M contracts	1,179,128	1,091,670
Fixed assets, equipment and miscellaneous materials		
acquisition	1,535,348	1,573,712
Supply and assembly contract	814,700	655,067
Other supplies and services	817,420	996,252
	21,584,142	20,597,417

The reduction in electricity purchase obligations is essentially due to the depreciation of Brazilian Real against the Euro during 2018.

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

			Jun 2018		
		Capital outstanding by maturity			
		Less	From	From	More
		than 1	1 to 3	3 to 5	than 5
Thousand Euros	Total	year	years	years	years
Fuel acquisition	7,435,253	1,039,687	1,347,446	970,255	4,077,865
Electricity acquisition	9,802,293	1,448,021	2,070,521	1,674,462	4,609,289
	17,237,546	2,487,708	3,417,967	2,644,717	8,687,154

As at 30 June 2018, purchase obligations of fixed assets, equipment and miscellaneous materials correspond to: (i) 1,283,085 thousand Euros relating to property, plant and equipment acquisition; (ii) 144,541 thousand Euros relating to intangible assets acquisition; and (iii) 107,722 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 16 and 32, respectively. The commitments relating to pension and medical plans and other benefits are disclosed in note 33.

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 July 2016 and July 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 30 June 2018 the put option amounts to 450 thousand Euros (31 December 2017: 1,618 thousand Euros) (see note 37);
- Put option related to 25% of the share capital of San Mauro S.r.l., exercisable under certain conditions, between March 2017 and March 2022. The exercise price corresponds to 25% of the final purchase price of the company, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 30 June 2018 the put option amounts to 259 thousand Euros (31 December 2017: 259 thousand Euros) (see note 37); and
- Put option related to 25% of the share capital of AW 2 S.r.l., exercisable under certain conditions, between April 2017 and April 2022. The exercise price corresponds to 25% of the final purchase price of the company, adjusted by contributions and distributions made by and to the other shareholder, respectively, during the put option period of exercise. As at 30 June 2018 the put option amounts to 292 thousand Euros (31 December 2017: 292 thousand Euros) (see note 37).

Some of the transactions related to the disposal of non-controlling interests while retaining control, carried out 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:

	Jun 2018					
		Capital ou	itstanding by	maturity		
	Less From From More					
		than 1	1 to 3	3 to 5	than 5	
Thousand Euros	Total	year	years	years	years	
Operating lease commitments	231,737	12,131	19,826	18,608	181,172	
Purchase obligations	4,465,289	63,828	394,363	449,026	3,558,072	
	4,697,026	75,959	414,189	467,634	3,739,244	

The caption Purchase obligations relates to O&M contracts.

42. Related Parties

Shares held by company officers

The number of shares of EDP S.A. held or attributable to company officers as at 30 June 2018 and 31 December 2017 are as follows:

	2018	2017
	Nr. of	Nr. of
	shares	shares
General and Supervisory Board		
China Three Gorges Corporation (representada por Eduardo de Almeida Catroga ¹)	-	850,777,024
China Three Gorges Corporation (representada por Ya Yang ²)	850,777,024	
China Three Gorges International Corp. (representada por Dingming Zhang ²)	850,777,024	
China Three Gorges (Europe), S.A. (representada por Dingming Zhang 1)	-	850,777,024
China Three Gorges (Europe), S.A. (representada por Shengliang Wu ²)	850,777,024	
Draursa, S.A. (represented by Felipe Fernández Fernández)	1,350	1,350
Fernando Maria Masaveu Herrero	265,065,136	265,065,136
Mubadala Investment Company (represented by Mohamed Al Fahim)	148,431,999	148,431,999
Sonatrach (representada por Ferhat Ounoughi ¹)	-	87,007,433
Sonatrach (representada por Karim Djebbour ²)	87,007,433	
Vasco Joaquim Rocha Vieira	3,203	3,203
Banco Comercial Português, S.A. (represented by Nuno Manuel da Silva Amado)	88,989,949	89,126,167
João Carvalho das Neves	7,429	7,429
Executive Board of Directors		
António Luís Guerra Nunes Mexia	91,000	91,000
António Fernando Melo Martins da Costa	54,299	54,299
João Manuel Manso Neto	1,268	1,268
João Manuel Veríssimo Marques da Cruz	79,578	79,578
Maria Teresa Isabel Pereira ²	71,281	
Miguel Nuno Simões Nunes Ferreira Setas	7,382	7,382
Miguel Stilwell de Andrade	140,000	140,000
Nuno Maria Pestana de Almeida Alves ¹		150,000
Rui Manuel Rodrigues Lopes Teixeira	31,733	31,733

¹ Representative until 5 April 2018 therefore no information was reported related to 2018.

Balances and transactions with companies of China Three Gorges Group

In accordance with the EDP/CTG strategic partnership, EDP Renováveis Group has completed the sale of 49% of EDPR Portugal, EDPR Brasil, EDPR PT-PE, EDPR Italia and EDPR Polska to CTG Group.

Following these transactions, CTG Group granted loans to the EDPR Group in the amount of 271,704 thousand Euros including accrued interests (31 December 2017: 300,368 thousand Euros) (see note 37), and interests were booked in the amount of 2,608 thousand Euros (31 December 2017: 7,167 thousand Euros).

During the first half of 2018, EDPR Portugal distributed dividends to CTG in the amount of 23,520 thousand Euros.

Balances with EDP Pension and Medical and Death Subsidy Funds

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 December 2015) for a period of 25 years with an implicit rate of 6.42%. As at 30 June 2018, the present value of the contract amounts to 30,519 thousand Euros (31 December 2017: 30,808 thousand Euros) (see note 37).

² Representative after 5 April 2018 therefore no information was reported related to 2017.

In September 2017, EDP, S.A. signed a lease contract related with the building of the Lisbon headquarters (given as an in-kind contribution to the EDP Medical and Death Subsidy Funds) for a period of 25 years with an implicit rate of 5.82%. As at 30 June 2018, the present value of the contract amounts to 54,628 thousand Euros (31 December 2017: 55,040 thousand Euros) (see note 37).

Balances and transactions with subsidiaries, joint ventures and associates

In their ordinary course of business, EDP Group companies establish 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 as follows:

Credits held

	30 June 2018					
Thousand Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total		
EDP Comercial, S.A.	29,607	75,938	195,415	300,960		
EDP Distribuição, S.A.	-	2,017,793	43,780	2,061,573		
EDP España, S.A.U.			15,979	15,979		
EDP Finance B.V.	-	461,575	45,416	506,991		
EDP Produção, S.A.	-	1,592,009	230,869	1,822,878		
EDP Imobiliária e Participações, S.A.		15,841	250	16,091		
EDP IS, Lda.	8,196	196,157	38	204,391		
EDP Renováveis, S.A.			168,611	168,611		
EDP Servicios Financieros España, S.A.U.	1,130,536	- '	10,295	1,140,831		
EDP Serviço Universal, S.A.			111,545	111,545		
Other	23,405	40,479	209,486	273,370		
	1,191,744	4,399,792	1,031,684	6,623,220		

The amount of 461,575 thousand Euros refers to the repurchase in market by EDP, S.A. of two bond issues issued by EDP Finance B.V.

Debits held

		30 June 2018					
Thousand Euros	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total			
EDP Distribuição, S.A.	550,150	-	5,491	555,641			
EDP Comercial, S.A.	<u>-</u>	-	247	247			
EDP Finance B.V.	-	12,474,972	94,069	12,569,041			
EDP Produção, S.A.	195,204	=	522,496	717,700			
Pebble Hydro, Lda.	-	41,500	570	42,070			
EDP Comercializadora, S.A.	-	-	88,327	88,327			
Other	50,451	-	174,116	224,567			
	795,805	12,516,472	885,316	14,197,593			

The amount of 12,474,972 thousand Euros includes 6 intragroup bonds issued by EDP Finance B.V. to EDP S.A. as at 30 June 2018, in the total amount of 8,970,525 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 as follows:

Expenses

		30 June 2018						
	Interest on Intra-Group Financial	Interest on Loans	Other					
Thousand Euros	Mov.	Obtained	Losses	Total				
EDP Finance B.V.	-	-149,721	-51,587	-201,308				
EDP Produção, S.A.	<u> </u>	=	-767,247	-767,247				
EDP Espanã, S.A.U.	-	-	-58,900	-58,900				
Other	-46	-2	-78,995	-79,043				
	-46	-149,723	-956,729	-1,106,498				



Income

	30 June 2018						
Thousand Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total			
EDP Comercial, S.A.	18	1,226	587,411	588,655			
EDP Distribuição, S.A.	-	34,346	27,757	62,103			
EDP Espanã, S.A.U.	-	-	556,167	556,167			
EDP Produção, S.A.	141	60,347	68,526	129,014			
EDP Finance B.V.	-	12,166	50,057	62,223			
Hidrocantábrico Distribución Eléctrica S.A.U.	-	-	9,791	9,791			
EDP Comercializadora, S.A.	-	-	55,122	55,122			
EDP Renováveis, S.A.	-	-	63,922	63,922			
Other	252	9,986	70,718	80,956			
	411	118,071	1,489,471	1,607,953			

Other gains include income from equity investments of 550,948 thousand Euros (see note 13).

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

Assets and Liabilities

	30 June 2018				
Thousand Euros	Assets	Liabilities	Net Value		
Joint Ventures					
EDP Produção Bioeléctrica, S.A.	681	3,888	-3,207		
Empresa de Energia Cachoeira Caldeirão, S.A.	170	55	115		
Empresa de Energia São Manoel, S.A.	26,454	631	25,823		
Cide HC Energía, S.A.	4,630	9,858	-5,228		
Moray Offshore Windfarm (East) Limited	28,440	-	28,440		
HC Tudela Cogeneración, S.L.	2,658	2,348	310		
Other	3,753	1,701	2,052		
	66,786	18,481	48,305		
Associates					
Eoliennes en Mer Dieppe Le Tréport, S.A.S.	6,410	-	6,410		
Eoliennes en Mer Iles d'Yeu et Noirmoutier, S.A.S.	4,946		4,946		
MABE Construção e Administração de Projectos, Ltda.	4,889	-	4,889		
Parque Eólico Sierra del Madero, S.A.	12,783	-	12,783		
Other	12,058	2,529	9,529		
	41,086	2,529	38,557		
	107,872	21,010	86,862		

Transactions

	30 June 2018				
Thousand Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses	
Joint Ventures					
EDP Produção Bioeléctrica, S.A.	863	91	-23,793	-	
Cide HC Energía, S.A.	48,113	48	-64	-	
Empresa de Energia São Manoel, S.A.	113	-	-7,585	-	
Moray Offshore Windfarm (East)	2,901	607		-	
Other	3,400	43	-8,262	-	
-	55,390	789	-39,704	-	
Associates					
MABE Construção e Administração de					
Projectos, Ltda.	57	160	-	-	
Desarrollos Eólicos de Canarias, S.A.	114	-	-20	-	
Parque Eólico Sierra del Madero	4	226	-	-	
Other	454	211	-	-	
	629	597	-20	-	
	56,019	1,386	-39,724	-	

43. Fair Value of Financial Assets and Liabilities

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

	Jun 2018			Dec 2017			
Thousand Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	
Financial assets							
Available for sale investments	<u>-</u>	<u>-</u>	-	124,016	124,016	<u>-</u>	
Equity instruments at fair value	123,399	123,399	-	-	-	-	
Debtors/other assets from commercial							
activities	5,695,975	5,695,975	-	6,165,109	6,165,109	-	
Other debtors and other assets	593,427	593,427	-	530,176	530,176	-	
Derivative financial instruments	334,965	334,965	-	293,224	293,224	-	
Financial assets at fair value through profit					_		
or loss	-	-	-	37,544	37,544	-	
Collateral deposits/financial debt	41,403	41,403	-	45,255	45,255	-	
Cash and cash equivalents	1,554,539	1,554,539	-	2,400,077	2,400,077	-	
	8,343,708	8,343,708	-	9,595,401	9,595,401		
Financial liabilities							
Financial debt	16,368,160	16,954,047	585,887	16,917,765	17,841,974	924,209	
Suppliers and accruals	1,448,887	1,448,887	-	1,587,047	1,587,047	_	
Institutional partnerships in USA	2,090,103	2,090,103	-	2,163,722	2,163,722	_	
Trade/other payables from commercial							
activities	2,565,644	2,565,644	-	2,763,247	2,763,247	-	
Other liabilities and other payables	940,372	940,372	-	973,510	973,510		
Derivative financial instruments	353,538	353,538	-	185,614	185,614		
	23,766,704	24,352,591	585,887	24,590,905	25,515,114	924,209	

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

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

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

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

		Jun 2018			Dec 2017	
Thousand Euros	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	-	-	-	-	77,573	46,443
Equity instruments at fair value through					,,,	
other comprehensive income (note 21.1)	-	77,106	18,586	-	-	-
profit or loss (note 21.2)	-	- '	27,707		=	-
Tariff deficit at fair value through						
other comprehensive income (see note 23)	-	163,882	-	-	-	-
Derivative financial instruments	-	334,965	-		293,224	-
Financial assets at fair value through profit or					· · · · · · · · · · · · · · · · · · ·	
loss	-	-	-	-	-	37,544
	-	575,953	46,293	-	370,797	83,987
Financial liabilities						
Derivative financial instruments	-	353,538	-	_	185,614	-
	-	353,538	-	-	185,614	-



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

	At fair valu	e through
Thousand Euros	other comprehen- sive income	profit or loss
Balance at beginning of period	18,717	27,707
Change in fair value	-442	-
Acquisitions	901	-
Disposals	-579	-
Other changes	-11	-
Balance at the end of the period	18,586	27,707

The balance at beginning of period refers to 1 January 2018, after adopting IFRS 9 (see note 21).

44. Relevant or Subsequent Events

EDPR secures long-term Contract for Difference (CfD) for 45 MW of wind at Greek energy auction

On 4 July 2018, EDP Renováveis, S.A., announced that it has secured a 20-year Contract-for-Difference (CfD) at the Greek energy auction to sell electricity produced by Livadi 45 MW wind farm, located in Central Greece and with expected commercial operation in 2020.

With this new contract, EDPR increases its European footprint by entering in a new market with a sustainable development of its Renewable Energy Source. The auction had a total capacity of 176 MW of which EDPR was awarded c.25%.

EDPR secures PPAS for 405 MW in the US

On 3 July 2018, EDP Renováveis, S.A. announced, through its subsidiary EDP Renewables North America, four 15-year Power Purchase Agreements ("PPA") with three Commercial and Industrial (C&I) entites to sell the energy produced from two wind farm projects, with a total capacity of 405 MW.

Wind farms are located in the State of Illinois and Indiana and are expected to start operations in 2019 and 2020, respectively.

EDPR secures PPAS for 125 MW in Ohio

On 24 July 2018, EDP Renováveis, S.A. announced, through its subsidiary EDP Renewables North America LLC, two 15-year Power Purchase Agreements ("PPA") with a Commercial and Industrial (C&I) entity to sell the energy produced from Timber Road IV wind farm project, with a total capacity of 125 MW.

Timber Road IV wind farm project is located in the state of Ohio, and is expected to start operations in 2019.

45. 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.U. and EDP España, S.A.U. are directly allocated to the assets of EDP Sucursal, as well as the majority interest 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.

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.

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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 de 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 182 human resources as at 30 June 2018, including 105 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 as follows:

	EDP B	EDP Branch		
Thousand Euros	Jun 2018	Dec 2017		
Investments in subsidiaries:				
- EDP Renováveis, S.A.	4,154,431	4,154,431		
- EDP España, S.A.U.	2,105,002	2,105,002		
- EDP Servicios Financieros (España), S.A.U.	482,695	482,695		
- EDP International Investments and Services, S.L.	281,854	281,854		
Deferred tax assets	111,315	72,487		
Other debtors and others assets (see note 24)	8,469	894,059		
Total Non-Current Assets	7,143,766	7,990,528		
Debtors and other assets	1,345,357	733,390		
Tax receivable	83,786	80,389		
Cash and cash equivalents	66	1,454		
Total Current Assets	1,429,209	815,233		
Total Assets	8,572,975	8,805,761		
Equity	7,524,319	6,933,048		
Employee benefits	2,170	3,073		
Trade and other payables	202,379	199,279		
Provisions	-	260		
Total Non-Current Liabilities	204,549	202,612		
Trade and other payables (see note 37)	832,581	1,652,768		
Tax payable	11,526	17,333		
Total Current Liabilities	844,107	1,670,101		
Total Liabilities	1,048,656	1,872,713		
Total Equity and Liabilities	8,572,975	8,805,761		

46. Investigation process about CMEC and DPH

In 2012, the European Commission ("EC") and the Portuguese authorities (Public Prosecution Services) received complaints concerning the early termination of the Power Purchase Agreements ("PPAs") and the costs for the maintenance of the contractual balance ("CMEC"), as well as in respect of EDP's rights to use the Public Hydro Domain ("DPH").

The above-mentioned investigation conducted by the Portuguese authorities is still pending.

As part of the liberalisation of the power sector in Portugal following changes in European Union legislation, Decree-Law no. 240/2004 was introduced which provided for the early termination of PPAs that were signed in 1996. As a result of this required early termination, EDP and REN - Rede Eléctrica Nacional, S.A. ("REN") agreed in 2005 and in 2007 to the early termination of their long-term PPAs, with effect from 1 July 2007. The methodology which was used to determine the amount of the compensation that EDP was entitled to receive in connection with such early termination, the CMEC, was approved by the EC in 2004 (Decision N161/2004) which considered the compensation as effectively and strictly necessary.

On 8 March 2008, the Government, REN and EDP Produção signed several service concession arrangements for which EDP Produção paid approximately 759 million Euros as consideration of the economic and financial balance for the use of the public hydro domain.

Following the complaint received, the EC requested clarifications from the Portuguese State in relation to the early termination of the PPAs and its replacement for the CMEC, having concluded in September 2013 that the compensation payments for early termination did not exceed what was necessary to repay the shortfall in investment costs repayable over the asset's lifetime, and determined that the implementation of the CMEC remains in keeping with the terms notified to and approved by the EC in 2004. Thus, the EC decided that no in depth investigation into the CMEC process was necessary.



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In May 2017, the EC formally concluded its investigation into the DPH concession rights and stated that the compensation paid in connection with such concessions was compatible with market conditions. As a result, the EC concluded that the financial methodology used to assess the price of the concessions was appropriate and resulted in a fair market price, and therefore, no state aid had been granted to EDP.

On 2 June 2017, EDP became aware of Portugal's Public Prosecution Services investigation in relation to the amounts due to EDP for the termination of the PPAs and compensation paid by EDP for the DPH concessions. Portugal's Public Prosecution Services stated that the investigations continue and the facts may relate to active and passive corruption and economic participation in business and searches were conducted at the offices of EDP, grid operator REN and the local division of a consulting group. In the context of the Investigation, the Portuguese Public Prosecution Services stated that certain members of EDP's Executive Board of Directors, as well as former EDP directors, that had signed the relevant contracts were named as targets of the Investigation.

EDP does not accept any accusations of wrongdoing on its part or on the part of any member of the EDP Group and believes that the amounts due for the termination of PPAs under the CMEC and the amount paid for the DPH concession rights were fair and in compliance with market conditions and based on arm's length transactions. However, it is difficult to predict any outcome at this early stage in the process as well as any potential impacts in the financial statements.

47. Operating Segments

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, transmission and supply businesses in Brazil (EDP Brasil).

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

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

The segments defined by the Group are the following:

- 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 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.;
- Central Térmica Ciclo Combinado Grupo 4, S.A.;
- EDP Comercial Comercialização de Energia, S.A.;
- EDP España, S.A.U.;
- Naturgás Comercializadora, S.A. (until the closing date);
- EDP Gás.Com Comércio de Gás Natural, S.A.;
- Greenvouga Sociedade Gestora do Aproveitamento Hidroeléctrico do Ribeiradio-Ermida, S.A.

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.

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The Regulated Networks segment in Iberia corresponds to the activities of electricity distribution in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

- EDP Distribuição Energia, S.A.;
- EDP Serviço Universal, S.A.;
- Electra de Llobregat Energía, S.L.;
- Hidrocantábrico Distribucion Eléctrica, S.A.U.;
- EDP Gás Serviço Universal, S.A.

The homologous previous year includes in this segment the gas distribution in Portugal and Spain, in particular the following companies, that were disposed during 2017:

- EDP Gás Distribuição, S.A. (until the closing date);
- Naturgás Energia Distribución, S.A.U. (until the closing date);
- EDP España Distribución Gas, S.A. (until the closing date);
- Naturgas Suministro GLP, S.A.U. (until the closing date).

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.

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; Intangible Assets; and Amounts receivable from concessions - IFRIC 12 under the financial asset model, 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 note 18.

In consolidated financial statements, Joint Ventures and associated companies are accounted under the equity method, in accordance with the Group accounting policy disclose in note 2. These equity accounted investees are disclosed by business segment under IFRS 8 and presented in the business segment correspondent to its operating activity.

EDP - Energias de Portugal, S.A. Notes to the Condensed Consolidated and Company Financial Statements for the six-month periods ended at 30 June 2018 and 2017

EDP Group Operating Segments Information as at 30 June 2018

	Iberia				
Thousand Fires	Generation and	Regulated Networks	EDP	EDP Brasil	Total
Devenius from energy cales and cervices and others	4 023 526	2 512 143	Renovaveis 824 300	1 547 500	8 907 568
	44 093	1 011 846	289.860	581	1,346,380
Revenues from third parties	3,979,433	1,500,297	534,440	1,547,018	7,561,188
Gross Profit	773.362	642.277	822.980	457,985	2.696.604
Other income	280.6	12,005	155,525	1.355	177,977
Supplies and services	-139,222	-137,621	-159,646	-70,849	-507,338
Personnel costs and employee benefits	-74,645	-63,822	-56,978	-57,288	-252,733
Other costs	-131,667	-138,464	-76,051	-25,382	-371,564
Gross Operating Profit	436,915	314,375	685,830	305,821	1,742,941
Provisions	4,372	-2,588	-279	-6,049	-4,544
Amortisation and impairment	-194,623	-138,732	-259,042	-75,677	-668,074
Operating Profit	246,664	173,055	426,509	224,095	1,070,323
Equity method in joint ventures and associates	2,254	-32	1,038	-1,693	1,567
Accete	10 937 366	5 391 328	15 643 504	3 939 899	35 912 097
Financial assets - Investments in joint ventures and associates	8/9/6	37	298,793	429,108	737,616
Liabilities	2,281,029	2,418,119	1,276,892	878,280	6,854,320
Operating Investment	73,027	86,619	464,553	83,099	707,298

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EDP - Energias de Portugal, S.A.

Notes to the Condensed Consolidated and Company Financial Statements
for the six-month periods ended at 30 June 2018 and 2017

Reconciliation of information between Operating Segments and Financial Statements for June 2018

Thousand Euros	
Total Revenues from energy sales and services and other of	
Reported Segments	8,907,568
Revenues from energy sales and services and others from Other Segments	191,434
Adjustments and Inter-segments eliminations*	-1,540,012
Total Revenues from energy sales and services and other of EDP	
Group	7,558,990
Total Gross Profit of Reported Segments	2,696,604
Gross Profit from Other Segments	190,885
Adjustments and Inter-segments eliminations*	-195,003
Total Gross Profit of EDP Group	2,692,486
Total Cross Operating Profit of Paparted Segments	4 740 044
Total Gross Operating Profit of Reported Segments Gross Operating Profit from Other Segments	1,742,941
Adjustments and Inter-segments eliminations*	-13,852 -7,363
Total Gross Operating Profit of EDP Group	1,721,726
Total Cross operating Front of 221 Group	1,721,720
Total Operating Profit of Reported Segments	1,070,323
Operating Profit from Other Segments	-28,334
Adjustments and Inter-segments eliminations*	-16,136
Total Operating Profit of EDP Group	1,025,853
Total Assets of Reported Segments	35,912,097
Assets Not Allocated	4,942,738
Financial Assets	1,987,973
Taxes Assets	1,611,929
Other Assets	1,342,836
Assets from Other Segments Inter-segments assets eliminations*	903,942
Total Assets of EDP Group	-860,528 40,898,249
Total Assets of EDF Group	40,878,247
Total Equity accounted Investments in joint ventures and	
associates of Reported Segments	737,616
Equity accounted Investments in joint ventures and associates from	
Other Segments	131,901
Total Equity accounted Investments in joint ventures and	
associates of EDP Group	869,517
Total Liabilities of Departed Comments	(054 220
Total Liabilities of Reported Segments Liabilities Not Allocated	6,854,320
Financial Liabilities	21,630,942 16,478,604
Institutional partnership in USA	2,090,103
Taxes Liabilities	1,336,565
Other payables	1,724,883
Hydrological correction account	787
Liabilities from Other Segments	675,082
Inter-segments Liabilities eliminations*	-1,102,392
Total Liabilities of EDP Group	28,057,952
T. 10 15 15	
Total Operating Investment of Reported Segments	707,298
Operating Investment from Other Segments	22,142
Total Operating Investment of EDP Group	729,440
Discomission of Tangible Assets	763
Emission of CO2 Licenses and Green Certificates Investment Grants	97,447
Other Investments	-13,286 9,430
Total Fixed Assets additions of EDP Group (Notes 16 e 17)	823,794
Total Fixed Assets additions of LDP Gloup (Notes 10 e 17)	023,194

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	177,972	23,554	-15,214	186,312
Supplies and services	-507,338	-132,959	197,577	-442,720
Personnel costs and employee benefits	-252,733	-77,408	5,248	-324,893
Other costs	-371,564	-17,924	29	-389,459
Provisions	-4,544	7,632		3,088
Amortisation and impairment	-668,074	-22,113	-8,774	-698,961
Equity method in joint ventures and associates	1,567	1,891		3,458

 $[\]ensuremath{^{*}}$ Mainly related with intragroup balances and transactions eliminations.

EDP - Energias de Portugal, S.A. Notes to the Condensed Consolidated and Company Financial Statements for the six-month periods ended at 30 June 2018 and 2017

EDP Group Operating Segments Information as at 30 June 2017

	Iberia				
Thousand Euros	Generation and Supply	Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Revenues from energy sales and services and others	3,950,561	2,854,685	872,200	1,497,985	9,175,431
Revenues inter-segments	27,593	1,133,435	142,204	515	1,303,747
Revenues from third parties	3,922,968	1,721,250	729,996	1,497,470	7,871,684
Gross Profit	670.763	867.726	856.079	504,209	2.898.277
Other income	17,622	22,750	151,396	2,426	194,194
Supplies and services	-144,511	-164,058	-155,368	-88,051	-551,988
Personnel costs and employee benefits	-80,013	-73,932	-49,871	-67,774	-271,590
Other costs	-103,509	-138,855	-83,516	-35,222	-361,102
Gross Operating Profit	360,352	513,131	718,720	315,588	1,907,791
Provisions	7.2	2,655	-418	-3.862	-1.598
Amortisation and impairment	-188,590	-153,172	-259,684	-82,944	-684,390
Operating Profit	171,789	362,614	458,618	228,782	1,221,803
Equity method in joint ventures and associates	2,822	53	2,492	-1,398	3,969
Assets (31 December 2017)	11,301,024	5,728,072	15,347,912	4,214,591	36,591,599
Financial assets - Investments in joint ventures and associates (31 December 2017)	25,205	69	303,518	381,190	709,982
(E) (C) (C) (C) (C) (C) (C) (C) (C) (C) (C	1000	7000	007	000	100 F
Liabilities (31 December 2017)	7,021,017	2,205,774	1,2/2,493	934,900	7,034,784
Operating Investment	67,189	145,756	424,103	94,097	731,145

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EDP - Energias de Portugal, S.A. Notes to the Condensed Consolidated and Company Financial Statements for the six-month periods ended at 30 June 2018 and 2017

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

Thousand Euros	
Total Revenues from energy sales and services and others of	
Reported Segments	9,175,431
Revenues from energy sales and services and others from Other Segments	203,094
Adjustments and Inter-segments eliminations*	-1,503,115
Total Revenues from energy sales and services and others of EDP	
Group	7,875,410
Total Gross Profit of Reported Segments	2,898,277
Gross Profit from Other Segments	202,887
Adjustments and Inter-segments eliminations*	-208,109
Total Gross Profit of EDP Group	2,893,055
Total Gross Operating Profit of Reported Segments	1,907,791
Gross Operating Profit from Other Segments	-9,249
Adjustments and Inter-segments eliminations*	3,942
Total Gross Operating Profit of EDP Group	1,902,484
Total Operating Profit of Reported Segments	1,221,803
Operating Profit from Other Segments	-33,147
Adjustments and Inter-segments eliminations*	3,517
Total Operating Profit of EDP Group	1,192,173
	, , ,
Total Assets of Reported Segments (31 December 2017)	36,591,599
Assets Not Allocated	5,442,234
Financial Assets	2,838,027
Taxes Assets	1,329,021
Other Assets	1,275,186
Assets from Other Segments	999,638
Inter-segments assets eliminations*	-958,422
Total Assets of EDP Group (31 December 2017)	42,075,049
Total Equity accounted Investments in joint ventures and	
associates of Reported Segments	700.002
Equity accounted Investments in joint ventures and associates from Other	709,982
Segments	133,100
Total Equity accounted Investments in joint ventures and	155,100
associates of EDP Group (31 December 2017)	843,082
Total Liabilities of Reported Segments (31 December 2017)	7,034,784
Liabilities Not Allocated	22,040,914
Financial Liabilities	17,032,446
Institutional partnership in USA	2,163,722
Taxes Liabilities	1,029,988
Other payables	1,813,184
Hydrological correction account	1,574
Liabilities from Other Segments	753,046
Inter-segments Liabilities eliminations*	-1,233,955
Total Liabilities of EDP Group (31 December 2017)	28,594,789
Total Operating Investment of Reported Segments	731,145
Operating Investment from Other Segments	15,847
Total Operating Investment of EDP Group	746,992
Discomission of Tangible Assets	5,982
Emission of CO2 Licenses and Green Certificates	16,428
Investment Grants	7,006
Other Investments	-6,930
Total Fixed Assets additions of EDP Group	769,478

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	194,194	22,162	-17,336	199,020
Supplies and services	-551,988	-138,423	218,050	-472,361
Personnel costs and employee benefits	-271,590	-79,907	10,709	-340,788
Other costs	-361,102	-15,967	627	-376,442
Provisions	-1,598	-9,049	9,000	-1,647
Amortisation and impairment	-684,390	-14,850	-9,424	-708,664
Equity method in joint ventures and associates	3,969	3,259		7,228

 $[\]ensuremath{^{*}}$ Mainly related with intragroup balances and transactions eliminations.



EDP - Energias de Portugal, S.A. Notes to the Condensed Consolidated and Company Financial Statements for the six-month periods ended at 30 June 2018 and 2017

48. Consolidated and Company Reconciliation of Changes in the responsabilities of Financing activities at 30 June 2018

			Group		
	Financial del instruments (i	ot and Derivat include Collate	ive financial		
Thousand Euros	Loans obtained (Note 32)	Collateral Deposits (Note 32)	Derivative financial instruments (Note 40)*	Institutional partnerships in USA (Note 35)	Loans from non- controlling interests (Note 37)
Balance as at 31 de December 2017	16,917,765	-45,255	-111,376	2,163,722	712,802
Cash flows:					
Receipts/(payments) relating to financial debt (include Collateral Deposits)	-371,238	1,419	-	-	-
Interest and similar costs of financial debt including hedge derivatives	-365,081	-	34,294	-	-
Receipts/(payments) relating to loans from non-controlling interests	-	-	-	-	-40,373
Interest and similar costs relating to loans from non-controlling interests	-	-	-	-	-18,111
Receipts/(payments) relating to derivative financial instruments	<u> </u>		15,772		
Receipts/(payments) from institutional partnerships - USA	<u> </u>	-		-74,749	
Perimeter variations	-	-	-	-	563
Exchange rate	-103,761	2,433	32	57,187	-5,249
Fair value changes	-9,810	-	-62,988	-	-
Interests and accrued and deferred costs	298,432	-	-3,253	3,906	16,454
Unwinding	-	-	-	40,441	-
ITC/PTC recognition	-	-	-	-100,404	-
Reclassification to Liabilities held for sale	1,853	-	-17,137		
Balance as at 30 June 2018	16,368,160	-41,403	-144,656	2,090,103	666,086

^{*} The Group consideres as financing activities all derivative financial instruments excluding derivatives related with commodities.

		Comp	any	
	Financial debt and Derivative financial			
Thousand Euros	Loans obtained	Derivative financial instruments	Group's financial system (Note 24	Group companies
	(Note 32)	(Note 40)*	and 37)	(Note 37)
Balance as at 31 de December 2017	13,488,297	-408,886	-490,904	1,790,390
Cash flows:				
Receipts/(payments) relating to financial debt (include Collateral Deposits)	-480,680	-	-	-
Interest and similar costs of financial debt including hedge derivatives	-132,322	7,927	_	-
Receipts/(payments) relating to loans from related parties		-	95 528	-803,094
Interest and similar costs of loans from related parties including hedge derivatives	-	13,702	-	-41,485
Receipts/(payments) relating to derivative financial instruments	-	131,037	-	_
Perimeter variations	-	-	- 564	-
Exchange rate	5,984	-	_	-6,709
Fair value changes	_	27,703	-	-
Interests and accrued and deferred costs	142,206	-12,821	-	34,346
Balance as at 30 June 2018	13,023,485	-241,338	-395,940	973,448

^{*} The Group consideres as financing activities all derivative financial instruments excluding derivatives related with commodities.

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Notes to the Condensed Consolidated and Company Financial Statements
for the six-month periods ended at 30 June 2018 and 2017

49. 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.

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Annexes

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The Executive Board of Directors

António Luís Guerra Nunes Mexia (Chairman)
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
Maria Teresa Isabel Pereira
Vera de Morais Pinto Pereira Carneiro

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Sustainability Indicators

Environmental Indicators	UN	1H18	1H17	1H16	1H15
ENVIRONMENTAL CERTIFICATION (ISO 14001)					
ISO 14001 Certification 1	%	88	88	89	93
PRIMARY ENERGY CONSUMPTION	TJ	98.842	128.113	91.241	107.186
Coal	TJ	75.580	97.802	75.002	89.852
Fuel oil	TJ	182	106	287	164
Natural gas	TJ	16.258	22.512	9.232	9.891
Residual gases	TJ	6.616	3.413	3.957	2.836
Diesel oil	TJ	88	126	127	85
Fuel for vehicle fleet	TJ	117	118	117	127
ENERGY INTENSITY 1	MJ/EUR	13,08	16,27	12,77	13,49
ELECTRICITY CONSUMPTION					
Generation self-consumption	M Wh	1.886.968	2.298.197	1.796.374	1.741.423
Administrative service	MWh	16.579	18.044	16.985	17.840
Grid losses	%	9,1	9,9	9,3	9,3
GHG EMISSION					
Direct emissions (scope 1)	ktCO _{2eq}	8.455	10.618	7.940	8.862
Stationary combustion ²	ktCO _{2eq}	8.444	10.607	7.924	8.846
SF6 Emissions	ktCO _{2eq}	2,9	1,8	2,4	2,3
Company fleet	ktCO _{2eq}	8,2	8,2	8,4	8,9
Natural gas consumption	ktCO _{2eq}	0,0	0,7	4,5	4,8
Indirect emissions (scope 2) ³	ktCO _{2eq}	299	358	293	417
Electricity consumption in office buildings	ktCO _{2eq}	0,1	0,1	0,4	0,4
Electricity losses	ktCO _{2eq}	296	355	280	406
Renewable plants self-consumption	ktCO _{2eq}	3	3	12	11
GHG EM ISSIONS INTENSITY 4	kgCO₂/EUR	1,2	1,4	1,2	1,2
CO ₂ AVOID EMISSIONS	kt CO ₂	18.336	15.456	23.185	16.227
SPECIFIC OVERALL EMISSIONS					
CO ₂ ²⁵	g/kWh	222	299	210	280
NO_x	g/kWh	0,2	0,2	0,1	0,3
SO ₂	g/kWh	0,3	0,4	0,1	0,3
Particulate matter	g/kWh	0,03	0,02	0,01	0,01
WATER COLLECTED	10 ³ x m ³	672.354	867.618	694.641	836.858
Salt (ocean)	10 ³ x m ³	658.284	849.848	682.402	802.657
Fresh	10 ³ x m ³	14.070	17.770	12.239	34.201
Surface	10 ³ x m ³	13.976	17.693	12.178	34.142
Groundwater	10 ³ x m ³	94	77	61	59
WASTE SENT TO FINAL DISPOSAL					
Total waste	t	157.357	226.003	229.651	292.344
Total hazard waste	t	2.548	2.688	2.750	34.941
Recovered Waste	%	65	62	63	49

¹ Aggregated certifiction indicator due to assets with potential environmental impacts. ² Primary energy consumption by turnover.

³The stationary emissions do not include those produced by the burning of ArcelorMittal steel gases in EDP's power plant in Spain.

 $^{^4\,\}mbox{Calculation}$ according with GHG Protocol based location methodology.

⁵ Scope 1 and Scope 2 emissions by turnover.

 $^{^{\}rm 6}$ Includes only stationary combustion emissions.

Social Indicators	UN	1H18	1H17	1H16	1H15
EM PLOYM ENT					
Employees	#	11,566	11,938	11,923	11,983
Executive Board of Directors	#	9	8	8	8
Senior M anagement	#	796	760	736	715
Supervisors	#	741	828	766	748
Specialists	#	4,175	4,120	3,925	3,828
Technicians	#	5,846	6,223	6,489	6,68
Male employees	%	76	76	77	7
Female employees	%	24	24	23	23
Employees by types of contract	#	11,566	11,938	11,923	11,983
Executive bodies	#	55	55	51	5
Male	#	50	52	48	52
Female	#	5	3	3	(
Permanent workforce	#	11,446	11,801	11,772	11,773
Male	#	8,675	8,961	9,014	9,079
Female	#	2,771	2,840	2,758	2,694
Fixed-term contracts	#	65	82	100	15
Male	#	32	49	60	124
Female	#	33	33	40	3
Employees by occupational contract	#	11,566	11,938	11,923	11,983
Full-Time	#	11,526	11,899	11,894	11,95
Male	#	8,753	9,057	9,117	9,249
Female	#	2,773	2,842	2,777	2,702
Part-time	#	40	39	29	32
Male	#	4	5	5	(
Female	#	36	34	24	26
New employees	#	581	484	302	354
Male	#	423	335	202	25
Female	#	158	149	100	9.
F/M new admissions rate	×	0.37	0.44	0.50	0.38
Employees leaving	#	672	538	470	418
Male	#	524	428	379	320
Female	#	148	110	91	98
Furnover	 %	5.33	4.27	3.23	2.9
Average age of workforce	vears	44	45	45	4:
Absenteeism rate	youro %	3.11	3.12	3.56	3.34
Pay ratio by gender (F/M)	X	1.03	1.02	1.02	1.02
FRAINNING	^	1.00	1.02	1.02	1.02
Fotal hours of training	hours	195.264	176.974	148,286	168.848
Average training per employee (h/p)	h/p	16.9	14.8	12.4	14.
Employees with training	·γρ %	82	65	72	7
HEALTH AND SAFETY (H&S)	70	02	00	12	,
Employees					
Accidents ¹	#	11	13	16	2:
	#	1	0	0	
Fatal accidents				-	100
Total lost days due to accidents	# Tf	1,016	1,206	944	1,034
Frequency rate ²		1.09 93	1.16 107	1.41 83	2.3
Severity rate ³	Tg	93	107	83	9(
Contractors				40.4	
Accidents 1	#	54	62	101	6
Fatal accidents	#	3	3	1	2 2 2 4 2 2
Working days	#	2,797,570	2,608,055	2,659,170	2,334,06
Frequency rate ²	Tf	2.68	3.28	5.46	3.8
Severity rate ³	Тд	99	159	235	27
EDP employees and contractors					
Frequency rate ²	Tf_total	2.14	2.51	3.92	3.2
	Tg_total	97	140	178	20
Severity rate ³		_	4	•	
Fatal electrical accidents envolving third parties 4	#	6	4	3	
·	# #	6 197	194	3 186	9

Accidents at the workplace in worktime and accidents on the way to or from work, with an absence of one more calendar days and fatal accidents.

Work accidents by a million worked hours.

³ Number of calendar days lost due to work accident by a million worked hours.

 $^{^{4}\,\}mathrm{Accidents}$ occurred in the permises of the company plants or equipment.

Economic Indicators	UN	1H18	1H17	1H16	1H15
ECONOMIC VALUE GENERATED	'000€	8,039,787	8,321,912	7,979,572	8,952,509
Economic value distributed	'000€	7,502,360	7,616,801	7,462,530	8,063,344
Economic value accumulated	'000€	537,427	705,111	517,042	889,165
ENERGY EFFICIENCY AND SUPLEMENTARY ENERGY SERVICES REVENUES 1	'000€	508,188	571,128	560,565	534,016
Energy efficiency services revenues	'000€	71,036	60,756	23,411	22,890
Suplementary energy services revenues ²	'000€	437,152	510,372	537,154	511,126
FINES AND PENALTIES	'000€	3,844	4,813	4,047	2,564
ENVIRONM ENTAL MATTERS ³	'000€	72,541	50,459	52,452	45,019
Investments	'000€	18,398	24,617	24,126	19,147
Expenses	'000€	54,143	25,842	28,326	25,872
SOCIAL MATTERS					
Personnal costs	'000€	293,005	309,195	294,137	294,143
Employee benefits	'000€	31,889	31,593	29,363	30,077
Direct training investment	'000€	2,243	2,184	1,704	3,055
Direct training investment per employee	€р	0.19	0.18	0.14	0.25
HC ROI per employee	€p	6.91	7.10	7.83	7.14

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

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

³ Following an analysis to the expenses of an environmental nature incurred by EDP Group, the environmental matters reporting procedures changed. Therefore, the consumptions CO2 emissions licenses were included in the 2018 report, as a environmental expenses, in the amount correspondent to Cost of energy sales booked in the Group consolidated accounts.

CONCEPTS AND DEFINITIONS

A

ADJUSTED NET DEBT

Net Debt adjusted by Regulatory Receivables.

ASSET ROTATION

Strategy aimed at crystallizing the value of a project by selling a minority stake in an asset and reinvesting the proceeds in another asset, targeting greater growth.

AVERAGE COST OF DEBT

Considers (Interest expense on financial debt +/- Income and Expenses with Interest from derivative financial instruments) / Average Financial Gross Debt in the period (Total debt and borrowings - Accrued Interest - Fair value of the issued debt hedged risk). Includes 50% of the interest expense and of the nominal amount of hybrid debt.

C

CAGR

Compound annual growth rate.

CAPEX

Capital Expenditure. Capex includes increases in Property, Plant and Equipment and in Intangible Assets, excluding CO_2 licenses and Green certificates, net of increases in Government grants, Customers contributions for investment and Sales of properties in the period.

CESE

Extraordinary Contribution to the Energy Sector. An extraordinary temporary property tax created in 2014, in Portugal, with the objective of promoting the energy sector systemic sustainability. This contribution applies generally to electricity, natural gas and oil assets.

COD

Commercial Operating Date. Date at which the project starts operating officially, after the testing and commissioning period.

D

DEC

The equivalent interruption time of energy per consumed unit. Refers only to medium voltage.

DIVIDEND PAY-OUT RATIO

Measures the percentage of a company's net income that is given to shareholders in the form of dividends (Total Dividends per Share of period "n"/ Earnings per Share of period "n-1").

DIVIDEND YIELD

Considers the ratio between gross dividend per share and share price.

E

EBIT

EBITDA deducted from provisions, amortisations and impairments.

EBITDA

Earnings before Interest, Tax, Depreciations and Amortizations: Gross Profit - Supplies and services - Personnel costs and employee benefits +/- Other income/expenses.

EBITDA@risk

Estimated loss of EBITDA, in a given period of time and for a given confidence interval. Usually it is used an horizon of 12 months and a level of confidence of 95%.

EOLICITY

Indicator that allows to quantify the deviation of the total value of energy produced by wind in a given period, in relation to the an average wind regime.

EPS

Earnings per share. The portion of a company's profit allocated to each outstanding share of common stock.

F

FEC

Equivalent interruption frequency of energy per consumed unit. Refers only to medium voltage.

FEED IN TARIFFS

Remuneration framework that guarantees that a company will receive a set price, applied to all of the electricity they generate and provide to the grid.

FFO

Funds from Operations: EBITDA – Interest on debt and on TEI liabilities – Current taxes +/- Income from equity investments.

FFO/NET DEBT

Funds From Operation (FFO) over Net Debt. For this purpose, Net Debt includes Nominal Debt of the company + Pension and Medical care liabilities post tax + Tax Equity financial liabilities + Present value of leasing and other financial commitments + Shareholder's Loans from minorities.

FOREX

Foreign Currency.

G

GC

Green certificate. Tradable commodity resulting from electricity generated using renewable energy sources.

GHG

Greenhouse gases. Gases that trap the heat of the sun in the Earth's atmosphere, producing the greenhouse effect. The two major greenhouse gases are water vapor and carbon dioxide. Lesser greenhouse gases include methane, ozone, chlorofluorocarbons, and nitrogen oxides.

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GROSS PROFIT

Includes Revenues from energy sales and services and other minus Cost of energy sales and other.

GW

Unit of electric power equal to 1,000 MW.

GWh

Equal to 1,000 MW used continuously for one hour.

Н

HEDGING

Risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies, indexes or securities.

HYDRO COEFFICIENT

Indicator that allows to quantify the deviation of the total value of hydroelectric energy produced in a given period, in relation to an average hydro regime. Values above "1" translate a period with inflows and energy generated above the average ("wet" period) and bellow "1" the reverse ("dry" period).

Ι

ICEIT

Installed capacity equivalent interruption time. Indicator that represents the equivalent interruption time of installed power per geographical area of the operator of the distribution network in a given period. Excludes extraordinary events - the extraordinary weather events that exceed the conditions for which was dimensioned.

INSTALLED CAPACITY

Installed Capacity is the sum of capacity (MW) installed in power plants owned by companies fully consolidated.

INSTALLED CAPACITY EQUITY

Share of the MW installed in power plants owned by companies equity consolidated.

ITC

Investment tax credit. Tax incentive in the US in the form of a one shot tax credit that covers a percentage of the investment.

K

KEY RISK INDICATOR (KRI)

Risk indicator that follows a variable risk factor, allowing the early warning of changes in risk exposure and the identification of potential risks or opportunities.

M

ΜW

Unit of electric power equal to 10⁶ watts.

MWh

Equal to 10⁶ watts of electricity used continuously for one hour.

N

NET DEBT

A metric that shows a company's overall debt situation calculated using company's total debt less cash on hand. From 2018 onwards it includes Financial Debt, Cash and Equivalents, Short-term financial assets at fair-value, other financial assets at amortized cost and fair value hedge and collateral deposits associated to financial debt and 50% of the amount related with the issuance of a subordinated debt instrument (hybrid).

NET DEBT ADJUSTED/EBITDA

Number of times/years needed to pay the Net Debt Adjusted with the EBITDA generated by the Company.

NET CAPACITY FACTOR (NCF)

The ratio of a plant's actual output over a period of time to its potential output if it were possible for it to operate at full nameplate capacity continuously, over the same period of time. Also known as Load Factor.

NET INVESTMENTS

Considers Capex + organic Financial Investments - Asset Rotations + granted and/or sold shareholder loans.

NET INVESTMENTS IN RENEWABLES

Includes the Net Investments in hydro, wind and solar technologies in generation activity.



OPEX

Includes Supplies and Services and Personnel and Employee Benefits costs.

OPEX PROGRAM: SAVINGS

Costs savings obtained from the OPEX Program. OPEX IV savings are measured by comparison between current operating costs and 2014's costs.

OPEX/GROSS PROFIT

Efficiency ratio computed by OPEX (excluding non-recurrent costs with Employee Benefits/ Restructuring costs) over Gross Profit (including income from institutional partnerships in EDPR-NA).

OPEX/RECURRENT GROSS PROFIT

Efficiency ratio computed by OPEX (excluding non-recurrent costs with Employee Benefits/ Restructuring costs) over Gross Profit adjusted form non recurrent events (including income from institutional partnerships in EDPR-NA).

ORGANIC CASH-FLOW

Cash generated from organic activities. Includes cash flows from operating activities (excluding changes in Regulatory Receivables), net of maintenance CAPEX, net interests payments associated with debt, payments to institutional partnerships in US, payments to minorities (such as dividends, capital distributions, payments of capital/interests on shareholder loans).



PPA

Power purchase agreement. A legal contract between an electricity generator (provider) and a power purchaser (host). The power purchaser buys energy, and sometimes also capacity and/or ancillary services, from the electricity generator.

INTERIM REPORT EDP 1H18

PTC

Production tax credit. The result of the Energy Policy Act of 1992, a commercial tax credit in the US that applies to wholesale electrical generators of wind energy facilities based upon the amount of energy generated in a year.

R

RCF

Retained Cash Flow. Equals FFO minus Dividends paid by EDP to its shareholders and to minorities.

RECURRING EBITDA/NET PROFIT

EBITDA or NET PROFIT adjusted for one-offs. It aims to normalize EBITDA into one more predictable and which can be counted on in the future with a high degree of certainty. One-offs include amounts materially relevant resulting from, for instance, impairments and capital gains/losses on assets, retroactive regulatory changes, HR and debt restructuring costs and CESE.

REGULATORY RECEIVABLES

Amounts pending to be received from the electricity system and related with tariff adjustments and tariff deficits from regulated activities in Iberia and Brazil (Generation in Portugal and Spain, Distribution and Last Resort Supply of electricity in Portugal and Distribution in Brazil).

RENEWABLE ENERGY

Energy that is derived from resources that are regenerative or that cannot be depleted including wind energy, solar, biomass, geothermal, and moving water.

REC

Renewable energy credit. Represents the property rights to the environmental, social, and other non-power qualities of renewable electricity generation. A REC can be sold separately from the electricity associated with a renewable energy generation source.

ROE

Ganhos antes de interesses minoritários sobre a média dos capitais próprios para o período.

ROIC

Return on Invested Capital. EBIT Adjusted over average Invested Capital of the period. EBIT Adjusted is EBIT + share of net profits in joint ventures and associates + impairments + provisions +/- capital losses/gains + HR restructuring costs - Price Purchase Allocation amortizations. Invested Capital includes net fixed assets - assets under construction + working capital.

ROIC Cash

Cash Return on Invested Capital, ie, ignoring the age of assets and the time of investment. EBITDA Adjusted over average Invested Capital of the period. EBITDA adjusted is EBITDA – (nominal tax rate x EBITDA) + share of profits in associates. Invested Capital includes gross fixed assets.

RPS

Renewable Portfolio Standard. Regulation in the US that places an obligation in certain states on electricity supply companies to source a specific percentage of their energy from renewable sources.

S

SAID

System Average Interruption Duration Index. Is the average outage duration for each customer served.

SELL-DOWN

Strategy aimed at developing and selling a majority stake in an asset, crystallizing the value of a project, and reinvesting the proceeds in another asset, targeting greater growth. Typically, the developer may retain the role of O&M supplier.

SOLAR PV

Solar photovoltaic. Plant that generates electricity by means of solar power through photovoltaics, consisting on an arrangement of several components, including solar panels to absorb and convert sunlight into electricity, a solar inverter, cables and other electrical accessories.

SUPPLY POINTS

Number of electricity customers connected to the distribution grid.

T

TSR

Total Shareholder Return. Measures the return that the stock provides to the shareholder, including dividends paid and the stock price appreciation.



VALUE@RISK

Estimated loss of the asset value, in a given period of time and for a given confidence interval. Usually it is used a horizon of 12 months and a level of confidence of 95%.



WATT (W)

The rate of energy transfer equivalent to one ampere under an electrical pressure of one volt. One watt equals 1/746 horsepower, or one joule per second. It is the product of voltage and current (amperage). Watts are the yardstick for measuring power.

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Conselho Geral e de Supervisão

STATEMENT

Pursuant article 246 (1) (c) of Securities Code (CVM), to the best knowledge of each of the signatories, as Members of the General and Supervisory Board of EDP — Energias de Portugal, S.A. (EDP), the information referred in article 246 (1) (a) of CVM ("condensed financial statements") regarding 2018 first semester, has been prepared in accordance with the accounting standards applicable, providing a true and fair view of the assets and liabilities, financial position and results of EDP and subsidiaries included in the consolidation perimeter, and that, pursuant article 246 (2) of CVM, the 2018 the interim report faithfully states the events that have occurred on the referred period, trend of the business, the performance and position of EDP and subsidiaries included in the consolidation, their impact on the respective financial statements and contains a description of the principal risks and uncertainties for the coming six months of the 2018 financial year.

that have occurred on the referred period, trend of subsidiaries included in the consolidation, their impa- description of the principal risks and uncertainties for t	the business, the performance and position of EDP and ct on the respective financial statements and contains a the coming six months of the 2018 financial year.
Luís Filipe Marques Amado - Chairinan	Ya Yang — Vice-Chairman (as representative of China Three Gorges Corporation)
Dingming Zhang (as representative of China Three Gorges International Corp.)	Shengliang Wu (as representative of China Three Gorges (Europe), S.A.)
Yinsheng Li (as representative of China Three Gorges Brasil Energia, Ltda.)	Eduardo de Almeida Catroga (as representative of China Thr ge Gorges (Portugal) Sociedade Unipessoal, Jac.)
Felipe Fernandez Fernández (as representative of DRAURSA, S.A.) Mobammed AlShamsi (as representative of Senfora B.V.)	Fernando María Masaveu Herrero Nuno Manuel da Silva Amado (as representative of Banco Comercial Português, S.A.)
Karim Djebbour (as representative of Sonatrach)	Maria Celeste Ferreira Lopes Cardona
Ilídio da Çoşta Leite de Pinho	Jorge Avelino Braga de Macedo
Diein	Auralus
Vasco Joaquim Rocha Vieira	Augusto Carlos Serra Ventura Mateus
João Calvalho das Neves	María del Carmen Fernández Rozado

Laurie Lee Fitch

Clementina Maria Dâmaso de Jesus Silva Barroso

António Manuel de Carvalho Ferreira Vitorino

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STATEMENT

With reference to the first half of 2018 financial year, and according to No. 1, item c) of article 246º of the Portuguese Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the condensed set of financial statements, was prepared according to the applicable accounting standards, presenting a fairly position of the assets, liabilities, financial position and results of EDP — Energias de Portugal, S.A. and its subsidiaries companies included in the consolidation perimeter, and that the Interim Management Report includes a fair review of the information required pursuant to No. 2 of the aforementioned article.

Lisbon, 26 th of July 2018
A.J.
António Luís Guerra N unes Mexia , Chairman
TMW.
João Manuel Manso Neto
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António Fernando Melo Martins da Costa
1. Taywelly
João Manuel Veríssimo Marques da Cruz
Und Shalldelill
Miguel Stilwell de Andrade
Migu Numo fan
Miguel Nuno Simões Nunes Ferreira Setas
0/
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Rui Manuel Rodrigues Lopes Teixeira
Truss V.
Maria Teresa Isabel Pereira
Ve Pille



EDP – Energias de Portugal, S.A.

Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira

Senior Accounting Officer

Corporate Centre

STATEMENT

With reference to the first half of 2018 financial year, and according to nº 1, item c) of article 246º of the Portuguese Securities Code, I hereby declare that, to the best of my knowledge, the condensed set of financial statements, was prepared according to the applicable accounting standards, presenting a fairly position of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and its subsidiaries companies included in the consolidation perimeter, and that the Interim Management Report includes a fair review of the information required pursuant to n.º 2 of the aforementioned article.

Lisbon, 26th of July 2018



Review Report on the Condensed Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed consolidated financial statements of EDP – Energias de Portugal, S.A. (the Entity), which comprise the condensed consolidated statement of financial position as at June 30, 2018 (which shows total assets of Euro 40,898,249 thousand and total shareholder's equity of Euro 12,840,297 thousand, including a net profit of Euro 571,237 thousand), the condensed consolidated statements of income, of comprehensive income, of changes in equity and statement of cash flows for the six month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

Management's responsibility

The Management is responsible for the preparation of the condensed consolidated financial statements in accordance with International Accounting Standard 34 — Interim Financial Reporting as adopted by the European Union, as well as to create and maintain appropriate systems of internal control to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements. We conducted our review in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those 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 International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A review of financial statements is a limited assurance engagement. The procedures performed mainly consist of making inquiries and applying analytical procedures, and evaluating the evidence obtained.

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

Conclusion

Based on our review, 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. as at June 30, 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

July 26, 2018

 ${\bf Pricewater house Coopers~\&~Associados}$

- Sociedade de Revisores Oficiais de Contas, Lda

Registered in the Comissão do Mercado de Valores Mobiliários with no. 20161485 represented by.

João Rui Fernandes Ramos, R.O.C.



Review Report on the Condensed Financial Statements

Introduction

We have reviewed the accompanying condensed financial statements of EDP – Energias de Portugal, S.A. (the Entity), which comprise the condensed company statement of financial position as at June 30, 2018 (which shows total assets of Euro 23,696,424 thousand and total shareholder's equity of Euro 7,284,009 thousand, including a net profit of Euro 548,949 thousand), the condensed company statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the accompanying explanatory notes to these condensed financial statements.

Management's responsibility

The Management is responsible for the preparation of the condensed financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, as well as to create and maintain appropriate systems of internal control to enable the preparation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying condensed financial statements. We conducted our review in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those 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 International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

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July 26, 2018

Pricewate i house Coopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda Registered in the Comissão do Mercado de Valores Mobiliários with no 20161485 represented by.

João Rui Fernandes Ramos, R O.C.

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Meter reading: 808 507 507 Technical assistance: 808 506 506

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Publication

EDP – Energias de Portugal, S.A. Direcção de Marca Av. 24 de Julho,12 1249-300 Lisboa

Concept

HAVAS, Design Portugal, Lda.

Pagination

EDP – Energias de Portugal, S.A.

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