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Annual Report
2018

WE LOVE ENERGY

This Report

The Annual report of EDP – Energias de Portugal, S.A. ("EDP"), which incorporates a chapter regarding Corporate Governance, is prepared in accordance with the provisions set out on Portuguese Companies Code and Securities Code and in compliance with the provisions set out on CMVM's Regulations no. 4/2013 and 5/2008, concerning Corporate Governance and Disclosure Requirements of the publicly traded companies and under the terms of the Corporate Governance Code of the Portuguese Corporate Governance Institute. The financial statements presented in the report are prepared in accordance with the International Financial Reporting Standards (IFRS), adopted in the European Union.

Pursuant article 508º-G of the Portuguese Companies Code, in the wording introduced by Decree-Law no. 89/2017, dated 28th July, EDP publishes autonomously the Sustainability Report, in which it will be included sufficient information for understanding the evolution, the performance, the position and the impact of the Group activities regarding the following questions: environmental, social, referent to employees, to gender equality, to non-discrimination, to human rights respect, to corruption combat and to bribery attempts.

Additionally, EDP publishes a set of reports available at www.edp.com:

- Annual Report of the General and Supervisory Board;
- Sectoral reports, in particular: Ethics Ombudsman's Report, Safety Summary and Stakeholders' Report;
- Annual and sustainability reports of the companies EDP España, EDP - Energias do Brasil and EDP Renováveis;
- Management Approach to Sustainability, which endorses the issues set by GRI methodology and explains the relation between organizational processes and material issues for EDP's activities.

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We love energy.
This is the energy that moves us, unites us, and brings us closer to the world.
We love this energy, which is an universal language that comes in all shapes and colors.
An energy that impels us, motivates us, and challenges us in this history of shared achievements.
An energy that comes from the sun, the water, the wind and people.
An energy that transforms, reinvents and creates an increasingly clean, sustainable, and efficient future.
A contagious energy that encourages us to explore, to amaze and to innovate in a world in constant change.
This is the energy we love.

WE LOVE ENERGY

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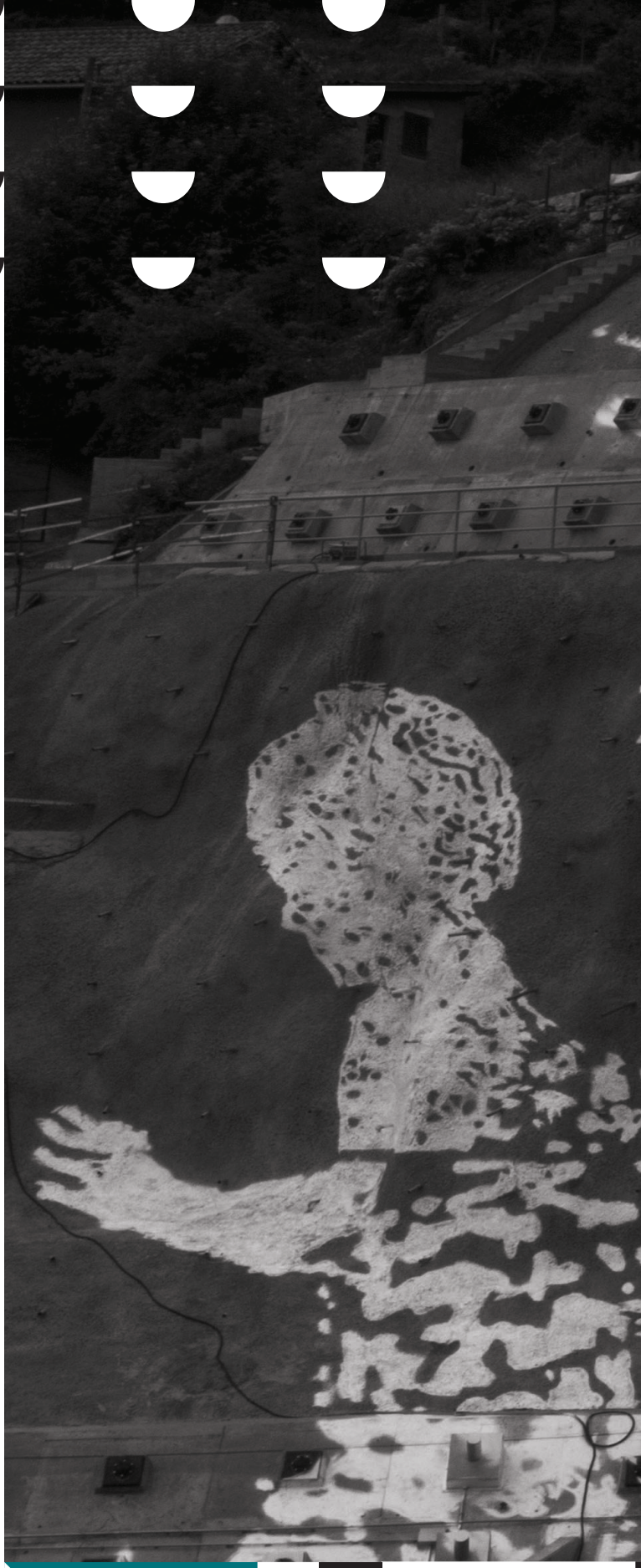

HUMANITY

Work by Alexandre Manuel Dias Farto aka Vhils

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WE LOVE ENERGY

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ANTÓNIO MEXIA
CHAIRMAN OF THE EXECUTIVE
BOARD OF DIRECTORS

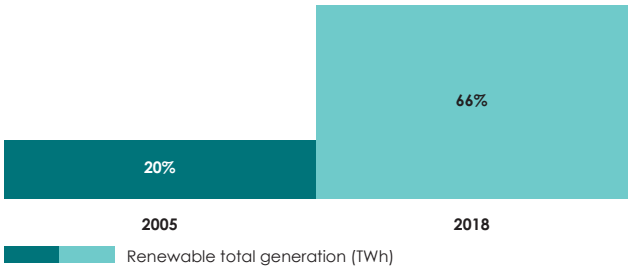
MESSAGE
FROM THE CHAIRMAN

ANTÓNIO MEXIA

DEAR SHAREHOLDER,

Over the past 12 years we have been anticipating the trends in the energy sector and aligning our business model with the energy transition for the fight against climate change - a requirement for those who are committed to creating a more sustainable world for future generations.

Our strategy has resulted in the creation of a leading renewable energy company. Today we are the second greenest player in Europe, with 65% of the EBITDA being sourced from renewable energy and a total installed capacity of 21 GW with considerable international exposure, more than 60% of the recurrent EBITDA is generated outside Portugal.



"WE WERE EARLY MOVERS IN RENEWABLES. AS A RESULT, TODAY EDP IS UNIQUELY POSITIONED TO EMBRACE THE CHALLENGES OF THE FUTURE AND LEAD THE ENERGY TRANSITION"

The commitment to sustainable development has long been incorporated in EDP's strategy as one of the core values and we will continue to push forward with clear and demanding goals. In agreement with this, since 2008, we have been part of the Dow Jones Sustainability Index (DJSI), always with a leading position as one of the most sustainable companies in the world.

We are aware of the role that we will play in the global effort to decarbonize the world and limit the global temperature increase to 1.5° C. We are committed and intend to meet the ambitious goals of the Clean Energy for all Europeans legislative package, which targets a carbon-neutral European Union by 2050. Thus, today it is clear that the energy of the future will undoubtedly be electric and:

1. **Clean,** with an increased need for decarbonization, where utilities play an increasingly important role, as they account for 40% of total emissions;
2. **Affordable,** a paradigm that will be further enhanced by the decrease in the cost of renewables, reinforcing their position as the most competitive technologies;
3. **Reliable,** with flexibility ensured by backup systems such as batteries, water reservoirs for pumping and thermal;
4. **Focused on the client,** with the creation of new solutions and services based on energy efficiency, distributed generation, the use of batteries and the adoption of electric mobility.

As mentioned last year, the current revolution in the energy sector is characterized by "3Ds": Decarbonization, Digitalization and Downstream, where today, we should also add the need for full Disclosure of the company's performance. EDP is very well positioned for the future due to the anticipation of these trends. Our unique and distinctive starting point, fully aligned with an indispensable and irreversible energy transition, puts us in a privileged position to increase the ambition and the focus of our vision.

A DEMANDING YEAR DUE TO THE REGULATORY CONTEXT IN PORTUGAL

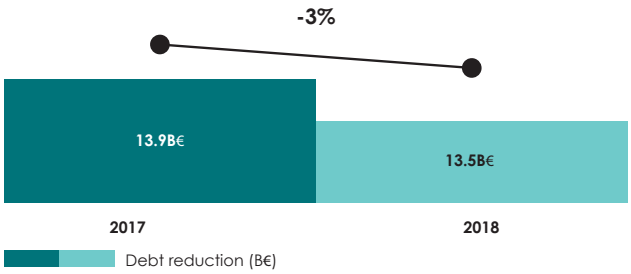
2018 was a particularly difficult year, we were faced with non-predictable and unjustified regulatory measures in Portugal, leading to a significant decrease of our results. However, we maintained the focus, with a continuous bet and better than expected performance in EDP Renováveis, in Brazil and in Spain. These contributions mitigated the losses reported for the first time since the beginning of the privatization in the conventional business in Portugal.

EDP's 2018 Group performance was based on three strategic pillars, namely:

1. The **continued focus of our growth strategy in Renewables and Brazil:**

- In Renewables, EDP built more than 800 MW of onshore and solar wind and secured long-term contracts for 1.3 GW, of which 0.4 GW for two substantial solar projects - one in the United States (0.2 GW) and one in Brazil (0.2 GW). Furthermore, it was also a dynamic year in offshore wind with the beginning of the construction of Moray East in December and the acquisition of the exclusive right to develop a project of up to 1.6 GW in the United States, under a joint venture with Shell. Lastly, 2018 was also marked by the bet on the floating technology with the beginning of the construction of the Windfloat Atlantic, potentially the most efficient way to produce renewable energy in densely populated and deep-water countries.
- In Brazil, growth was supported by the completion of the first of five transmission lines, 20 months ahead of schedule, and by the acquisition of a 23.56% stake in CELESC which allowed us to be involved in the management of the company.

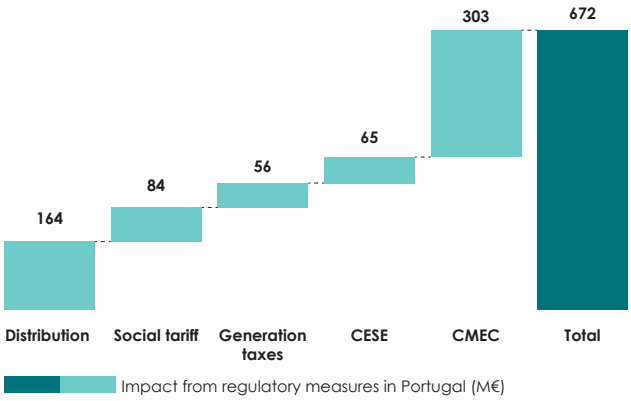
2. **A continuous portfolio optimization** through the completion of the first majority sale - 80% stake in a ~500 MW portfolio of wind farms in the USA and Canada, with a capital gain of 129 million dollars - and through the sale of minority stakes in offshore projects, particularly in the United Kingdom (43%) and France (13.5%). These sales and risk sharing mechanisms allow not only for capital recycling, but also for value crystallization in a shorter time frame. In this context, EDP has also divested non-core and smaller scale activities, such as biomass in Portugal and small-hydro assets in Portugal and Brazil.
3. **The focus on operational efficiency allowed** us to reach the target of OPEX IV two years ahead of schedule, generating total savings of 200 million euros. From a financing standpoint, we securitized 1.3 billion euros of tariff deficit, we were pioneers in Portugal with the issuance of a 600 million euros Green Bond and secured the funding of Moray East for a total amount of 2.6 billion pounds, a milestone in renewable energy on a global scale. In Addition, EDP contracted Tax Equity funding with the most favorable conditions of the last 10 years. All this allowed for a debt reduction of about 3%, compared to the same period.



From an operational standpoint, the company's performance should be considered as positive. Excluding foreign exchange impacts, the Group's EBITDA increased by 2%, supported by the sustained growth in Brazil and in EDP Renováveis (despite weak wind resources, 6% below the long-term average), as well as by the strong recovery of hydro ressources and a rigorous cost control in Iberia.

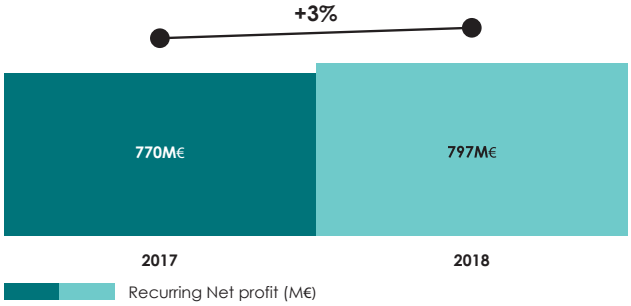
However, the results of the Group were strongly penalised by the political interpretations of the *Custos de Manutenção do Equilibrio Contratual* ("CMEC"), in particular with regards to the final revisibility and the alleged innovatory costs, which amounted to a total non-recurring cost of 303 million euros. As previously communicated to the market, EDP considers that such decisions violate the law and the contracts signed, which were based on a contractual framework defined in 1995-1996 to make the company solvent and enable its privatization. Accordingly, EDP took the necessary measures to protect the interests and rights of all its stakeholders.

In Portugal, other sector specific taxes have also been maintained, even if some were implemented with an extraordinary nature. In short, our results suffered a negative impact of 672 million euros due to adverse regulatory measures and taxes or fees applied to the energy sector.



Despite these adverse regulatory impacts in 2018, we remain positive and believe that the energy policy of the coming years will provide the fundamental stability to foster private investment and ensure the energy transition.

Finally, from a financial standpoint, EDP reported a sharp reduction of 53% in the 2018 net profit to 519 million euros, mainly due to the regulatory situation in Portugal, which contributed with a net negative result. However, excluding extraordinary effects, recurring net income rose 3% to 797 million euros.



Last but not the least, 2018 was also marked by the launch of a tender offer by our largest shareholder, China Three Gorges (CTG), over the share capital of EDP and EDP Renováveis. Referring to the presented proposal, the Executive Board of Directors communicated its position to the market in June last year.

A CUSTOMER-CENTRIC COMPANY

Over the past year we have adjusted the organizational structure of our supply activity with a view of adapting our business solutions to a more conscious, more demanding and more digital customer. The objective was clear: greater value creation through the presentation of innovative service proposals.

We have created the e-factory, which aims to accelerate the development of products and services so EDP can continue to evolve in line with our client's ambitions, with a clear focus on energy efficiency, distributed generation and electric mobility. Today, we are already perceived by the B2B segment and more specifically by the small and medium-sized enterprises as more than a supplier of electricity and gas, having recorded the largest ever annual increase in the sale of services to these customers in Iberia (57%).

At EDP, the relationship with our clients is crucial, thus the development of new capabilities has been focused on increasing the quality of our service which allowed us to ensure higher customer satisfaction, 78% in 2018 (+ 2b.p. than in 2017), through, for example, the use of artificial intelligence. This allowed us to maintain our customers' portfolio with 9.8 million customers in electricity and 1.6 million customers in gas.

The electric mobility plan is increasingly relevant in the global effort for decarbonization. As a result, EDP has taken on the role of promoting the adoption of electric mobility, not only in Portugal but also in the remaining geographies where we are present.

In Portugal, we have continued to invest in the expansion of our charging stations network. Since 2017, 50,000 electric vehicles were charged which avoided the emission of about 423 tonnes of CO_2. New charging solutions have also been created. On the one hand, the EDP Wallbox allows for more efficient management of consumption and greater control of the contracted power in private spaces. On the other hand, to target public spaces, we established a partnership with BP for the installation of 30 new chargers in gas stations. In Brazil, we launched the largest electric corridor in Latin America with BMW, making it possible to travel by electric vehicle between Rio de Janeiro and São Paulo. We have continued to invest in Spain, having already installed more than 80 charging stations in Asturias.

2018 was also the year of digitalization in EDP Distribuição, with the launch of the new functionalities of its app to simplify the interaction with all stakeholders, from clients to municipalities. The company also implemented 15 process robotization initiatives resulting in a potential saving of ~ 50000 hours of work. In parallel, we continued the effort of implementing smart grids, having already installed about 2.6 million smart meters in Iberia, this increase was especially significant in Portugal where this year's growth was 51%.

"THE DECENTRALIZATION OF ENERGY ASSOCIATED WITH RENEWABLES AND THE DIGITALIZATION ITSELF GAVE A NEW POWER TO THE CLIENT, WHICH TODAY SEEKS IN EDP NOT JUST ENERGY, BUT SMART ENERGY"

OUR PEOPLE ARE OUR SUCCESS

At EDP, in 2018, we focused on diversity and inclusion.

The strong commitment to gender balance over the past few years allowed us to increase the share of women in our workforce to 25%, a number that is quite substantial considering that this is traditionally a male sector. We remain determined to continue this path and to reinforce our diversity also based on other criteria. Today, we acknowledge that this diversity will bring new perspectives which will enable the creation of enhanced value for our business.

As a global company, EDP has employees from more than 40 nationalities and a growing demand for more analytical and technological profiles, aligned with the digital transformation and generation renewal of our company. To reinforce its positioning as a global company in the energy transition, EDP will continue to couple the deep knowledge of the current workforce with new talents from different backgrounds, which in 2018 corresponded to about 17% of our new admissions.

Furthermore, one should also highlight the important role of our volunteers. This year, EDP's volunteer program mobilized more than 3,000 volunteers, who devoted more than 31,000 hours of their time to community service. I am proud of this number which shows that our people's ability to deliver and dedication goes far beyond the contribution that they give to the company's results.

Another example of the excellent responsiveness of our teams were the actions taken following the natural disasters that devastated Portugal in 2018. I want to thank all those who supported and contributed to the resolution of the various incidents caused by hurricane Leslie and the fires.

AN AMBITIOUS PATH TO SUSTAINABILITY

At EDP, we know that our role is not limited to the relationships with our customers and employees, we acknowledge that we must go further in our contribution to our communities. Therefore, we are committed to the development of areas such as the environment, culture, education, safety, health and social welfare in all the geographies in which we are present.

We have a very clear purpose of putting energy at the service of sustainability. For more than a decade now, we anticipated the main global trends through continuous investment in renewable energies, efficiency and innovation.

At the top of our strategic agenda is the commitment to demonstrate our performance in the 10 principles of the Global Compact, a United Nations initiative, focusing on Human Rights, Labour, the Environment and the fight against corruption, as well as our contribution to the achievement of nine of the seventeen Sustainable Development Goals of the United Nations Agenda for 2030. EDP's participation in the World Business Council for Sustainable Development ("WBCSD") and my appointment as chairman of the Board of BCSD Portugal and as chairman of the Board of the SEforALL also reflect our vision and our commitment to a sustainable development at a time when climate change is in full view.

"THE SECRET IS NO LONGER THE SOUL OF THE BUSINESS. TODAY WE WORK WITH AN OPEN INNOVATION APPROACH, BOOSTED BY THE DIGITALIZATION AND FLEXIBILITY OF OUR PEOPLE AND ORGANIZATION"

It is also worth mentioning our active contribution to accelerate the decarbonization of transports in 2018, with a commitment to electrify our car fleet until 2030. We are also committed to developing new business offerings and solutions that promote the energy transition, as well as mobilizing communities for the electrification of transports.

Moreover, it should be noted that EDP remains the main private sponsor of culture in Portugal. In 2018, the MAAT and Central Tejo presented 17 exhibitions with more than 327,000 visitors. In Brazil, we strengthened our role with the support for the reconstruction of the Portuguese Language Museum in São Paulo. On the social component, EDP Group's sponsorship in 2018 totaled 28 million euros, having already surpassed what was the initial 100 million euros target for the 2016-2020 period.

Today, EDP is a company that extends its ethical principles to all the dimensions of its activity. Internally, through the training and continuous reinforcement of auscultation, monitoring and auditing procedures. On an external level, through the involvement of suppliers and partners in the underwriting of good practices and the continuous auditing of activities.

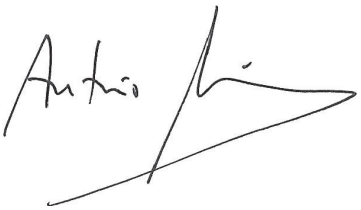
AN EVEN GREENER FUTURE

EDP is well positioned to be a leader in the energy transition and embrace the new challenges of delivering superior value to our shareholders. Our portfolio, essentially green, puts us in a privileged position to implement our vision based on 5 strategic pillars:

1. **Accelerated and focused growth,** with a clear bet on renewables leveraging on the knowledge and execution capabilities developed over the last decade;
2. **Continuous portfolio optimization,** through the sale of majority stakes in renewables to accelerate organic growth and value crystallization, and also through the divestment of other assets to balance EDP's risk profile;
3. **Solid balance and low risk profile,** focusing on debt reduction, in the short term, with the aim of improving our rating;
4. **Efficiently and digitally enabled,** through the continuous implementation of efficiency and digitalization projects boosted by the natural generation renewal of our people with the goal of having a more flexible and global organization;
5. **Attractive shareholder remuneration,** based on the distinctive green positioning of our company, with sustained earnings' growth and an attractive dividend policy.

Our sector is going through a revolution and EDP positioned itself on the right path thanks to its anticipation strategy and the ability to deliver in recent years. EDP has a clear ambition for 2030, we shall be coal-free and we will continue to contribute actively to the decarbonization of the economy by reducing our CO_2 emissions by 90% (compared with 2005) based, above all, on generation from renewable energy sources (in more than 90%). Together with our customers, we will also promote electric mobility with the aim of achieving 1 million customers by 2030. On the other hand, we will continue with the effort of digitalization and decentralization, notably with the transformation of our Organization, the transition to smart grids in the Iberian Peninsula and the installation of more than 4 million solar panels for our Customers.

I invite you to find more detail on our operation along the pages of this report and to follow the way we are preparing for the future - a more digital, more renewable and more sustainable future. A future that will be electric.



ANTÓNIO MEXIA
Chairman of the Executive Board of Directors

1.2. OUR YEAR

1.2.1. MAIN EVENTS

7 MAR
EDP signed a 5-year revolving credit facility in the amount of 2.24 billion euros

23 MAR
EDPR sells 20% stake in UK wind offshore project

27 APR
EDP Brasil announces auctions's result regarding the voluntary tender offer for the acquisition of preferred shares in CELESC, totaling 19.62% of total share capital

11 MAY
Preliminary offer announcement over EDP by CTG

12 JUN
EDP sells 641 million euros in securitization of electricity tariff deficit in Portugal

20 JUN
EDP issues 750 million euros bond maturing in January 2026

4 JUL
EDP Renováveis is awarded long-term CfD for 45MW of wind capacity at Greek energy auction

9 OCT
EDP issues first green bond in the total ammount of 600 million euros and maturing in October 2025

29 OCT
EDP Brasil closes 1.2 billion BRL funding for new transmission line

5 DEC
Fitch affirms EDP at "BBB-" rating and Outlook at stable

7 DEC
EDP sells Portuguese tariff deficit for 384 million euros

14 DEC
EDPR joint venture is awarded with exclusive rights to develop wind offshore project in Massachusetts

19 DEC
EDP concludes the sale of 21 small hydro plants in Portugal

21 DEC
EDP concludes the sale of 8 small hydro plants in Brazil

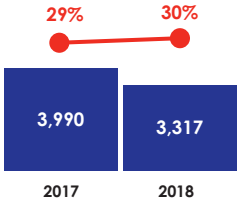
31 DEC
EDPR announces its first sell down transaction in North America of a 499 MW portfolio of onshore wind assets

1.2.2. KEY METRICS

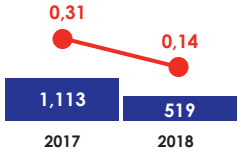
KEY METRICS

FINANCIAL DATA

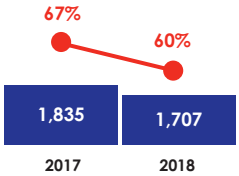
EBITDA



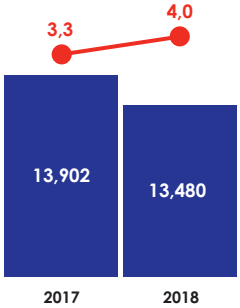
NET PROFIT[1]



NET INVESTMENTS[2]



NET DEBT



EBITDA (€M)
OPEX/Gross Profit (%)
Net Profit (€M)
Net Profit per share (euros)
Net Investments (€M)
Net Investments in Renewables (%)
Net Debt (€M)
Adjusted Net Debt/EBITDA (x)

OPERATIONAL DATA

GENERATION

27,151 MW +1% vs 2017
Installed capacity

71,963 GWh +3% vs 2017
Net generation

920 MW +25% vs 2017
Installed capacity - equity

344 MW -58% vs 2017
Capacity under construction

DISTRIBUTION

80,426 GWh +2% vs 2017
Electricity distributed

10,343 ('000) +1% vs 2017
Electricity supply points

SUPPLY

65,556 GWh -2% vs 2017
Electricity supplied

9,848 ('000) 0% vs 2017
Electricity customers

18,997GWh 0% vs 2017
Gas supplied

1,595 ('000) +1% vs 2017
Gas customers

[1] Net Profit attributable to EDP Equity shareholders.
[2] Considers CAPEX of EDP Group , organic financial investment €97M (31 Dec 2017: €134m) and financial divestments -€422 (31 Dec 2017: -€24M).

A COMPANY...

PEOPLE

HUMAN AND INCLUSIVE

34 No. of hours of training/ employee
-16% vs 2017

29 No. of accidents with employees
+4% vs 2017

11,631 No. of employees
0% vs 2017

25% % of female employees
+ 1 p.p. vs 2017

44 No. of nationalities of employees
+3 vs 2017

25% % of female employees in management positions
0 p.p. vs 2017

CLIENTS AND SUPPLIERS

COMMITTED TO THE COMPETITIVENESS

35% % of Customers with electronic invoice
+7 p.p. vs 2017

951 GWh induced savings by energy services
+89% vs 2017

78% % of customer satisfaction
+2 p.p. vs 2017

106 No. of accidents at work with suppliers
+6% vs 2017

COMMUNITY

AWARE OF EXPECTATIONS

19,375 No. of hours of volunteering
-22% vs 2017

2,066 No. of beneficiary entities
+31% vs 2017

28 €M of volunteer investment
-1% vs 2017

INNOVATION

MORE DIGITAL

75 €M of investment in RD+i
+15% vs 2017

38% % of smart meters in Iberia
+10 p.p. vs 2017

546 No. of automated activities
+179% vs 2017

115,130 No. of hours of use of videoconferencing service
+22% vs 2017

PLANET

MORE SUSTAINABLE

257 t/GWh Specific CO_2 emissions
-23% vs 2017

74% % of renewable installed capacity
0 p.p. vs 2017

78% % of recovered waste
+33 p.p. vs 2017

96% % of assets certified by ISO 14001*
+8 p.p. vs 2017

For more information, explore the Sustainability Report at www.edp.com> sustainability> publications.

* The indicator aggregates all assets with potential environmental impacts certified by ISO 14001, world reference for environmental management systems.

1.2.3. RECOGNITION

RECOGNITION

ANTÓNIO MEXIA WINS BEST CEO
in Portugal at the Human Resources Awards

EDP, ONE OF THE WORLD'S MOST ETHICAL COMPANIES,
honoured by the Ethisphere Institute for the 7th consecutive year

EDP IN THE TOP-2 OF INTEGRATED UTILITIES
on the Dow Jones Sustainability Index World and Europe and considered the world's best in environmental policy management

BEST ANNUAL REPORT
of the companies listed on the PSI-20 share index, according to the Deloitte Investor Relations and Governance Awards

EDP IS A BUSINESS ADMINISTRATION LEADER
according to the 2018 Business Awards

EDP AWARDED SUSTAINABILITY PRIZE
at the European Festival Awards

EDP RECOGNISED AS AN OUTSTANDING EMPLOYER
by Korn Ferry

EDP ELECTED COMPANY OF THE YEAR
at the Meios & Publicidade Awards

EDP COMERCIAL ELECTED 2018 CONSUMER CHOICE
in the Energy and Services for Domestic Use category

FRADES II HYDROELECTRIC POWER PLANT
wins the VGB Quality Award 2018 of the International Association of Power Producers and also awarded Plant of the Year by Power Magazine

EDPR WINS TOP EMPLOYERS SPAIN PRIZE
awarded by Top Employers Institute

MIGUEL SETAS, EDP BRASIL, ELECTED ONE OF THE BEST CEOs IN BRAZIL
according to Forbes Magazine

EDP BRASIL ELECTED THE BEST COMPANY OF THE BRAZILIAN ENERGY SECTOR
by Época 360º

EDP BRASIL WINS IN THE BEST REPUTATION CATEGORY
according to the Reputation Index Study

EDP ESPAÑA WINS FUNDACOM PRIZE
for the best Corporate Social Responsibility campaign with "Comparte tu Energia" (Share your Energy)

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WE LOVE EDP

1.3. EDP GROUP PROFILE

1.3.1. WHO WE ARE

WHO WE ARE

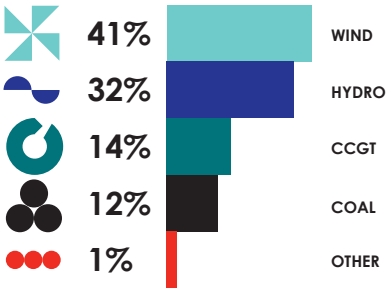
EDP IS A MULTINATIONAL, VERTICALLY INTEGRATED UTILITY COMPANY

Throughout its 42 years of history, EDP has been building a relevant presence in the world energy scene, being present in 16 countries in 4 continents. EDP has around 11,600 employees and is present throughout the electricity value chain and in the gas commercialization activity.

1. GENERATION

Generation 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).

27 GW OF INSTALLED CAPACITY



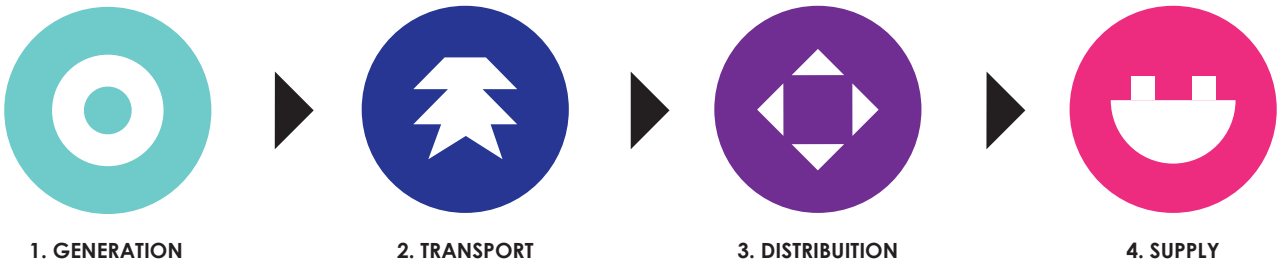
72 TWh OF NET ELECTRICITY GENERATION **66%** RENEWABLE SOURCES

2. TRANSPORT ACTIVITY

In the **transport activity** the energy generated 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.

1,184Km
OF TRANSMISSION NETWORK UNDER CONSTRUCTION

113Km
OF OPERATING NETWORK



3. DISTRIBUTION

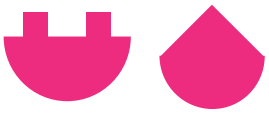
In the **distribution activity** the transported energy is channeled to the distribution grid. The distribution network allows the flow of energy to the supply points. Electricity distribution networks are composed of high, medium and low voltage lines and cables. Substations, processing stations and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

339.177 KM OF NETWORK

285,121Km
OF DISTRIBUTION OVERHEAD LINES

54,056Km
OF DISTRIBUTION UNDERGROUND LINES

80 TWh OF ELECTRICITY DISTRIBUTED



4. SUPPLY

In the **supply activity** distributed energy arrive 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.

ELECTRICITY CUSTOMERS

9,848,384

5,051,786
CUSTOMERS IN LIBERALIZED MARKET

4,796,598
CUSTOMERS IN LAST RESORT

GAS CUSTOMERS

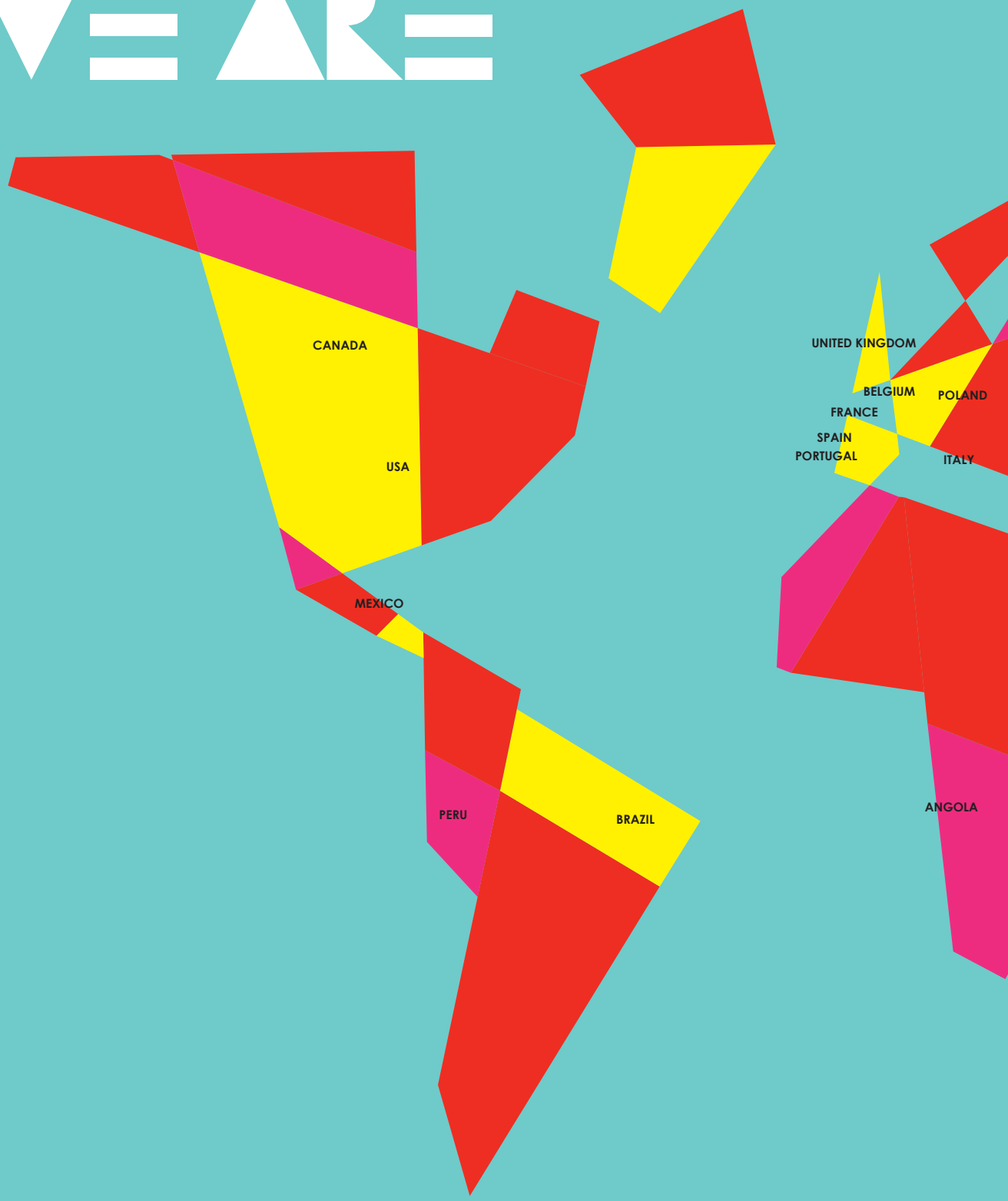
1,595,347

1,503,451
CUSTOMERS IN LIBERALIZED MARKET

91,896
CUSTOMERS IN LAST RESORT

1.3.2. WHERE WE ARE

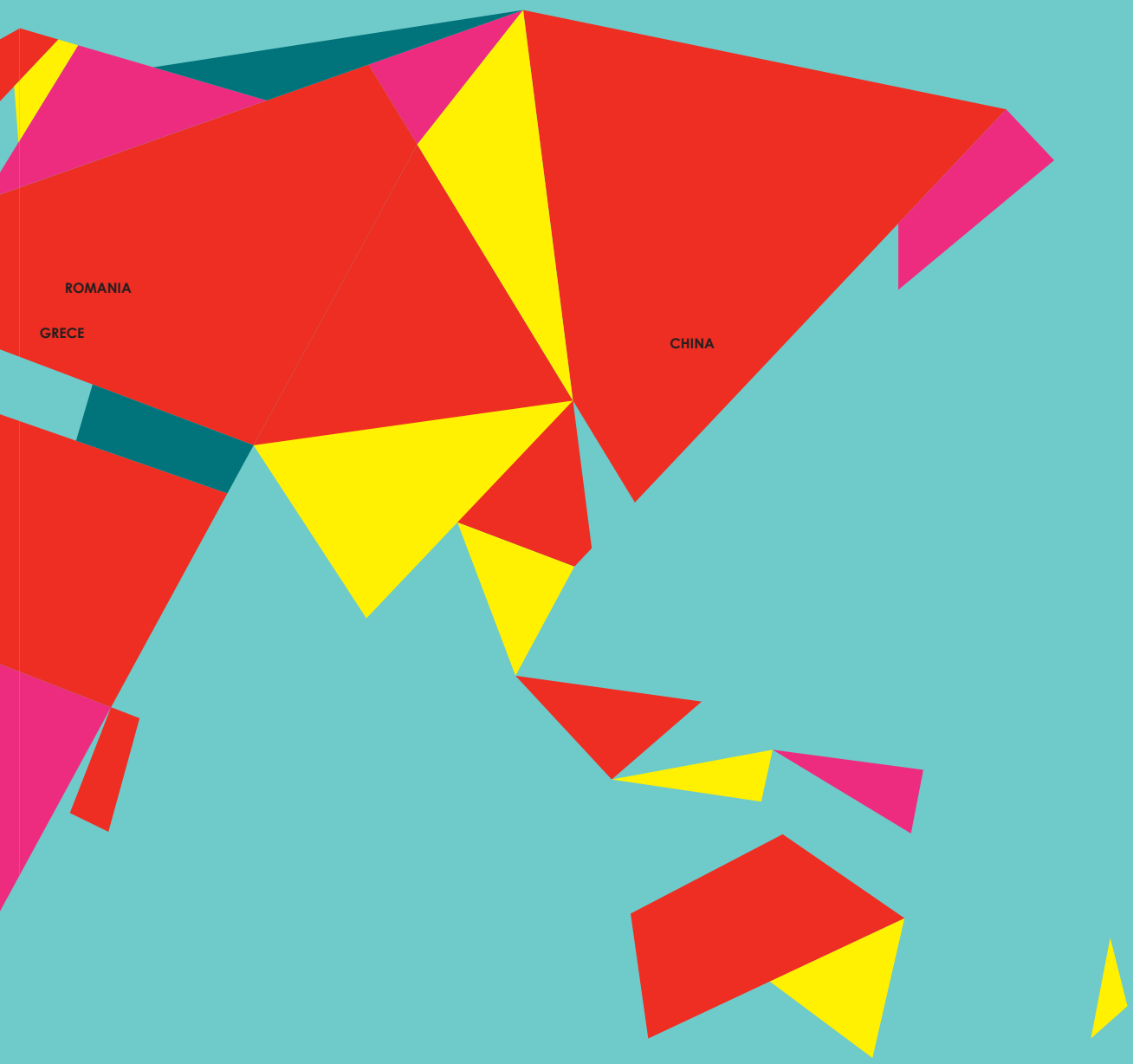
WHERE WE ARE



WE LOVE ENERGY

PORTUGAL	○	✕		✝	⏚			6,085	POLAND	✕				32
SPAIN	○	✕		✝	⏚			1,674	ROMANIA	✕				30
CANADA		✕						5	ITALY	✕				31
USA		✕						583	UNITED KINGDOM	✕				60
MEXICO		✕						8	BELGIUM	✕				2
BRAZIL	○	✕	✈	✝	⏚			3,038	FRANCE	✕				78
PERU		✕						2	GRECE	✕				
CHINA						•••		2	ANGOLA			•••		

○ CONVENTIONAL GENERATION ✕ RENEWABLE GENERATION ✈ TRANSPORT ✝ DISTRIBUITION ⏚ SUPPLY ••• OFFICES EMPLOYEES



1.3.3. HOW WE ARE ORGANIZED

HOW WE ARE

BUSINESS AREAS

1. IBERIAN GENERATION AND SUPPLY

23%

OF THE GROUP'S EBITDA

#1 GENERATOR AND SUPPLIER IN PORTUGAL

#3 IBERIAN GENERATOR

2. IBERIAN NETWORKS

19%

OF THE GROUP'S EBITDA

edp distribución

#1 PORTUGUESE DISTRIBUTOR

ORGANIZED

3. EDP *RENOVÁVEIS*

39%

OF THE GROUP'S
EBITDA

renováveis

WORLD LEADER IN WIND ENERGY

4. EDP BRASIL

19%

OF THE GROUP'S
EBITDA

#5 PRIVATE SUPPLIER IN THE FREE MARKET

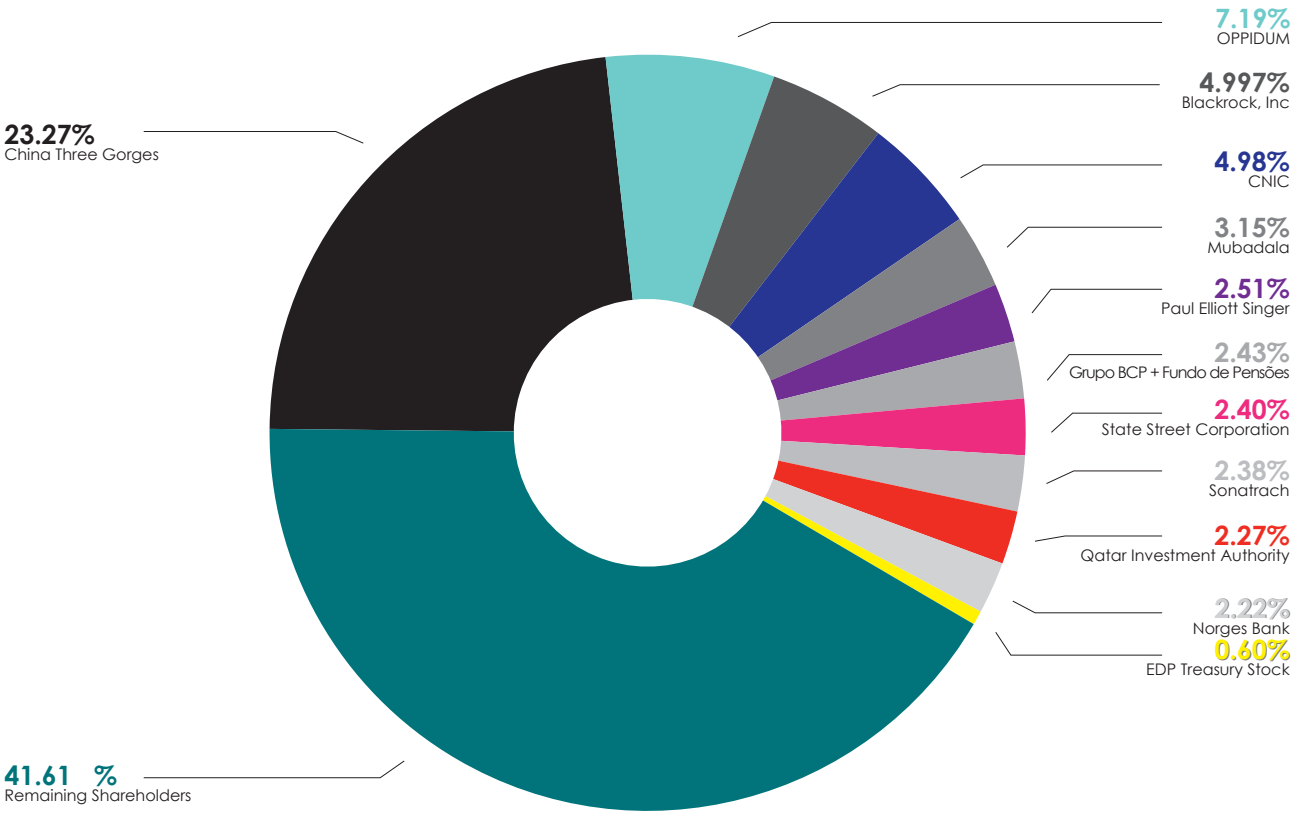
#3 PRIVATE GENERATOR

GOVERNANCE, SHAREHOLDER'S STRUCTURE AND CORPORATE BODIES

GOVERNANCE

EDP's governance structure is based on the dual model and consists of the General Meeting, Executive Board of Directors, General and Supervisory Board and the Statutory Auditor.
The separation of management and supervision roles is embodied in an Executive Board of Directors, which is responsible for the management of the company's business, and a General and Supervisory Board, the highest supervisory body.
Considering this structure, we can say that the dual model of corporate governance in place in EDP has allowed effective separation of the company's supervision and management in pursuit of the goals and interests of EDP and its shareholders, employees and other stakeholders, thereby contributing to achieving the degree of trust and transparency necessary for its adequate functioning and optimisation.
Furthermore, this model has proved appropriate to the company's shareholder structure as it allows supervision by key shareholders on the General and Supervisory Board.
The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors, as well as the Statutory Auditor and alternate auditor and members of the other corporate bodies, including the Board of the General Meeting, the Remuneration
Committee of the General Meeting and the Sustainability and Environment Board at the General Meeting of 5th April 2015, for the three-year period from 2018 to 2021.

SHAREHOLDER'S STRUCTURE



EDP CORPORATE BODIES

BOARD OF THE GENERAL MEETING

Luís Filipe Marques Amado, **Chairman**
Dingming Zhang, **Vice-Chairman** - *in representation of China Three Gorges Corporation*
Shengliang Wu - *in representation of China Three Gorges International Corp.*
Ignacio Herrero Ruiz – *in representation of China Three Gorges (Europe), S.A.*
Yinsheng Li – *in representation of China Three Gorges Brasil Energia Ltda.*
Eduardo de Almeida Catroga – *in representation of China Three Gorges (Portugal), Sociedade Unipessoal, Lda.*
Felipe Fernández Fernández – *in representation of DRAURSA, S.A.*
Fernando Maria Masaveu Herrero
Mohammed Issa Khalfan Alhuraimel Alshamsi - *in representation of Senfora BV*
Nuno Manuel da Silva Amado – *in representation of Banco Comercial Português, S.A.*
Karim Djebbour – *in representation of Société National pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (Sonatrach)*
Maria Celeste Ferreira Lopes Cardona
Ilídio da Costa Leite de Pinho
Jorge Avelino Braga de Macedo
Vasco Joaquim Rocha Vieira
Augusto Carlos Serra Ventura Mateus
João Carvalho das Neves
María del Carmen Fernández Rozado
Laurie Lee Fitch
Clementina Maria Dâmaso de Jesus Silva Barroso

EXECUTIVE BOARD OF DIRECTORS

António Luís Guerra Nunes Mexia, **CEO**
João Manuel Manso Neto
António Fernando Melo Martins da Costa
João Manuel Veríssimo Marques da Cruz
Miguel Stilwell de Andrade, **CFO**
Miguel Nuno Simões Nunes Ferreira Setas
Rui Manuel Rodrigues Lopes Teixeira
Maria Teresa Isabel Pereira
Vera de Morais Pinto Pereira Carneiro

STATUTORY AUDITOR

PricewaterhouseCoopers & Associados - *Sociedade de Revisores de Contas, Lda., represented by João Rui Fernandes Ramos, Certified Auditor* - **Permanent Statutory Auditor**
Aurélio Adriano Rangel Amado, *Certified Auditor* - **Deputy Statutory Auditor**

OUR VISION

1.3.4. VISION, VALUES AND COMMITMENTS

VISION, VALUES AND COMMITMENTS

VISION

A GLOBAL ENERGY PROVIDING COMPANY LEADER IN THE ENERGY TRANSITION TO CREATE SUPERIOR VALUE

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.

HUMANIZATION

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

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 clients and answer in a simple and clear manner.
- We surprise our clients by anticipating their needs.

PEOPLE

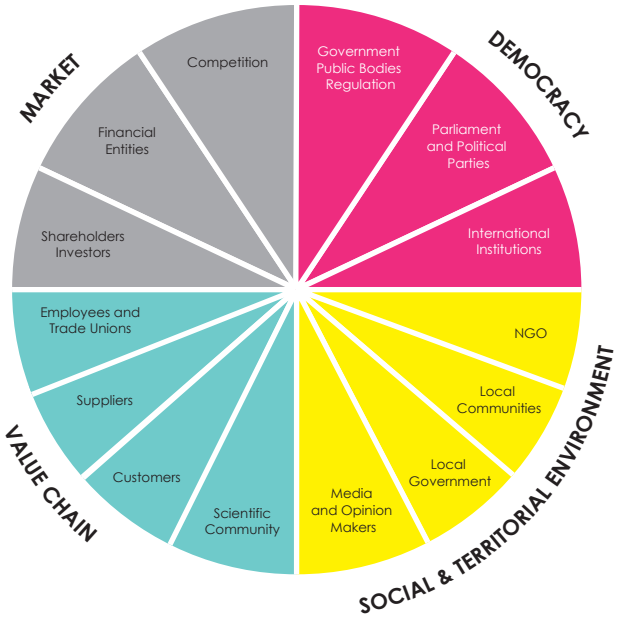
- We join conduct and professional rigour to enthusiasm and initiative, emphasizing team work.
- We promote the development of skills and merit.
- We believe that the balance between private and professional life is fundamental in order to be successful.

1.3.5. STAKEHOLDERS

STAKEHOLDERS

Stakeholder engagement is a strategic priority for EDP and the Company is committed to sustain its leadership in stakeholder engagement in regard to its core business and to its social and environmental activities. Therefore, EDP promotes trustful relations, supported by systematic and bidirectional dialogue with key stakeholders, with the purpose to gather its expectations. This is the best way to ensure even further alignment between critical issues for the stakeholders and the business plan of the Company.

Further evidence of this leadership commitment was obtained with the top score in 2018 in the Stakeholder Engagement criteria of the Dow Jones Sustainability Index.



This maximum score was obtained for the second year in a row, which mirrors the intense joint effort amid business units and geographies of the EDP Group that seek at each moment to know its stakeholders, identify and prioritize relevant issues in the relationship through dynamic relationship channels and implement responses that anticipate operational and reputational risks, in line with the Policy, Methodology and Stakeholders Management Procedures of EDP Group.

HOW WE ACT

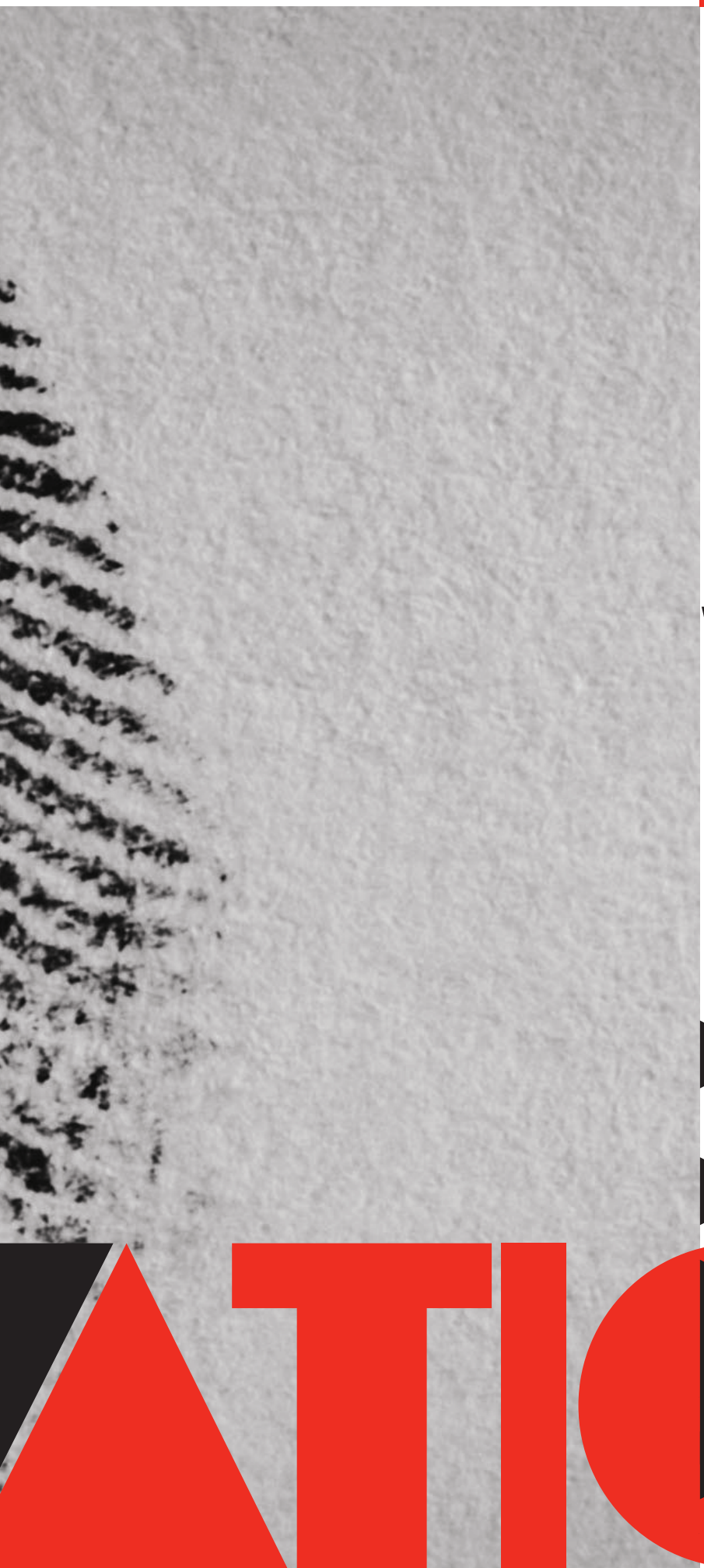
INTERNAL VIEW ▶ **EXTERNAL VIEW** ▶ **ACTION PLAN** ▶ **REPORTING AND MONITORING**

The **Internal View** is the first step of EDP's Stakeholder Engagement Methodology and its main purpose is to identify which stakeholders have stronger influence on EDP's activities and the ones that are more affected by EDP's actions.

The **External View** is the key outward-looking point of EDP's Stakeholder Engagement Methodology. It is an important moment to listen to stakeholders in a direct and proactive way.

The third step consists in the creation of a Stakeholder **Engagement Plan** which contains consistent and clear responses to meet stakeholders expectations, enabling the establishment of a relationship based on trust and creating shared value through cooperation.

Monitoring and Reporting stakeholder engagement performance allows EDP to adjust ongoing actions, depending on the level of implementation or results obtained. The follow-up also enables the identification of emerging issues affecting business and company reputation.



WE
LOVE
INNOVATION

ATION

edp

WE LOVE ENERGY

02 STRATEGIC APPROACH

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02 STRATEGIC APPROACH

2.1. GLOBAL ENERGY TRENDS

DECARBONIZATION REQUIRES A CHANGE IN PARADIGM

After three years of stagnation, carbon emissions of the energy sector have risen again in 2017, growing 1.6%, and it is estimated that growth also occurred in 2018. Furthermore, the International Energy Agency (IEA) estimates in its base scenario of the World Energy Outlook 2018 (New Policies Scenario) that carbon emissions increase by 10% between 2017 and 2040, which would make it impossible to limit the global temperature increase to 1.5ºC compared to the pre-industrial era as defined in the Paris Agreement (December 2015).

This increase in emissions derives from the expected increase in primary energy consumption of 27% by 2040, supported by increases of 22% of the population and 117% of world GDP and by the increasing use of natural gas and petroleum products in developing countries. Conversely, the expected decoupling between economic growth and increased demand for energy, resulting in a significant reduction (2.3%/year) of energy intensity globally, and the reduction of 0.6%/year of carbon intensity emissions from the energy sector make a significant contribution to limit the increase of carbon emissions.

Although several countries have demonstrated their commitment to reduce their environmental impact, such as China taking a leading role in coordinating global efforts and India affirming its objective to increase its environmental commitment by 2020, several regions of the world still need to take concrete steps to contribute to decarbonization efforts, owning to fears of the impacts of the required energy transition on workers and their communities.

Promoting an accelerated decarbonization of the world energy system requires an energy transition that approaches sustainability considering environmental, economic and social aspects.

THE LEADERSHIPS OF THE EUROPEAN UNION

Strengthening the leadership position of the European Union (EU) and supporting the fulfillment of the Paris Agreement, in 2018 were concluded the negotiations of the Clean Energy for all Europeans, which aims to guide a sustainable energy development during the next decade and presented a set of scenarios that represent its view for 2050.

The Clean energy for all Europeans legislative package established objectives of 32% for the share of renewables in final consumption and of 32.5% of energy efficiency by 2030. It is expected that this package leads to a reduction of emissions of 45% by 2030, compared with 1990, which represents an increase in the ambition of the EU relative to its goal of 40%.

To provide the necessary price signals to support decarbonization, the EU has reviewed its Emissions Trading System. Aiming at reducing the available emissions allowances, protecting industries facing international competition and supporting investments in low carbon technologies, this review results in a very significant increase in the price of CO_2 (from around 8 €/tCO_2 at the beginning of January 2018 to around 24 €/tCO_2 at the end of the year).

The vision of a carbon neutral European Union in 2050, designed by the European Commission and presented in 2018, considers two energy transition scenarios based on different technological contributions and lifestyle changes. Both scenarios

demonstrate the need to reduce energy consumption by around 40%, increase the electrification rate to over 50% (compared with 22% in 2015), and increase the share of renewables to around 61% (compared to 12% in 2015).

INCREASE OF ENERGY DEMAND

ENERGY DEMAND 2017-2040

EMERGING COUNTRIES

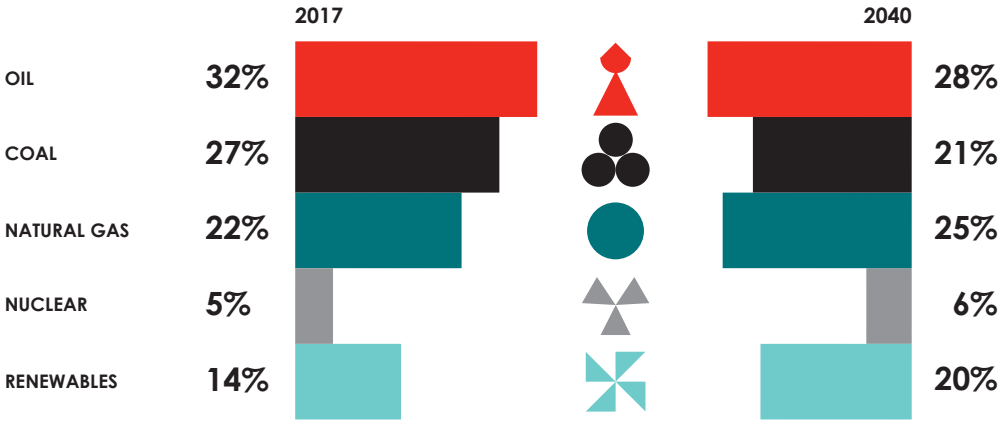
OECD

The expected increase in demand is due to the growth of countries outside the OECD (emerging economies), with China remaining the largest energy consumer. Emerging economies in Asia will be responsible for two-thirds of this growth, with India accounting for the largest contribution (about 26%). Conversely, OECD countries are expected to reduce their demand, with a decrease of 4% by 2040.

At a global level, fossil fuels will still account for 74% of primary energy consumption by 2040, with renewable energy sources accounting for 20% and nuclear energy the remaining 6%. OECD countries are expected to reduce their dependence on oil (-23% of consumption), while increases of 25% and 89% are anticipated for the regions of China and India, respectively. Coal should register a decrease of 40% in OECD and 13% in China until 2040, with consumption in India being expected to grow 117%. The only energy sources that should grow in all geographies are natural gas and renewables. China will remain the world's largest renewable energy consumer.

Achieving the necessary decarbonisation and meeting the Paris Agreement (Sustainable Development Scenario would require a reduction of 23% of the world energy consumption and a reduction in the weight of fossil fuels to 60% by 2040. This would imply a significant effort by the emerging economies to follow the trends of the OECD countries.

PRIMARY ENERGY SOURCES IN THE WORLD
(2017 - 2040)



Source: AIE, World Energy Outlook 2018, New Policies Scenario.

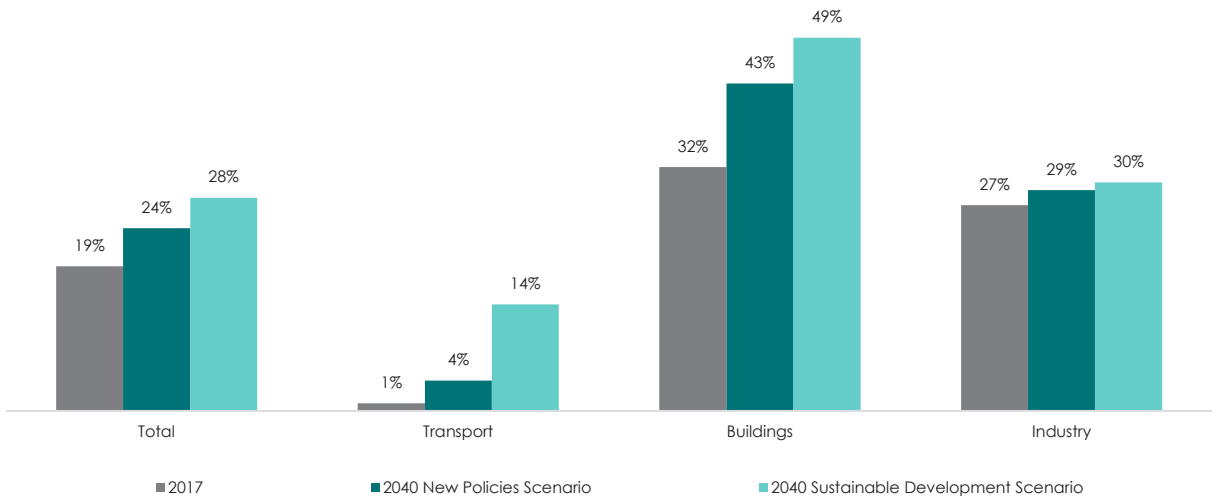
GROWING ELECTRIFICATION

ELECTRICITY CONSUMPTION

According to the IEA, meeting the Paris Agreement objectives will require increasing energy efficiency to stabilize primary energy consumption at current levels and accelerating the electrification of the economy, with the electrification rate rising from 19% currently to 28% by 2040. In effect, electrification has two major benefits: on the one hand, electric technologies, such as electric vehicles and heat pumps, are more efficient than conventional alternatives, which translates into a reduction in total energy consumption; on the other hand, the transport and heating/cooling sectors are mostly satisfied by fossil fuels, with electricity being the easiest energy vector to decarbonize through the penetration of renewables.

The transport sector is identified as one of the key sectors to achieve decarbonization targets. Starting from a very low electrification rate (1% in 2017), the IEA identifies as necessary achieving a 14% rate and a reduction in final energy consumption of 6% by 2040. Another very relevant sector is the buildings sector, which despite having already an electrification rate of 32% should achieve 49% by 2040, also reducing its final energy consumption by 6%.

ELECTRIFICATION RATE



Source: AIE, World Energy Outlook 2018, New Policies Scenario e Sustainable Development Scenario.

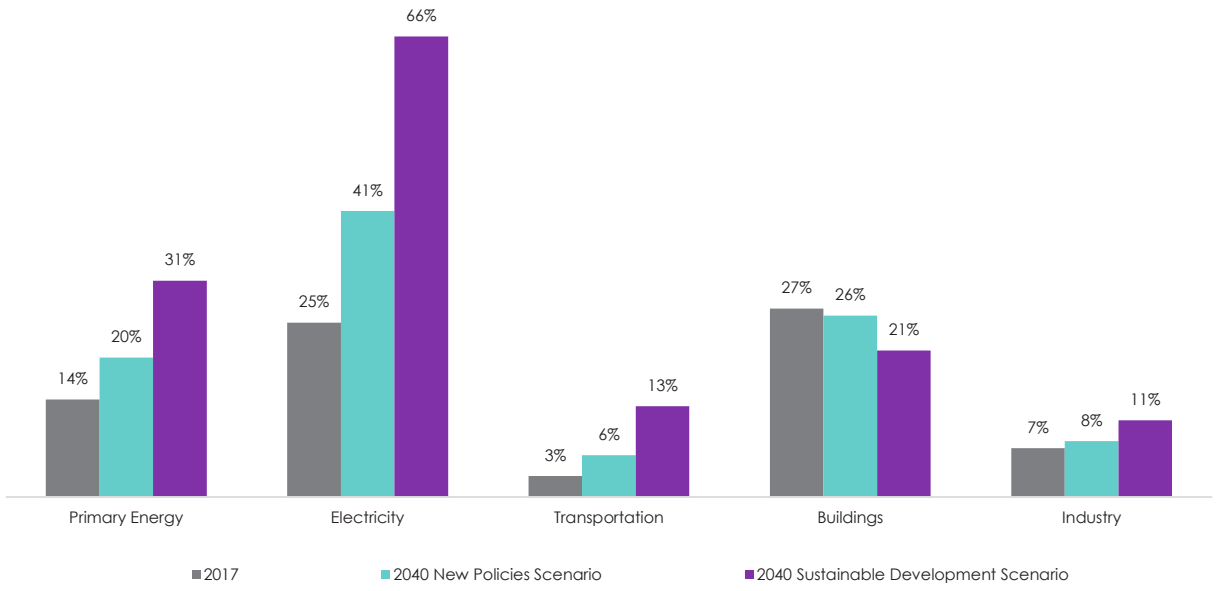
RENEWABLES AT THE CENTRE OF THE ENERGY TRANSITION

RENEWABLES

Although renewable energy sources in primary energy are expected to account for only 20% of consumption in 2040, this is not the case for the electricity sector. Indeed, the contribution of renewable energy sources to electricity generation is expected to grow from 25% in 2017 to 41% in 2040 in the IEA baseline scenario. However, to achieve the objectives of the Paris Agreement, a contribution of 66% would have to be achieved. On the other hand, the other sectors have much lower uses of renewable energy, with the transport sector being the fastest growing sector, resulting from the use of biofuels. In the buildings sector there is even an expectation of reduction, motivated by the increasing electrification and consequent reduction of the use of biomass.

Investments in wind (onshore and offshore) and solar energy will drive the increasing use of renewable energy, as a result of their increasing competitiveness compared to fossil fuels. The development of long-term remuneration mechanisms, either through competitive auctions or corporate energy purchase agreements, will reduce the risk associated with these investments, with clear economic benefits for society.

SHARE OF RENEWABLES



Source: AIE, World Energy Outlook 2018, New Policies Scenario e Sustainable Development Scenario.

FLEXIBILITY

The rapid growth of renewable-based installed capacity has affected the economic viability of several existing electricity generation assets, which are needed to provide firm capacity to complement the natural variability and intermittency of renewable resources. In this context, and recognizing that the current wholesale market is insufficient, a number of countries (for example Germany, France, the United Kingdom, Italy, several US markets, etc.) have chosen to implement capacity compensation mechanisms to ensure the necessary firm power for the proper functioning of the electricity system.

The increased flexibility of generation will also require increasingly flexible electricity management and consumption structures, through the introduction of batteries, demand side management technologies and increased interconnectivity between the various electricity systems. It is therefore imperative to promote the digitalization of the electricity sector value chain in order to ensure the integration of the various systems, enabling several advantages such as efficiency gains in systems operation, costs reduction (for example in the generation and use of networks) and greater decarbonization through better integration of renewables in the system.

THE NEED FOR A FAIR ENERGY TRANSITION

POLLUTER-PAYS PRINCIPLE

The internalization in energy markets of environmental and social costs of carbon emissions, for example through a price associated with these emissions, provides the needed price signal to encourage investment in energy efficiency and low carbon technologies. This strategy has already been implemented in some countries, notably Europeans, although its implementation is sometimes complex. In order to ensure that the carbon price does not distort energy markets by reducing its effectiveness, it should be designed with the widest possible geographical scope and cross-cutting across economic sectors and energy vectors, taking into account the emissions associated with each, following the polluter pays principle. The potential negative impacts in the economy and society should be minimized or even reversed by an efficient recycling of tax revenues through the creation of funding lines for low carbon technologies and the reduction of other taxes (such as the IRS). The possible loss of competitiveness of industries facing international competition must be tackled through compensations (for example with fixed rents) or the taxation of imported products on the basis of the associated emissions.

The need to implement decarbonization policies from a more comprehensive perspective that addresses the economic and social impacts became evident again during 2018 with the creation of the "Yellow Vests" movement (*gilet jaunes*). This movement has led to demonstrations in several countries of the world against what they consider to be disparities in the distribution of fiscal efforts, including the creation of carbon rates and increases in fuel rates.

SOCIAL EQUITY

The current model for financing renewables is an example of inefficient distribution of effort, since, even though the electricity sector accounts for only around 25% of energy consumption, it is the electricity consumers who bear most of these costs (more than 80% in Portugal and Spain). This effect distorts competition among the various energy vectors, limiting electrification and penalizing consumers who are most dependent on this energy vector.

In addition, in most countries, there is a huge disparity between the cost structure of the electricity sector, which is mostly composed of fixed costs, and the current tariff structure, mostly composed of variable costs. This cost allocation to consumers on the basis of their consumption provides cross-subsidization and greatly favors consumers with the economic capacity to invest in decentralized generation and necessarily leads to cost increases for other consumers, which affects mainly vulnerable consumers.

Reviewing the tariff structure, increasing the fixed component, and transferring renewable financing to the State Budget are examples of measures that promote a socially responsible decarbonization.

ENERGY POVERTY

The fight against energy poverty requires both the creation of specific financing lines for vulnerable consumers, with a focus on energy efficiency measures, and a tariff reform that ensures that energy tariffs reflect the costs associated with the energy services they provide. Financing building rehabilitation and purchasing efficient equipment, supported by the development of population education measures, enables consumers to reduce their energy needs and improve thermal comfort. If necessary, the implementation of social tariffs should be based on a logic of social solidarity, financed by the state budget or by other consumers.

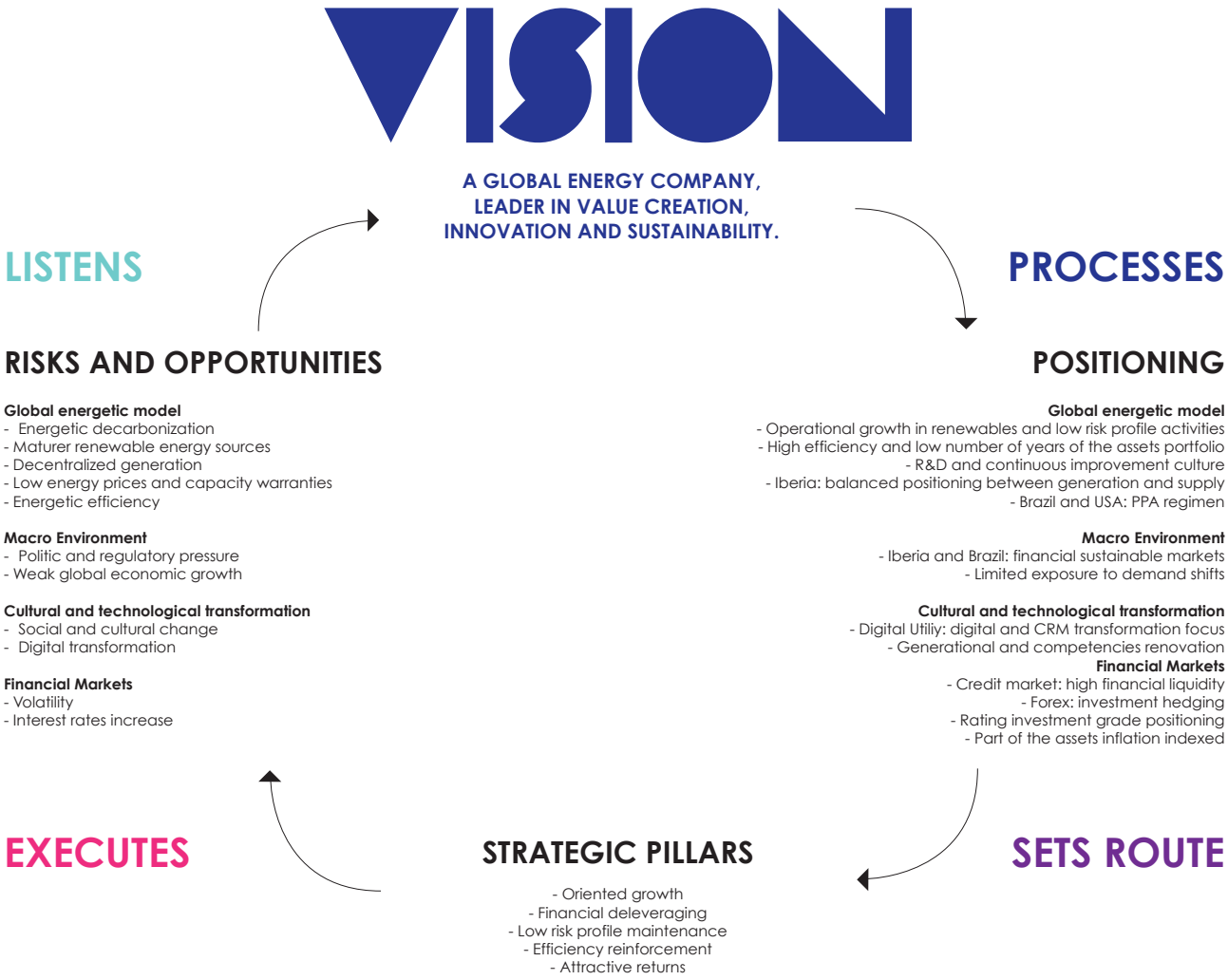
Only with an energy transition that considers environmental, economic and social impact, it is possible to guarantee the collaboration of all market agents to successfully implement the required reforms and achieve the ambitious decarbonization targets.

2.2.
STRATEGIC PRIORITIES

2.2.1 STRATEGIC AGENDA 2016-2020

Recent years have introduced significant challenges in the energy sector related to the ongoing energy revolution but also to the changes in companies' processes and human capital stemming from the digital and cultural leap already under way.

These factors give rise to uncertainty and volatility in the business, implying a proactive management of risks and opportunities.



In this sense, EDP strategically positions itself with a low-risk and cross-diversified resilient profile, creating conditions for the execution of a strategy to create value in the face of the challenges of a context of low ecological footprint and behavioral and technological changes of its stakeholders, as well as the expected changes in context.

EDP positions with a resilient low-risk and cross-diversified profile, creating conditions for value generation in a context of low ecological footprint and behavioral and technical changes in its stakeholders.

The strategic architecture communicated by EDP in May 2016 reinforced the commitment of balanced growth with financial deleveraging and the maintenance of an attractive return to shareholders, based on the strategic pillars followed since 2006 and which have proved adequate.

STRATEGIC PRIORITIES FOR THE PERIOD 2016-2020:

FOCUSED GROWTH	EBITDA CAGR 2015[1]-20	+3%
FINANCIAL DELEVERAGING	Net Debt/EBITDA 2020	~3,0X
KEEP LOW RISK PROFILE	% EBITDA Regulated/ LT Contracted	~75%
REINFORCE EFFICIENCY	OPEX/Gross Profit 2020	26%
DELIVER ATTRACTIVE RETURNS	EPS CAGR 2015[1]-20	+4%
	DPS Floor at €0,19/share increase vs 2015	+3%

EDP's **growth-oriented commitment** is embodied in an expected increase of EBITDA of about 3% per year by 2020[1] driven by the creation of growth opportunities focused on renewables, predominantly comprising wind, on-shore and off-shore, but also hydro and solar.

Therefore, the BP 2016-20 foresees an average net investment of 1.4 billion euros per year in the period 2016-20, of which 84% relates to regulated and long-term contracted activities, with about 55% visibility, at that date, of the renewables growth target up to 2020.

The **financial deleveraging** effort aims to reinforce the visibility in free cash flow generation in the medium term, establishing the target of a Net Debt/EBITDA ratio of ~3.0x in 2020, supported by a rigorous control over the investment together with EDP Renováveis' asset rotation strategy and the execution of the strategic partnership with CTG.

EDP's preservation of its **low risk business profile** remains a priority, namely in what concerns the recognition as one of the most integrated and regulated European utilities, set on the commitment of maintenance of the weight of its regulated activities around 75% of total EBITDA in 2020. To this end, EDP will aim to ensure, wherever possible, long-term contracts for the sale of energy as well as to diversify its business portfolio.

The commitment towards **efficiency** was reinforced, being supported through the development of a culture of continuous improvement, based on programs spread across the Group. The fourth edition of the OPEX program was launched in 2015

[1] Based on recurrent and weather adjusted EBITDA and Net Profit in 2015

with a target of 130 million euros for 2018, which was exceeded in 2017, reaching 141 million euros in savings by the end of that year. Hence, a new program (OPEX V) was launched in 2018 aiming at reinforcing the previous one, adding an additional amount of 60 million euros to the savings initially envisaged, totaling a savings target of 190 million euros and 260 million euros for 2018 and 2020, respectively.

Regarding the **shareholders return**, EDP is committed to increase the dividend floor by 3%, to €0.19 per share, from 2016 fiscal year. This commitment is based on the expectation of a Net Profit annual increase of about 4% per year by 2020[1], intending to achieve a payout ratio that is in a range between 65% and 75% of recurrent Net Profit

During 2018, operations were carried out to optimize the group's portfolio, always aiming at complying with the guidelines that had been proposed when the 2016-2020 strategic plan was implemented. In this context, it is worth mentioning the sale of the total stake in some small hydroelectric plants held by the group, both in Portugal and Brazil, generating a cash inflow of around 287 million euros and a capital gain of 83 million euros.

Additionally, in December, EDPR closed its first sell-down transaction. Under this strategy, EDPR proposes to sell recurrently majority stakes in projects in operation or in late stage of development, allowing to crystallize value and to reinvest the proceeds in accretive growth, while continuing to provide operating and maintenance services. Under this transaction EDPR sold an 80% equity shareholding in a portfolio comprising 499 MW of wind onshore assets in the US and Canada, and cash proceeds totalled about 260 million dollars and a capital gain of 109 million euros.

Regarding the strategic partnership with CTG, in December 2018 EDPR completed the sale of 10% of its stake in an offshore project in the United Kingdom. Offshore projects are a commitment by EDP to support future growth options and to be in the forefront of this new wave of industry development, which are already being developed through partnerships, in order to be able to further develop technological expertise in the sector. The Group is currently developing offshore projects in the UK, France, USA and Portugal, which are expected to start operating after 2020.

Also in 2018, the first 113km, out of a total of 1,297km of transmission network in Brazil awarded to the Group on late 2016, start operating. This investment will represent a total of around 800 million euros between 2016 and 2021 and will represent, after completion of the entire project, a foreseen EBITDA of 160 million euros per year.

Given the rapid changes in the world technological context, EDP kept, in 2018, its ambition to remain in the forefront of the digital transformation. In this sense, EDP created in 2017 a dedicated team (EDP X) to accelerate the transition, and in 2018 has strenghten its resources.

SUSTAINABILITY STRATEGIC AXES

In the Business Plan 2016-2020, EDP communicated to the market a strategic sustainability agenda integrated in the maintaining a low-risk profile pillar. This profile also benefits from the maintenance of a leading position and worldwide recognition of its sustainability practices. In this sense, the sustainability strategy was organized around four strategic axes: Creating economic value; Developing our people; Managing climate and environment issues; Strengthening trust. Each of the strategic axes is aligned with the following United Nations Sustainable Development Goals: 5, 7, 8, 9, 11, 12, 13, 15 and 17.

[1] Based on recurrent and weather adjusted Net Profit in 2015

STRATEGIC UPDATE 2019-22

On March 12, 2019 EDP presented to the market its Strategic update until 2022 and communicated its vision and strategic pillars for the future and a repositioning of its business platforms, together with key strategic initiatives and financial targets.

EDP's **Vision** is to lead the energy transition to create superior value, based on 5 strategic pillars:

- **Accelerated and focused growth**, achieved by the step up of growth in renewables
- **Continuous portfolio optimization,** through renewable assets' rotation to accelerate growth and value crystallization together with the disposal of selective assets to balance EDP's risk profile
- **Solid balance sheet and low-risk profile,** based on strong deleverage targeting a solid investment grade and the reinforcement of its low-risk profile
- **Efficient and Digitally enabled**, driving efficiency across the organization with digital revolutionizing EDP towards the future
- **Attractive shareholder remuneration**, delivering superior value to our shareholders through a distinctive renewables equity story, strong earnings growth and an attractive dividend policy

Based on this vision and strategy EDP will be able to deliver:

SUSTAINABLE GROWTH	**>€4B** EBITDA in '22 >5% CAGR[2]	**>€1B** Net Profit in '22 >7% CAGR[2]
DELEVERAGING AND LOW RISK PROFILE	**<3.0x** ND[1]/EBITDA in '22	**>75%** EBITDA Regulated/ LT Contracted
ATTRACTIVE RETURNS	**>7%** Earnings per share CAGR[2]	**0.19€/share** Floor

[1] Net Debt adjusted from regulatory receivables
[2] Recurring CAGR 2018-22

EDP's vision also reflects its commitment to sustainable development, fully assuming the structuring role of energy in supporting more balanced growth models from a social and environmental point of view. In addition to a business model focused in decarbonization, EDP maintains its commitment in ensuring that its activity actively contributes to the seventeen United Nations Sustainable Development Goals to be achieved by 2030.

IN 2022 WE WILL ACHIEVE...

ENVIRONMENTAL STANDARDS
targeting 0 pollution accidents

>20%
EDP fleet will be electric

100%
administrative buildings will be carbon-neutral

>75%
customers' satisfaction

€25 MN/YEAR
social investment in thecommunity

20%
of employees volunteering

100%
employees with skills for theenergy transition challenge – e.g. digital capabilities

+50%
Women employees vs. 2010

€20 MN
invested in Access to Energy

SAFETY STANDARDS
targeting 0 fatal accidents (inc. FSE)

2.2.2. STRATEGIC GUIDELINES COMPLIANCE

		TARGET 2020	STATUS 2018	OBSERVATIONS
FOCUSED GROWTH	▪ Net Investments ▪ LT Contracted Renewables[1] ▪ EBITDA CAGR 2015[2]-20	▪ Avg. €1.4B/yr ▪ +3.9GW ▪ +3%	▪ €1.6B ▪ +3.4GW ▪ -3%	▪ See chapter 3 Performance
FINANCIAL DELEVERAGING	▪ FFO/Net Debt ▪ Average Cost of Debt ▪ Net Debt/EBITDA	▪ ~24% ▪ 4.2% ▪ ~3.0x	▪ ~17% ▪ 3.8% ▪ ~4.0x	▪ See chapter 3 Performance
KEEP LOW RISK PROFILE	▪ Renewables installed capacity ▪ Avg. Residual Asset Life ▪ EBITDA Regulated/ LT Contracted	▪ ~76% ▪ ~21 anos ▪ ~75%	▪ 74% ▪ ~26 anos ▪ 77%	▪ See chapter 3 Performance
REINFORCE EFFICIENCY	▪ Opex V Target Annual Cost Saving ▪ Accumulated Opex Savings ▪ OPEX/Gross Profit	▪ €260M[3] ▪ €900M ▪ 26%	▪ €203M ▪ ~€308M ▪ 30%	▪ See chapter 3 Performance
DELIVER ATTRACTIVE RETURN	▪ Target Dividend Payout Range ▪ DPS Floor 2016 ▪ EPS CAGR 2015[2]-20	▪ 65-75% ▪ €0.19/share ▪ +4%	▪ 62% ▪ €0.19/share ▪ -2%	▪ See chapter 3 Performance
GENERATE ECONOMIC VALUE INVESTING IN DECARBONIZATION	▪ Renewable capacity ▪ Investment in I&D+I (aggregate) ▪ Smart meters (Iberia) ▪ Saved Energy (aggregate)	▪ ~76% ▪ €200M ▪ 90% [8] ▪ 1 TWh	▪ 74% ▪ €211M ▪ 38% ▪ 1 TWh	
DEVELOP OUR PEOPLE	▪ Engagement level ▪ Female employees ▪ Certification according to OHSAS 18001[4] ▪ Suppliers with high H&S impacts, certified according to OHSAS 18001 ▪ Frequency index (FI)[5]	▪ ≥ 75% ▪ 27% ▪ 100% ▪ 100% ▪ ≤ 2.00	▪ 72% ▪ 25% ▪ 44% ▪ 62% ▪ 2.11	
IMPROVE ENVIRONMENTAL PERFORMANCE	▪ Emissions variation vs 2005 ▪ Maximum certified installed net capacity ▪ Certified substations capacity ▪ Certified suppliers with high environmental impacts ▪ Variation in specific waste materials vs. 2015	▪ -75%[7] ▪ 100% ▪ 100% ▪ 100% ▪ -20%	▪ -59% ▪ 97% ▪ 86% ▪ 68% ▪ -32%	
IMPROVE TRUST	▪ Clients/Users satisfaction ▪ Recognition by the Ethisphere Institute ▪ Protect Human Rights in the supply chain[6] ▪ Implement full stakeholders auscultation[7] ▪ Employees participating in volunteer activities ▪ Hours/year in volunteer activities ▪ Investment in the community (LBG) (aggregate value) ▪ Critical suppliers evaluated according to ESG criteria ▪ Service providers with audited ESG risks	▪ > 80% ▪ √ ▪ 4th stage ▪ 4th stage ▪ 20% ▪ 20,000h ▪ €100M ▪ 100% ▪ 100%	▪ 78% ▪ √ ▪ 2nd stage ▪ 2nd stage ▪ 18% ▪ 19,375h ▪ €110M ▪ n.d.[9] ▪ n.d.[9]	

[1] Including installed capacity equity
[2] Based on recurrent EBITDA and Net Profit and adjusted from weather impact in 2015.
[3] Target incremented in 2018, following the replacement of OPEX IV by OPEX V.
[4] Employees covered by OHSAS 18001.
[5] Accidents with EDP coworkers and outsourcing workers for a million worked hours.
[6] 1st stage - Impact Study; 2nd stage - Supplier's Code of Conduct; 3rd stage - Supplier's assessment in the Human Rights dimensions; 4th stage - Plans for improvement in relevant cases; adjustment of purchasing policies.
[7] 1st stage - Definition of a stakeholder auscultation methodology; 2nd stage - Implementation of the methodology in all Business Units in Portugal; 3rd stage - Implementation of the methodology in all Geographies; 4th stage - Cover all segments of the EDP Group's stakeholders.
[8] Target for 2030.
[9] Status 2018 still to be determined.

2.3.
RISK MANAGEMENT

RISK GOVERNANCE MODEL

EDP Group follows a risk governance model based on the concept of 3 lines of defence internal to the organization, which are complemented by an external fourth line of defence, external audit and regulation/ supervision.

For every line of defence there are clearly defined responsible bodies and forums for debate and decision, formally established to materialize each line of defence at corporate and Business Units levels, avoiding duplication of efforts and/ or the existence of gaps and promoting the cooperation and collaboration between different areas.

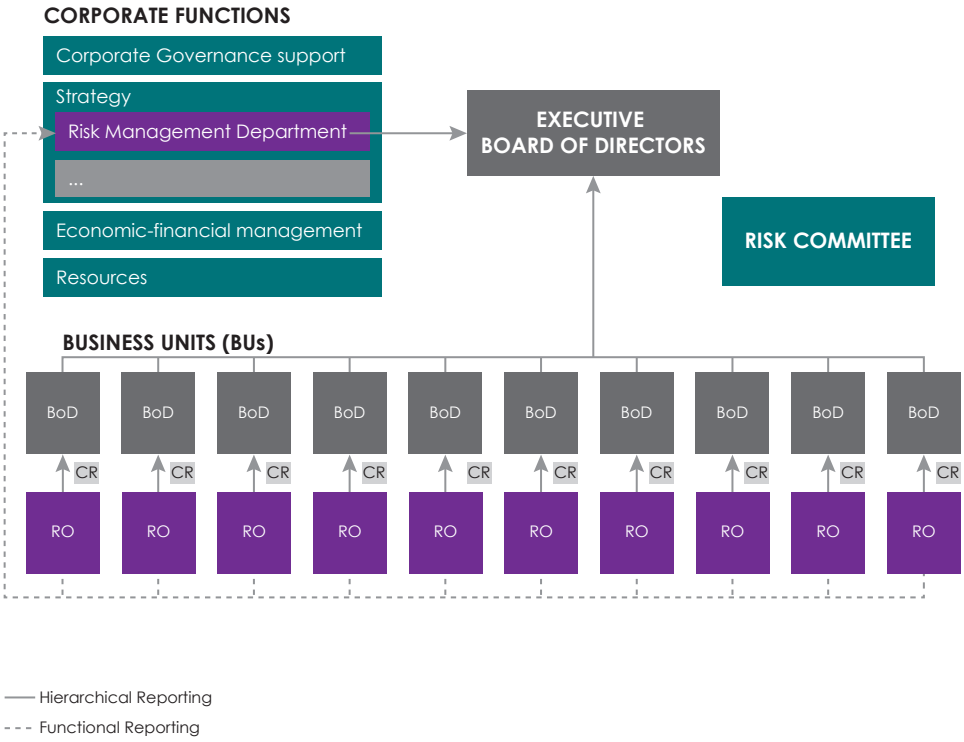
	1ST LINE: BUSINESS (RESPONSIBILITY FOR RISK)	2ND LINE: RISK (SUPPORT THE ANALYSIS AND MONITORING OF RISK)	3RD LINE: AUDIT (INDEPENDENT SUPERVISION)
MISSION	**Daily of running business, including proactive management of risks,** aligned with established risk policies.	**Support in the identification, analysis, evaluation and monitoring of risk** (to support business).	**Performance and coordination of auditing exercises, seeking the improvement of processes** of risk management, control and corporative governance.
AREAS INVOLVED[1]	BUs. Corporate departments (with decision-making responsibility).	Risk management (corp. and BUs). Planning and control. Compliance. Sustainability.	Internal audit (corp. and BUs).
RATIONAL	**Who benefits the most** from risk **should be the responsible for taking it.**	Given the (natural) incentive for business to take risk, it is **beneficial to have an independent function specialized in risk.**	**It is beneficial to have an independent entity** responsible for the verification and evaluation of processes of risk management and control.

[1] Not exhaustive

RISK GOVERNANCE MODEL OF THE 3 LINES OF DEFENCE

Risk management is represented by the Risk Management Department at corporate level, as well as by several risk units across the Business Units (lead by their respective risk-officer) that functionally report to the corporate Risk Management Department, guaranteeing a fluid articulation and communication concerning key risk sources and mitigation actions.

In addition, Risk Committees are held at corporate level and in key Business Units, gathering top management and relevant specialists for analysis, debate and advice on key risk exposures for the Group, respective limits and other mitigation actions.



MODEL FOR RISK FUNCTION REPORT AT EDP GROUP

A more detailed description about the intervening bodies in the risk governance model at EDP Group, as well as attributed responsibilities, is available in the Corporate Governance Chapter, part I, section 52.

KEY RISKS

EDP Group seeks to have a comprehensive perspective over the key risks it is exposed to, at strategic, business, financial and operational level, establishing processes to assure follow-ups and proactive management.

The year of 2018 was marked mainly by the announcement of the Public Offer for Acquisition of China Three Gorges in May 11, 2018 as well as by some regulatory decisions in Portugal.

		ILLUSTRATION OF TOPICS (NOT EXHAUSTIVE)		RECENT EVOLUTION/ EXPECTED IN THE SHORT-TERM
STRATEGY	Surrounding context	- Geopolitical instability. - Social and economic crisis. - Technological disruption. - Change of competitive paradigm.	=	- Growing instability of the global geopolitical context, GDP growth forecasts decreased (namely for Portugal, Spain and United States of America) and financial stress increased with a decrease in stock markets.
	Internal strategy	- Investment strategy. - Relationship with stakeholders. - Corporate planning.	=	- Announcement of a Public Tender Offer for the Acquisition of EDP.
BUSINESS	Energy markets	- Fluctuations of pool price, commodities and CO2. - Volatility of the generation volume of renewable energies (i.e., hydro and solar). - Volatility of energy consumption. - Changes in sales margins.	↑	- Structural rise of market exposure (with the end of final adjustment of CMEC), highlighting the hydro profile of the generation portfolio, which naturally turns hydrology in Iberia and Brazil one of the most relevant risks of the Group. - Continuous postponement of necessary market design reforms (given the misalignment of marginal market).
	Regulation	- Changes in taxes and sectorial charges. - Changes in tariff regimes of regulated activities. - Legislatives amendments. - Changes in regulations (e.g., environmental).	↑	- Regulatory impacts in Portugal (e.g., innovative features) with significant materialization in the results of the Group.
FINANCIAL	Financial markets	- Fluctuation of interest rate. - Fluctuation of exchange rate. - Inflation. - Fluctuation of the value of financial assets held by the Group.	↑	- Uncertainty relative to a possible gradual reduction of expansionary monetary policies in Europe. - Political uncertainty and consequent volatility and devaluation of BRL until September (with correction after the results of the elections in Brazil). - Key foreign exchange exposure to USD and BRL. - Appreciation of USD as consequence of a more restrictive monetary policy.
	Credit and counterparties (energy and financial)	- Default of financial counterparties. - Default of energy counterparties (contracts to buy/ sell energy). - Default of clients (B2B and B2C).	↓=	- (Relative) strengthening of the banking system in the Euro Zone. - Positive inflexion of the level of non-performing loans and defaults.
	Liquidity	- One-off insufficiencies of treasury. - Downgrade of financial rating (and consequent rise of financing costs and limitation of access to financing).	↓	- Abundant liquidity and reduced cost of capital, particularly in Europe and United States of America. - Consolidation of rating investment grade.
	Social liabilities	- Capitalization of the Pension Fund of Defined Benefit. - Additional costs with current and anticipated retirements. - Costs with medical expenses.	↓=	- Autonomisation of medical expenses and death benefits financing and consequent increasing contributions for the Pension Fund EDP Group.
OPERATIONAL	Development/ construction of physical assets	- Delay in commissioning date of assets (COD) and inherent loss of profit. - Deviations in the cost of investment (CAPEX).	↓=	- Continuous investment in transmission in Brazil and development of renewable capacity through EDP Renewables.
	Operation of physical assets	- Damages in physical assets and third parties. - Malfunctions by component or installation defect. - Unavailability due to external events (e.g., atmospheric events, floods, terrorist attacks). - Technical and non-technical losses of distribution grid.	=	- Increased impact of extreme events in Iberia, with significant damage of assets of distribution and generation of energy in Portugal.
	Processes	- Irregularities in the processes' execution (regarding commercial activities, selection and management of suppliers, billing, etc.).	=	-
	Human resources	- Work accidents. - Unethical conduct. - People management. - Relationship with unions and other stakeholders.	↓=	- Trend of decreasing index of frequency of accidents in EDP Group.
	Information systems	- Unavailability of information and communication systems. - Integrity and security of information.	↑=	- Higher level of structural exposure (in particular of large-scale cyber-attacks, date protection directives) partially compensated by a reinforcement of mitigation measures (cyber range, SOC, cyber risk insurance, training sessions).
	Legal	- Losses arising from lawsuits related with tax, labour, administrative, civil, or others (penalties, compensation and agreements).	=	-

A more detailed description of each risk is available in the Corporate Governance Chapter, part I, section 53.

EMERGING RISKS

Besides closely monitoring key risks inherent to its activity, the Group maps key trends (at global and sectorial level) that may be translated into threats and opportunities, and proactively develops adequate mitigation strategies. Due to their impact throughout the year, one should highlight (1) the challenge of adjustment of the wholesale market design to current market conditions, (2) the changing paradigm of decentralized resources, (3) the industrial revolution and digitalization of the electric sector, (4) the growing threat of cyber risks and (5) the (possible) increasing frequency and severity of extreme climate events.

	DESCRIPTION	IMPACT	MITIGATION MEASURES
WHOLESALE MARKET DESIGN (IN EUROPE)	**Uncertainty around the evolution of the wholesale market design, given the current challenges:** - Marginal remuneration system not adjusted to the current context of growing penetration of fixed cost technologies (renewables, backup, storage). - Growing penetration of technologies with 0 marginal cost (reducing prices and increasing prices' volatility).	- **Uncertainty around the returns of the conventional generation, in particular as backup capacity** (relevant in a perspective of ensuring security of supply). - **Volatile context, not suitable for long-term investments** necessary to the modernization, decarbonization and security of supply.	**Active and constructive participation in several forums, at European and national level, for the adoption of adequate and equilibrated market design solutions** for various stakeholders, in particular: - Adoption of energy auctions for long-term contracts to promote renewables. - Recognition of the need for capacity remuneration mechanisms. - Support to price signals of CO2 at European level. **Reinforcement of focus on long-term contracts** (renewable and conventional generation), to reduce risk and increase competitiveness in the supply offer to final clients.
DISTRIBUTED RESOURCES	**Growing proliferation of distributed resources**, including: - Decentralized production (in particular solar PV) for self-consumption. - Electric vehicles. - Active demand side management. - Storage.	**Threat relative to:** - (Possible) **reduction of margins for traditional generation** due to a reduction of the volume of energy generated centrally. **- Reduction of the contribution of consumers in self-consumption for the costs of the system** (grids and others) and consequent need for tariff increases. - **Changing dynamics of energy flows in the grid.** **Opportunity for the sale of new products and services.**	**Proactive role in the commercialization of innovative products and solutions, with benefit in margin and client retention:** - Sale of solar panels for self-consumption (and batteries). - Commercialization of solutions associated with electric mobility (e.g., green electric mobility). - Solutions of energy efficiency (e.g., Re:dy with application to the electric car, solar generation, heating, control of outdoor spaces). **Active regulatory management**, in particular related with tariff structure, enabling the existence of efficient price signals and incentives.
4TH INDUSTRIAL REVOLUTION (AND DIGITALIZATION)	**Proliferation of new technologies with disruptive potential for the electric sector**, including (among others): - Blockchain. - IoT. - AI/ machine learning. - Virtual/ augmented reality. - Robotic Process Automation (RPA).	**New market entrants such as aggregators, services of design science research** (DSR) **or solutions for clients.** **Opportunities for operational and business optimization**, e.g.: - Operation and maintenance of assets (generation and grids). - Pricing and segmentation. - Innovation of product and client services. - Optimization of back-office and shared services.	**Follow-up on best practices and developments at digital level** applicable to the energy sector. **Release of dedicated department to EDP Group digitalization (Digital Global Unit – DGU)**, as result of EDPX project, developed with the collaboration between internal and external specialists to accelerate ideas and test digital solutions: - Assets/ operations (e.g., predictive maintenance, asset management, task force digitalization, energy/ trading management). - Client (innovation of products and services, namely electrification). - Group (agile/ project-based solutions, optimization/ automation of internal processes).

	DESCRIPTION	IMPACT	MITIGATION MEASURES
CYBER-RISKS	**Exposure to several cyber risks, due to a growing sophistication and integration of technologies.**	**Financial, operational and reputacional loss**, due to (among others): - Loss/ interruption of operations (e.g., dispatch/ plants, billing, client service). - Damage/ destruction of assets (grids, plants, other systems). - Violation/ destruction of data (personal and others).	- **Continuous improvement of the security of internal systems.** - **Security Operations Center (SOC)** dedicated to continuously monitor the security of OT/ IT infrastructure of the Group. - **Internal cyber range** to simulate and test the reaction of employees to cyber-attacks. - **Security courses and awareness programs** on key principles of information security. - **Cyber insurance.**
EXTREME CLIMATE EVENTS	**Structural climate changes** (in particular temperature and precipitation), **with impact in the frequency and severity of extreme climatic phenomena** (floods, droughts, storms, wildfires).	- **Damage to physical assets and loss of profit.** - **Impact on quality of service** (distribution grid). - (Possible) **structural changes in hydro generation** (average and volatility).	- **Geographic and technological diversification.** - **Active role fighting against climate change** (namely promoting decarbonization and energy efficiency). - **Adoption of TCFD recommendations, and mapping of the main climate risks for EDP** according to transition and physical risks categorization. - **Existence of dedicated areas and plans for Crisis Management and Business Continuity** (at corporate level and for key Business Units).

RISK APPETITE

The EDP Group is exposed to a number of risks due to its dimension and diversity of businesses and geographies in which it operates, hence it recognizes risks is an integral and unavoidable component of its activity, both as threats as opportunities.

Acknowledging this fact, the Group establishes explicitly and implicitly its risk appetite for all internal and external stakeholders, both at corporate and Business Units level, as well as for the various categories of risks, through a set of mechanisms:

- The periodical development and approval of the Group's Business Plan by the Executive Board of Directors, which is communicated to all stakeholders, and where key strategic orientations are set for the upcoming 3 to 5 years;
- The rigorous evaluation of risk related to investment and divestment opportunities proposed by the Business Units and approved by the Executive Board of Directors, including the estimation of returns adjusted to risks vs. established hurdles. This evaluation is supported by the opinion of the Investments Committee, which includes specialists from relevant areas of expertise;
- The development of a wide set of risk management policies, both at corporate and Business Unit level, which establish guidelines, methodologies of evaluation and exposure limits for key risks[1];
- The periodical development of risk mapping exercises, based on objective, quantitative and comparable criteria, allowing an analysis of the exposure to key risks, as well as the adoption of preventive treatment actions for excessive exposure to risks (regarding the established tolerance of risk);
- The establishment of a wide set of mechanisms for periodical reporting of key risks, at Group and Business Unit level, thus allowing a regular monitoring of the evolution of actual and emerging risks and comparison of the exposure to different risk profiles within the established limits;
- The adoption of a risk governance model based on 3 independent lines of defence (business, risk/ compliance and internal audit), which guarantees the implementation of the established strategies and alignment with risk appetite, namely:
  - A formally established risk-officers network in all Business Units with material risks;
  - A regular Risk Committee[2], with the participation of the members of the Executive Board of Directors responsible for relevant risks, where key sources of risk are analysed and mitigation actions are proposed through dedicated dashboards.

In terms of positioning, the Group establishes the maintenance of a controlled risk profile as a fundamental pillar for its strategy, expressed transversally along 3 natures of risk:

- Risks for which the Group has zero tolerance (e.g., health/ safety and ethics);
- Risks for which the Group is constrained externally and are managed proactively within the established tolerances (e.g., counterparties);
- Risks inherent to markets in which the Group operates and are managed proactively around the established risk appetite to optimize the trade-off risk-return (e.g., energy markets).

The risk appetite of the Group and key risk indicators (KRIs)/ objectives are reviewed and approved regularly by the Executive Board of Directors.

[1] Including, among others, the Enterprise Risk Management Policy, Limits Structure from the Energy Management Business Unit, the Financial Management Policy, the Counterparty Policy, the Insurable Risks Management Policy, the Health and Safety Policy, the Information Systems Policy and the Principals, Structures and Procedures of Crisis Management and Business Continuity
[2] Corporate and at Business Units level, when justified

		RISK APPETITE (ASPIRATIONAL)		**KRI** (TARGET)
STRATEGY	Risk-return profile	- **Activity focused mainly in regulated or long-term contracted operations**, guaranteeing a higher level of stability and predictability of cash-flows.	75%	EBITDA in regulated or long-term contracted activities by 2020.
		- **Growth focused on grids and renewable generation with demonstrated medium-long term viability**, complemented by selective bets on innovative high potential generation technologies. Evaluation by Investment Committee of returns adjusted to risk vs. established hurdles.	+50%	Net investment in renewables (accumulated 2016-20).
	Innovation	- **Early adopter of technological solutions and high value added services for the Group** (e.g., off-shore wind and solar), **for clients** (e.g., EDP intelligent house: decentralized solar, electric mobility, batteries and EDP Re:dy) **and remaining stakeholders**, supported by dedicated area (EDP Inovação).	€200M	R&D investment of until 2020 (vs. 2015).
	Geographical footprint	- **Geographical presence focused in geographies with reduced country risk**, complemented by strategic bets in geographies with accumulated market know-how/ expertise and/ or high structural potential.		% international EBITDA in 2020 generated in investment grade geographies.
	Sustainability	- **Reference in sustainability** through the adoption of actions and use of broad, specific and transversal KPIs[1], performance recognized by independent international entities, supported by a dedicated area.	↓75% 75%	CO2 emissions by 2030 (vs. 2005). Wind, hydric and solar installed capacity by 2020.
	Reputation	- **Systematic and proactive action to minimize likely negative** impacts on the Group's accumulated capital reputation. Reputational performance followed-up using independent references, **scoring aligned or superior to main peers.** Relations with stakeholders supported by dedicated area, in articulation with Executive Board of Directors.		Absolute performance vs. peers in reputational indexes (e.g., RepRisk).
	Dividends policy	- **Predictability and sustainability of dividends policy as a fundamental element of the shareholders' value proposition,** remuneration in line with best peers.	65-75% €0,19	Target payout ratio. Dividends per share floor.
BUSINESS	Energy markets	- **Structural position broadly balanced between generation in market and client sales. Presence in energy markets focused on the hedging of the wholesale margin** (with reduced exposure to trading positions), diversified sourcing based on financial instruments of reduced complexity (forwards and plain vanilla swaps). Structural and trading risks managed by dedicated BU, framed by a policy stating global as well as individual risk factors' limits, and periodical and systematic monitoring using a dedicated model.		Wholesale margin coverage risk (Profit @ Risk). Trading margin risk (Value @ Risk). Maximum level of exposure. Risk of individual factors. Minimum sourcing stock.
	Regulatory approach	- **Proactive management of regulatory agenda, promoting the permanent constructive dialogue with public and regulatory entities** to contribute to the development of regulatory and legal frameworks that are fair and stable for all stakeholders.		-
	Client satisfaction	- **Agenda focused on ensuring distinctive levels of global client satisfaction** in all markets and segments, as well as minimizing number of complaints.		Client satisfaction scoring. # complaints per 1000 contracts.
FINANCIAL	Debt	- **Target of alignment of level of debt with main peers**, adjusting to the weight of regulated or long-term contracted activities. **Proactive management of debt at fixed/ floating rates**, taking into account market conditions and the revenues profile of the Group. **Target to reduce refinancing risk through an increase of the average debt maturity**, constrained by market conditions and considering the risk/ return trade-off.	~3,0x ~5 years	Net debt / EBITDA by 2020. Maximum level of exposure to floating rates. Average debt maturity.
	Liquidity	- **Maintenance of liquidity reserves enough to cover refinancing needs** in short-medium term.	18-24 months	Refinancing needs covered by existing liquidity.
	Rating	- **Target to maintain rating investment grade for key rating agencies**.		Investment grade rating in internationally recognised agencies.
	Exchange rate	- **Exposure diversified by the presence in multiple geographies, with net position** (assets – liabilities) **broadly balanced** through the use of hedging instruments and/ or financing sources in local currencies. Management supported by dedicated areas[2] and framed by financial management policy.		Equity@risk. Net investment exposure (by currency).
	Counterparties (energy and financial)	- **Proactive management of the exposure to energy and financial counterparty risk,** through the adoption of methodologies to evaluate, monitor and report exposures, framed by policies and global and individual rating limits.		Levels of exposure and energy and financial counterparties loss, global and by counterparty.

[1] Regarding economic value, eco-efficiency, environmental protection, innovation, integrity and good governance, access to energy and social development
[2] In EDP Brasil, the local Risk Management Office is responsible for the management of financial risks related to changes of interest and exchange rates, consistent to the principles defined by EDP Group

		RISK APPETITE (ASPIRATIONAL)	**KRI** (TARGET)
	Credit to clients	- **Proactive management of client credit risk, quantitative monitoring of exposure and adoption of a wide set of mechanisms**, including scoring and risk-adjusted pricing for B2B clients, promotion of direct debit, collateralization and regulatory compensation.	Expired debt/ commercial revenues. Impairment for doubtful clients/ commercial revenues.
	Social liabilities	- **Pension plan for new employees under a defined contribution scheme**, heritage of employees and pensioners under a defined benefit scheme. **100% coverage of liabilities under the defined contribution scheme through assets. Diversification of investments** on multiple assets and management entities, follow-up by dedicated Committee.	Level of coverage of the Pension Fund.
OPERATIONAL	Physical assets	- **Generation:** development **prefers well-established technical solutions and suppliers.** Operation strives to strike a **balance between minimizing maintenance costs and programmed unavailability** and the risk of costs or loss of profit associated to unprogrammed unavailability. - **Distribution:** development strives **maximization of grid resilience** (and guarantee n-1 redundancy). Operation geared towards **overcoming targets of service quality**.	Average unavailability. QoS indicators (ICEIT, SAIDI).
	Insurable risks	- **Extensive coverage of insurable risks at Group and BU level**, with coverage, exclusions, premiums, stop-losses and caps suited to each specific context. Relationship with brokers and insurance companies centralized in specialized area.	Gross and net insurance losses associated with risks. Loss ratio.
	Suppliers	- **Systematic evaluation of suppliers' risks**, including the evaluation based on a broad set of sustainability criteria (including financial), relationship owned by a dedicated BU.	Scoring of key suppliers.
	Health and safety	- **Zero tolerance for health and safety incidents** with employees, external contractors or other third parties. Development of preventive policies and measures and conduct of awareness actions, supported by dedicated area.	Frequency and severity rate of incidents with EDP and external employees and third parties.
	Ethics	- **Zero tolerance for any unethical and fraud behaviour.** Dedicated channel for independent treatment of any arising incidents.	Ethicis Index scoring.
	Information systems	- **Continuous monitoring of arising and existing threats** for information systems. Proactive development of **initiatives and internal tests to ensure the integrity and availability of the various systems of the Group and data.**	Disaster recovery tests result. # threats detected by SOC.
	Legal/ Compliance	- **Strict compliance with laws, norms and internal and external regulation**, ensured by dedicated compliance area and periodical follow-up of ongoing contingencies by dedicated area.	Volume of legal contingencies by geography. Volume of legal provisions.
	Crisis and business continuity	- **Preventive action framed by corporate and BU level policies**, including the performance of business impact analysis to prioritize and develop action plans before, during and after-crisis, coordinated by dedicated area.	% BUs with business impact analysis and business continuity plans.

ON A CLEAR

Work by João Louro

edp

WE LOVE ENERGY

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03 PERFORMANCE

3.1. GROUP'S FINANCIAL ANALYSIS

INCOME STATEMENT

EURO MILLION	2018	2017	Δ %	Δ ABS.
Gross Profit	5,099	5,391	-5%	-292
Operating costs	1,609	1,671	-4%	-63
Other Income/(Costs)	-174	270	-	-444
EBITDA	3,317	3,990	-17%	-673
EBIT	1,584	2,318	-32%	-734
Net Profit for the period	876	1,441	-39%	-565
Net Profit attributable to EDP equity holders	**519**	**1,113**	**-53%**	**-594**
Non-controlling interests	357	328	9%	29

EBITDA
€3,317M
-17% VS. 2017

EBITDA amounted to 3,317 million euros in 2018 (-17% vs. 2017). Nevertheless, if disregarded (i) the net impact in 2018 of the sale of mini-hydro plants in Brazil (+€82 million); (ii) the €18 million negative impact in 2018 of the revision of the CMEC final adjustment recognised in 2017; and (iii) restructuring costs (-€34 million); and if adjusted in 2017 by (i) the contribution from Iberian gas networks disposed over the 2H17 (€140 million); (ii) the net impact of the sale of gas distribution business in Spain and Portugal (+€574 million); (iii) regulatory-driven liabilities with the clawback in Portugal (-€35 million) and in Spain with the recognition of the *lesividad* effect (-€42 million); and (iv) HR restructuring costs in 2017 (-€30 million), EBITDA in 2018 would have decreased 3% (-€96 million) to €3,287 million:

- In **Iberia**, results in distribution impacted by the de-consolidation of gas distribution in Iberia and regulatory review in electricity distribution in Portugal. For generation and supply, a 37% increase YoY in EBITDA driven by higher hydro contribution and average selling prices;
- In **EDP Renováveis**, 5% decrease YoY, mainly impacted by the devaluation of the average USD and BRL against the EUR, weak wind resources, decrease in average selling price, expiration of some 10-year life PTCs, which were partly offset by capacity additions and the gain on the first sell down transaction;
- In **EDP Brasil**, 6% YoY increase in EBITDA, despite adverse change of the BRL against the EUR, on the back of a better operational performance in distribution and an adequate tackling of the hydro situation through hedging and management of contracted/uncontracted volumes;
- **Opex costs** decreased €63 million to €1,609 million in 2018, mostly driven by a tighter cost control;
- **Other net operating income/(costs)** changed by €444 million, to a net cost of €174 million, mostly due to the gain on Naturgas disposal in 2017.

EBIT
€1,584M
-32% VS. 2017

- **EBIT** was 32% lower YoY, at €1,584 million, mainly impacted by EBITDA performance and by the provision of €285 million following the notification of DGEG about an order of the Secretary of State for Energy from 29-Aug on the financial impact of an alleged overcompensation of the CMECs.

NET PROFIT
(ATTRIBUTABLE TO EDP EQUITY HOLDERS)
€519M
-53% VS. 2017

- **Net financial results and results with joint-ventures and associated** amounted to -€543 million (€254 million higher vs 2017), benefiting from a 30 bp YoY decline in average cost of debt (to 3.8% in 2018) and lower average net debt.
- **Income tax expense** increased €89 million YoY to €100 million in 2018.
- **Non-controlling interests** reached €357 million in 2018, increasing 9% YoY, reflecting the share of non-controlling interests in net profit growth at EDP Brasil.
- **Net profit attributable to EDP equity holders** amounted to €519 million in 2018 (vs. €1,113 million in 2017).

CAPEX

CAPEX
€2,031M
+18% VS. 2017

MAINTENANCE
€637M
-10% VS. 2017

EXPANSION
€1,394M
+37% VS. 2017

- Capex amounted to €2,031 million in 2018, representing an increase of 18% vs. 2017;
- Expansion capex was 69% of total capex and was mostly dedicated to the construction of new renewables' capacity and transmission lines in Brazil;
- Capex in wind & solar capacity amounted to €1,275 million in 2018, of which 59% was applied in North America, 27% in Europe and 13% in Brazil;
- Capex in transmission lines in Brazil is ramping up, with €73 million invested in 2018, as the execution of the capex plan for developing 5 transmission lines up to 2022 is proving ahead of schedule;
- Maintenance capex amounted to €637 million in 2018, and was mostly absorbed by regulated networks in Brazil and Iberia (67% of total). The decline in 2018 is mainly supported by the de-consolidation of gas distribution in Iberia (€24 million capex in 2017) and weaker BRL/EUR rate underlying capex.

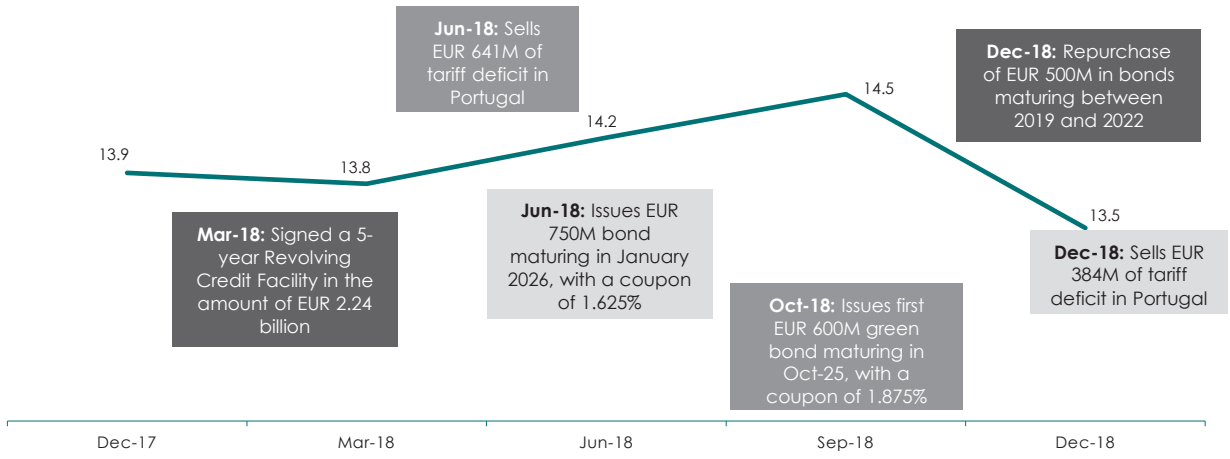
NET DEBT

NET DEBT
€13,480M
-3% VS. 2017

Net debt stood at €13.5 billion at Dec-18, which represents a €0.4 billion reduction relative to Dec-17. This decrease was due to the contribution of operational activity and to tariff debt sales (allowed a €0.6 billion reduction of regulatory receivables). Contributing to the opposite side, the main impacts were the annual dividend payment to EDP shareholders (€0.7 billion) and the net expansion activity (€0.4 billion).

The chart below portrays the net debt's evolution during 2018, highlighting the most important financing operations during the period.

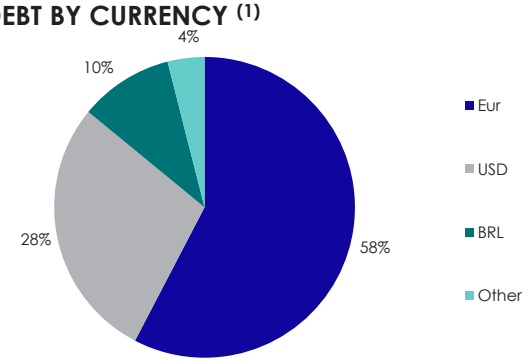
NET DEBT (€M)



MAIN HIGHLIGHTS BY DECEMBER 2018:

- Gross debt average maturity at 4.8 years;
- Centralized policy for financial debt at EDP,S.A. and EDP Finance BV (approximately 85% of gross debt), while the remainder is divided between EDP Brasil and EDP Renováveis;
- During 2018, the average cost of debt stood at 3.8% (vs. 4.1% in the previous year), while close to 56% of gross debt is kept at fixed interest rate.

DEBT BY CURRENCY (1)



(1) Includes net investment hedging

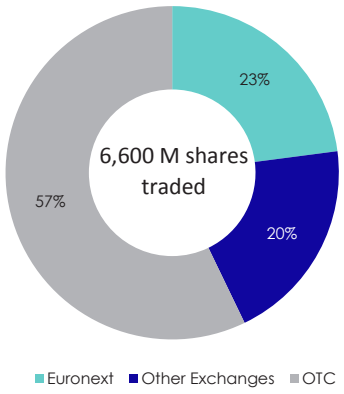
Regarding EDP's rating, there was no change during the year 2018.

	LONG-TERM		SHORT-TERM		OUTLOOK	DATE
S&P	↑	BBB-	↑	A-3	Stable	08/08/2017
Moody's	→	Baa3	→	P3	Stable	03/04/2017
Fitch	→	BBB-	→	F3	Stable	05/12/2018

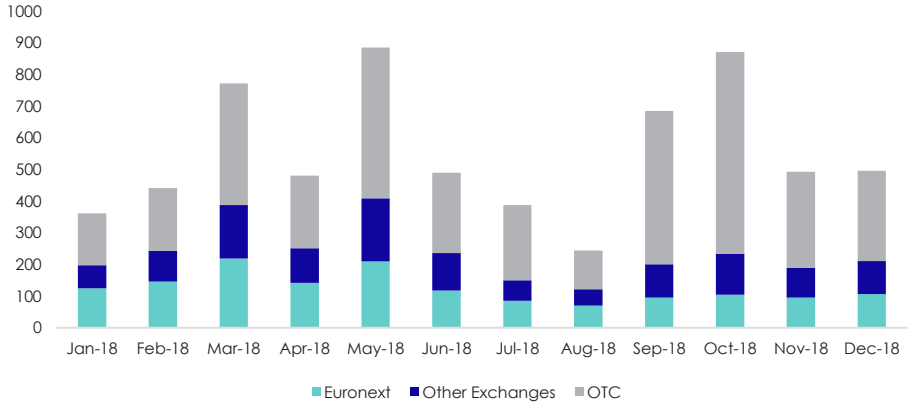
3.2. SHARE PERFORMANCE

EDP is a listed company, whose ordinary shares are publicly traded in the NYSE Euronext Lisbon. In 2018, EDP share was traded in 19 stock exchanges (including Euronext, Turquoise and Chi-X Europe) and 8 OTC markets (including BATS Chi-X Europe and BOAT).

BREAKDOWN BY MARKET SHARE IN 2018



VOLUME PER MONTH & TYPE OF MARKET IN 2018
(Million shares)



Source: Bloomberg

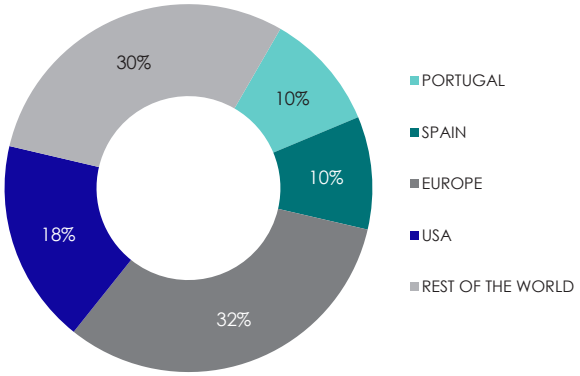
SHARE

EDP stock price was 3.049€ at the end of 2018, 5.7% above the price registered at the end of 2017 (2.885€). Based on the payment of dividends to shareholders held on May 2nd, 2018 (0.19€ per share), which implied a dividend yield of 6.6% (considering end of 2017's closing price), EDP generated a total shareholder return for 2018 of 12.2%, assuming immediate reinvestment of the dividends received into new shares.

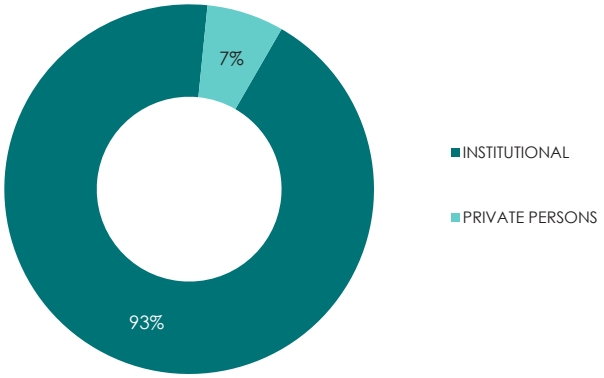
OWNERSHIP STRUCTURE

As of 31 December, 2018, the majority of EDP share capital was owned by foreign institutions.

BREAKDOWN OF SHAREHOLDER STRUCTURE BY GEOGRAPHY



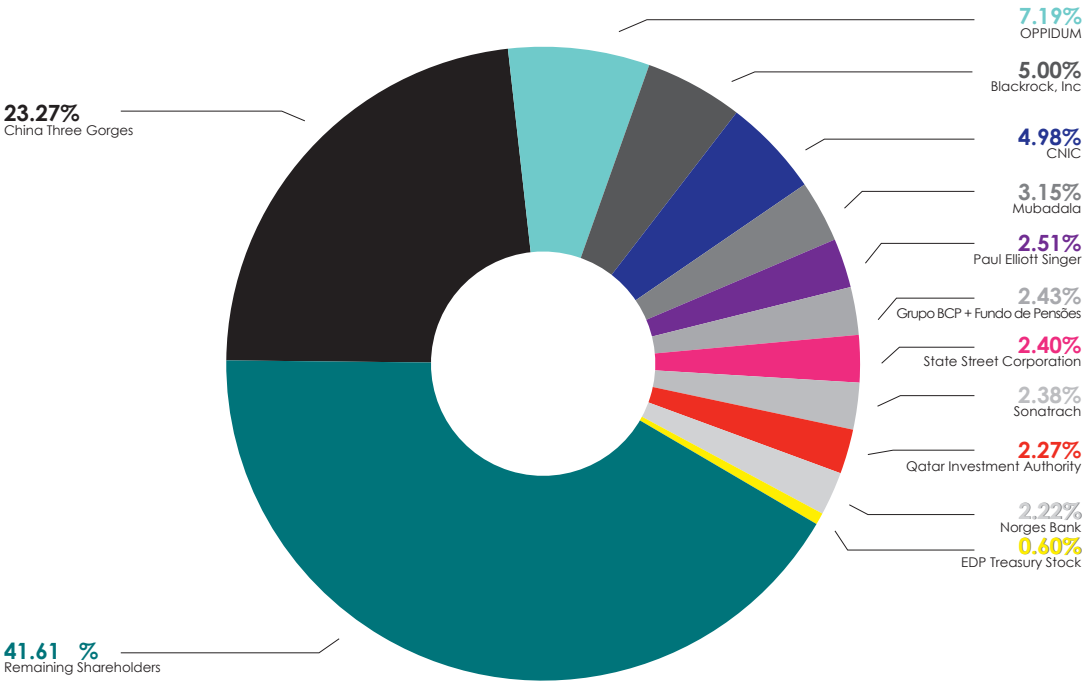
BREAKDOWN OF SHAREHOLDER STRUCTURE BY INVESTORS TYPE



Source: Interbolsa

In terms of shareholder structure changes, it is worth noting that Capital Group does no longer have a qualified shareholding in EDP's share capital nor voting rights. Additionally, State Street Corporation and Paul Elliot Singer became qualified shareholders, with 2.40% and 2.51% stakes, respectively. On 6th February, 2019, State Street Corporation comunicated a decrease in its qualified shareholding to 1.99%.

SHAREHOLDER'S STRUCTURE



SHAREHOLDER VALUE

EDP believes that a transparent relationship with investors and the market involves the definition of clear criteria and reasonable objectives for the dividend distribution policy, as the growing demands of the investor community, faced with the instability of the capital markets in recent years, have made clear.

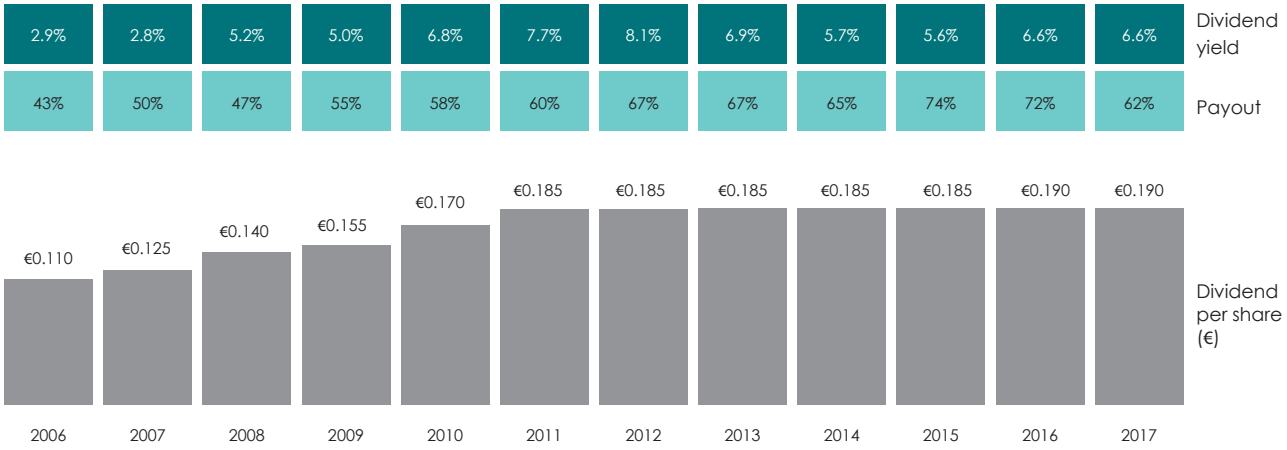
The creation of shareholder value is sustained in the ability of the company to increase its net income, dividends and share prices. It is supported by the sum of strategic decisions affecting the sustainability of the Group's business activities assuming strategic importance the low risk profile of EDP.

DIVIDEND

EDP has followed a sustained policy of dividend distribution that seeks to reconcile strict compliance with the relevant provisions of the law and Articles of Association and division among all its shareholders of a significant portion of the value created by the Group, in keeping with the specific conditions of the company and market.

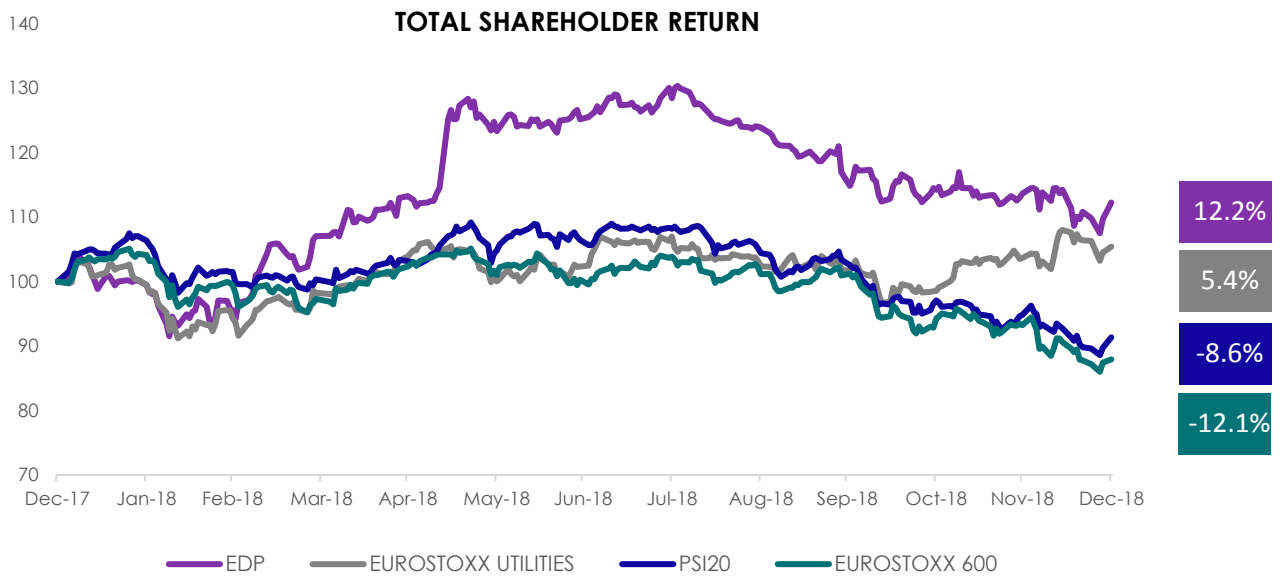
On the Capital Markets Day, held on May 5th, 2016, EDP communicated the current dividend policy, comprising a new floor at €0.19 per share on the dividend going forward. The announced dividend policy dictates that the dividend should continue to evolve in tandem with recurring net profit per share within a payout ratio interval of 65% to 75%.

Accordingly, for the 2017 financial year, the Executive Board of Directors of EDP submitted to the approval of the General Meeting of Shareholders of April 5th, 2018, a proposal for the appropriation of the net profit of 694.7 million euros to be distributed to shareholders in the form of dividends. The proposal was approved by a majority of votes (100%) at the General Meeting and a gross dividend of €0.19 per share was paid on the May 2nd, 2018.



SHARE & MARKET PERFORMANCE

The year 2018 was marked by a downturn in the equities market in Europe. The Eurostoxx 600 index presented a negative return of -12.1%, mainly penalized by slowing momentum on the eurozone economy, by Brexit uncertainty and by growing trade tensions between the United States and China. The European Utilities sector was the one with the best performance of the Eurostoxx 600, with 5.4% annual return, triggered by higher appetite from investors to more defensive sectors. Additionally, the increase in CO_2 price and the improved visibility regarding energy and climate targets for 2030 in Europe also promoted a valorization of the sector. In Portugal, the total shareholder return of the PSI20 index decreased by 8.6%, affected by the same variables of the European index. EDP's total shareholder return in 2018 was +12.2%, outperforming both PSI20 index and DJ Euro Utilities index.



EDP'S LIQUIDITY IN EURONEXT	
Average Price (€)	3.16
Turnover (€ million)	4,739
Average Daily Turnover (€ million)	18.66
Total Volume of Shares (million shares)	1,514
Daily Average Volume (million shares)	5.96

Source: Bloomberg

FACTORS INFLUENCING CHANGE IN EDP SHARE PRICE

EDP's 2018 performance in the stock markets was impacted not only by the regulatory, political and operational environment, but was also strongly influenced by the announcement of the tender offer from CTG, on May 11th, at a price of 3.26€ per share. At operational level, it is worth to note the improvement of hydro storage levels, as well as the increase in electricity demand in Iberia. Furthermore, the increase of CO_2 price in Europe benefits particularly utilities with higher share of low carbon technologies in the generation mix, as it is the case of EDP. At regulatory level, it is important to highlight the negative impact of several measures in Portugal, in particular the provision for alleged overcompensation on CMEC (285 million euros) related to innovative subjects.

INTERNAL FACTORS	Focused growth: renewables and networks in Brazil	▲	• In 2018, EDP continued to focus on renewables, with the addition of +0.6 GW of wind capacity • Entrance in Greece • Entrance into operation of the first transmission line in Brazil • EDP Brasil acquired a 23.56% stake in CELESC
	Portfolio reshuffling	▲	• Sale of small-hydro plants in Portugal and Brazil • Sale of 80% of social capital related to a 499 MW portfolio of onshore wind assets in the United States • Sale of stakes in wind offshore projects in the United Kingdom and France
	Debt management	▲	• Sale of 1.3 billion euros of tariff debt in Portugal • Tax equity partnerships in the US by 0.4 billion dollars in December • First green bond issuance in Oct-18, by the amount of 600 million euros and maturing in Oct-25
	Efficiency	▲	• OPEX reduction in Iberia by 3% in nominal terms and in Brazil by 1% in real terms • OPEX V savings achieved at 62 million euros (10% above target)
EXTERNAL FACTORS	Potential Tender offer	=	• Tender offer proposal announced by CTG at May 11th at a 3.26€/share led to a strong valuation • ERSE decision at the end of the year about the remedies imposed to Datang (a Chinese State-owned company) to buy Generg signals lower probability of CTG tender offer success
	Political framework	▲	• Change in government in Portugal since October 17th, with the transition of the energy folder from the Economy to the Environment Ministry (afterwards renamed to Ministry of Environment and Energy Transition), gave a new emphasis to the need to attract investments to the energy sector, in order to reach climate targets committed by the country • In Spain, the new minister of Ecological Transition also gave a new emphasis to put the energy transition in the political agenda • New government in Brazil more favorable to private investment
	Regulatory changes in Portugal	▼	• Unfavorable regulatory decisions about final CMEC value (related to 2017-27 period) and about alleged overcompensation of CMEC plants due to the inexistence of availability tests in the past • Regulatory model for the low-voltage concession still under discussion
	Energy markets	▲	• The increase in the price of CO_2 allowances in the European market was the main driver for the overall raise in electricity wholesale prices in Europe
	Power demand	▲	• Improvement in the economic context led to an increase in electricity demand in Iberia, in particular in Portugal where demand rose by 2.5%

3.3
MARKETS AND REGULATION

3.3.1 FUELS IN THE WORLD AND EUROPE

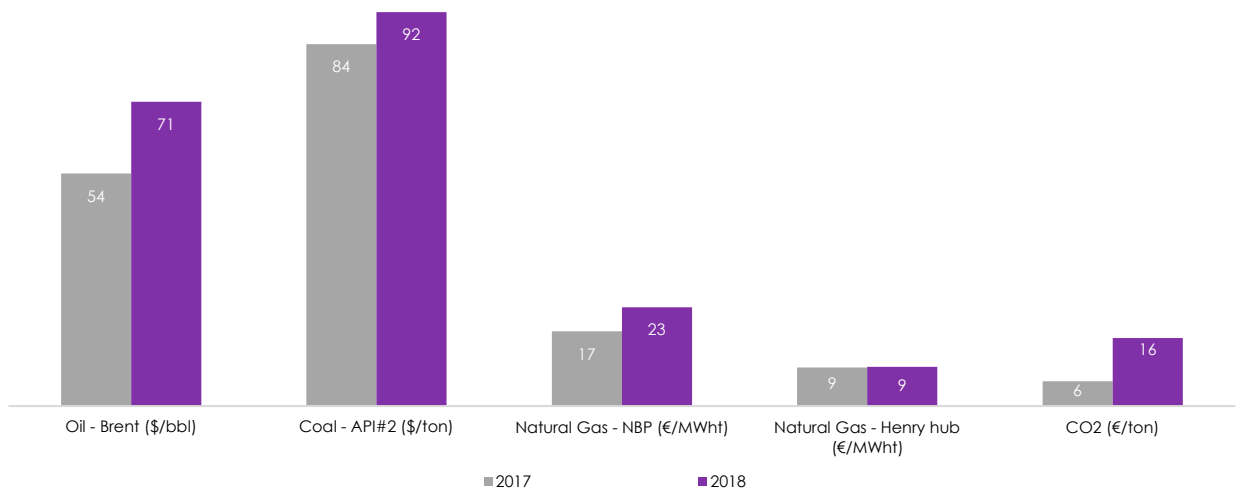
The average price of oil **rose substantially between 2017 and 2018**, with Brent increasing from 54 to 71 USD/bbl. During the first three months, the prices registered an **increasing trend**, rising from 66 USD/bbl at the beginning of the year to reach a maximum of 86 USD/bbl in the beginning of October, driven by a **slowdown in production of several members of the Organization of the Petroleum Exporting Countries (OPEC)**, including Venezuela and Angola. The last trimester saw the price fall to about 54 USD/bbl at the end of the year, similar to prices in September 2017. The sharp decrease in oil price was due to an excess of supply created by the increase in world production and a more moderate economic growth.

The price of natural gas registered very distinct trends in the European and North America markets. In **Europe (NBP)**, the price of gas registered an **increasing trend in 2018**, with an annual average of 23 €/MWht, driven by a **lower supply** in Europe, **high demand** (associated with the requirements of injection for underground storage), higher **uncertainty in oil prices** and a **higher coal substitution cost** in the electricity market. The last trimester was characterized by a slight decrease in price, contrary to what commonly occurs based on the seasonality of consumption, due to the elevated levels of storage and an increase in supply.

Coal prices increased in 2018, continuing the trend started in 2017, with the price of API#2 reaching values **above 100 USD/ton** and closing the year with an average of 92 USD/ton. The high prices are mainly justified by several countries (including China) **making it difficult to license new mines** or **restricting their operation**, making it impossible for supply to keep up with demand growth. The last few months have seen a drop in price due to China's ban on coal imports.

The **average price of CO_2** licenses in the European market saw a **strong increase in 2018**, compared to 2017, with a strong growth in the first three trimesters, followed by a stabilization until the end of the year. The increase in prices reflects the potential impact of the **revision of the Emissions Trading System**, following the final approval by the European Council in February 2018.

ANNUAL AVERAGE PRICE EVOLUTION OF FUELS AND CO_2



Source: Reuters, Agents

3.3.2 EUROPEAN ENERGY POLICY

CO_2 MARKET

The **revision of the European CO_2 market** (RCLE-UE) has its final approval by the European Council in February 2018. The objective of the final agreement is to restore the balance between the supply and demand of emissions allowances and mitigate the risks of relocation of carbon intensive industries. Concerning the balancing of supply and demand, the revision defined the increase of the rate of reduction of available licenses to 2.2%/year starting in 2021, and strengthen the Market Stability Reserve through the increase of the intake rate to 24% for five years, starting in 2019, and the reduction of the maximum number of allowances that may be in the reserve to the volume auctioned in the previous year, eliminating the remaining licenses, starting in 2024. Mitigation of the risks of relocation will be made through the allocation of free licenses for specific sectors and the creation of development funds that support innovation and investments in low carbon technologies.

DECARBONIZATION AND RENEWABLES

The political negotiations on the **Clean Energy for all Europeans** legislative package, presented by the European Commission at the end of 2016, were completed in 2018. This package aims to accelerate the European energy transition, reflecting the energy and climate policy objectives set by the European Council in October 2014 in concrete legislative proposals. The approval by the European Council and the European Parliament of one directive and three regulations is what is missing to finalize the package, which should be completed by the second quarter of 2019. Following the final adoption of each directive and its publication in the Official Journal of the European Union, the Member States have 18 months to transpose their content into national law. The package sets as **targets for 2030 achieving 32% of renewable energy**, through the Renewable Energy Directive, and **32.5% of energy efficiency**, through the Energy Efficiency Directive. Both values may be revised in 2023 to ensure alignment with the Paris Agreement. Although the directives do not set national targets, the Regulation on the Governance of the Energy Union should help ensure that the objectives are met. It is expected that this package leads to an **emissions reduction of 45% by 2030**, compared with 1990, which is above the European Union target of 40%.

ELECTRICITY MARKET

The directive and regulation related with the **electricity market design** were the last to be agreed, in December 2018. One of the key points of the **Directive on common rules for the internal market in electricity** is the need for Member States to allow consumers to actively participate in the electricity market, be it through the sale of excess electricity generated for self-consumption, the participation in demand side management mechanisms or by joining energy communities. In addition, the directive confers several rights to consumers, providing them a larger flexibility for their participation in the market. The **Regulation on the internal market for electricity** defined a set of rules that markets must abide by. Some of the most relevant topics include the allocation of responsibilities to renewables for the deviations they create, the change in dispatch rules, the need for at least **70% of interconnection capacities to be made available for commercial exchanges** and the establishment of conditions for the implementation of capacity mechanisms. The **participation in capacity markets is conditioned by an Emissions Standard**, except for contracts signed before 2020. This standard establishes that new power plants may only participate if they emit less than 550 gCO_2/kWh, and existing plants that emit more than 550 gCO_2/kWh may only receive payments from July 1st, 2025 if they emit less than 350 $kgCO_2/Kwh/year$.

ELECTRIC MOBILITY

To guarantee the contribution of the **mobility and transport** sector in achieving the objectives of the Paris Agreement, the European Commission launched in November 2017 the **Clean Mobility Package**. Within this context, several objectives to support the reduction of emissions in transport were agreed upon in trilogue (European Commission, Parliament and Council) in December 2018. **Emissions Standards** were imposed to **new light-duty passenger vehicles**, which should emit on average **37.5% less in 2030 than in 2021**, and **new light-duty commercial vehicles**, which should emit on average **31% less**. An intermediate target of 15% reduction by 2025 was also established for both types of vehicles. The reduction effort will be distributed by car makers based on the average mass of vehicles sold, with the possibility of allowing lower emissions reduction to each car maker depending on their sales of low emissions vehicles. The minimum share of low emissions vehicles that allow a car marker to qualify for a lower emissions reduction was established for 2030 as 35% for new light-duty passenger vehicles and 30% for new light-duty commercial vehicles and for 2025 as 15% for both types of vehicles.

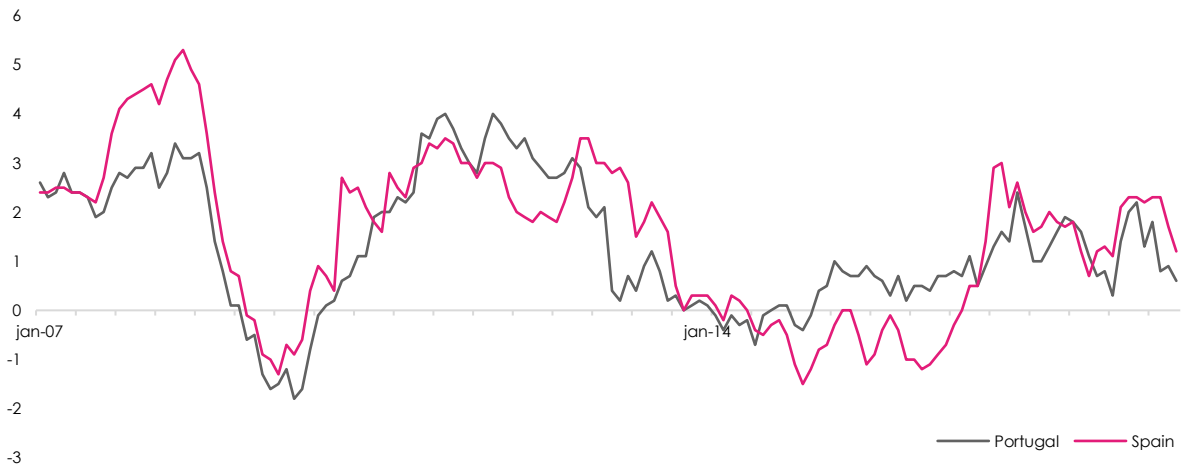
3.3.3. IBERIA

MACROECONOMIC CONTEXT

In 2018, the **Portuguese economy** registered once again a **slightly higher growth** than the average of the Eurozone countries. The consensus of different projections (Government, Bank of Portugal, IMF and European Commission) points to a growth of **2.2%** in 2018, compared with the expected GDP growth of **2%** in the **Eurozone** (IMF). In **Spain**, the growth in 2018 was of **2.5%**, representing a steep deceleration of the country's economic growth. In both countries, the main vectors of growth were **exports**, **private consumption** and **investment**.

The **average inflation rate** in Portugal registered a decrease to 1.2% compared with 1.6% in 2017, due to the weak growth of food and non-alcoholic beverages prices, which compensated the increases in transport, housing and energy goods. In Spain, the inflation was 1.8%, even though it was over 2% for most of the year, mainly due to the fall in fuel prices in the last months of the year.

EVOLUTION OF INFLATION IN PORTUGAL AND SPAIN
(%, 2007 - 2018)



Source: Eurostat.

The **labor market** also evolved favorably in the Iberian economies, registering moderate increases of employment (around 2% over the same period in both economies) and significant reductions in the number of unemployed. The unemployment rate in November stood at 6.6% in Portugal and 14.7% in Spain (respectively 8.1% and 16.5% in the previous year).

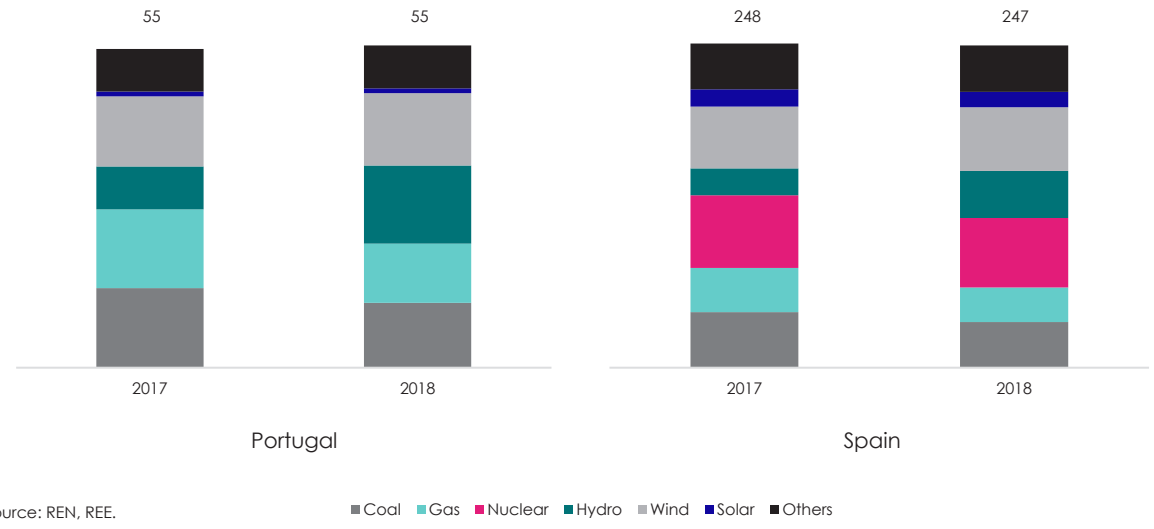
EVOLUTION OF THE ELECTRICITY SECTOR

The economic recovery registered in 2018 reflected in an increase of electricity consumption in Portugal and Spain, compared to 2017:

- **+2.5%** - consumption growth in **Portugal** (+1.7% adjusted for temperature and useful days effects)
- **+0.4%** - consumption growth in **Spain** (+0.3% adjusted for temperature and useful days effects)

Regarding electricity generation, 2018 was an **average hydrological year** with a **production index** (IPH) of **1.05 in Portugal** and **1.3 in Spain**, contrary to 2017 which was a dry year (IPH of 0.47 in Portugal and 0.5 in Spain). The **higher generation from hydro** resulted in a **decrease of residual thermal demand** in Iberia from 104 TWh in 2017 to 83 TWh in 2018. The growth of consumption and maintenance of nuclear power plants was mainly compensated by the increase in generation from renewables, particularly hydro, and imports.

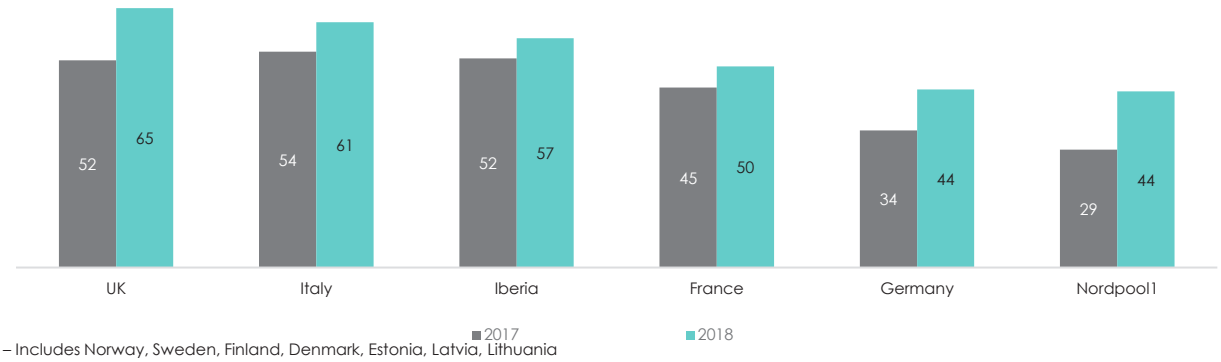
ELECTRICITY GENERATION IN PORTUGAL AND SPAIN (TWH)



Source: REN, REE.

The significant growth of **fuel and emissions allowances prices** led to an **increase of the electricity wholesale price** in Iberia to 57 EUR/MWh, remaining between some european markets, such as Italy and France. The markets with higher shares of renewables, namely Scandinavia and Germany, continued to register the lowest wholesale prices in Europe.

EUROPEAN WHOLESALE ELECTRICITY MARKET PRICES (€/MWH)



1 – Includes Norway, Sweden, Finland, Denmark, Estonia, Latvia, Lithuania
Source: EnergyMarketPrice, Nord Pool.

REGULATORY CONTEXT

PORTUGAL

On August 27th, the Decree-Law n.º 69/2018 determined the concentration of oversight competences of the whole energy sector in one single entity, the *Entidade Nacional para o Sector Energético* (ENSE), which results from a restructuring of the *Entidade Nacional para o Mercado dos Combustíveis* (ENMC) and also aggregates the competences of the *Autoridade de Segurança Alimentar e Económica* (ASAE) and the *Direcção Geral de Energia e Geologia* (DGEG).

Regarding **electricity generation**, the Ordinance n.º 93/2018 of April 3rd, determined the postponement of the auction for the assignment of the National Electricity System's security reserve (also known as Capacity Mechanism), "until the Portuguese State receives the unequivocal pronouncement by the European Commission regarding the compatibility of the SEN security reserve mechanism with the Community provisions on State aid in the energy sector".

The 2019 State Budget Law (LOE 2019) provides that, until the end of the first quarter of 2019, the Government shall review the mechanism provided for in Decree-Law n.º 74/2013 ("clawback"), dated June 4th, adapting it to the new rules of MIBEL, with the objective of creating harmonized regulatory mechanisms that reinforce competition and protect consumers. The Order n.º 895/2019, which establishes the suspension of this mechanisms for a period of six months, with effect from October 1st 2018, was published already in January 23rd 2019.

Also within the scope of LOE 2019, it was also established that the rate corresponding to 25% of the addition on CO_2 emissions, applicable to coal and coal coke used for electricity generation, is now the result of the difference between a reference price of 20 €/tCO_2 and the arithmetic average price of the emissions allowances auctions between October of the year n-2 and September of the year n-1, with a maximum limit of 5 €/tCO_2.

Decree-Law n.º 109-A/2018, of December 7th, changed the allocation of the Extraordinary Contribution from the Energy Sector (CESE), through the Fund for the Systemic Sustainability of the Energy Sector (FSSSE), with the aim of accelerating the reduction of the electricity tariff deficit: 1/3 for the financing of social and environmental energy sector policies related to energy efficiency measures; and 2/3 to reduce the National Electricity System's tariff deficit. With LOE 2019, the CESE will also be applied to renewable energy sources covered by guaranteed compensation schemes and renewable source cogeneration with an installed power of 20 MW or more (does not include the allocation by public tender).

Ordinance n.º 62/2018, of March 2nd, approved the regulation for the attribution of generation licenses or acceptance of prior notice, by lottery, for the electricity generation under special regime and in the general remuneration system. This was due to the need to change the legal regime, namely for solar power, where several projects without guaranteed compensation have been approved by the Government.

In the **electricity distribution** business, the *Programa de Acções e Estudos* to be developed by ERSE (with DGEG and the *Associação Nacional de Municípios Portugueses*) was approved in the scope of the public tender procedures related to concessions of municipal electricity distribution networks (Resolution of the Council of Ministers n.º 5/2018 of January 11th). To

this end, ERSE launched a public consultation which ended in September, and based on which it submitted a proposal to the Government, with the aim of launching the tender process in early 2019.

Concerning **electricity supply**, the provision of LOE 2019 specifies that the Government is authorized to apply the reduced VAT rate on electricity (PC <= 3.45 kVA) and natural gas (BP <= 10 000 m^3/year).

Regarding the **electricity sector tariff deficit**, the tariffs foresee an ex-ante deficit of €3,217 million by the end of 2019, which corresponds to a reduction of €436 million from 2018. The evolution of the deficit and the tariff evolution considered for 2019 (of -3.5% for transitional BTN tariffs and +0.1% for the transitional tariffs of the remaining levels of tension) benefited from three extraordinary events:

- Return to the National Electricity System of €140 million that the producers in special regime allegedly benefited cumulatively, under the terms defined by the Administrative Rule n.º 69/2017, of February 16th, although no order was issued by the member of the Government responsible for the energy area with the definition of this value;

- Inclusion of €90 million of the €285 million resulting from the Dispatches of the Energy Secretary of State of August 29th and October 4th, where the partial nullity of the annual adjustments calculations of the CMEC and their respective homologous acts (innovative aspect of the availability of such plants) was declared, by integration of the information n.º 111/DSPEE/2018 of the DGEG, a decision questioned by EDP for lack of legal basis;

- Deduction of the over-cost with generation in special regime of €154 million from FSSSE transfers, related to the payment of CESE in 2018 by the various agents of the sector.

SPAIN

It is expected that the Spanish electricity sector finished 2018 with a light tariff surplus, as in previous years (€151 million in 2017 and €421 million in 2016). The financial stability of the last years has allowed the Government, through the Royal Decree-Law 15/2018 and with effects from October 2018, to definitely eliminate the tax on hydrocarbons for the generation of electricity with natural gas and temporarily suspend the tax on electricity generation (7%), in order to mitigate the impact that high fuel and CO_2 prices were causing on the electricity market price. To guarantee the tariff balance for the year 2018, the sector expects to account in the tariff up to €750 million of the emissions allowances auctions. Similarly, to guarantee the tariff balance in 2019, up to €1,000 million of these auctions may be accounted for in the tariff, through Royal Decree-Law 25/2018.

In regulatory terms, the impulse given to **self-consumption** is highlighted, through the publication of the Royal Decree-Law 15/2018, which eliminates since 2018 surcharges on self-consumed electricity. The same decree opens the door for future development of shared self-consumption, which is expected to start to be applied during the year 2019, as soon as the corresponding regulatory framework is published.

On the other hand, as regards the electricity market, the availability service provided by coal-fired and combined-cycle plants was terminated in July 2018. It is also worth highlighting the launch of the continuous intraday market since June 13th.

To reduce the price of electricity for industrial consumers, a number of measures have been taken. The Royal Decree-Law 20/2018 creates the figure of the closed distribution network and the Government is urged to approve a Status of Electro-Intensive Consumer that groups the aids granted to this type of consumer.

With regard to the **protection of vulnerable electricity customers**, the Government extended in 2018 the protection given to vulnerable consumers through Royal Decree-Law 15/2018. This decree established, on the one hand, the increase in the amount of energy that each customer entitled with social allowance and, on the other hand, a new system to prevent the supply cut of certain vulnerable consumers who cannot pay their bills, which is added to the existing mechanism for clients at risk of social exclusion. Under the current financing mechanism, EDP was responsible for funding 3.69% of the cost of social benefits of the system in 2018.

Concerning **sustainable mobility**, the liberalization of electricity recharging is to be highlighted, which, since the Royal Decree-Law 15/2018, may be provided by any entity without the need to establish themselves as charging managers.

In 2018, the contribution to the **National Energy Efficiency Fund** remained in line with previous years, with EDP having an obligation to contribute financially to this Fund with €6 million.

3.3.4 EDPR MARKETS

MACROECONOMIC CONTEXT

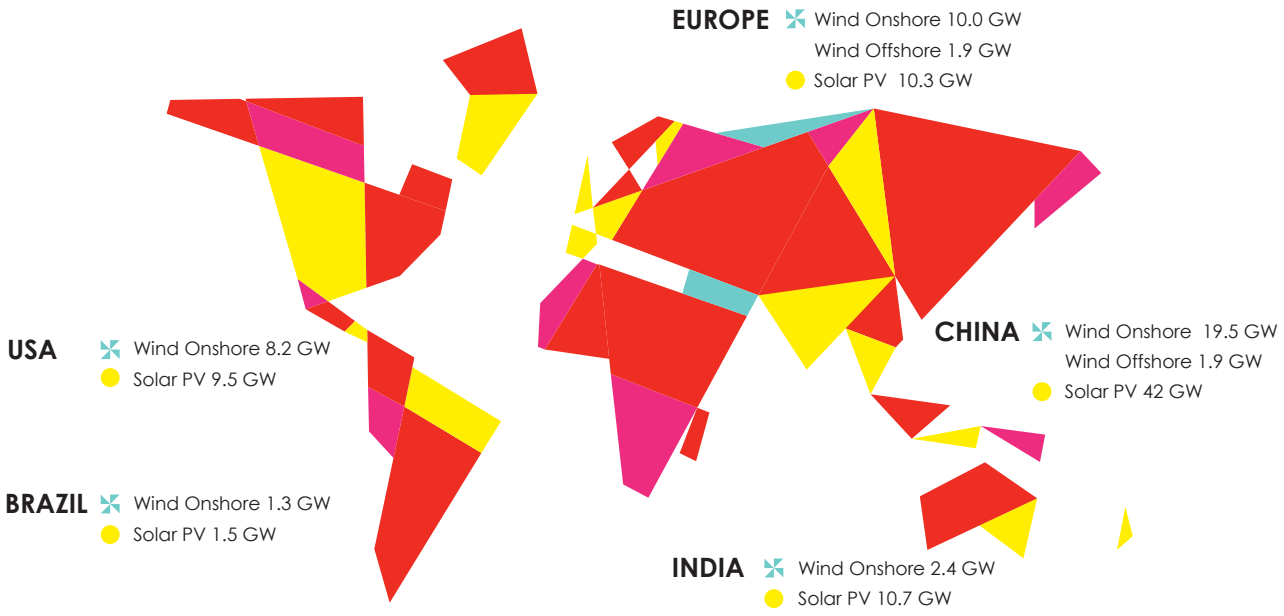
In the European Union (EU), the latest estimates by the European Commission point to a GDP growth in 2018 of 2.1%, showing a slowdown in the economy compared to 2017. This deceleration was registered in some of the major economies, such as Germany (due to the small growth in private consumption, reduced external demand and weak industrial production, mainly in the automotive industry), Italy (due to weak domestic demand and high interest rates), France (mainly due to the negative impact of protests on industrial production) and the United Kingdom (due to uncertainty regarding Brexit). For the next few years economic growth is expected to remain moderate.

Growth in the United States was substantially higher than in the EU, reaching 2.9% in 2018, according to the latest estimates, well above the growth of 2.2% in 2017. Economic growth was supported by strong domestic consumption, a strong labor market, tax cuts and investment incentives. Despite the risks created by the US-China trade war, its impact in 2018 is expected to have been limited due to an increase in exports in the months prior to the implementation of tariffs in international trade. However, the US economy is expected to slow down in the coming years, with more moderate but higher economic growth rates than in the EU.

Inflation in the Eurozone closed 2018 at 1.6%, below the European Central Bank target levels of 2%, mainly as a result of the drop in oil prices in recent months, lower than expected growth in energy prices and slower growth of exports during the year. In the US, inflation was 2.4% at the end of 2018, the highest value since 2011. The growth reflects the depreciation of the dollar, the price increase in energy products and imported products due to the implementation of foreign trade taxes.

EVOLUTION OF RENEWABLES IN THE WORLD

The wind capacity additions in the World totaled approximately 52 GW in 2018, a number very close to that of the previous year, which fixed the total installed capacity of this technology at approximately 592 GW. Regarding Solar PV energy, the market will have grown at a slower pace than previous years, with new capacity additions estimated at around 102 GW.



REGULATORY FRAMEWORK

Europe 2050 long-term strategy

On November 28, 2018, the European Commission (EC) presented its strategic long-term vision for a "prosperous, modern, competitive and climate-neutral economy by 2050". This strategy extensively underlines the opportunities for swift and ambitious energy and climate action, which is expected to bring broad social, economic and health benefits to Europeans. This policy document sets a path towards climate neutrality and includes analysis of current policy measures and future scenarios that cover all sectors producing greenhouse gas emissions.

Not surprisingly, the energy sector plays a central role in making Europe climate-neutral. Maximizing the deployment of renewables and the use of electricity is deemed critical by the strategy to fully decarbonize Europe's energy system. According to the document, by 2050, more than 80% of electricity would be coming from renewable energy sources and wind energy is expected to represent 51-56% of it.

Spain

On October 6, were introduced, through the publication of Royal-Decree Law 15/2918, several measures aiming at limiting electricity cost for consumers and serving as a first step towards the long-term energy transition targeted by the Government. The implemented measures include, among others, the suspension of the 7% generation tax during a period of 6 months, the facilitation of self-consumption and the administrative extension until March 2020 of the connection rights for the renewable plants awarded in last year´s auctions.

France

On June 20, the French Government announced that France's first six offshore wind farms would proceed after parties agreed to lower the tariffs they had secured in 2012 or 2014. This agreement unblocks the projects that had been in a stalemate after the government had reported that projects could be re-tender if an agreement was not found.

In September, the results of the second onshore wind auction were announced. France awarded a total of 118 MW to five projects, less than one-fourth of the 500MW capacity on offer. The average winning price was not disclosed.

The government enacted on December 1 two measures aimed at speeding up onshore deployment. These measures remove one level of jurisdiction in the appealing processes, this is, when projects are challenged in the courts.

Belgium

The Government of Wallonia approved in March the so-called "Pax eolienica" which is a set of 15 measures aimed at fostering wind energy development in the region, among which the government is considering the reduction of the support for new onshore projects.

On September 29, the Energy commission of Wallonia approved a decrease in the number of Green Certificates granted by MWh (value of the parameter Keco) to new projects from 1 to 0.86 starting in January 2019.

Poland

On June 29, the Polish Parliament. approved a set of amendments to the Renewables Act ("RES Act") and to the Wind Farm Investment Act ("WF Act"). The amendments of the RES Act do not include any relevant change towards operating assets Green Certificate ("GC") scheme and focus mainly on operative changes and clarifications to the new tender scheme. The amendments of the WF Act include a return to the initial taxable base of the Real Estate Tax as of January 2018 and the extension of validity of the Building Permit.

A wind and solar joint auction for projects exceeding 1 MW in size was held on November 5. All contracted power went to wind, with 31 wind projects selected, at an average price of PLN 196/MWh (around 45.4€/MWh). EDPR secured a 15-year long-term contract for a 38 MW project.

Romania

On June 26, Law 198 convalidating Government Emergency Ordinance 24/2017, amending Law 220/ 2008 was finally approved. The final set of amendments included 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); (iii) the removal of the loss of GC from positive unbalances; (iv) 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.

Greece

Renewables projects in Greece are supported by 20-years feed-in premiums (Contracts-for-Difference - CfD) awarded through auctions. The first full-scale renewables auction was held on July 2, with 277 MW of capacity awarded. The 171MW of wind capacity went to seven projects, with a 45MW project being awarded to EDPR. The rest of the capacity (106 MW) went to solar PV projects.

A second auction round was held on December 10, in which 222 MW of renewables contracts were awarded. Seven wind projects with a total capacity of 160MW were awarded, while the remaining capacity went to solar PV projects. The weighted average bid for onshore wind projects was 58.60 euros/MWh, a 16% reduction compared with the previous auction. EDPR secured a 10-year CfD for a 15MW wind project.

Brazil

On April 4, Brazil held its first reverse auction of 2018 for power from renewable sources (Leilão A-4). As a result, 39 projects with a total capacity of 1,024.5 MW were allocated. In total, 806.6 MW of solar PV (at a marginal price of 118.4 BRL/MWh), and 114.4 MW of wind (at a marginal price of 67.6 BRL/MWh). The rest of the capacity was granted to hydro and biomass projects.

An A-6 auction was held on August 31, in which long-term PPAs were awarded for 669,5 MW of clean energy capacity, including 538,8 MW of wind. The average auction price for wind was 90,45 BRL/MWh. EDPR secured 20-years PPAs for two wind farms with registered capacity of 176 and 253 MW.

United States of America

On June 22, the IRS released Notice 2018-59, which provides guidance to determine when a solar project begins construction for 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 Jan 1, 2024 – as follows: (i) before Jan 1, 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 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 Jan 1, 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 Jan 1, 2024.

Canada

Historically, new Canadian renewable supply is largely determined by provincial procurements. While some provinces already produce much of their electricity through renewable sources (largely due to hydro power), Alberta, Saskatchewan and Ontario have taken steps to increase renewable energy generation. Alberta's climate leadership plan includes a December 31, 2030, coal phase-out, a price on carbon and a requirement for 30% of electricity generation to come from renewables by 2030. Alberta is pursuing a Renewable Energy Program to develop 5 GW of renewable electricity generation capacity by 2030. SaskPower, the principal electric utility of Saskatchewan, has a target of 50% renewable generation capacity by 2030. New Brunswick has committed that 40% of in-province electricity sales to come from renewable sources by 2020. Nova Scotia

has set emission caps for its electricity sector, and has also committed up to 50% of electricity will come from renewable sources by 2020.

On June 21, Canada adopted the Greenhouse Gas Pollution Pricing Act including a federal carbon pollution pricing system. This system includes both an output-based pricing system as well as a regulatory charge on fuels. Each province submitted plans which were assessed against the requirements of the federal benchmark. While the ultimate impact of this is unclear, any increase in emissions pricing favors zero emissions resources like wind and solar PV.

Mexico

Mexico redesigned its energy sector beginning with the constitutional amendment in 2013 and ending with implementation by end of 2018. The reforms brought about the end of state-owned vertically-integrated monopolies and opened the door to significant opportunities for private sector participation across the supply chains for oil and gas and for electricity. Mexico's energy reforms advanced significantly in 2016 implementing changes that will provide remuneration for all forms of generation including wind and solar. The key mechanisms of interest to renewable developers are the implementation of the wholesale electricity market, long-term supply auctions, and financial transmission rights. Mexico has conducted three long-term supply auctions in order to procure new renewable electricity.

However, newly elected President Andres Manual Lopez Obrador announced the general guidelines for electricity generation policy stating that there would be a change of regime. President Obrador called for a technical and administrative audit of the electricity market to CFE, a public utility company. The measures to resolve what he called the country's "energy dependence in the purchase of electricity" would not be taken in the short term, but the new administration would be elaborating a plan based on the findings of the CFE study. While the long-term ramifications of President Obrador's actions are difficult to forecast, it seems prudent to consider the possibility that changes will occur in the way new wind and solar supply is contracted and remunerated.

3.3.5 BRAZIL

MACROECONOMIC FRAMEWORK

2018 was marked by economic and political uncertainties, both nationally and internationally. On the national political scene, the presidential elections, which culminated in Jair Bolsonaro's victory, brought renewed energy with increased expectations of economic growth. The truckers strike of 2018 directly impacted the country's economic activities, despite the improvement in macroeconomic indicators, with inflation[1] at 3.75% (below the target of 4.5% for the year) and historically low interest rates[2] of 6.50% p.a.. GDP[3] grew 1.1% during the first nine months of the year.

It was in this favourable environment that formal employment also improved. According to CAGED,[4] employment in Brazil up until November increased by 2.27%, with the creation of 858,000 new jobs. The service sector has stood out with a positive balance of 512,000 jobs, followed by the manufacturing sector, with 122,000 jobs.

ENERGY FRAMEWORK

The year was marked by challenges, reflecting the adverse water situation, with the wet season (January to April) still critical for the Southeast submarket (SE/CO). Reservoir recoveries were compromised as a result of critical flow levels, with the wet season closing with 44% Stored Energy (EARM), 2% higher than in the same period of 2017. In spite of periods of heavy rainfall, the Southeast (SE/CO) ended the year with just 90% of the Average Long Term (MLT) Accumulated Natural Energy (ENA) and

[1] Source: Brazilian Institute of Geography and Statistics — IBGE. National System of Consumer Price Indices IPCA and INPC - December/2018.
[2] Source: Central Bank of Brazil. Meta SELIC on 12/31/2018.
[3] Source: Brazilian Institute of Geography and Statistics — IBGE. Quarterly National Accounts. July/September 2018.
[4] Source: CAGED/MTE. November/2018

27.6% of Stored Energy (EARM). ENA remained below average in the Northeast, which ended the season with 49% MLT and 40% EARM. This scene was reflected in the annual average PLD, which was R$ 288/MWh in the Southeast SE/CO and R$ 274/MWh in the northeast, peaking at R$ 505/MWh for all submarkets in August. The average GSF (Generation Scaling Factor) for 2018 was 81.6%, with a minimum of 55.8% in September.

REGULATORY FRAMEWORK

As in previous years, 2018 was one of major regulatory developments, beginning with Provisional Measure No 814 of December 2017, which addressed possible solutions to the hydrological risk of producers on open market contracts, followed by approval for the privatisation of Eletrobras' assets, and the cost of subsidies and charges (CCC/CDE, expansion of the Low Income, Electricity for All Program) and the energy price increase due to the reopening of the Angra 3 nuclear power plant. The Provisional Measure sought to reduce the effect of one of the electricity sector's main problems, linked to the GSF, but it ceased to be effective in June as a consequence of other proposals related to subsidies and to Angra 3, which led to significant increases in energy tariffs.

In relation to the GSF, several attempts have been made to reach an agreement on settling liabilities in the Free Market Environment (FME); however, the free market proposals have not yet received support from the agents. In this context, the APINE injunction protecting agents from paying the MCP exposure was lifted in October. Liabilities are still being discussed, but agents in the hydro sector started paying settlements for the ensuing months. In addition, a bill was passed in Senate at the end of December 2018 that sought to bring about a resolution for the debts of producers with open market contracts and the new make-up of the MME listed as a priority the need to address the issue of liabilities by the end of February (Chamber of Deputies PL 10985/2018; Senate PL 209/2015).

As part of the structural measures discussed in 2017 at MME Public Consultation No. 033, the main measures were not voted on in the National Congress. Some administrative and regulatory measures have been taken, such as reducing the power of a consumer installation so that it can purchase energy on the free market (2.5 MW from July 2019 and 2.0 MW from January 2020). Another important initiative taken in 2018 was structuring the pricing process on an hourly basis, which is expected to come into operation in 2019, and will bring new momentum to the short-term market. Finally, as a result of a working group created by the government, a decree was published that abolished tariff subsidies for rural consumers, public water services, sewerage and sanitation, public irrigation services, and rural electrification cooperatives over a five-year period. It also abolished the accumulation of subsidies for rural and irrigation customers.

With regard to regulations on new technologies, the National Electricity Agency (ANEEL) has promoted a wide-ranging public debate on its regulatory role in the electricity sector for the introduction of electric vehicles into the Brazilian market. Following a process of public consultations, an international workshop, several meetings and public hearings, the regulator came to the conclusion that the electric mobility sector is an unregulated activity. Consequently, it will have to establish procedures to ensure distributors comply with requests for the installation of the charging stations and publish a Normative Resolution to avoid any interference with the distribution of electricity.

Tariffs were also a topic this year, with the introduction of new criteria in April. ANEEL changed the operating flags to take into account the hydrological risk issues defined through the operating history of the National Interconnected System (NIS) and the definition of the cost of hydrological risk where there is an indirect relationship between the GSF and the PLD. The composition of these two variables means the estimated revenue with proposed values is closer to the costs incurred. Thus, the yellow flag remains a R$ 1 per 100 kWh consumed and fractions, while the red flag at level 1 is R$ 3 per 100 kWh and R$ 5 per 100 kWh at level 2.

To mitigate the impact of energy over-contracting by distributors, ANEEL has created the Surplus Sales Mechanism (MVE), which allows distributors to allocate up to 15% of the energy outsourced to the Free Market Environment (ACL) through seller defined fixed-price sales.

Finally, to ensure the supply of electricity in emergency situations, such as when intermittent energy sources reduce generation, ANEEL has created the Supplementary Order for Maintenance of the Operating Power Reserve. This service system is defined as the supply of power generating units from centrally ordered power plants in order to preserve the operating power reserve in the participating Automatic Generation Control hydroelectric power plant in any subsystem.

3.4
BUSINESS AREA ANALYSIS

3.4.1 GENERATION AND SUPPLY IBERIA

3.4.1.1 FINANCIAL PERFORMANCE

GENERATION AND SUPPLY IBERIA

EBITDA: €762M
+37% VS. 2017

EBITDA from Generation & Supply Iberia advanced by 37% YoY to €762 million, mainly impacted by:

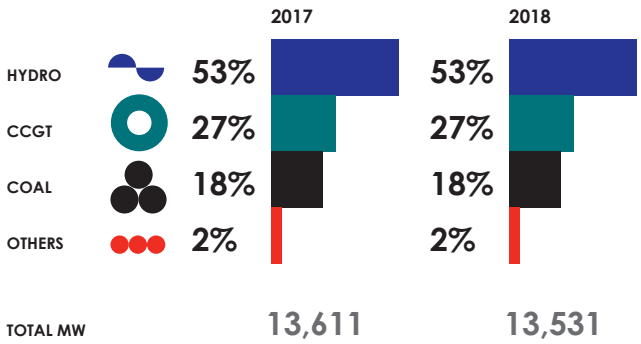
- Average sourcing cost benefited from higher output on the back of the recovery of the hydro resources in Iberia;
- Increase in average selling prices, almost in line with the increase in the market electricity final price;
- Adverse impact from weak energy management results, due to the hedge position closed in 2017.

3.4.1.2 OPERATIONAL PERFORMANCE

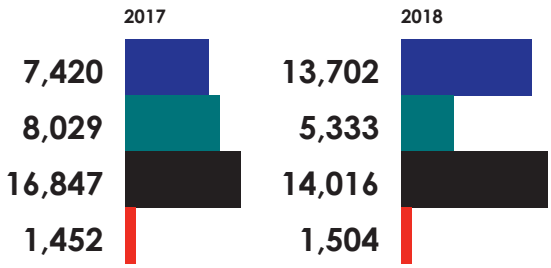
GENERATION ACTIVITY

- Generation increased 85% as result of increased operating hours in hydroelectric power plants, due to the available water resources in Portugal being 5% higher than the long-term historical average;
- The overall generation portfolio in Iberia (excluding wind and solar) encompasses a total of 13.5 GW, of which more than 50% in hydro capacity;
- Generation in 2018 increased 2% YoY (+0.8 TWh) to 34.6 TWh reflecting a sharp rebound of hydro resources to normalized levels in 2018 (IPH of 1.05 in Portugal and 1.3 in Spain), which enabled a 6.3 TWh YoY increase in hydro output. This increase was, however, partially offset by a lower generation at our coal (-2.8 TWh) and CCGT (-2.7 TWh) plants;
- In Portugal, in Dec-18 EDP sold 100% of Small Hydro, S.A., which owns 7 mini-hydro plants and 100% of the capital of Pebble Hydro - Consultoria, Investimentos e Serviços, Lda., which in turn holds 14 mini hydroelectric plants. The impact in EDP Group's portfolio amounts to 80 MW;
- Additionally, in Jul-18, EDP sold the equity participation held in EDP Produção Bioeléctrica, S.A.

INSTALLED CAPACITY
(MW)



NET ELECTRICITY GENERATION
(GWh)



SUPPLY ACTIVITY

- For EDP customer relationship management is crucial, which has given a strong focus to the improvement of the quality of the services provided. EDP has been building a position of notoriety in the energy market, with the aim of being an engaging and innovative company in which customers review themselves. As a reflection of this commitment to customer relations, in 2018 EDP achieved a global customer satisfaction level of 78% in line with the defined target;
- In December 2018, EDP's portfolio had 5.3 million electricity customers, mainly in the residential and SME segments (around 43% of total consumption). The customer portfolio remained stable compared to the previous year;
- Electricity supplied in the liberalized market fell by 5% yoy to 31TWh in 2018, mainly as result of the decrease in the volume of electricity supplied to final customers in Spain;
- In the gas sector, the customer portfolio registered a slight increase of 1% over 2017;
- The volume of gas traded in the Iberian Peninsula in 2018 was 18.8 GWh, an increase of 1% over the previous year, mainly reflecting the increase in sales in the residential market in Spain;
- In the services sector, the strong commitment to a portfolio with a diversity of solutions for energy efficiency, microgeneration, electric mobility and technical assistance, allowed the B2C customer portfolio to grow by 6% over 2017 to 1.34 million contracts / awards.

2017	
ELECTRICITY CUSTOMERS	**5,286,804**
Portugal	**4,153,315**
Spain	**1,133,489**
ELECTRICITY SUPPLIED (GWh)	**32,249**
Portugal	**18,246**
Spain	**14,003**

2018	
ELECTRICITY CUSTOMERS	**5,272,557**
Portugal	**4,118,610**
Spain	**1,153,947**
ELECTRICITY SUPPLIED (GWh)	**30,669**
Portugal	**18,119**
Spain	**12,549**

2017	
GAS CUSTOMERS	**1,540,819**
Portugal	**657,619**
Spain	**883,200**
GAS SUPPLIED (GWh)	**18,642**
Portugal	**3,628**
Spain	**15,014**

2018	
GAS CUSTOMERS	**1,554,774**
Portugal	**659,485**
Spain	**895,289**
GAS SUPPLIED (GWh)	**18,748**
Portugal	**3,605**
Spain	**15,143**

3.4.1.3 STRATEGIC ANALYSIS

	STRATEGIC PILLAR	INDICATOR	GOAL	STATUS
1	Optimization of Maintenance CAPEX in operation	CAPEX	Maintenance €0,5B Expansion €0,3B Accum. 2016-20	Maintenance €0,4B Expansion €0,3B Accum. 2016-18
2	Further efficiency improvements	OPEX/ Gross Profit (%)	-2 p.p. 2020 VS 2015	+2 p.p. 2018 VS 2015
3	Risk-controlled approach through hedging leveraging on client base and adequate management of the regulatory agenda	Sales to clients/ own generation	>100% 2015-20	108% 2018
4	Strong Improvement of free cash-flow generation	EBITDA	+16% CAGR 2015[1]-20	-1% CAGR 2015[1]-18

1 2015 EBITDA adjusted for weather and one-off gains

3.4.1.4 RISK OUTLOOK

- **Political/ regulatory risk (Portugal):** dispatch relative to the "innovative features" under CMEC Cessation Agreements, suspension of the "clawback" to generation for a period of 6 months, other governmental/ regulatory decisions
- **Political/ regulatory risk (Spain):** suspension of the 7% generation tax for a 6-month period, other governmental/ regulatory decisions
- **Market design:** EU directives (namely, regarding capacity remuneration)
- **CO2 regulation and pricing:** evolution of carbon pricing mechanisms and impact over prices and merit order (coal vs. natural gas plants)
- **Hydro volumes:** uncertainty regarding hydro generation levels
- **Retail margin/ quota:** reduction of retail margin or loss of market quota, supply of new products and services
- **Asset operation and availability:** damage of assets and/ or loss of profit

3.4.2 REGULATED NETWORKS IN IBERIA

3.4.2.1 FINANCIAL ANALYSIS

REGULATED NETWORKS IN IBERIA

EBITDA: €625M
-30% VS. 2017

EBITDA from regulated networks fell by 30% YoY, to €625 million in 2018, largely impacted by:

- The sale of Naturgas Energía Distribuición and EDP Gás, in July 2017 and October 2017, respectively;
- In Portugal (77% of total EBITDA in 2018), new regulatory terms applicable to electricity distribution and last resort supply as from 1-Jan-18 (-€160 million YoY), which was only partially compensated by tight cost control;
- In Spain (23% of total EBITDA in 2018), the adoption of prudent approach to possible regulatory changes, even ahead of the end of the current regulatory period, in 2020.

3.4.2.2 OPERATIONAL ANALYSIS

- At the end of 2018 EDP had about 2.6 million smart meters installed throughout its distribution network in Iberia. Highlight to Portugal where there was a 55% YoY increase in smart meters in domestic customers.
- In 2018, for the third consecutive year, the volume of electricity distributed in Iberia increased (+2% vs 2017) to a total of 55 TWh.
- The Installed Capacity Equivalent Interruption Time (ICEIT) in Portugal registered a slight increase compared to 2017, with 61 minutes, but still below the regulator's benchmark. In Spain, EDP maintained the leadership in the service quality of the Spanish electricity sector, with a historically low ICEIT of 17 minutes. The System Average Service Interruption Frequency Index (SAIFI) in Portugal also increased compared to 2017, registering 1.61 interruptions for home and small business customers and 1.87 interruptions for business customers.
- In the losses in the electricity distribution network a positive highlight for the improvement of this indicator compared to 2017. In Portugal the level of losses reached 9.6%, still above the 9.00% regulatory reference.

2017	
KM OF NETWORK	**246,641**
Distribution overhead lines	**193,016**
Distribution underground lines	**53,625**
ELECTRICITY DISTRBUTED (GWh)	**54,084**
Portugal	**44,753**
Spain	**9,331**

2018	
KM OF NETWORK	**247,017**
Distribution overhead lines	**193,215**
Distribution underground lines	**53,802**
ELECTRICITY DISTRBUTED (GWh)	**55,419**
Portugal	**46,059**
Spain	**9,360**

3.4.2.3 STRATEGIC ANALYSIS

	STRATEGIC PILLAR	INDICATOR	GOAL	STATUS
1	**Selective CAPEX in smart grids**	CAPEX	€1,8B Accum. 2016-20	€1,0B Accum. 2016-18
2	**Further efficiency improvements**	OPEX/ Gross Profit (%)	-2 p.p. 2020 VS 2015	-1 p.p. 2018 VS 2015

3.4.2.4 RISK OUTLOOK

- **Low voltage network concessions (Portugal):** renewal of framework, possible fragmentation and increase in system costs
- **Smart-grids:** level of regulatory support and initiatives
- **Asset operation and availability:** damage of assets and loss of profit
- **Business continuity:** across-the-board and prolonged interruption of operations by extreme events (e.g., natural disasters, terrorism)

3.4.3 EDP RENOVÁVEIS

3.4.3.1 FINANCIAL ANALYSIS

EDP RENOVÁVEIS

EBITDA:
€1,300M
-5% VS. 2017

EBITDA from EDP Renováveis went down by 5% YoY (-€66 million), to €1,300 million in 2018, as benefits from portfolio expansion were mitigated by:

- Depreciation of USD and BRL currencies versus Euro (-€35 million on EBITDA);
- Weak wind resources, falling 6% short of the long-term average in 2018;
- Avg. selling price -7% YoY excluding the impact from forex, following regulatory developments (Romania) and the mix effect from new installed capacity;
- Expiration of the 10-year period of Production Tax Credits in some wind farms (-€50 million YoY).

3.4.3.2 OPERATIONAL ANALYSIS

- Wind and solar production increased by 3% in 2018, reflecting the increase in installed capacity to 11.3 GW;
- In 2018 EDP Renováveis built 826 MW: 478 MW in the USA; 137 MW in Brazil (*Babilónia*); and the remaining 211 MW were installed in Italy (77 MW), Spain (68 MW), Portugal (55 MW) and France (11 MW);
- Pursuing its sell-down strategy, EDP Renováveis sold an 80% stake in a wind onshore farm in the USA with 200 MW, consolidating the remaining 20% (40 MW) at equity level;
- At the end of 2018 EDP Renováveis had 344 MW under construction for wind onshore farms to start operations in 2019, namely 199 MW in the USA (*Prairie Queen*), 50 MW in Italy (*Conza* and *San Nicola*), 47 MW in Portugal (*Penacova*), 29 MW in Spain (*La Peña*) and 19 MW in France (*Paudy* and *Long Champs*). It should be noted that, apart from Spain, all parks have long-term contracts secured.
- In terms of wind offshore, at 31-Dec there were under construction 316 MW in the United Kingdom from Moray East project and 14 MW from Windplus floating project in Portugal.

2017	
INSTALLED CAPACITY (MW)	**10,676**
Europe	**5,061**
North America	**5,284**
Brazil	**331**
NET ELECTRICITY GENERATION (GWh)	**27,621**
Europe	**11,669**
North America	**15,091**
Brazil	**861**

2018	
INSTALLED CAPACITY (MW)	**11,301**
Europe	**5,272**
North America	**5,562**
Brazil	**467**
NET ELECTRICITY GENERATION (GWh)	**28,359**
Europe	**11,480**
North America	**15,644**
Brazil	**1,235**

3.4.3.3 STRATEGIC ANALYSIS

	STRATEGIC PILLAR	INDICATOR	GOAL	STATUS
1	**Selective and profitable growth generating higher production**	GWh	+10% CAGR 2015-2020	+10% CAGR 2015-2018
2	**Higher efficiency and accretive capacity additions**	EBITDA	+8% CAGR 2015-2020[1]	+7% CAGR 2015-2018[1]
3	**Quality portfolio with sound cash-flow generation**	RCF[2]	€3,9B Acum. 2016-2020	€2,7B Acum. 2016-2018
4	**Increasing profitability for EDPR shareholders**	Net Profit	+16% CAGR 2015-2020[1]	+43% CAGR 2015-2018[1]
5	**Maintaining its dividend policy**	Dividend payout	25-35%	24%

[1] EBITDA and Net Profit adjusted by non-recurrent events
[2] Retained Cash Flow. Amount available to pay dividends to shareholders and/or to fund new investments and corresponds to EBITDA net of debt service costs, capital distributions to equity partners and taxes

3.4.3.4 RISK OUTLOOK

- **Prices:** uncertainty regarding wholesale prices (particularly long-term), green certificates and RECs (Renewable Energy Credits)
- **Generation volumes:** annual volatility in wind and solar generation
- **Political/ regulatory support for renewable energies:** uncertainty regarding long-term regulatory frameworks (incentives, capacity)
- **Counterparty:** possible default on contract obligations (long-term contracts of power purchase, contracts to buy equipment, etc.)
- **FX:** evolution of key currencies (USD, BRL, CAD, RON, PLN, GBP)

3.4.4 EDP BRASIL

3.4.4.1 FINANCIAL ANALYSIS

EDP BRASIL

EBITDA: €649M
+6% VS. 2017

EBITDA of EDP Brasil advanced 6% YoY, to €649 million, despite the adverse change of the BRL versus the EUR, with a negative impact of €127 million. In local currency, EBITDA went up by 27% to R$2,815 million in 2018, enhanced by:

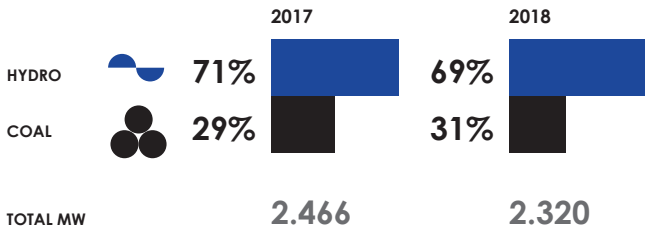
- In distribution, 7% YoY increase in EBITDA, driven by better operational performance, increase in energy volumes and update of concession assets' value;
- In generation and supply, the successful integrated portfolio management allowed to mitigate the adverse weather impact;
- The sale of small-hydro plants in 2018, with a capital gain of R$375 million.

3.4.4.2 OPERATIONAL ANALYSIS

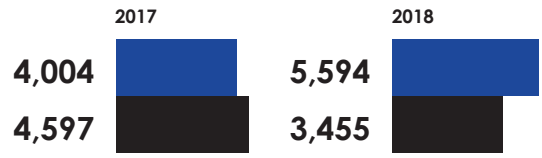
GENERATION ACTIVITY

- The volume of energy sales in hydro generation increased YoY by 4.8% (7,403 GWh vs. 7,066 GWh), mainly due to the higher contracting of Energest and Lajeado (+ 231GWh and + 111GWh respectively). This effect was partially mitigated by the closing of the sales contracts of the PCH's sold.
- In Brazil, in April 2018, the last group of São Manoel (175 MW out of a total of 700MW, 33% EDP) entered into operation, in partnership with Furnas and CTG.

INSTALLED CAPACITY
(MW)



NET ELECTRICITY GENERATION
(GWh)



DISTRIBUTION ACTIVITY

- Distributed energy grew 1.4% vs. 2017. The volume of energy sold grew slightly (0.5%) when compared to 2017. Although the residential, commercial and rural segments grew, the industrial segment decreased by 8.2% mainly due to the migration from the regulated to the free market. Energy distributed to industrial customers in the free market rose by 6.5% in 2018, from 10.4 TWh to 11.1 TWh.
- As for the quality of service in 2018, EDP São Paulo obtained a DEC of 7.8 hours and a FEC of 4.8 times, which corresponds, respectively, to a decrease of 2% and 3% in each of the indicators compared to 2017, mainly as a result of more favorable weather conditions. EDP Espírito Santo presented a DEC of 8.3 hours, a decrease of 4% compared to the previous year, and a FEC of 4.8 times, down 9% from 2017.

2017	
KM OF NETWORK	**91,538**
Distribution overhead lines	**91,293**
Distribution underground lines	**245**
ELECTRICITY DISTRIBUTED (GWh)	**24,652**

2018	
KM OF NETWORK	**92,160**
Distribution overhead lines	**91,906**
Distribution underground lines	**254**
ELECTRICITY DISTRIBUTED (GWh)	**25,007**

SUPPLY ACTIVITY

- The number of customers in the regulated market rose by 2% year-on-year, resulting in an increase of approximately 1% on the electricity supplied in the last resort market.
- EDP Comercializadora obtained a 2% increase in the energy supplied (18,102 GWh in 2018 vs. 17,804 GWh in 2017) reflecting: higher volumes of energy traded in the short-term market; increase of bilateral agreements throughout 2018; increase in energy marketed to new free consumers during the year; integration of the portfolio through the hedging strategy.

2017	
ELECTRICITY CUSTOMERS	**3,376,425**
Customers in liberalised market	**337**
Customers in last resort market	**3,376,088**
ELECTRICITY SUPPLIED (GWh)	**31,501**
Electricity supplied in liberalised market	**17,804**
Electricity supplied in last resort market	**13,697**

2018	
ELECTRICITY CUSTOMERS	**3,450,487**
Customers in liberalised market	**309**
Customers in last resort market	**3,450,178**
ELECTRICITY SUPPLIED (GWh)	**31,871**
Electricity supplied in liberalised market	**18,102**
Electricity supplied in last resort market	**13,769**

TRANSPORT ACTIVITY

- During 2018, the first 137km of transmission network became operational and 1,184km are still under development, and are expected to enter into operation by 2021.

3.4.4.3 STRATEGIC ANALYSIS

	PILAR ESTRATÉGICO
A	Commitment to execution
B	Excelência operacional e eficiência superior
C	Foco regulatório
D	Reforço da eficiência
E	Disciplina de Capital e Retorno para o accionista

INDICADOR	META	ESTADO
Capacidade Instalada	3,0GW	2,9GW
Dívida Líquida/ EBITDA	< 2,x	1,6x
Política de Dividendos	> 50%	60%

3.4.4.4 RISK OUTLOOK

- **Regulatory reform:** pace of liberalization of retail market included in ongoing proposal to revise market design (generation, distribution and supply), maintenance of the weighted average cost of capital (WACC) for energy distribution business
- **Hydro volume:** mismatch between (uncertain) energy generation and energy sold in LT contracts, differences settled at volatile spot price (PLD)
- **Price (Spot PLD):** transversal impact to the business of generation, distribution and supply
- **Political/ social risk:** political uncertainty in new political mandate with impact at macroeconomic level and in business
- **Climate change:** hydro resources scarcity with impact to the business of generation (hydro and thermal)

3.5
RISK MANAGEMENT OF THE YEAR

The risk management at EDP Group looks for acting in an integrated way across 5 fundamental pillars:

	RECURRENT ACTIVITIES	DEVELOPMENTS IN 2018	PRIORITIES FOR 2019
IN-DEPTH KNOWLEDGE ABOUT KEY SOURCES OF RISK EXPOSURE	**Mapping of key risks** (and representation in a structured taxonomy). **Quantitative analysis of exposures** (based on average and maximum loss).	**Development of a risk map** with the key risks for 2019. **Deep-dive of the risk map** for the business of generation in Portugal. **Mapping of key climate risks**, according with the recommendations of TCFD (key transition and physical risks).	**Development of a tool to follow-up key emerging concerns of the management team** of EDP Group, to update the exercise of emerging risks map developed in 2017. **Update the annual exercise of risk map** with the key risks of 2020.
DEFINITION OF MANAGEMENT STRATEGY	**Support the clarification and reflection around risk-return trade-offs** (and risk appetite) in key management decisions. **Periodical update of the risk appetite statement** disclosed in the Annual Report.	**Consolidation of risk-return methodologies** (marginal cost of risk).	**Reflection on risk capacity and tolerance** for EDP Group.
ACTIVE PARTICIPATION OF RISK IN KEY DECISIONS AND MANAGEMENT PROCESSES	**Risk advice/ support for the Business Plan and Budget exercises.** **Support for investment decisions** (inc. participation in Investment Committee). **Support the definition of coverage strategies** for key exposures. **Analysis and advice on topics with possible impact** in the risk profile of the Group. **Follow-up and control of key exposures** (through periodical reports at Group level and for the most relevant BUs).	**Standardization of credit risk policies.** **Risk analysis and asset composition** for the Group's Pension Fund. **Support the strengthening, standardization and formalization of practices for Crisis Management and Business Continuity** in selected areas (EDP Distribuição, EDP Produção, DGU, UNGE, EDP Valor, EDP Comercial, EDP Spain, EDP Renewables). **Launching of pilot for integration of risk map with Budget.** **Study of mechanisms for mitigation of hydro volume risk.**	**Hedging strategy for the market risk in Iberia.** **Consolidation of practices for Crisis Management and Business Continuity** and broadening scope to the remaining BUs.
FORMALIZATION OF RISK GOVERNANCE MODEL	**Establishment of policy and principles for risk management** at EDP Group.	**Continuous disclosure of the risk governance model, and integration of the corporative structure with risk-officers of BUs** giving visibility over key risk topics to top management.	**Support the dynamization of risk-officers network and consolidation of the risk management function** (in BUs with more recent risk governance models).

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edp

WE LOVE ENERGY

04 CORPORATE GOVERNANCE

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04 CORPORATE GOVERNANCE

PART I
INFORMATION ON OWNERSHIP STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. OWNERSHIP STRUCTURE

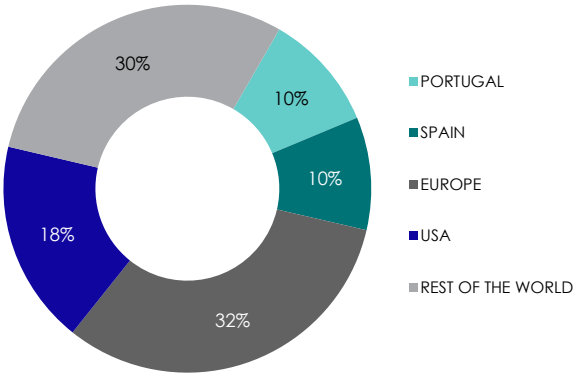
I. CAPITAL STRUCTURE

1. CAPITAL STRUCTURE

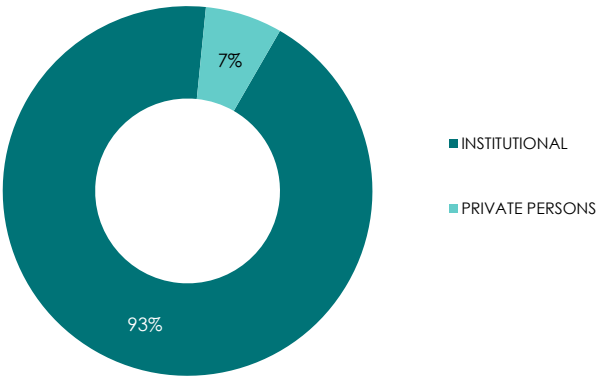
EDP's share capital in the amount of EUR 3,656,537,715 and is fully paid up, according to Article 4 (2) of EDP's Articles of Association, being represented by 3,656,537,715 ordinary shares, which have a face value of 1 euro each.

The geographical and investor type breakdown of the EDP shareholder structure on 31 December 2018 was as follows:

BREAKDOWN OF SHAREHOLDER STRUCTURE BY GEOGRAPHY



BREAKDOWN OF SHAREHOLDER STRUCTURE BY INVESTORS TYPE



Source: Interbolsa

2. RESTRICTIONS ON SHARE TRANSFERABILITY

In statutory terms the shares are not subject to any limitations in terms of transferability, given that, according to the Portuguese Securities Code, shares traded in the market are fully transferable.

3. TREASURY STOCK

As at 31 December 2018, EDP owned 21,771,966 treasury stock shares, corresponding to 0.60% of the share capital and 0.60% of the voting rights.

The Shareholders' General Meeting that took place on 5 April 2018 has resolved on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own shares by EDP and subsidiaries of EDP for an eighteen-month period as from the proposal approved in the General Meeting.

4. CHANGE OF COMPANY CONTROL

EDP is not a party to any significant agreements that come into effect, are amended or cease in the event of a change of company control following a takeover bid (except normal market practice in terms of debt issue).

On 11 May 2018, China Three Gorges (Europe), S.A., company indirectly held by China Three Gorges Corporation, through its wholly-owned subsidiaries China Three Gorges International Corporation and China Three Gorges (Hong Kong) Company Limited has disclosed the announcement for the launch of a general and voluntary tender offer for the acquisition of shares representing the share capital of EDP which was subsequently modified by means of an addendum on 16 May 2018, which is available at:

Preliminary announcement for the launch of a general and voluntary tender offer for the acquisition of shares representing the share capital of EDP - web3.cmvm.pt/sdi/emitentes/docs/fsd492459.pdf

Addendum to the preliminary announcement for the launch of a general and voluntary tender offer for the acquisition of shares representing the share capital of EDP - web3.cmvm.pt/sdi/emitentes/docs/fsd494880.pdf

On 8 June 2018, EDP's Executive Board of Directors issued a report on the timeliness and conditions of the general and voluntary tender offer over the shares launched by China Three Gorges (Europe), S.A., which is available at:

Report of EDP's Executive Board of Directors - web3.cmvm.pt/sdi/emitentes/docs/FR68954.pdf

Activities are still being carried out for the launch of the general and voluntary tender offer for the acquisition of shares representing the share capital of EDP on this date.

5. DEFENSIVE MEASURES

EDP has not taken any measures to prevent takeover bids that would put the interests of the Company and its shareholders at risk. The supplementary rules on this matter remain thus in force.

In this regard, it is important to note that, pursuant to Article 14 (3) of EDP's current Articles of Association, votes cast by a shareholder on his own behalf or representing another will not be considered if they exceed 25% of all the votes corresponding to the share capital.

Although EDP's Articles of Association impose this limitation on the exercise of voting rights, this limitation is not a measure to prevent successful takeover bids.

In fact, the inability of the limitation on voting rights to prevent the success of a takeover bid is the result of EDP's current capital structure and of the compliance of the deliberative quorum of two-thirds of the votes cast, which is set out in EDP's Articles of Association for an amendment to the company agreement on this matter with Article 182-A (2) of the Securities Code.

No defensive measures have been taken aimed at or resulting in serious erosion of EDP's assets in the event of transfer of control of the company or a change in the composition of the Executive Board of Directors, thereby prejudicing the free transferability of the shares and free appraisal by the shareholders of the performance of the members of the Executive Board of Directors.

6. SHAREHOLDER AGREEMENTS

According to the Article 7 of EDP's Articles of Association, shareholder agreements regarding the Company must be communicated in full to the Executive Board of Directors and the General and Supervisory Board by the shareholders that have signed them in the 30 (thirty) days following their conclusion.

According to information provided to the Company by the shareholders, the Executive Board of Directors is aware of the existence of a single shareholder agreement, which was entered into on 11 April 2007 by Parpública, Caixa Geral de Depósitos, S.A. ("CGD") and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach").

Under the terms of this shareholder agreement, which were announced publically, Parpública and CGD made the following commitments:

- To support the continued membership of Sonatrach (or of a person indicated by it) in EDP's General and Supervisory Board, provided that Sonatrach maintains a shareholding of at least 2% (two percent) of EDP's share capital and the strategic partnership remains in effect; and

- To refrain from promoting, supporting and/or voting in favour of any change in EDP's Articles of Association that prevents the continued membership of Sonatrach (or of a person indicated by it) in EDP's General and Supervisory Board.

Although Parpública has sold its shareholdings in EDP's share capital and CGD does not own a qualifying shareholding in EDP's share capital, according to information at EDP's disposal this does not represent automatic cessation of the effects of the shareholder agreement. EDP has not been informed of any agreement to revoke or amend the said shareholder agreement.

II. SHAREHOLDINGS AND BONDS OWNED

7. 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 31 December 2018 and attributable 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.l. is fully owned by Kindbright Holdings Corp. Limited, which in turn is fully owned by CNIC Co., Ltd (formerly known 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.

OPPIDUM CAPITAL, S.L.		
Stakes held directly		
Oppidum Capital, S.L.	263,046,616	7.19%
Total	**263,046,616**	**7.19%**

According to paragraph 1(b) of Article 20 of the Portuguese Securities Code, the voting rights inherent to the share capital held by Oppidum Capital, SL and Flicka Forestal, SL are imputable to Fernando Masaveu Herrero. Oppidum Capital, SL is 55.9% owned by Masaveu Internacional, S.L. and 44.1% owned by Liberbank, S.A. In turn, Masaveu Internacional, SL is 100% held by Corporación Masaveu, SA. Corporación Masaveu, SA is 41.38% held by Fundación María Cristina Masaveu Peterson, 10.73% by Flicka Forestal, SL and 0.03% by Fernando Masaveu Herrero. Fernando Masaveu Herrero controls Fundación María Cristina Masaveu Peterson, 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.

BLACKROCK, INC.		
Stakes under management by entities in a control relationship		
BlackRock (Luxembourg) S.A.	49,282,565	1.35%
BlackRock (Netherlands) B.V.	776,486	0.02%
BlackRock Advisors (UK) Limited	1,046,389	0.03%
BlackRock Advisors, LLC	3,836,968	0.10%
BlackRock Asset Management Canada Limited	1,059,783	0.03%
BlackRock Asset Management Deutschland AG	9,606,564	0.26%
BlackRock Asset Management Ireland Limited	18,662,688	0.51%
BlackRock Asset Management North Asia Limited	9,693	0.00%
BlackRock Asset Management Schweiz AG	11,076	0.00%
BlackRock Financial Management	45,287	0.00%
BlackRock Fund Advisors	32,320,429	0.88%
BlackRock Fund Managers Limited	16,462,044	0.45%
BlackRock Institutional Trust Company, National Association	32,735,889	0.90%
BlackRock International Limited	428,495	0.01%
BlackRock Investment Management (Australia) Limited	773,921	0.02%
BlackRock Investment Management (UK) Limited	1,132,323	0.03%
BlackRock Investment Management, LLC	3,388,710	0.09%
BlackRock Japan Co Ltd	3,244,637	0.09%
BlackRock Life Limited	6,412,059	0.18%
iShares (DE) I Investmentaktiengesellschaft mit Teilvermogen	1,497,174	0.04%
Total	**182,733,180**	**4.997%**

Blackrock latest shareholding update occurred in April 20th, 2015.

MUBADALA INVESTMENT COMPANY		
Stakes held by entities in a control or group relationship		
Senfora BV	115,236,553	3.15%
Total	**115,236,553**	**3.15%**

The company Senfora BV is a company created in the Netherlands, wholly and directly owned by Mubadala, which is a company wholly owned by the government of Abu Dhabi.

SHAREHOLDER	NR. OF SHARES	% CAPITAL WITH VOTING RIGHTS
PAUL ELLIOTT SINGER		
Stakes held by entities in a control relationship		
Elliott Associates L.P.	21,384,919	0.58%
Elliott International, L.P.	68,265,635	1.87%
The Liverpool Limited Partnership	-	0.06%
Total	**89,650,554**	**2.51%**

The Liverpool Limited Partnership held, on December 31st 2018, a cash settled equity swap related to 2,279,150 shares representative of EDP's social capital, which correspond to 0.06% of voting rights. The Liverpool Limited Partnership is totally owned by Liverpool Associates, Ltd., which is turn is held by Elliott Associates L.P.

MILLENNIUM BCP		
Fundação Millennium BCP	350,000	0.01%
Stakes under management by associated entities		
Fundo de Pensões do Grupo Millennium BCP	88,639,949	2.42%
Total	**88,989,949**	**2.43%**

The management company of the pension fund of Group Millennium BCP exercises independently their voting rights.

STATE STREET CORPORATION [1]		
Stakes held by entities in a control relationship		
State Street Global Advisors (Japan) Co., Ltd	9,511,321	0.26%
State Street Global Advisors Asia Limited	895,996	0.02%
State Street Global Advisors Australia Limited	2,935,499	0.08%
State Street Global Advisors Inc	35,613,864	0.97%
State Street Global Advisors Limited	38,746,790	1.06%
Total	**87,703,470**	**2.40%**

SONATRACH		
Stakes held directly		
Sonatrach	87,007,433	2.38%
Total	**87,007,433**	**2.38%**

QATAR INVESTMENT AUTHORITY		
Stakes held by entities in a control or group relationship		
Qatar Holding LLC	82,868,933	2.27%
Total	**82,868,933**	**2.27%**

The company Qatar Holding LLC is wholly owned by Qatar Investment Authority.

NORGES BANK		
Stakes held directly		
Norges Bank	81,100,067	2.22%
Total	**81,100,067**	**2.22%**

EDP (TREASURY STOCK)	**21,771,966**	**0.60%**
REMAINING SHAREHOLDERS	**1,523,570,754**	**41.61%**
TOTAL	**3,656,537,715**	**100.00%**

Note: Pursuant to Article 14 (3) of the Articles of Association of EDP, votes cast by a shareholder, on its own account or on behalf of another shareholder, that exceed 25% of the votes corresponding to the share capital, shall not be taken into account.

[1] State Street communicated on February 6th, 2019 that its stake decreased to 1.99%.

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

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

By 31 December 2018, the financial instruments held by members of Executive Board of Directors, as required by Article 447 (5) of the Companies Code are shown below.

	EDP - ENERGIAS DE PORTUGAL, S.A.				EDP RENOVÁVEIS, S.A.		EDP - ENERGIAS DO BRASIL, S.A.	
EXECUTIVE BOARD OF DIRECTORS	No. SHARES 31-12-2018	No. SHARES 31-12-2017	No. BONDS 31-12-2018	No. BONDS 31-12-2017	No. SHARES 31-12-2018	No. SHARES 31-12-2017	No. SHARES 31-12-2018	No. SHARES 31-12-2017
António Luís Guerra Nunes Mexia	91,000	91,000	-	-	-	-	1	1
João Manuel Manso Neto	1,268	1,268	-	-	-	-	-	-
António Fernando Melo Martins da Costa	54,299	54,299	-	-	-	-	-	-
João Manuel Veríssimo Marques da Cruz	79,578	79,578	200,000	200,000	-	-	-	-
Miguel Stilwell de Andrade	140,000	140,000	-	-	-	-	-	-
Miguel Nuno Simões Nunes Ferreira Setas	7,382	7,382	-	-	-	-	6,000	6,000
Rui Manuel Rodrigues Lopes Teixeira (*)	31,733	31,733	-	-	-	-	-	-
Maria Teresa Isabel Pereira	71,281	(**)	-	-	-	-	-	-
Vera de Morais Pinto Pereira Carneiro	-	-	-	-	-	-	-	-

(*) The shares of EDP - Energias de Portugal include 1,490 shares hold by his spouse, Lina Lago da Silva Dantas Martins.

(**) On 5 April 2018, Maria Teresa Isabel Pereira held 66,256 shares of EDP - Energias de Portugal, S.A., with corresponding voting rights.

During the 2018 financial year, 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 30 April 2018, 5,025 shares of EDP share capital were attributed to Director 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.

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD

On 31 December 2018, the financial instruments owned or imputable to the members of the General and Supervisory Board, as required by Article 447 (5) of the Companies Code, are shown below.

	EDP - ENERGIAS DE PORTUGAL, S.A.			
GENERAL AND SUPERVISORY BOARD [1]	No. SHARES 31-12-2018	No. SHARES 31-12-2017	No. BONDS 31-12-2018	No. BONDS 31-12-2017
Luís Filipe Marques Amado	0	0	0	0
China Three Gorges Corporation	850,777,024	850,777,024	0	0
Dingming Zhang (representing China Three Gorges Corporation)	0	0	0	0
China Three Gorges International Corp.	850,777,024	850,777,024	0	0
Shengliang Wu (representing China Three Gorges International Corp.)	0	0	0	0
China Three Gorges (Europe), S.A.	850,777,024	850,777,024	0	0
Ignacio Herrero Ruiz (representing China Three Gorges (Europe), S.A.)	0	0	0	0
China Three Gorges Brasil Energia Ltda.	0	0	0	0
Yinsheng Li (representing China Three Gorges Brasil Energia Ltda.)	0	0	0	0
China Three Gorges (Portugal), Sociedade Unipessoal, Lda.	0	0	0	0
Eduardo de Almeida Catroga (representing China Three Gorges (Portugal))	0	0	0	0
DRAURSA, S.A.	0	0	0	0
Felipe Fernández Fernández (representing Draursa, S.A.) [2]	1,350	1,350	0	0
Fernando Maria Masaveu Herrero [3]	265,065,136	265,065,136	0	0
Senfora BV	115,236,553	148,431,999	0	0
Mohammed Issa Khalfan Alhuraimel Alshamsi (representing Senfora BV)	0	0	0	0
Banco Comercial Português, S.A.	88,989,949	88,989,949	0	0
Nuno Manuel da Silva Amado (representing Banco Comercial Português, S.A.)	0	0	0	0
Sonatrach	87,007,433	87,007,433	0	0
Karim Djebbour (representing Sonatrach)	0	0	0	0
Maria Celeste Ferreira Lopes Cardona	0	0	0	0
Ilídio da Costa Leite de Pinho	0	0	0	0
Jorge Avelino Braga de Macedo	0	0	0	0
Vasco Joaquim Rocha Vieira	3,203	3,203	0	0
Augusto Carlos Serra Ventura Mateus	0	0	0	0
João Carvalho das Neves	7,429	7,429	5	5
María del Carmen Fernández Rozado	0	0	0	0
Laurie Lee Fitch	0	0	0	0
Clementina Maria Dâmaso de Jesus Silva Barroso	0	0	0	0
António Manuel de Carvalho Ferreira Vitorino [4]	0	0	0	0

Notes

[1] The members of the General and Supervisory Board do not hold any shares of Energias do Brasil, S.A. nor EDP Renováveis, S.A.

[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, 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 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.

[4] António Manuel de Carvalho Ferreira Vitorino resigned on 27 July 2018.

9. SPECIAL POWERS OF THE MANAGING BODY WITH REGARD TO DECISIONS TO INCREASE SHARE CAPITAL

The Executive Board of Directors has the powers enshrined in the law and Articles of Association to perform its duties, which are indicated in detail in item 21.

In what concerns the approval of decisions on share capital increases, and according to Article 4 (3) of the Articles of Association, the Executive Board of Directors has the power to approve one or more share capital increases up to an aggregate limit of 10% of the current share capital in the amount of EUR 3,656,537,715, via the issue of shares to be subscribed by new entries in cash, in accordance with the issue terms and conditions that it defines. The draft decision must be submitted to the General and Supervisory Board subject to a majority of two-thirds of votes of the respective members.

The General Meeting of Shareholders held on 17 April 2012 decided to approve the renewal for five years of the Executive Board of Directors' authorization. The Executive Board of Directors has not yet used this renewed power to increase EDP's share capital, having such authorization expired on 18 April 2017.

10. SIGNIFICANT BUSINESS RELATIONSHIPS BETWEEN OWNERS OF QUALIFYING HOLDINGS AND THE COMPANY

In pursuit of its activity and regardless of its relevance, EDP conducts business with and enters into transactions under normal market conditions for similar operations with several entities, beyond which are included qualified shareholders of EDP or companies related to those.

Thus, with reference to 2018 exercise, it should be pointed out the performance of the following operations between companies of EDP Group and owners of qualifying holdings in EDP's share capital:

- Following the Investment Cooperation Agreement between EDP Renováveis and China Three Gorges for the Moray wind offshore project, announced on 19 October 2015, was concluded, on December 2018, the sale of a 10% stake in equity shareholding and shareholders loans on Moray Offshore Windfarm (East) Limited to China Three Gorges (Europe) S.A. owned by China Three Gorges Corporation, for a total amount of £37.6 million;

- EDP Group, through EDP Spain, has provided electricity and gas services and also energy efficiency products to the company Cementos Tutela Veguín and to other companies incorporated within the Masaveu Group in the approximate amount of €20.4 million (Cementos Tutela Veguín is a subsidiary of Masaveu Group which holds 55.9% of Oppidum Capital, S.L.);

- EDP Group provided electricity and gas services to Liberbank and related companies amounting to approximately €5.9 million (Liberbank holds 44.1% of Oppidum Capital, S.L.). EDP Group has also rendered payment management services to Liberbank on the approximate amount of €80,000.00 (Liberbank holds 44.1% of the company Oppidum Capital, S.L.);

- Banco Comercial Português (BCP) has rendered financial consultancy services to EDP Group, between October 2017 and December 2018 - under the Sagres Proejct that was aiming to the equity divestment on EDP Small Hydro and Pebble Hydro which together hold 21 small hydro facilities with an installed capacity of 103MW - on the amount of €700,000.00 in consultancy fees and €1,600.00 in expenses (amounts valued added tax excluded);

- Banco Comercial Português (BCP) has rendered financial intermediation services to EDP Group having namely, integrated a bank syndicate which performed as bond issuance Joint Bookrunners under the Euro Medium Term Notes Program that took place in October 2018, on the amount of €600 million. BCP was one of the 9 lead managers of the transaction, having been paid the amount of €266,666.67;

- Grupo EDP acquired to Sonatrach natural gas under the long-term supply agreement, and for the Soto 4 Combined Cycle Power Station, entered into after the existing partnership between EDP and Sonatrach in October 2007, having been paid the amount of €191.91 million.

On July 29, 2010, the General and Supervisory Board approved the first draft of the "Regulations on Conflict of Interest and Transactions between Related Parties of EDP", which was revised in 2015, and a new version was approved on October 29, 2015 available on the EDP's website (www.edp.com). These rules for identifying, preventing and resolving potential relevant corporate conflicts of interest have a higher level of exigency than those in the previously in force Corporate Governance Code issued by the Portuguese Securities and Exchange Commission (CMVM) and the currently in force Corporate Governance Code established by the Portuguese Institute for Corporate Governance.

On 17 May 2010 the Executive Board of Directors approved the rules on identification, in-house reporting and procedure in the event of conflicts of interest applicable to all EDP Group employees who play a decisive role in transactions with related parties. These rules are available on EDP's website (www.edp.com).

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its work to the General and Supervisory Board.

The General and Supervisory Board noted in relation to 2018, in view of the cases analysed and the information provided by the Executive Board of Directors, that no evidence was found that the potential conflicts of interest underlying the transactions made by EDP may have been settled contrary to the interests of the Company.

For more information on the matter, see item 3.4.3. of the Annual Report of the General and Supervisory Board.

B. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING

A) COMPOSITION OF THE GENERAL MEETING

11. NAME AND POSITION OF OFFICERS OF THE GENERAL MEETING AND THEIR TERM OF OFFICE

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

At the Annual General Meeting of 21 de Abril 2015 the Chairman and Vice-Chairman of the Board of the General Meeting were elected for the 2015-2017 mandate. The Company Secretary was appointed on 23 April 2015 (likewise for the 2015-2017 mandate), having the Board of the General Meeting held office until 5 April 2018.

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

At the Annual Shareholders' General Meeting of 5 April 2018, the Chairman and Vice-Chairman of the Board of the General Meeting were reappointed for the 2018-2020 triennium, having the Company Secretary and the respective alternate been appointed by the Executive Board of Directors on such date.

BOARD OF THE GENERAL MEETING	
Chairman	**António Manuel de Carvalho Ferreira Vitorino** [1]
Vice Chairman	Rui Pedro Costa Melo Medeiros
Company Secretary	Ana Rita Pontífice Ferreira de Almeida Côrte-Real [2]

[1] António Manuel de Carvalho Ferreira Vitorino resigned on 27 July 2018
[2] Appointed by the Executive Board of Directors on 5 April 2018 for the position of Company Secretary, having also been appointed, on such date, Joana Gomes da Costa Monteiro Dinis, for the position of Alternate Company Secretary

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.

The Chairman of the General Meeting has the in-house human and logistic resources appropriate to his/her needs, including the support of the General Secretariat, the Legal Department, the Investor Relations Office and the Brand, Marketing and Communication Global Coordination Office, plus external support from a specialised entity hired by EDP to collect, process and count the votes. The logistic and administrative resources for the General Meeting are provided by the Company and the organisation is supervised by the Chairman of the Board of the General Meeting.

B) EXERCISE OF VOTING RIGHTS

12. RESTRICTIONS ON VOTING RIGHTS

Pursuant to Article 14 (2) of EDP's Articles of Association, each share corresponds to one vote.

According to Article 14 (9) of EDP's Articles of Association, the holders of rights representing shares under ADR (American Depositary Receipt) programs may instruct the respective depositary bank in order to see their voting rights exercised or, alternatively, grant proxy to a representative designated by EDP for such purpose, in compliance with applicable legal or statutory provisions; the depository contract should regulate terms and ways for exercising the voting rights, as well as for cases in which such instructions do not exist.

According to Article 14 (10) of the Articles of Association, EDP's shareholders can only participate and vote at the General Meeting, personally or through a representative, if on the date of registration, 00:00 hours (GMT) of the fifth day of trading prior to that of the General Meeting, they own at least one share.

Proof of ownership of the shares is provided by sending the Chairman of the General Meeting, by the fifth day of trading prior to that of the General Meeting, a statement issued, certified and sent by the financial intermediary responsible for registering the shares, indicating the number of shares registered and the date of registration. It may be sent by email (Article 14 (13) of EDP's Articles of Association).

Participation in the General Meeting also requires the shareholder to express this intention to the Chairman of the General Meeting and the financial intermediary at which the individual registration account has been opened, by the end of the sixth day of trading prior to that of the General Meeting. The communication may be sent by email (Article 14 (11) of EDP's Articles of Association).

Shareholders who have expressed their intention to participate in a General Meeting pursuant to the Articles of Association and have transferred ownership of the shares between the fifth day of trading prior to that of the General Meeting and the

end thereof, must inform the Chairman of the General Meeting and the CMVM immediately (Article 14 (11) of EDP's Articles of Association).

EDP's shareholders can submit a postal vote on each of the items on the agenda in a letter addressed to the Chairman of the General Meeting, as set out in Article 14 (6) of the Articles of Association.

Pursuant to Article 14 (7) of EDP's Articles of Association, voting rights may also be exercised electronically, in accordance with the requirements necessary to ensure their authenticity, which must be defined by the Chairman of the General Meeting in the invitation to the meeting.

Shareholders can find the necessary forms for postal or electronic votes on EDP's website (www.edp.com).

EDP has taken several measures to encourage shareholders to exercise their voting rights, such as elimination of financial obstacles that may affect their exercise. These measures include:

- General circulation of the notice of meeting of the General Meeting with an express indication of the channels available for the exercise of voting rights and in publications on the CMVM website (www.cmvm.pt) and EDP website (www.edp.com), on the NYSE Euronext Lisbon newsletter and in mailings to shareholders;

- Payment of the costs of issuing declarations of ownership of shares for all shareholders who participate in the General Meeting (directly or by post);

- Payment of the costs involved in remote voting, including postal voting.

As per EDP's Articles of Association, votes cast by a shareholder in his own name or as a representative of another exceeding 25% (twenty-five percent) of all the votes representing the share capital are not considered. This limitation applies to all decisions of the General Meeting, including those for which the law or EDP's Articles of Association provide for a qualified majority of the Company's share capital.

Pursuant to Article 14 (4) of EDP's Articles of Association, votes for which, under Article 20 (1) of the Securities Code or any legal rule that amends or replaces it, he is responsible will be considered cast by the same shareholder.

Pursuant to Article 15 (2) and (3) of the Articles of Association, EDP's shareholders are obliged to provide the Executive Board of Directors, in writing and in a complete, objective, clear, truthful form, and in a manner acceptable to the board, all information that it requests from them on facts concerning them and related to Article 20 (1) of the Securities Code. Noncompliance with this obligation shall result in prevention of the exercise of voting rights pertaining to the shares owned by the shareholder in question.

If the limitation on the counting of votes affects a number of shareholders, it will operate in proportion to the ordinary shares owned by each one (Article 14 (5) of the Articles of Association).

Furthermore, pursuant to Article 20 (1) of the Securities Code, or any legal rule that amends or replaces it, shareholders who become owners of a shareholding of 5% (five percent) or more of the voting rights or share capital, must inform the Executive Board of Directors thereof within five business days of the date on which ownership occurred. They cannot exercise their voting rights until they have made this communication (Article 15 (1) of EDP's Articles of Association).

13. MAXIMUM PERCENTAGE OF VOTING RIGHTS THAT CAN BE EXERCISED BY A SINGLE SHAREHOLDER OR SHAREHOLDERS THAT ARE RELATED IN SOME OF THE RELATIONS OF ARTICLE 20 (1)

See Item 12.

14. DECISIONS OF SHAREHOLDERS WHO, UNDER THE ARTICLES OF ASSOCIATION, CAN ONLY BE MADE BY A QUALIFIED MAJORITY OTHER THAN THOSE PROVIDED FOR BY LAW

Decisions by the General Meeting are taken by a majority of votes cast, unless the law or the Articles of Association require a qualified majority (Article 11 (3) of the Articles of Association).

Article 10 (1) of the Articles of Association defines the performance of functions in any corporate body is incompatible with:

- the status of a legal person that is a competitor of EDP or a company in a control or group relation with EDP;
- the status of a legal person or an individual related to a legal person that is a competitor of EDP;
- the exercise of functions, of any nature or for any reason whatsoever, notably by appointment to a corporate office, by employment contract or by services provision agreement, at a legal person that is a competitor of EDP or at a legal person related to a legal person that is a competitor of EDP.

Nevertheless, Article 10 (4) defines that the incompatibilities set forth in the foregoing paragraphs may also not apply to the performance of functions as a member of the general and supervisory board, to the extent permitted by law, subject to authorization given by prior resolution, with the favor of two thirds of the votes cast at the elective general shareholders' meeting. The competition relation must be expressly referred to and precisely identified in the appointment proposal, and the authorization resolution may be subject to conditions, notably to a holding of no more than 10% of EDP's share capital.

It should also be highlighted that, according to Article 10 (10) of EDP's Articles of Association, it should not be deemed to be a competitor of EDP the legal person shareholder that individually holds at least 20% of the share capital of EDP, and that, directly or through a legal person which is in a domain relationship with it, enters into and maintains a medium or long term strategic partnership of business cooperation in the activities of generation, distribution or supply of electricity or natural gas, approved in accordance with legal and statutory provisions, with prior favourable opinion of the General and Supervisory Board.

In all other cases, the deliberative quorum set out in Article 383 (2) of the Companies Code applies.

II. MANAGEMENT AND SUPERVISION

A) COMPOSITION

15. CORPORATE GOVERNANCE MODEL

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

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

The division of competences, inherent to such model, between the Executive Board of Directors and the General and Supervisory Board, has been assuring an effective management of the Company, benefitted by a constant and attentive

supervision. Considering this structure, we can say that the dual model of corporate governance in place at EDP since July 2006 has allowed for an effective separation of the Company's supervision and management in pursuit of the goals and interests of EDP and its shareholders, employees and other stakeholders, thereby contributing to achieving the degree of trust and transparency necessary for its adequate functioning and optimisation.

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

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

For a better understanding of EDP's corporate governance, EDP's website (www.edp.com) allows shareholders and the general public to view the up-to-date Articles of Association in Portuguese and English, the Internal Regulation of the Executive Board of Directors, General and Supervisory Board and its committees, documents that were modified during 2018 in order to accommodate the principles and recommendations set forth by the Corporate Governance Code issued by the Portuguese Institute for Corporate Governance.

Worth noting also that EDP has since 2010 a Corporate Governance Manual, whose primary objective consists of registering and sharing the provisions of the Executive Board of Directors and of General and Supervisory Board regarding best practices recommendations applicable to EDP on corporate governance. The Manual has a dynamic nature. It should therefore continue to be revised periodically, considering the contributions of all interested parties in the continuous development of EDP's governance model. The dynamic nature and the contribution of all interested parties is, at this stage, timely to the extent the Manual is under analysis in order to adopt the principles and recommendations deriving from the entry into force of the Corporate Governance Code issued by the Portuguese Institute for Corporate Governance.

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

Considering that good practices of corporate governance are embedded in the Company's organizational culture, EDP sought to go beyond the legal requirements and regulations for this area, particularly concerning information reporting, given EDP's meticulousness and goals regarding 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 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 such goals;
- 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.

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 (www.edp.com), 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.

Additionally, the Integrity Policy approved by the Executive Board of Directors has implemented the mandatory execution to all subsidiary, controlled or affiliated as well as to all employees and business partners of duties which aim to avoid unlawful conducts, in particular those associated with the practice of corruption acts, money laundering and terrorism financing. EDP Group is committed to promote an exempt, honest, integrated, professional and fair action and requires that its employees and contracted third-parties behave in accordance with such commitment, complying with the legislation and regulation in force. The EDP Group Companies has implemented and has disseminated prevention, detection and control measures towards any form of corruption, prevarication, conduct on conflict of interest, influence peddling, money laundering, terrorism financing and other illegal acts. In this regard, the EDP Group Companies may adopt more demanding additional measures, according to local needs, ensuring at all times the compliance with the local applicable legislation. Additionally, the Compliance area of the Compliance and Internal Audit Department which independence is guaranteed through the reporting to the Executive Board of Directors and to the Financial Matters Committee / Audit Committee of the General and Supervisory Board of EDP is responsible to annually review this Policy or whenever any relevant legislative change occurs, submitting those amendments to the Executive Board of Directors for approval.

EDP intends to keep materializing a pioneer role of excellence in terms of corporate governance best practice promotion, hoping that this initiative may also contribute to an enrichment of the debate on these matters, in a context of the overall organization and functioning of companies, particularly in Portugal.

16. ARTICLES OF ASSOCIATION RULES ON PROCEDURAL AND MATERIAL REQUIREMENTS FOR THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

It is the role of the General Meeting to elect and remove members of the Executive Board of Directors and the General and Supervisory Board, including their chairmen.

In the event of permanent or temporary absence of any of the members of the Executive Board of Directors, the General and Supervisory Board arranges for his/her replacement and the appointment must be ratified by the next General Meeting, under Article 22 (1) (g) of the Company's Articles of Association.

In the event of permanent absence of any of the members of the General and Supervisory Board, the substitutes on the list submitted to the General Meeting must be summoned by the Chairman of this Board to replace him/her, following the order on the list. Pursuant to Article 21 (5) (g) of EDP's Articles of Association, the substitutes on the list must all be independent. If there are no substitutes, they will be elected by the General Meeting.

17. COMPOSITION OF THE BOARD OF DIRECTORS, EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors at the General Meeting of 21 April 2015, for the three-year period from 2015 to 2017. The term of office of these members of the

corporate bodies therefore finished on 31 December 2017, though they may remain in office until the Annual Shareholders' General Meeting on the 5 April 2018 which approved the appointment of new governing bodies members for the 2018-2020 triennium.

GENERAL AND SUPERVISORY BOARD

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

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

The General and Supervisory Board members in office until 5 April 2018 were the following:

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 Wu		21/04/2015
	DRAURSA, S.A. represented by Felipe Fernández Fernández (2)		21/04/2015
	Fernando Maria Masaveu Herrero		20/02/2012
	Banco Comercial Português, S.A. represented by Nuno Manuel da Silva Amado (3)		21/04/2015
	Sonatrach represented by Ferhat Ounoughi		12/04/2007
	Senfora BV represented by Mohammed Issa Khalfan Alhuraimel Alshamsi (4)		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 General and Supervisory Board in 2006-2008, 2009-2011 mandates and chairman, also independent, during 2012-2014 mandate

(2) Felipe Fernández Fernández was appointed as member of the General and Supervisory Board, in representation of Cajastur Inversiones, on 20 February 2012, for the 2012-2015 triennium

(3) Nuno Manuel da Silva Amado held office in his own name after his appointment on 6 May 2013 until the term of the 2012-2014 mandate

(4) Mohamed Al Fahim represented Senfora BV until 31 October 2017, being replaced on the same date by Mohammed Issa Khalfan Alhuraimel Alshamsi. During the 2009-2011 and 2012-2014 mandates, the member of the General and Supervisory Board was Senfora S.à.r.l.

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

Following the Shareholders' General Meeting on the 5 April 2018, the members of the General and Supervisory Board for the 2018-2020 triennium were appointed, as follows:

GENERAL AND SUPERVISORY BOARD		INDEPENDENT MEMBERS	FIRST APPOINTMENT DATE
Chairman	**Luís Filipe Marques Amado**	**Independent**	**21/04/2015**
Vice-Chairman	**China Three Gorges Corporation represented by Yang Ya (1)**		**20/02/2012**
	China Three Gorges International Corp. represented by Dingming Zhang (2)		05/04/2018
	China Three Gorges (Europe), S.A. represented by Shengliang Wu (3)		20/02/2012
	China Three Gorges Brasil Energia Ltda. represented by Yinsheng Li		05/04/2018
	China Three Gorges (Portugal), Sociedade Unipessoal, Lda. represented by Eduardo de Almeida Catroga		21/04/2015
	DRAURSA, S.A. represented by Felipe Fernández Fernández (4)		21/04/2015
	Fernando Maria Masaveu Herrero		20/02/2012
	Senfora BV represented by Mohammed Issa Khalfan Alhuraimel Alshamsi		21/04/2015
	Banco Comercial Português, S.A. represented by Nuno Manuel da Silva Amado (5)		21/04/2015
	Société National pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (Sonatrach) represented by por Karim Djebbour		12/04/2007
	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
	María del Carmen Fernández Rozado	Independent	21/04/2015
	António Manuel de Carvalho Ferreira Vitorino (6)	Independent	21/04/2015
	Laurie Lee Fitch	Independent	05/04/2018
	Clementina Maria Dâmaso de Jesus Silva Barroso	Independent	05/04/2018

(1) Yang Ya resigned, having been replaced by Dingming Zhang with effects as from 4 December 2018

(2) Dingming Zhang resigned, having been replaced by Shengliang Wu with effects as from 4 December 2018

(3) Shengliang Wu resigned, having been replaced by Ignacio Herrero Ruiz with effects as from 4 December 2018

(4) Felipe Fernández Fernández was appointed as member of the General and Supervisory Board, in representation of Cajastur Inversiones, on 20 February 2012, for the 2012-2015 triennium

(5) Nuno Manuel da Silva Amado held office in his own name after his appointment on 6 May 2013 until the term of the 2013-2015 mandate

(6) António Manuel de Carvalho Ferreira Vitorino resigned on 27 July 2018

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

On 31 December 2018, the General and Supervisory Board was composed by the following members:

GENERAL AND SUPERVISORY BOARD		INDEPENDENT MEMBERS	FIRST APPOINTMENT DATE
Chairman	**Luís Filipe Marques Amado**	**Independent**	**21/04/2015**
Vice-Chairman	**China Three Gorges Corporation represented by Dingming Zhang**		**20/02/2012**
	China Three Gorges International Corp. represented by Shengliang Wu		05/04/2018
	China Three Gorges (Europe), S.A. represented by Ignacio Herrero Ruiz		20/02/2012
	China Three Gorges Brasil Energia Ltda. represented by Yinsheng Li		05/04/2018
	China Three Gorges (Portugal), Sociedade Unipessoal, Lda. represented by Eduardo de Almeida Catroga		21/04/2015
	DRAURSA, S.A. represented by Felipe Fernández Fernández		21/04/2015
	Fernando Maria Masaveu Herrero		20/02/2012
	Senfora BV represented by Mohammed Issa Khalfan Alhuraimel Alshamsi		21/04/2015
	Banco Comercial Português, S.A. represented by Nuno Manuel da Silva Amado		21/04/2015
	Société National pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (Sonatrach) represented by Karim Djebbour		12/04/2007
	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
	María del Carmen Fernández Rozado	Independent	21/04/2015
	Laurie Lee Fitch	Independent	05/04/2018
	Clementina Maria Dâmaso de Jesus Silva Barroso	Independent	05/04/2018

- António Manuel de Carvalho Ferreira Vitorino resigned on 27 July 2018
The representatives of the companies China Three Gorges Corporation and China Three Gorges International Corp. initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011

EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is responsible for managing the Company's activities and representing the Company, pursuant to Article 431 of the Companies Code and Article 17 of the Articles of Association and was elected by the shareholders at a General Meeting. During the 2015-2017 mandate, the Executive Board of Directors was composed by eight members who held offices until the Annual General Meeting of 5 April 2018.

Pursuant to Article 16 (2) of the Articles of Association of EDP, the Executive Board of Directors must have a minimum of five and a maximum of nine members, as per statutory change approved at the Shareholders' General Meeting on 5 April 2018 which increased the maximum number from eight up to nine members.

The members of the Executive Board of Directors may not exercise executive functions in more than two companies not integrating EDP Group, and the exercise of the referred functions shall be subject to prior appraisal by the Executive Board of Directors, according to Article 6 of the Internal Regulation of such body.

At the General Meeting of Shareholders, held on 21 April 2015, the following members of the Executive Board of Directors were elected for the 2015-2017 mandate and held office until the Annual General Meeting on 5 April 2018:

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 of the Company and the two-tier corporate governance model

At the Shareholders' General Meeting that took place on 5 April 2018, the following members of the Executive Board of Directors were elected for the mandate of the 2018-2020 triennium:

EXECUTIVE 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 of the Company and the two-tier corporate governance model

18. INDEPENDENT MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

EDP's Articles of Association (Article 9 (1), Article 10 (1), Article 11 (2) (d), Article 21 (4), Article 22 (1) (a), Article 23 and Article 27) and the Internal Regulation of the General and Supervisory Board (Article 8), both available on its website (www.edp.com), lay down the rules on independence and incompatibilities for members of any of the Company's corporate bodies.

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

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

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

Pursuant to its Internal Regulation, 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 7 and 8 of the General and Supervisory Board Internal Regulation). 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 Regulation, 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, if applicable, the compliance with the independence requirements.

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 Regulation 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;

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

- Having exercised for twelve years, on a consecutive or non-consecutive basis, functions in any corporate body of the Company exception made to, from the end of its functions in any body and its new appointment, at least a three-year period has elapsed;

- Having, in the last three years, provided services or had a significant commercial relation with the Company or one of its Subsidiaries; and,

- Being a remuneration beneficiary paid by the Company or one of its Subsidiaries other than the remuneration deriving from the execution of its functions as a member of the General and Supervisory Board.

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) and Article 414 (5) and (6) of the Companies Code and Article 21 (4) of EDP's Articles of Association);

- The Financial Matters Committee/Audit Committee is entirely composed of independent members of the General and Supervisory Board (Article 23 (2) of EDP Articles of Association and Article 3 (1) of the Financial Matters Committee/Audit Committee's Internal Regulation);

- The Remuneration Committee of the General and Supervisory Board must comprise a majority of independent members (Article 28 (1) (b) of the General and Supervisory Board's Internal Regulation).

In compliance with the above procedure, at the start of their terms of office, the members of the General and Supervisory Board stated that they were not in any of the situations of incompatibility set out in the Companies Code (Article 414-A (1) (a) to (e), (g) and (h) (ex vi Article 434 (4)) and Article 437 (1)) or under the Articles of Association and, where applicable, that they complied with the independence requirements of the Internal Regulation of the General and Supervisory Board. Of the incompatibility situations for the exercise of the role of member of the General and Supervisory Board, pursuant to the Article 414-A of the Companies' Code, it is considered the exercise of functions of administration or supervisory in five companies. Therefore, one may not be elected or designated a member of the General and Supervisory Board if holds office of administrator or supervisor in five companies.

At the end of 2018, the members of the outgoing General and Supervisory Board renewed their statements on incompatibilities and independence.

The above statements are available to the public on EDP's website, at www.edp.com.

The independent members of the General and Supervisory Board are shown in the chart in Item 17 above.

19. QUALIFICATIONS OF THE MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

See Annex I of this Report.

20. FAMILY, WORK-RELATED AND BUSINESS RELATIONSHIPS OF THE MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS WITH SHAREHOLDERS OWNING A QUALIFYING SHAREHOLDING OF OVER 2% OF THE VOTING RIGHTS

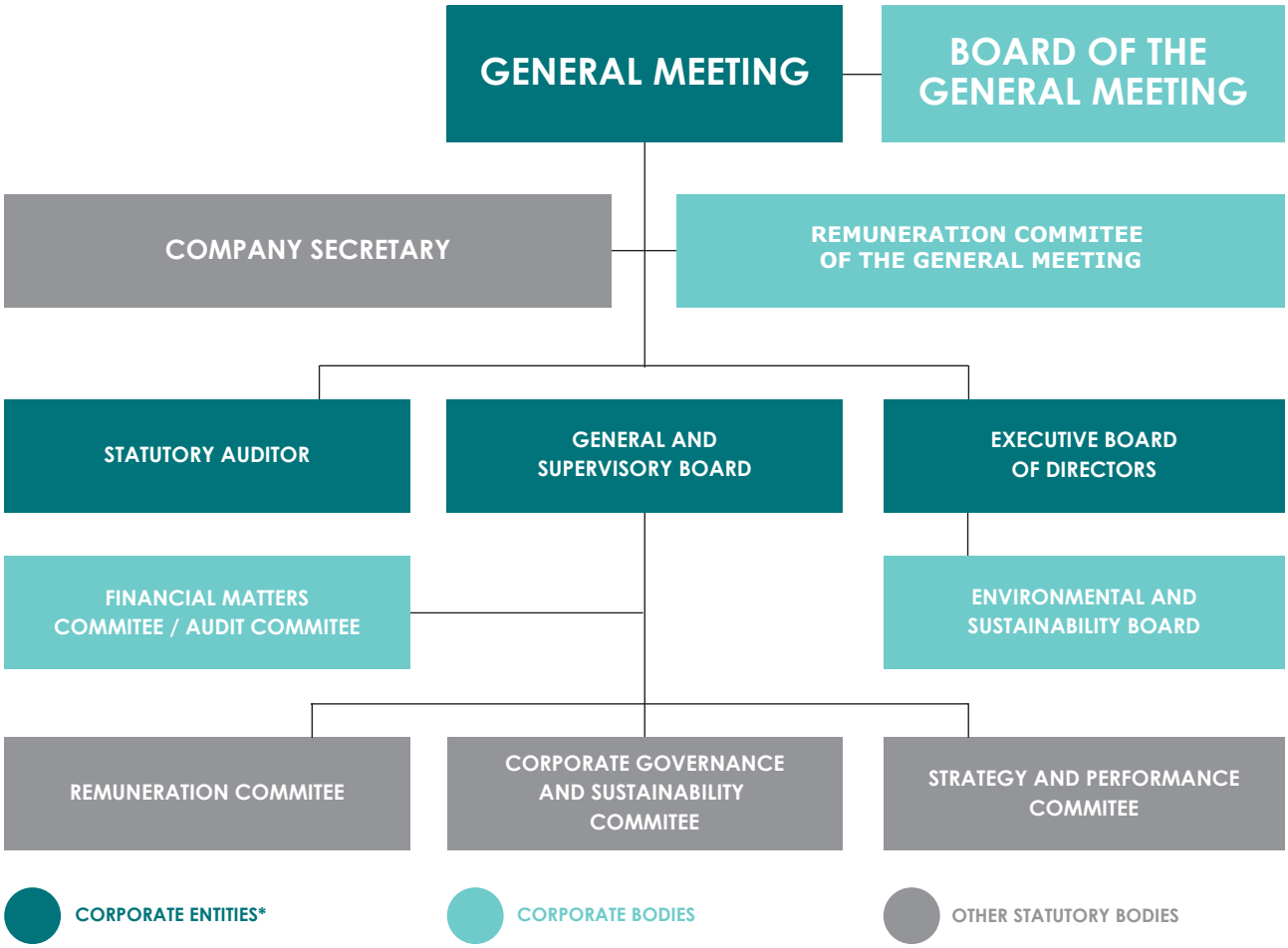
As for the General and Supervisory Board, there are professional relationships between Board members and shareholders attributed a qualifying holding of more than 2% of voting rights, during the year of 2018, as described below:

- The members of the General and Supervisory Board Dingming Zhang, Shengliang Wu, Ignacio Herrero Ruiz and Eduardo de Almeida Catroga are managers of China Three Gorges Corporation which, through its subsidiary China Three Gorges (Europe), S.A., has a 23.27% shareholding in EDP;

- The member of the General and Supervisory Board Fernando Masaveu Herrero is chairman of the management body of Masaveu International, S.L. which owns 55.9% of Oppidum, S.L., a company with a 7.19% shareholding in EDP. Fernando Masaveu Herrero is also chairman of the administration body of Oppidum, S.L.;

- The member of the General and Supervisory Board Felipe Fernández Fernández is a manager of Liberbank, S.A. which owns 44.1% of Oppidum, S.L., a company with a 7.19% shareholding in EDP;
- The member of the General and Supervisory Board Mohammed Issa Khalfan Alhuraimel Alshamsi is a manager of Mubadala Investment Company which wholly owns Senfora, BV, a company with a 3.15% shareholding in EDP;
- The member of the General and Supervisory Board Nuno Manuel da Silva Amado is a manager of Banco Comercial Português S.A. which holds indirectly a 2.43% shareholding in EDP;
- The member of the General and Supervisory Board Karim Djebbour is a manager of Société National pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (Sonatrach) which has a 2.38% shareholding in EDP.

21. ORGANISATION CHART, DELEGATION AND DIVISION OF POWERS



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

POWERS OF THE GENERAL AND SUPERVISORY BOARD

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 Company 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 its Internal Regulation, which includes 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 Company 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 favourable opinion from this board (see also Article 15 of the Internal Regulation 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 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 aggregate limit of 10% of the current share capital by issuing Category A shares to be subscribed by new inputs of cash;
- 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 15 of the General and Supervisory Board Internal Regulation, is responsible for:

- Convening and presiding over meetings of the General and Supervisory Board;
- Representing the General and Supervisory Board institutionally;
- 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;
- Proposing to the plenary 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;
- Requesting from the Executive Board of Directors relevant information for the General and Supervisory Board and its committees to perform their duties and ensuring that the members of the General and Supervisory Board receive it in good time;

- Taking the necessary measures to ensure that the General and Supervisory Board adequately monitors the activity of EDP and the Executive Board of Directors in particular;

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

- Ensuring correct implementation of General and Supervisory Board decisions.

The Chairman of the General and Supervisory Board or, in his/her absence or incapacity, a member selected 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 of the Financial Matters Committee/Audit Committee Internal Regulation).

Worth also noting that the General and Supervisory Board annually performs:

- A self-assessment of its activity and performance and those of its committees, the conclusions of which are set out in its annual report (see Article 12 of the General and Supervisory Board Internal Regulation);

- An independent assessment of the activity and performance of the Executive Board of Directors, the conclusions of which are submitted to the General Meeting and are presented in an annex to the annual report of the General and Supervisory Board.

EDP, on the initiative of the General and Supervisory Board has voluntarily established a formal, impartial process to assess the activity of this board and of the Executive Board of Directors. Experience of recent years has allowed the General and Supervisory Board to make some changes in the process to make it more effective and efficient. The method used comprises the following stages:

- After the year's end, the Chairman of the General and Supervisory Board sends assessment questionnaires to the members of its Board. The questionnaires are answered individually and are confidential;

- The General and Supervisory Board Support Office statistically processes the data received and prepares the information for consideration at a General and Supervisory Board meeting;

- The General and Supervisory Board issues its assessment opinions and they are included in this board's annual report;

- At the General Meeting, the Chairman of the General and Supervisory Board presents the board's opinion in the item of the agenda for assessment of the Executive Board of Directors.

POWERS OF THE EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is a collegial body. No director is allowed to represent more than one other director at each meeting.

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

- Setting the goals and management policies of EDP and the EDP Group;

- Drawing up the annual business and financial plans;

- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the responsibilities of other company bodies;
- Representing the Company in and out of court, actively and passively, with the power to waive, transact and admit guilt in any legal proceedings and make arbitration agreements;
- Buying, selling or by any other means disposing or encumbering rights or immovable assets;
- Setting up companies and subscribing, purchasing, encumbering and selling shareholdings;
- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, in compliance with the annual quantitative limits set by the General and Supervisory Board;
- Establishing the technical and administrative organisation of EDP and the Internal Regulation, 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 Regulation.

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

The Chairman of the Executive Board of Directors sends the Chairman of the General and Supervisory Board the notices of meetings, support documents and minutes of the meetings and, on request, provides appropriate, timely information, which is accessible to all the members of the General and Supervisory Board.

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

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

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

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

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

The activity and performance of the Executive Board of Directors are assessed continuously and independently by the General and Supervisory Board on an annual basis.

Until 5 April 2018, the Corporate Departments and Business Units assigned to the members of the Executive Board of Directors were the following:

ANTÓNIO MEXIA

CORPORATE AREAS

- General Secretariat and Legal Office
- Office of the Chairman of the Executive Board of Directors
- Internal Audit and Compliance Office
- Business Analysis Office
- Human Resources Office
- University EDP
- Brand, Marketing and Communication Global Coordination Office
- Institutional Relations and Stakeholders Office

MANAGEMENT AREAS

- Innovation
- Branch of EDP in Spain

Nuno Maria Pestana de Almeida Alves

- Business Analysis Office
- Management Risk Office
- Consolidation, IFRS Report and Taxation Global Coordination Office
- Management Planning and Control
- Financial Management Office
- Investor Relations Office

- Shared Service
- Holdings and Investments
- Branch of EDP in Spain

João Manuel Manso Neto

- Energy Planning Office
- Regulation and Competition Office

- Trading
- Renewables
- Branch of EDP in Spain

António Fernando Melo Martins da Costa

- Office of the Ethics Ombudsman
- Organizational Development Office
- Information Systems Office

- Distribution Network Grids in Portugal
- Shared Service
- Branch of EDP in Spain

João Manuel Veríssimo Marques da Cruz

- International
- Labelec

Miguel Stilwell de Andrade

- Customer and Marketing Office

- Supply and Services
- Customer Support Services
- Electricity in Spain
- Gas in Spain
- Branch of EDP in Spain

Miguel Nuno Simões Nunes Ferreira Setas

- Human Resources Office

- Brazil
- Studies and Consulting

Rui Manuel Rodrigues Lopes Teixeira

- Sustainability Office

- Generation Portugal

CORPORATE AREAS | MANAGEMENT AREAS

Following the Shareholders' General Meeting dated 5 April 2018 and respective changes to the corporate bodies, modifications were made to the assignment of Corporate Departments and Business Units to the members of the Executive Board of Directors which, on 31 December, were the following:

EXECUTIVE BOARD OF DIRECTORS

ANTÓNIO MEXIA

CORPORATE DEPARTMENTS

Corporate Governance Support Area
- Office of the Chairman of the Executive Board of Directors
- Internal Audit and Compliance Department

Strategic Area
- Business Analysis Department

Resources Area
- Human Resources Department
- EDP University

Brand and Communication Area
- Brand, Marketing and Communication Coordination Department
- Institutional Relations and Stakeholders Department

BUSINESS UNITS

Corporate support
- EDP – Sucursal en España

Negócio
- EDP Inovação

João Manso Neto

Strategic Area
- Energy Planning Department
- Markets and Regulation Department
- Studies and Competition Department

Business
- UNGE – Energy Management Business Unit
- EDP Renováveis (and respective subsidiaries)

António Martins da Costa

Corporate Governance Support Area
- Office of the Ethics Ombudsman

Strategic Area
- Risk Management Department
- Sustainability Department

Resources Area
- Organisational Development Department
- Digital Global Unit

João Marques da Cruz

Business
- EDP Distribuição
- EDP Internacional (and respective subsidiaries)
- Labelec

Miguel Stilwell de Andrade

Strategic Area
- Business Analysis Department

Financial Area
- Financial Management Area
- Consolidation, IFRS Reporting Global Coordination Department
- Management Planning and Control Department
- Investor Relations Department

Miguel Setas

Resources Area
- Human Resources Department

Business
- EDP Brasil (and respectivesubsidiaries)

Shared Services
- Sãvida

Rui Teixeira

Business
- EDP Produção (and respective subsidiaries)
- EDP España (and electricity sector subsidiaries)

Maria Teresa Pereira

Corporate Governance Support Area
- General Secretariat
- Legal Office Department
- Internal Audit and Compliance Department

Shared Services
- EDP Valor
- EDP Imobiliária e Participações

Vera Pinto Pereira

Business
- EDP Comercial
- EDP Serviço Universal
- EDP Gás Serviço Universal

Shared Services
- EDP Soluções Comerciais

DIRECÇÕES CORPORATIVAS UNIDADES DE NEGÓCIO

EDP'S FUNCTIONAL STRUCTURE

GROUP'S ORGANISATIONAL MODEL

The Executive Board of Directors is responsible for defining the EDP Group's organisational model and dividing duties among the different Business Units, the Shared Services company EDP Valor - Gestão Integrada de Serviços, S.A. (EDP Valor) and central structure. This structure consists of a Corporate Centre that provides assistance to the Executive Board of Directors in defining and monitoring the execution of strategies, policies and goals.

The Corporate Centre is divided into Corporate Departments and Business Units, allowing for optimisation and greater efficiency of the organisational structure.

The Executive Board of Directors is also assisted by specialised committees, which ensure more effective monitoring of matters and contribute to the decision-making process.

CORPORATE CENTRE

CORPORATE CENTRE • BUSINESS UNITS	
OFFICES	
Corporate Governance Support Area	
General Secretariat	Rita Ferreira de Almeida
Legal Office Department	Alexandra Cabral
Office of the Chairman of the Executive Board of Directors	Teresa Lobato [1]
Internal Audit and Compliance Department	Azucena Viñuela Hernández
Office of the Ethics Ombudsman	Maria Manuela Silva [2]
Strategic Area	
Energy Planning Department	Ana Margarida Quelhas
Business Analysis Department	Pedro Vasconcelos
Risk Management Department	António Castro
Markets and Regulation Department	Maria Joana Simões
Studies and Competition Department	Ricardo Ferreira
Sustainability Department	António Castro
Financial Area	
Financial Management Department	Paula Guerra
Consolidation, IFRS Reporting Global Coordination Department	Miguel Ribeiro Ferreira
Management Planning and Control Department	João Gouveia Carvalho
Investor Relations Department	Miguel Henriques Viana
Resources Area	
Organisational Development Department	José Filipe Santos
Digital Global Unit Department	José Manuel Careto
Human Resources Department	Paula Carneiro
EDP University	Jorge Cruz Morais
Marketing and Communication Area	
Brand, Marketing and Communication Coordination Department	Paulo Campos Costa
Institutional Relations and Stakeholders Department	Paulo Lopes
Business Units	
Energy Management Business Unit	Carlos Mata

Data referring to 31 December 2018
[1] On 20 December 2018, the Executive Board of Directors has appointed Maria Teresa Guimarães Lobato, with effects as from 1 January 2019, replacing Pedro McCharthy Cunha
[2] On 20 December 2018, the Executive Board of Directors has appointed Maria Manuela Silva, with effects as from 1 January 2019, replacing José Figueiredo Soares

The current departments and their duties are as follows:

The **General Secretariat** provides administrative and logistical assistance to the Executive Board of Directors and harmonisation of the corporate governance policies within the Group.

The **Legal Office Department** provides legal advice to EDP and to EDP Group's companies with their head offices in Portugal, in order to ensure the effective operation of the Corporate Centre, compliance with applicable legislation.

The **Office of the Chairman of the Executive Board of Directors** assists the CEO in all matters within his/her remit in order to help maximise the effectiveness of decisions and instructions.

The main mission of the **Internal Audit and Compliance Department** is to conduct internal audits as an independent and objective assurance and consulting activity; to ensure the implementation of the Internal Control System for Financial Reporting ("SCIRF"); and to promote and coordinate the implementation of compliance mechanisms in the Group, as to achieve the improvement and protection of value and Group's operations, contributing to improve the processes of risk management, control and governance.

The **Ethics Ombudsman's Office** is responsible for supporting the General and Supervisory Board and the Executive Board of Directors regarding the definition, communication, implementation and assessment of objectives, policies and management instruments of corporate ethics. Additionally, it manages the processes of claims of ethical nature, regarding the commitments established concerning confidentiality and protect rights associated with these procedures.

The mission of the **Energy Planning Department** is to coordinate studies for the Group's energy portfolio development strategy in order to assist the Executive Board of Directors in building an integrated view of the portfolio and contributing to the planning of its development in the different regions in which EDP operates.

The **Business Analysis Department** coordinates studies to assist with the Group's overall business strategy and performs development operations via investments, divestitures and/or partnerships in order to assist the Executive Board of Directors in optimising EDP's business portfolio and promoting and taking new business opportunities.

The **Risk Management Department** coordinates studies to assess the Group's risk, in order to assist the Executive Board of Directors in monitoring and mitigating risk and to supply integrated analyses of return-risk.

The **Regulation and Markets Department** studies and executed the regulatory strategy of the sector essentially in Portugal but also with Mibel, coordinates projects on energy regulation for the Group, with the aim of supporting the Executive Board of Directors in decision-making and ensuring regulatory compliance by the companies covered.

The **Studies and Competition Department** coordinates studies within a strategic context within the regulatory and competition framework, with the aim of providing the Executive Board of Director in the development of a global vision on a legal and market level as well as to coordinate litigation actions on such fields.

The **Sustainability Department**'s mission is to analyse, propose and guarantee the Group's sustainability strategy in order to assist the Executive Board of Directors in policies and goals and to ensure their implementation.

The remit of the **Financial Management Department** is to propose and implement the Group's financial management policy and analyse and monitor management of its pension fund in order to optimise and guarantee financial sustainability and control financial liabilities in accordance with Group policy.

The **Consolidation, IFRS Reporting and Taxation Global Coordination Department** is in charge of the Group's IFRS reporting in order to ensure compliance with deadlines and accounting and tax processing that is appropriate and consistent in operations at all the Group companies.

The **Management Planning and Control Department** is responsible for the Group's management planning and oversight, to ensure alignment with strategic goals and monitor implementation of the business plan.

The **Investor Relations Department** communicates with analysts and investors in Group companies to ensure the sustainability of EDP's image and reputation and fulfil the information requirements of regulators and financial supervisors.

The **Organisational Development Department** analyses, proposes and coordinates the organisation's development and provides Group-wide programmes for implementing its strategy, in order to optimise the competitiveness of EDP's organisation and operation.

The **Digital Global Unit** is in charge of managing the Group's information and communication systems in the Iberian Peninsula and analysing and proposing the Group's ICT strategy in order to align it with the strategy and create value by providing solutions that foster efficacy, efficiency and innovation in EDP's processes.

The **Human Resources Department** analyses and proposes the Group's human resource policies and is in charge of group-wide support processes, in order to contribute to the development and value creation for all employees, as well as to align the values and culture that is in line with the corporate values and contributes to the sustainability of the business.

EDP University assures availability, retainment and sharing of knowledge in the Group in order to reinforce a common culture, foster employees' vocational development and facilitate the appearance of new talents and full use of their skills.

Brand, Marketing and Communication Global Coordination Department, whose competences are analyse, propose, coordinate and assure a strategy of global communication for EDP Group, aimed at maximising the value of the brand through a unique vision of the positioning of communication, independently of operating areas or geographies.

The **Institutional Relations and Stakeholders** assures an integrated and consistent narrative with EDP's stakeholders, aligned with the adopted vision and strategy, aimed at maximizing the potential of communication with stakeholders and in order to contribute to a fluid and systematized information regarding EDP and its actions.

The **Energy Management Business Unit** (UNGE) is responsible for negotiating physical and forward purchases of fuel and contracting transport on behalf of the appropriate EDP Group companies. It is also responsible for spot and forward purchases and sales in the electricity market of a physical or financial nature, such as energy derivatives and foreign exchange operations. It also decides on operation and dispatch programs for the EDP Group power stations whose energy management is its responsibility in order to optimise its portfolio and supply energy to customers of the EDP Group's retailers. It also manages the EDP Group's CO2 allowance operations and green certificates.

SPECIFIC EDP COMMITTEES (FUNCTIONAL STRUCTURES)

The EDP organisational model provides for management committees that contribute in two ways to the Company's decision-making process:

- They input information to assist the Executive Board of Directors in its decision-making reflecting opinions and information from the areas in the organisation most affected by the proposal in question;

- They are used by an organisational unit (belonging to the Corporate Centre, a Business Unit or shared service unit to assist in gathering information, alignment, decisions and implementation of policies and practices with an impact on a number of areas in the organization.

Considering the principle of continuous improvement that the EDP Group follows and the committees' importance in the Group's organisational model, the Executive Board of Directors approved, on 20 December 2018, a change in structure of the committees and appointed its members.

On 31 December 2018, the Committees structure configuration was as follows:

STRATEGIC CORPORATE COMMITTEES	FUNCTIONAL CORPORATE COMMITTEES	BUSINESS COMMITTEES
Risk Committee	Innovation Committee	Generation Committee
Sustainability Committee	Ethics Committee	Distribution Networks Committee
Energy Planning Committee	Information Disclosure Committee	Iberian Commercial Committee
Investments Committee	Stakeholders Committee	
Regulation Committee	Procurement Committee	
Prices and Volumes Committee	Accident Prevention and Safety Committee	
Iberian Commercial and Market Committee	Pension Plan and Fund Management Committee	
	Corporate Development Committee	
	Human Resources and Diversity Committee	
	Information Technology Committee	
	Compliance Committee	

I - STRATEGIC CORPORATE COMMITTEES

RISK COMMITTEE

The main duties of the Risk Committee are:

- Share information on the EDP Group's key risks and risk profile;
- Discuss the result of significant risk assessment projects undertaken in conjunction with the Business Units;
- Discuss and issue opinions or recommendations on policies, procedures, significant risks, risk limits and extraordinary risk situations;
- Promote and monitor maintenance of the inventory of the most significant risks (risk portal);
- Approve the periodical reporting model to be submitted by the Business Units or the Risk Management Department and other mechanisms for reporting and monitoring EDP's risks.

The Risk Committee's membership is as follows:

Risk Committee
Chairman: Chairman EBD
Secretary: Dir. Risk Management
Member EBD (besides the Chairman):
Member EBD (Risk Area)
Member EBD (Financial)
Member EBD (Renewables)
Member EBD (Spain)
Member EBD (Brasil)
CC and BU (besides Secretary)
Head of CC Energy Planning
Head of CC Financial Management
Head of CC Regulation and Markets
Head of UNGE
Head of CC Management Control
Ad-hoc members:
Board Member EDP Produção
Board Member EDP Distribuição
Board Member EDP Comercial
Board Member EDP Internacional
Board Member EDP Valor
General Manager of EDP Espanha
Rep. EDP Renováveis
Rep. EDP Brasil

The Risk Committee held two meetings in 2018.

SUSTAINABILITY COMMITTEE

The Sustainability Committee's responsibilities are as follows:

- Share information and discuss the implications of major legislative packages in the field of sustainability;
- Share the Group's environmental performance indicators and benchmarks;
- Discuss and give opinions on the annual Operational Environment and Sustainability Plans (POSA) and the annual consolidated budget;
- Discuss and give opinions on the annual action plans and the EDP Group's goals and targets;
- Monitor the progress of approved action plans and the activities of the EDP Group companies' sustainability management structures.

The Sustainability Committee's membership is as follows:

SUSTAINABILITY COMMITTEE
Chairman: Chairman EBD
Secretary: Head of CC Sustainability
Members of EBD (besides the Chairman):
Member of the EBD (Sustainability)
CC and BU members (besides the Secretary):
Board member of EDP Produção (Envir. and Sustainability)
Board member of EDP Distribuição (Envir. and Sustainability)
Board member of EDP Sol. Comerciais (Envir. and Sustainability)
Board member of EDP Valor (Envir. and Sustainability)
Board member of EDP Inovação
Head of CC Risk Management
Head of CC Investor Relations
Head of CC Human Resources
Head of CC EDP University
Head of CC Brand, Marketing Communication Global Coord.
Head of CC Institucional Relations and Stakeholders
Head of CC Energy Planning
Rep. CC Risk Management
Rep. Fundação EDP
Rep. EDP Espanha (Envir. Sust. And Stakeholders)
Rep. EDP Renováveis
Rep. EDP Brasil
Rep. EDP Comercial
Rep. Fundación EDP
Rep. UNGE

The Sustainability Committee held one meeting in 2018.

ENERGY PLANNING COMMITTEE

The main tasks of the Energy Planning Committee are:

- Share up-to-date information on the different markets and businesses in which the EDP Group operates (Iberia, wind, Brazil) and the performance of its portfolio in these geographies;
- Analyse the impact of energy and environment policies, as well as different regulatory frameworks with reference to the planning of the sector and portfolio of EDP;
- Inform and propose about stances on several matters regarding strategic planning.

The Energy Planning Committee's membership is as follows:

ENERGY PLANNING COMMITTEE
Chairman: Chairman EBD
Secretary: Head of CC Energy Planning
Members of EBD (besides the Chairman):
Member of the EBD (Renewables) Member of the EBD (Finance) Member of the EBD (Brazil) Member of the EBD (Spain) Member of the EBD (Generation) Member of the EBD (Trading)
CC and BU members (besides the Secretary):
Board Member of EDP Produção Board Member of EDP Distribuição Board Member of EDP Comercial Board Member of EDP Renováveis General Manager of EDP Espanha Head of CC Business Analysis Head of CC Management Planning and Control Head of CC Regulation and Markets Head of CC Studies and Competition Head of CC Risk Management Head of CC Investor Relations Head of CC Sustainability Head of UNGE Rep. EDP Renováveis (Regulation and Markets) Rep. EDP Espanha (Regulation) Rep. EDP Brasil (Energy Planning)
Ad-hoc members:
Board Member of EDP Internacional Board Member of EDP Inovação

The Energy Planning Committee held one meeting in 2018.

INVESTMENTS COMMITTEE

The Investments Committee discusses and issues opinions on proposed investment and disinvestment projects and WACC proposals for the Business Units.

The Investments Committee's membership is as follows:

INVESTMENTS COMMITTEE
Chairman: Member of the EBD (Finance)
Secretary: Head of CC Business Analysis
Members CC (besides the Secretary):
Head of CC Business Analysis Head of CC Management Planning and Control Head of CC Energy Planning Head of CC Risk Management
Ad-hoc members:
Head of CC Coordination of Consolidation, IFRS Report and Tax Corp. Head of CC Investor Relation

The Investments Committee held twenty-eight meetings in 2018.

REGULATION COMMITTEE

The remit of the Regulation Committee is as follows:

- Share regulatory practices in the Iberian Peninsula and the rest of Europe and those followed in Brazil;
- Analyse the European Commission's energy strategy and policies and the implementation of directives by the internal market and the competition and policies, legislation, regulations and organisation of the energy sectors in Portugal and Spain;
- Analyse prices and the implications of tariff policies and decisions on regulated activities;
- Discuss the impacts of developments and regulatory changes as well as their respective impacts;
- Discuss and give an opinion on proposals for the definition of positions to be defended by the EDP Group in the Iberian and European market.

The Regulation Committee's membership is as follows:

REGULATION COMMITTEE
Chairman: Member of the EBD (Regulation)
Secretary: Head of CC Regulation and Markets
Members of EBD (besides the Chairman):
Member of the EBD (Distribution)
Member of the EBD (Trading)
CC and BU members (besides the Secretary):
Board Member of EDP Distribuição
Board Member of EDP Brasil
Board Member of EDP Comercial
Board Member of EDP Serviço Universal
Board Member of EDP Produção
Board Member of EDP Gás SU
Board Member of EDP Soluções Comerciais
Rep. of Cabinet of EBD Chairman
Head of CC Energy Planning
Head of UNGE
Rep. UNGE (Fuel Markets)
Rep. EDP Espanha (Regulation)
Rep. EDP Distribuição (Regulation)
Rep. EDP Comercial
Rep. EDP Brasil (Regulation)
Rep. EDP Renováveis ((Regulation and Markets)
Head of CC Studies and Competition
Head of CC Management Control
Head of CC Institutional Relations/Stakeholder Management
Head of Investor Relations
Head of CC Business Analysis
Rep. CC Regulation and Markets
Rep. EDP Serviço Universal (Regulation)
Rep. EDP Produção
Rep. EDP Gás SU
Rep. European Compliance Project
Rep. CC Risk Management
Rep. CC Investor Relations

The Regulation Committee held eight meetings in 2018.

PRICES AND VOLUMES COMMITTEE

The Prices and Volumes Committee's main duties are:

- Share relevant, up-to-date information on recent developments in the Iberian electricity and gas markets;
- Discuss and align historical information and forecasts shared by business areas;
- Issue an opinion on the forward curve representing the EDP Group's best estimate on the growth of the wholesale market for a one to two-year horizon;
- Propose adjustments to management of the Iberian wholesale margin (in terms of risk coverage, commercial activity, placement of gas contracts, etc).

The Prices and Volumes Committee's membership are as follows:

PRICES AND VOLUMES COMMITTEE
Chairman: Member of the EBD (Energy Planning)
Secretary: Head of CC Energy Planning
Members of EBD (besides the Chairman):
Member of the EBD (Finance)
Member of the EBD (Trading)
Member of the EBD (Spain)
Member of the EBD(Generation)
CC and BU members (besides the Secretary):
Board Member of EDP Produção (Regulation and Markets)
Board Member of EDP Produção (Spain)
Board Member of EDP Comercial (B2C)
Board Member of EDP Comercial (B2B)
Board Member of EDP Comercial (New Downstream)
Board Member of EDP Renováveis
General Manager of EDP Espanha
Head of CC Risk Management
Head of CC Management Planning and Control
Head of CC Regulation and Markets
Head of CC Studies and Competition
Head of CC Business Analysis
Head of CC Investor Relations
Head of UNGE
Head of DMO UNGE
Head of DME UNGE
Rep. EDP Espanha (Regulation)
Rep. EDP Espanha (Projects)

The Prices and Volumes Committee held four meetings in 2018.

MARKET AND COMMERCIAL IBERIAN COMMITTEE

The Market and Commercial Iberian Committee's responsibilities are as follows:

- Share information on the energy trading market and Iberian business for the supply of electricity, gas and services in all market segments (purchase of natural gas, gas sales balance sheet, customer losses, prices, competition, etc);
- Analyse the market situation and competitiveness of prices in the different electricity and gas market in segments Portugal and Spain;

- Propose preferential segments for the placement of gas and price policies in different segments, strategies for gas auctions, gas placement or purchase goals in gas trading, measures to retain strategic customers, adaptation or correction of current commercial policies and setting or revision of intra-group transfer prices;

- Monitor the implementation of the above measures.

The Market and Commercial Iberian Committee's membership are as follows:

MARKET AND COMMERCIAL IBERIAN COMMITTEE
Chairman: Member of the EBD (UNGE)
Secretary: Head of UNGE
Members of EBD (besides the Chairman):
Member of the EBD (Trading) Member of the EBD (Spain)
CC and BU members (besides the Secretary):
Board of Directos of EDP Comercial Board Member of EDP Serviço Universal General Manager of EDP Espanha (Tradingl) Rep. UNGE (Fuel Markets) Rep. UNGE (Supplies) Rep. UNGE (Middle-Office) Rep. UNGE (Energy Markets) Rep. EDP Espanha (Sales B2B) Rep. EDP Espanha (Market. and Sales B2C) Rep. EDP Espanha (Planning, Control and Development of Trading Business)

The Market and Commercial Iberian Committee held ten meetings in 2018.

II - FUNCTIONAL CORPORATE COMMITTEES

INNOVATION COMMITTEE

The responsibilities of the Innovation Committee are as follows:

- Discuss and propose strategic areas of innovation in the EDP Group;

- Follow the governance model and EDP's innovation results Discuss and propose changes;

- Monitor the EDP Group's ongoing innovation initiatives and EDP Group projects in progress and propose corrective action.

The Innovation Committee's membership is as follows:

INNOVATION COMMITTEE
Chairman: Chairman EBD
Secretary: Board Member of EDP Inovação
Members of EBD (besides the Chairman):
Member of the EBD (Trading)
CC and BU members (besides the Secretary):
Board Member of EDP Produção Board Member of EDP Distribuição Board Member of EDP Comercial Board Member of EDP Brasil General Manager of EDP Espanha Board Member of Labelec Rep. EDP Renováveis (Technical) Head of CC Energy Planning Head of CC Business Anaysis Head of CC Brand, Marketing and Communication Global Coord. Head of CC EDP University Rep. EDP Espanha Rep. Fundação EDP
Ad-hoc members:
Head of CC Sustainability Head of CC Organisational Development Head of CC Digital Global Unit

The Innovation Committee held one meeting in 2018.

ETHICS COMMITTEE

The Ethics Committee, which was set up after approval of the EDP Group's Code of Ethics, is appointed by the Corporate Governance and Sustainability Committee of the General and Supervisory Board and its responsibilities are as follows:

- Draft and propose its Internal Regulation to the Corporate Governance and Sustainability Committee of the General and Supervisory Board;
- Submit corporate ethics instruments, policies, goals and targets to the Corporate Governance and Sustainability Committee;
- Receive and examine cases of infringement prepared by the Ethics Ombudsman and issue an opinion on them;
- Issue an opinion, when requested to do so by any of the managing bodies of the EDP Group companies and entities on practices or codes of conduct in the fields of ethics or professional conduct within the framework of specific, legal or regulatory needs;
- Analyse decisions made by the Ethics Committee of EDP Energias do Brasil, S.A. and the Ethics Committee of EDP Renováveis, S.A. referred to it according to 3.3.2 of the Regulations of the Ethics Code;
- Assess the quarterly reports on the EDP Group's or Business Units performance in implementing the Code of Ethics;
- Annually review the Code of Ethics' suitability to the EDP Group's needs of and draw up a report, on proposal of the Ethics Ombudsman and the Sustainability Department of the EDP Corporate Centre.

The Ethics Committee's membership is as follows:

ETHICS COMMITTEE
Chairman: Chairman EBD
Secretary: Ethics Ombudsman
Members of EBD (besides the Chairman):
Member of the EBD
Member of the EBD
Member of the EBD
Member of the EBD
Member of the EBD
Member of the EBD
Member of the EBD
Member of the EBD
CC and BU members (besides the Secretary):
Board Member of EDP Produção
Board Member of EDP Distribuição
Board Member of EDP Comercial
Board Member of EDP Soluções Comerciais
Board Member of EDP Valor
Board Member of EDP Renováveis
Board Member of EDP Serviço Universal
Head of CC Recursos Humanos
Head of CC Internal Audit and Compliance
Head of CC *Digital Global Unit*
Rep. EDP Brasil
Rep. EDP Spain (HC)

The Ethics Committee held four meetings in 2018.

INFORMATION DISCLOSURE COMMITTEE

The Information Disclosure Committee's has two main duties:

- Analysing and assessing information that is or should be provided periodically by EDP during preparation of reports and other press releases for the market;
- Assessing the mechanisms for monitoring and disclosing information about EDP.

The Information Disclosure Committee's membership are as follows:

INFORMATION DISCLOSURE COMMITTEE
Chairman: Member of the EBD (Finance)
Secretary: Head of CC Investor Relations
CC and BU members (besides the Secretary):
Head of CC General Secretariat
Head of CC Management Planning and Control
Head of CC Finance Management
Head of CC Coordination of Consolidation, IFRS Report and Tax
Head of CC Brand, Marketing and Communication Global Coordination
Rep. CC Brand, Marketing and Communication Global Coordination (Brand)
Rep. CC Brand, Marketing and Communication Global Coordination (Communication)
Rep. EDP Brasil (Investors Relation)
Rep. EDP Brasil (Accounting, Consolidation and Taxation)
Rep. EDP Renováveis (Investors Relation)

The Information Disclosure Committee held one meeting in 2018.

STAKEHOLDERS' COMMITTEE

The duties of the Stakeholders' Committee are as follows:

- Evaluate the alignment and consistency of stakeholder relationship strategies in the different markets and geographical areas where the EDP Group operates;
- Discuss priorities and propose guidelines and a management model for the Group's relations with stakeholders;
- Assess compliance with the Group's stakeholder management policy.

The Stakeholders Committees' membership is as follows:

STAKEHOLDERS' COMMITTEE
Chairman: Chairman EBD
Secretary: Head of CC Institucional Relations and Stakeholders
Members of EBD (besides the Chairman):
Member of the EBD (Distribution)
Member of the EBD (Renewables)
Member of the EBD (Brazil)
Member of the EBD (Spain)
Member of the EBD (Generation)
Member of the EBD (Trading)
CC and BU members (besides the Secretary):
Board Member of EDP Comercial
Board Member of EDP Renováveis
Board Member of Fundação EDP
Board Member of EDP Produção
Board Member of EDP Comercial
Head of CC Energy Planning
Head of CC Human Resources
Head of CC Brand, Marketing and Communication Global Coordination
Head of CC Sustainability

The Stakeholders' Committee held two meetings in 2018.

PROCUREMENT COMMITTEE

The main responsibilities of the Procurement Committee are:

- Discuss and align strategic guidelines of EDP Group's procurement activity;
- Validate proposals for amendments to policy and the procurement organizational model of the EDP Group;
- Validate the procurement annual plan to be approved by the Executive Board of Directors;
- Promote the alignment of the Business Units regarding procurement, ensuring the articulation between top management teams;
- Propose Sponsors and members of the categories of groups and committees oversee the implementation of optimization strategies of categories;
- Discuss and propose targets for "Performance indicators" and supervise the performance of the procurement activity at global and local level.

The Procurement Committee's membership are as follows:

PROCUREMENT COMMITTEE
Chairman: Member of the EBD (Finance)
Secretary: Rep. EDP Valor (UPG)
Members of EBD (besides the Chairman):
Member of the EBD (EDP Valor)
Member of the EBD (Trading)
Member of the EBD (Spain)
CC and BU members (besides the Secretary):
Board Member of EDP Produção
Board Member of EDP Distribuição
Board Member of EDP Valor
Board Member of EDP Brasil
Board Member of EDP Renováveis

The Procurement Committee held two meetings in 2018.

PREVENTION AND SAFETY COMMITTEE

The Prevention and Safety Committee has the following main responsibilities:

- Issue an opinion on proposals for setting the EDP Group's goals in terms of prevention and safety at work;
- Analyse the Annual Report and issue an opinion on the EDP Prevention and Safety Action Plan;
- Assess the main occupational safety indicators and propose ways of improving them;
- Issue opinions on the regulatory documents of the safety management system that cover the EDP Group as a whole or cut across different sectors.

The Prevention and Safety Committee's membership is as follows:

PREVENTION AND SAFETY COMMITTEE
Chairman: Member of the EBD (Sustainability)
Secretary: Rep. CC Sustainability
CC and BU members (besides the Secretary):
Board Member of EDP Produção
Board Member of EDP Distribuição
Board Member of EDP Valor
Board Member of EDP Soluções Comerciais
Board Member of EDP Imobiliária e Participações
Head of CC EDP University
Head of CC Sustainability
Rep. EDP Comercial
Rep. EDP Valor (occupational health)
Rep. EDP Espanha
Rep. EDP Brasil
Rep. EDP Renováveis

The Prevention and Safety Committee held two meetings in 2018.

PENSION PLAN AND FUND COMMITTEE

The Pension Plan and Fund Committee's main responsibilities are:

- Share significant information with an impact on management of the pension fund;
- Analyse the performance of assets under management, fund profitability and management mandates and the performance of the different asset managers;
- Monitor the value of the fund's liabilities and level of financing;
- Issue an opinion on investment policy and/or management mandates, actuarial assumptions used in calculating the fund's liabilities and members' contributions to the fund.

The Pension Plan and Fund Committee's membership is as follows:

PENSION PLAN AND FUND COMMITTEE MANAGEMENT
Chairman: Member of the EBD (Finance)
Secretary: Head of CC Finance Management
CC and BU members (besides the Secretary):
Head of CC Human Resources Head of CC Risk Management Head of CC Coordination of Consolidation, IFRS Report and Tax Rep. CC Human Resources (Labour Relations)

The Pension Plan and Fund Committee held four meetings in 2018.

CORPORATE DEVELOPMENT COMMITTEE

The Corporate Development Committee's duties are as follows:

- Promote and monitor group-wide programmes arising from the organisational and operational priorities established at the corporate level;
- Promote and analyse organisational benchmark studies;
- Analyse, discuss and issue opinions on proposed changes to the management model of Group processes and monitor their implementation;
- Coordinate the optimisation of processes of corporate interest;
- Assess and issue opinions on the support tools and organisational efficiency to meet the common needs of the EDP companies in terms of organisation and operation.

The Corporate Development Committee's membership are as follows:

CORPORATE DEVELOPMENT COMMITTEE
Chairman: Member of the EBD (Organisational Development)
Secretary: Head of CC Organisational Development
Members of EBD (besides the Chairman):
Member of the EBD (Human Resources)
CC and BU members (besides the Secretary):
Board Member of EDP Produção (OD)
Board Member of EDP Distribuição (OD)
Board Member of EDP Comercial (OD)
Board Member of EDP Soluções Comerciais (Process)
Board Member of EDP Brasil (OD)
Board Member of EDP Renováveis (OD)
Board Member of EDP Valor (Process)
Board Member of EDP Imobiliária (OD)
Board Member of EDP Labelec
General Manager of EDP Espanha (OD)
Head of CC Human Resources
Head of CC Digital Global Unit
Rep. Dir. CC Organisational Development (Organization)
Rep. Dir. CC Organisational Development (Process)
Rep. EDP Brasil (OD and Process)

HUMAN RESOURCES AND DIVERSITY COMMITTEE

The Human Resources and Diversity Committee's responsibilities are as follows:

- Discuss and align the definition of people management strategy of the EDP Group;
- Discuss and align policies for best practices in diversity and inclusion, proposing the incorporation and compliance with the Group's policy;
- Analyze key indicators for the different potential segments, and discuss and align development policies and instruments;
- Discuss and share initiatives aimed at cultural alignment and promoting a culture of meritocracy;
- Discuss and issue an opinion on the annual budget of Human Resources EDP Group and monitor its progress.

The Human Resources and Diversity Committee's membership are as follows:

HUMAN RESOURCES AND DIVERSITY COMMITTEE
Chairman: Chairman EBD
Secretary: Head of CC Human Resources
Members of EBD (besides the Chairman):
Member of the EBD (EDP Valor, EDP Imobiliária and Legal Office) Member of the EBD (HR, EDP Sãvida and Brazil) Member of the EBD (Finance) Member of the EBD (Renewables) Member of the EBD (Generation and Spain) Member of the EBD (Distribution, International and Labelec) Member of the EBD (Trading) Member of the EBD (IT, OD, Sustainability, Risk and Ethics)
CC and BU members (besides the Secretary):
Board Member of EDP Produção (Human Resources) Board Member of EDP Distribuição (Human Resources) Board Member of EDP Soluções Comerciais (Human Resources) Board Member of EDP Comercial (Human Resources) Board Member of EDP Valor (Human Resources) Board Member of EDP Renováveis (Human Resources) Board Member of EDP Fundação EDP (Human Resources) Board Member of EDP Serviço Universal (Human Resources) Board Member of EDP Inovação (Human Resources) Board Member of EDP Imobiliária (Human Resources) Board Member of EDP Espanha (Human Resources) Board Member of EDP Brasil (Human Resources) Board Member of Labelec (Human Resources) Board Member of Sãvida (Human Resources) Head of CC Brand, Marketing and Communication Global Coordination Head of CC Organisational Development Head of CC Digital Global Unit Head of CC EDP University Head of CC Institutional Relations and Stakeholders Head of CC Sustainability Ethics Ombudsman
Ad-hoc members:
Rep. EDP Brasil (Human Resources) Rep. EDP Renováveis (Human Resources) Rep. EDP Espanha (Human Resources) Rep. CC Human Resources, according to the agenda items

The Human Resources and Diversity Committee held one meeting in 2018.

INFORMATION TECHNOLOGY COMMITTEE

The Information Technology Committee's duties are as follows:

- Align the global strategy with Core Information technologies, including information safety;
- Define and consolidate the digital and information technology budget, including information safety;
- Monitor the main Digital and information technology projects.

The Information Technology Committee's membership is as follows:

INFORMATION TECHNOLOGY COMMITTEE
Chairman: Member of the EBD (Information System)
Secretary: Head of CC Digital Global Unit
CC and BU members (besides the Secretary):
Board Member of EDP Produção (IT)
Board Member of EDP Distribuição
Board Member of EDP Comercial
Board Member of EDP Soluções Comerciais (IT)
General Manager of EDP Espanha (IT)
Board Member of EDP Brasil (IT)
Board Member of EDP Valor (IT)
Board Member of EDP Inovação
Board Member of EDP Renováveis (IT)
Board Member of EDP Serviço Universal
Board Member of EDP Inovação (EDP Ventures)
Head of CC Organisational Development
Head of CC Human Resources
Head of UNGE
EBD Advisor

The Information Technology Committee held seven meetings in 2018.

COMPLIANCE COMMITTEE

The Compliance Committee and has the following responsibilities:

- To promote the compliance of the Group's Compliance Governance Model, policies and other compliance internal procedures;
- To support and monitor the process of creation, decision-maketing and implementation of the global programme of compliance;
- To support and monitor the process of creation, decision-maketing and implementation of the local and transversal compliance specific programs in the scope of the compliance global programme;
- To follow the activities of the plan of compliance;
- To follow the handling of complaints and investigation procedures;
- To propose measures to solve the non-compliance cases and monitor its resolution.

The Compliance Committee is composed as follows:

COMPLIANCE COMMITTEE
Chairman: Chairman EBD
Secretary: Head of CC Internal Audit and Compliance
Members of EBD (besides the Chairman):
Member of the EBD (Distribution) Member of the EBD (Finance) Member of the EBD (EDP Renováveis) Member of the EBD (EDP Espanha) Member of the EBD (EDP Internacional) Member of the EBD (Sustainability) Member of the EBD (EDP Brasil) Member of the EBD (Legal Office) Member of the EBD (Trading)
CC and BU members (besides the Secretary):
Head of CC General Secretariat Head of CC Legal Office Head of CC Risk Management Rep. European Compliance Project

The Compliance Committee held one meeting in 2018.

III - BUSINESS COMMITTEES

GENERATION COMMITTEE

The Generation Committee's main duties are:

- Exchange information on business performance in each region, including the critical environments (regulations, etc);
- Develop a uniform view of the business and maintain multi-region benchmarking (organisation, processes and management information);
- Foster (best) common practices in selected processes or activities;
- Share unique or specialised assets (human, technological, knowledge).

The Generation Committee's membership is as follows:

GENERATION COMMITTEE
Chairman: Member of the EBD (Generation)
Secretary: Rep. EDP Produção
Members of EBD (besides the Chairman):
Member of the EBD (Spain) Member of the EBD (Brazil)
Members CC and BU (besides the Secretary):
Board of Directors of EDP Produção Board Member of EDP Brasil Head of UNGE Head of CC Energy Planning Head of CC Sustainability Rep. EDP Espanha (Projects) Rep. EDP Espanha (Regulation)
Ad-hoc members:
Rep. EDP Brasil (Hydroelectric) Rep. EDP Brasil (Sustainability) Rep. EDP Brasil (Coal) Rep. EDP Espanha (Generation) Rep. EDP Espanha (Sustainability) Rep. EDP Produção (Natural Gas) Rep. EDP Produção (Sustainability) Rep. EDP Produção (Coal) Rep. EDP Espanha (Sponsor subcommittee Hydroelectric Generation) Rep. EDP Produção (Sponsor subcommittee Sustainability) Rep. EDP Produção (Sponsor subcommittee Natural Gas) Rep. EDP Produção (Sponsor subcommittee Coat Production)

The Generation Committee held two meetings in 2018.

DISTRIBUTION NETWORKS COMMITTEE

The Distribution Networks Committee's duties are as follows:

- Exchange information on business performance in each geography, and promote the share of best practices between distribution networks companies;
- Develop a uniform view of the business, analysis business metrics and multi-geographical benchmarks;
- Identify and propose new initiatives to accelerate the adoption of best practices.

The Distribution Networks Committee's membership is as follows:

DISTRIBUTION NETWORKS COMMITTEE
Chairman: Member of the EBD (Distribution)
Secretary: Board Member of EDP Distribuição
Members of EBD (besides the Chairman):
Member of the EBD (Spain)
Members CC and UN (besides the Secretary):
Board of Directors of EDP Distribuição Board Member of EDP Brasil (Distribution) Rep. EDP Espanha (Distribution) Rep. EDP Distribuição General Manager EDP Brasil (Escelsa) General Manager EDP Brasil (Bandeirante) Board Member of Labelec
Ad-hoc members:
Board Member of EDP Inovação Head of CC EDP University

The Distribution Networks Committee held three meetings in 2018.

IBERIAN COMMERCIAL COMMITTEE

The Iberian Commercial Committee's duties are as follows:

- Present the business evolution in each geography and in Iberia, including the respective critical circumstances (regulation, etc.);Discuss, align and issue opinions on key-issues (such as objectives, marketing plans, etc.) for the Executive Board of Directors or General and Supervisory Board approval for trading companies;

- Discuss, align and issue opinions on key-matters (such as objectives, marketing plans, etc.) for the approval of the Executive Board of Directors or the Board of Directors of power suppliers companies;

- Develop an uniform and integrated vision of the business in Iberia and keep a multi-geographical benchmarking (marketing, products, commercial and management information);

- Promote the adoption of (best) practices common to a select range of process and activities.

The Iberian Commercial Committee's membership is as follows:

IBERIAN COMMERCIAL COMMITTEE
Chairman: Member of the EBD (Trading)
Secretary: General Manager of EDP Espanha
Members of EBD (besides the Chairman):
Member of the EBD (Regulation and Competition) Member of the EBD (Spain)
Members CC and BU (besides the Secretary):
Board Member of EDP Serviço Universal Board Member of EDP Gás SU Board of Directors of EDP Comercial Board Member of EDP Soluções Comerciais Head of CC Digital Global Unit Head of CC Brand, Marketing and Communication Global Coordination Rep. EDP Espanha (Sales B2B) Rep. EDP Espanha (Sales B2C) Rep. CC Brand, Marketing and Communication Global Coordination (Brand) Rep. CC Brand, Marketing and Communication Global Coordination (Comunication)
Ad-hoc members:
Rep. EDP Comercial (Services B2B) Rep. EDP Comercial (Sales B2B PT) Rep. EDP Comercial (Sales B2C PT)

The Iberian Commercial Committee held one meeting in 2018.

CUSTOMER OMBUDSMAN

The Customer Ombudsman is an independent entity that was created in 2008 to reinforce the EDP Group's customer care policy. Its responsibilities are as follows, pursuant to Article 9 of the EDP Group Companies' Customer Ombudsman Regulation:

- Receive and examine complaints filed by customers and directly related to actions or omissions by EDP Group companies;
- Enter into dialogue with customers making a complaint;
- Arbitrate disputes and conflicts between customers and EDP Group companies;
- Issue opinions on matters relating to the activity of EDP Group companies, if requested to do so by any of their corporate bodies;
- Propose measures to improve quality of service and customer satisfaction;
- Contact third parties to obtain specialist information so that recommendations can be made to the EDP Group companies on measures to be taken to improve their customer relations.

The Customer Ombudsman's term of office is three years (Article 5 (2) of the EDP Group Companies' Customer Ombudsman Regulation). In the performance of his duties, the Customer Ombudsman has an independent Customer Ombudsman Office and an annual budget (Article 20 of the EDP Group Companies' Customer Ombudsman Regulation).

BRANCH IN SPAIN

EDP – Energias de Portugal, Sociedad Anonima, Sucursal en España (EDP Spanish Branch) aims to manage and coordinates the energy interests of the EDP Group's dependent subsidiaries in Spain. Its management and supervisory bodies ensure optimisation of synergies and creation of value in operations and activities in Spain. It is also the organisational platform to lead the Iberian integration for support services. In this regard, EDP Spanish Branch owns all the corporate holdings in EDP España, S.A.U., EDP Servicios Financieros España S.A.U. and EDP International Investments & Services, S.L. (63.93% of EDP Servicios Financieros España, S.A.U. and 36.07% of EDP Sucursal), as well as 82.56% of EDP Renováveis, S.A share capital.

EDP Spanish Branch has offices in Madrid and Oviedo. It is represented in relations with third parties by permanent representatives, who have been appointed members of the EDP Executive Board of Directors for that purpose.

The Branch's steering, coordination, management and representation structure consists of an Executive Committee and Management Committee. The Executive Committee is composed of five permanent EDP representatives, one Corporate General Director (Group Controller for activities in Spain), and front line managers in charge of the Business Units in Spain. This committee basically serves as the coordinator of the permanent representatives' activities. The Management Committee is chaired by the Group Controller and is a natural extension of the management departments at the EDP Corporate Centre, i.e. Environment, Sustainability and Innovation Department, Legal Department, Internal Audit Department, Financial, Management and Human Resources Department, a Procurement Department and Information Technology Department, Projects and Prevention Department and a Fundação EDP España Department, ensuring and regrouping homogeneously these position across Spain.

The Branch is represented in a EDP Iberian committee called Iberian Commercial and Market Committee.

Currently the directorate, coordination, management and representation of the Branch has the following composition:

EDP ENERGIAS DE PORTUGAL, SOCIEDAD ANONIMA, SUCURSAL EN ESPAÑA	
GOVERNING, COORDINATION, MANAGING STRUCTURE AND REPRESENTATION OF THE BRANCH (*)	
Executive Committee	
Permanent Representative of EDP	António Mexia (Chairman)
Permanent Representative of EDP	Rui Teixeira
Permanent Representative of EDP	João Manso Neto
Permanent Representative of EDP	António Martins da Costa
Permanent Representative of EDP	Miguel Stilwell de Andrade
Chairman of the Board of Directors of EDP España	Manuel Menéndez Menéndez
Corporate General Director	Miguel Ribeiro Ferreira
First Line Manager at EDP Energía	Javier Sáenz de Jubera
First Line Manager at EDP Renováveis	João Paulo Costeira
Steering Committee	
Legal Department Directorate	Pelayo Echevarria
Administration, Budget and Human Resources Directorate	Félix Arribas
Projects and Prevention Directorate	Marcos Antuña
Information Systems Directorate	Luis Ángel Rguez Villalba
Internal Audit Directorate	Azucena Viñuela
Environment, Sustainability, Innovation and Quality Directorate	Yolanda Fdez Montes
Purchases Directorate	José María Ruiz Correa
EDP España Foundation Directorate	Vanda Martins
Secretary General	**José Luis Martínez Mohedano**

(*) Data referring to 31 December 2018.

B) OPERATION

22. LOCATION WHERE THE OPERATING REGULATIONS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS CAN SER CONSULTED

The operations of the General and Supervisory Board and Executive Board of Directors are governed by their Internal Regulation, available on EDP's website, at www.edp.com.

23. MEETINGS AND ATTENDANCE RATE OF EACH MEMBER OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

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 20 (1) of the Internal Regulation of the General and Supervisory Board.

The General and Supervisory Board met 11 times in 2018 and minutes were kept of all the meetings. Information on the attendance of each member of the board is provided in Annex II to this Report.

Pursuant to the provisions of Article 20(1) of the Articles of Association and Article 7(1) of the Executive Board of Directors Internal Regulation, this body will have ordinarily met at least twice a month, as fortnightly meetings were compulsory. Nevertheless, the Executive Board of Directors meets weekly, as a rule.

The Executive Board of Directors met fifty-one times in 2018 and minutes were kept of all the meetings. Information on the attendance of each member of the board is provided in Annex III of this Report.

24. COMPANY BODIES WITH POWERS TO EVALUATE PERFORMANCE OF EXECUTIVE DIRECTORS

The Remuneration Committee of the General and Supervisory Board is responsible for, namely, the annual evaluation of the Executive Board of Directors, taking into account, among other factors, the fulfillment of the Company's strategy and the previously set goals, plans and budgets for the purpose of considering and determining the variable remuneration of the Chairman and of the other members of the Executive Board of Directors. It also evaluates the individual performance of each member of the Executive Board of Directors, including this evaluation the contribution of each member to the mode of operation of this body and the relationship between the various corporate bodies of the Company.

Additionally, the General and Supervisory Board evaluates the Executive Board of Directors accordingly with the abovementioned Item 21.

25. PRE-DETERMINED CRITERIA FOR PERFORMANCE EVALUATION OF EXECUTIVE DIRECTORS

These criteria for evaluating the performance of the Members of the Executive Board of Directors are set out in points 69 and 71 of the Corporate Governance Report.

26. POSITIONS HELD AT OTHER GROUP OR NON-GROUP COMPANIES BY EACH MEMBER OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

The positions held by members of the General and Supervisory Board and Executive Board of Directors in other EDP Group or non-group companies are shown in Annex I and IV of this Report.

C) COMMITTEES OF THE MANAGING OR SUPERVISORY BODY

27. COMMITTEES SET UP IN THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

The Internal Regulation of the General and Supervisory Board as well as the provisions of the law and of the Articles of Association regarding the Financial Matters Committee/Audit Committee 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 the specific and continuous monitoring of the matters entrusted to them, in order to ensure informed resolutions 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 chairmen, 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 holds four specialized committees: the Financial Matters Committee/Audit Committee, the Remuneration Committee, the Corporate Governance and Sustainability Committee and the Strategy and Performance Committee.

28. MEMBERSHIP OF THE EXECUTIVE COMMITTEE AND/OR NAME OF MANAGING DIRECTOR(S)

Not applicable to EDP's governance model

29. DUTIES OF EACH COMMITTEE AND SUMMARY OF WORK PERFORMED WHILE CARRYING THEM OUT

A. THE COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

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 Chairman, which can be viewed in Annex I of the current Report.

Before the Shareholders' General Meeting on 5 April 2018, the Financial Committee/Audit Committee had the following members:

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

* Appointed Chairman on 22 April 2015

Following the Shareholders' General Meeting, the following Financial Matters Committee / Audit Committee members were elected on 6 April 2018:

FINANCIAL MATTERS 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 da Silva Barroso	06/04/2018
	Maria Celeste Ferreira Lopes Cardona	18/04/2012
	María del Carmen Ana Fernández Rozado	22/04/2015

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

- Financial matters and financial practices relating to the Company;
- The internal procedures for auditing and the Internal Financial Reporting Control System (SCIRF);
- Matters relating to the internal risk management;
- The activity and the independence of the Statutory Auditor of the Company;
- Function of compliance.

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) as well as the recommendations provided for by the Corporate Governance Code of the Portuguese Institute for Corporate Governance.

In view of these duties, the Financial Matters Committee/Audit Committee held 15 meetings in 2018, as envisaged in its Activity Plan. The matters addressed in those meetings were: supervision of the financial reporting and business of EDP, monitoring the activity of Internal and Compliance Audit Department, monitoring the activity of the Risk Management Department of the EDP group, monitoring litigation processes in the EDP group, monitoring the activity of the Pensions Fund of the EDP Group, monitoring the contractual relationship with the Statutory Auditor, their activities and assessing the objective conditions of their independence, and monitoring reports of irregularities (whistleblowing) and the relationship with the Audit Committees of the subsidiaries.

REMUNERATION COMMITTEE OF THE GENERAL AND SUPERVISORY BOARD

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

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

The Remuneration Committee held two meetings during 2018, considering its duties. The following topics were discussed: (i) definition of the remuneration policy of the Executive Board Members to be submitted to the Shareholders' General Meeting and (ii) definition of the variable annual remuneration regarding 2017 financial year, as well as the multi-annual variable remuneration of the Executive Board Members' the imputable to such year. Although calculated annually, the multi-annual variable remuneration only becomes effective if, by the end of the mandate, 90% of the objectives have been achieved. The calculation was validated and certified by an external entity.

The Remuneration Committee of the General and Supervisory Board is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, who are all independent from the managing body. This committee always has at least one representative at the General Meetings of Shareholders.

Following the Shareholders' General Meeting on the 5 April 2018, the General and Supervisory Board has resolved on 6 April 2018, on the reappointment of the Remunerations Committee members for the 2018-2020 triennium, having such Remunerations Committee the following members composition:

REMUNERATION COMMITTEE OF THE GENERAL AND SUPERVISORY BOARD		FIRST APPOINTMENT DATE
Chairman	**Ya Yang (*)**	**22/04/2015**
	Fernando Maria Masaveo Herrero	22/04/2015
	Ilídio da Costa Leite de Pinho	22/05/2012
	João Carlos Carvalho das Neves	22/04/2015
	Vasco Joaquim Rocha Vieira	22/04/2015

(*) Yang Ya resigned, having the General and Supervisory Board resolved to appoint Shengliang Wu as Chairman of this Committee, on 13 December 2018.

On 31 December 2018, the General and Supervisory Board Remunerations Committee had the following member composition:

REMUNERATION COMMITTEE OF THE GENERAL AND SUPERVISORY BOARD		FIRST APPOINTMENT DATE
Chairman	**Shengliang Wu**	**13/12/2018**
	Fernando Maria Masaveo Herrero	22/04/2015
	Ilídio da Costa Leite de Pinho	22/05/2012
	João Carlos Carvalho das Neves	22/04/2015
	Vasco Joaquim Rocha Vieira	22/04/2015

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;
- To reinforce confidence in resources development including human and on matters management related to sustainability, climate and environment and the permanent quest for best practices implementations within the Group;
- Monitoring of the definition of criteria and duties to be complied with in EDP's bodies or subsidiaries and their repercussions on their membership together with EDP's Selection Policy with the criteria set forth therein on merits, position adequacy and diversity; and
- Drafting of succession plans regarding the structures and internal bodies of the Company, its subsidiaries as well as in any other entities in relation to which the Company has the right to appoint corporate bodies holders.

The topics covered in-depth at the five meetings held in 2018 of the Corporate Governance and Sustainability Committee, in compliance with its specific duties, were the following: analysis of potential relevant situations in terms of Conflicts of Interest, conduct and ethics, sustainability, human resources strategy including appointments and succession and corporate governance.

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.

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

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

Following the Shareholders' General Meeting on 5 April 2018, the following members of the Corporate Governance and Sustainability Committee were appointed on 6 April 2018, having this Committee the following composition:

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE		FIRST APPOINTMENT DATE
Chairman	**Luís Filipe Marques Amado**	**22/04/2015**
	Augusto Carlos Serra Ventura Mateus	06/04/2018
	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
	Yinsheng Li	06/04/2018

On 31 December 2018, the Corporate Governance and Sustainability Committee member composition was the following:

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE		FIRST APPOINTMENT DATE
Chairman	**Luís Filipe Marques Amado**	**22/04/2015**
	Augusto Carlos Serra Ventura Mateus	06/04/2018
	Felipe Fernández Fernández	22/04/2015
	Ignacio Herrero Ruiz (*)	13/12/2018
	Jorge Avelino Braga de Macedo	22/04/2015
	Maria Celeste Ferreira Lopes Cardona	18/04/2012
	Yinsheng Li	06/04/2018

(*) Following the resignation tendered by Shengliang Wu as China Three Gorges (Europe), S.A. representative, Ignacio Herrero Ruiz was appointed on 13 December 2018.

STRATEGY AND PERFORMANCE COMMITTEE

The Strategy and Performance Committee seeks to follow and supervise the questions regarding the following matters at all times:

- The short-, medium- and long-term scenarios and strategies;
- The strategic implementation, business planning and the respective budgets;
- The investments and divestments;
- Debt and funding;

- Strategic alliances;
- Market and competitiveness evolution;
- Regulation;
- Analysis of the performance of the Group and the Business Units;
- The benchmarking of the Company group performance compared with the companies at the top of the sector;
- The assessment of the competitiveness of the EDP business portfolio.

Until 5 April 2018, the Strategy and Performance Committee is composed of the following members:

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
	Dingming Zhang	18/06/2015
	Ferhat Ounoughi	18/06/2015
	Fernando Masaveu Herrero	18/06/2015
	João Carvalho das Neves	18/06/2015
	Jorge Avelino Braga de Macedo	18/06/2015
	Mohammed Issa Khalfan Alhuraimel Alshamsi	02/11/2017
	Shengliang Wu	18/06/2015

Following the above referred Shareholders General Meeting, the new members of the Strategy and Performance Committee were appointed on 6 April 2018, having such Committee the following composition:

STRATEGY AND PERFORMANCE COMMITTEE		FIRST APPOINTMENT DATE
Chairman	**Eduardo de Almeida Catroga**	**18/06/2015**
	Augusto Carlos Serra Ventura Mateus	18/06/2015
	Dingming Zhang	18/04/2015
	Karim Djebbour	06/04/2018
	Fernando Masaveu Herrero	18/06/2015
	Jorge Avelino Braga de Macedo	18/06/2015
	Mohammed Issa Khalfan Alhuraimel Alshamsi	02/11/2017
	Shengliang Wu	18/06/2015
	Nuno Manuel da Silva Amado (*)	18/06/2015
	Laurie Lee Fitch	06/04/2018
	Vasco Rocha Vieira	06/04/2018

(*) Nuno Amado was appointed as member of this Committee between 18 June 2015 and 2 November 2017.

On 31 December 2018, the Strategy and Performance Committee was composed by the following members:

STRATEGY AND PERFORMANCE COMMITTEE		FIRST APPOINTMENT DATE
Chairman	**Eduardo de Almeida Catroga**	**18/06/2015**
	Augusto Carlos Serra Ventura Mateus	18/06/2015
	Fernando Masaveu Herrero	18/06/2015
	Ignacio Herrero Ruiz (*)	13/12/2018
	Jorge Avelino Braga de Macedo	18/06/2015
	Karim Djebbour	18/06/2015
	Laurie Lee Fitch	06/04/2018
	Mohammed Issa Khalfan Alhuraimel Alshamsi	02/11/2017
	Nuno Manuel da Silva Amado	18/06/2015
	Shengliang Wu	06/04/2018
	Vasco Rocha Vieira	06/04/2018

(*) Appointed on 13 December 2018, following the resignation presented by Dingming Zhang, as representative of China Three Gorges International Corp.

In 2018, the Strategy and Performance Committee held seven meetings with the following themes being discussed: the performance within the capital market, the competitiveness of EDP, the rentability of EDP Group in terms of geography and by Business Unit, the analysis of the performance of conventional generation, the follow-up on the execution of a strategic plan and budget and the monitoring of EDP budget of EDP for 2019.

B. OTHER COMPANY BODIES

ENVIRONMENT AND SUSTAINABILITY BOARD

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

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

The members of the Environment and Sustainability Board, pursuant to Article 28 (2) of EDP's Articles of Association, have acknowledged competence in the field of environmental protection and sustainability.

The members of the Environment and Sustainability Board were re-elected at the Annual General Meeting of Shareholders on 21 April 2015 for a new term of office for the three-year period between the 2015-2017 triennium, having held their office until the Shareholders' General Meeting which took place on 5 April 2018 with the following composition:

ENVIRONMENTAL AND SUSTAINABILITY BOARD	
Chairman	**José Pedro Sucena Paiva**
	Alberto da Ponte *
	António José Tomás Gomes de Pinho
	José Manuel Viegas
	Maria da Graça Madeira Martinho

* Has ceased functions on 21 January 2017

On 5 April 2018, the following Environmental and Sustainability Board were appointed:

ENVIRONMENTAL AND SUSTAINABILITY BOARD	
Chairman	**José Manuel Viegas**
	António José Tomás Gomes de Pinho
	Joana Pinto Balsemão
	Joaquim Poças Martins
	Pedro Oliveira

The Environment and Sustainability Board held three meetings in 2018.

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.

On the Shareholders' General Meeting dated 5 April 2018, the members of the Remuneration Committee of the General Meeting were re-elected for the 2018-2020 triennium, having the following composition:

REMUNERATION COMMITTEE OF THE GENERAL MEETING	
Chairman	**Luís Miguel Nogueira Freire Cortes Martins**
	José Gonçalo Maury
	Jaime Amaral Anahory

III. SUPERVISION

A) COMPOSITION

30. THE SUPERVISORY BODY

EDP's two-tier model of corporate governance has made possible an effective separation between supervision and management of the Company. The General and Supervisory Board is the highest supervisory body.

31. MEMBERSHIP FINANCIAL MATTERS COMMITTEE - EFFECTIVE MEMBERS AND TERM OF OFFICE

The duties of the Financial Matters Committee / Audit Committee are described in Item 29 of the Corporate Governance Report.

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 Vice-Chairman, which can be consulted in Annex I of this Report.

This Committee is always presided by the General and Supervisory Board Chairman in the case he is an independent member.

The Financial Matters Committee / Audit Committee currently has the following composition:

FINANCIAL MATTERS 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 da Silva Barroso	06/04/2018
	Maria Celeste Ferreira Lopes Cardona	18/04/2012
	María del Carmen Ana Fernández Rozado	22/04/2015

32. INDEPENDENT MEMBERS OF THE FINANCIAL MATTERS COMMITTEE

See Item 31 of this Report.

33. QUALIFICATIONS OF MEMBERS OF THE FINANCIAL MATTERS COMMITTEE

See Annex I of this Report.

B) OPERATION

34. LOCATION AT WHICH THE OPERATING PROCEDURES OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE CAN BE VIEWED

The Financial Matters Committee / Audit Committee's work is governed by Internal Regulation, available on EDP's website at www.edp.com.

35. MEETINGS AND ATTENDANCE RATE OF EACH MEMBER OF THE FINANCIAL MATTERS COMMITTEE / AUDIT COMMITTEE

In 2018, the Financial Matters Committee/Audit Committee met 15 times and minutes of its meetings were kept. Information on the attendance rate of the Committee's members is given in Annex V of this Report as well as in the Annual General and Supervisory Board Report.

36. POSITIONS HELD IN OTHER COMPANIES WITHIN AND OUTSIDE THE GROUP BY EACH FINANCIAL MATTERS COMMITTEE / AUDIT COMMITTEE MEMBER

See Annex I of this Report.

C) POWERS AND DUTIES

37. PROCEDURES AND CRITERIA GOVERNING THE SUPERVISORY BODY'S INVOLVEMENT IN HIRING ADDITIONAL SERVICES FROM THE EXTERNAL AUDITOR

The proposal for hiring additional services of the Statutory Auditor is presented by the Executive Board of Directors to the Financial Matters Committee / Audit Committee and any contracting requires the prior authorisation of that Committee.

Internal Regulation on the Provision of Services by the Statutory Auditor of EDP are in force, in this regard, and the implications on the hiring of additional services are described in Item 46.

There are other internal regulations adopted by the Executive Board of Directors that ensure all EDP Group companies comply with the rules contained in the referred Internal Regulation.

38. OTHER DUTIES OF THE SUPERVISORY BODIES AND, IF APPLICABLE, OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

The duties of the Financial Matters Committee / Audit Committee delegated to it by the General and Supervisory Board pursuant to the Articles of Association and the Internal Regulation of the Financial Matters Committee / Audit Committee are described in Item 29 as well as in the Annual General and Supervisory Board Report.

IV. STATUTORY AUDITOR

39. THE STATUTORY AUDITOR AND THE CERTIFIED AUDITOR REPRESENTING IT

On the Shareholders' General Meeting dated 21 April 2015, KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. (KPMG), represented by Vítor Manuel da Cunha Ribeirinho, was elected EDP's Statutory Auditor for 2015-2017 at the General Meeting of 21 April, 2015, having held office until the 5 April 2018 Shareholders' General Meeting. On such date, PricewaterhouseCoopers & Associados - Sociedade de Revisores de Contas, Lda., statutory auditor company number 183, represented by João Rui Fernandes Ramos (auditor number 1333), was elected for the 2018-2020 triennium, having also on such date, Aurélio Adriano Rangel Amado (auditor number 1074) been elected as Alternate Statutory Auditor for the 2018 – 2020 triennium.

40. NUMBER OF YEARS FOR WHICH THE STATUTORY AUDITOR HAS WORKED CONSECUTIVELY WITH THE COMPANY AND/OR GROUP

The statutory auditor KPMG has worked with the Company between 31 January 2005 and 5 April 2018, having on such date had taken office as Statutory Auditor the statutory auditor company PriceWaterhouseCoopers.

41. OTHER SERVICES PROVIDED TO THE COMPANY BY THE 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 a three-year term, pursuant to Article 25 of EDP's Articles of Association and Article 446 of the Portuguese Company 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 Company 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.

A description of the services provided by the Statutory Auditor can be found on Item 46.

V. EXTERNAL AUDITOR

42. THE EXTERNAL AUDITOR AND CERTIFIED AUDITOR PARTNER REPRESENTING IT

Until the Shareholders' General Meeting of 5 April 2018, EDP's External Auditor was KPMG and Vítor Manuel da Cunha Ribeirinho, manager of auditing at KPMG, was the partner in charge of overseeing and performing audits of the EDP Group's accounts. KPMG is registered with the CMVM under number 9093. As from such date, PriceWaterhouseCoopers was appointed External Auditor, being João Rui Fernandes Ramos the partner in charge of overseeing and performing audits of the EDP Group's accounts, being PriceWaterhouseCoopers registered before the CMVM with the number 20161485.

The external auditor performs the necessary audit work to ensure the reliability of the financial reporting and credibility of the accounting documents.

The external auditor's duties include checking compliance with remuneration policies and systems, the efficacy of internal control mechanisms and reporting of any significant deficiencies to the General and Supervisory Board.

EDP takes measures specifically aimed at ensuring the independence of the external auditor, in view of the scope of services provided by audit firms.

43. NUMBER OF YEARS FOR WHICH THE EXTERNAL AUDITOR AND CERTIFIED AUDITOR PARTNER REPRESENTING IT HAVE WORKED CONSECUTIVELY WITH THE COMPANY AND/OR GROUP

EDP's External Auditor was KPMG between December 2004 and April 2018, having Vítor Manuel da Cunha Ribeirinho been the external audit partner. As from 5 April 2018, PriceWaterhouseCoopers was elected, having been appointed João Rui Fernandes Ramos as the partner in charge on such date.

44. POLICY ON AND FREQUENCY OF ROTATION OF EXTERNAL AUDITOR AND CERTIFIED AUDITOR PARTNER REPRESENTING IT

The rotation of the external auditor and certified auditor partner representing it depends on the strict assessment by the Financial Matters Committee / Audit Committee of the independence and quality of the work done and consideration of the independence of the statutory auditor and external auditor and the advantages and costs of replacing them.

Considering the rules referring to the mandatory rotation of the external auditor and of the statutory auditor, pursuant to Article 54 (3)(4) of the New By-Laws of the Association of the Statutory Auditors, and that the current mandate of KPMG finished by 31 December 2017, such rotation was fulfilled for the service provision of statutory auditor and external auditor for the triennium of 2018-2020.

In this sense, and under a Financial Matters Committee / Audit Committee proposal, the General and Supervisory Board resolved to launch a consultation process in order to select the Statutory Auditor of EDP Group for the 2018-2020 mandate, as well as to create two specific Committees to develop the consultation process, specifically, (i) Monitoring and Analysis Committee, with the purpose of monitoring the tender process and analyzing the proposals, as well as to prepare a summary of the respective conclusions, to report to the Assessment Committee and (ii) Assessment Committee , with the aim of assessing the results presented by the Monitoring and Analysis Committee and preparing a proposal to the Financial Matters Committee / Audit Committee.

From the work performed and from the assessment conducted to the presented proposals, both accomplished with autonomy and without third parties influence, two proposals were selected in accordance with the selection criteria identified in the consultancy program which were presented to the Annual Shareholders General Meeting, which took place on 5 April 2018, having been elected PriceWaterhouseCoopers as statutory audit for the 2018-2020 triennium.

45. BODY RESPONSIBLE FOR ASSESSING THE EXTERNAL AUDITOR AND FREQUENCY OF ASSESSMENT

The Financial Matters Committee / Audit Committee presents annually to the General and Supervisory Board the report on the assessment of the activity and independence of the external auditor and EDP's Statutory Auditor. The result of the appreciation is published in the report of the General and Supervisory Board.

46. NON-AUDIT SERVICES DONE BY THE EXTERNAL AUDITOR FOR THE COMPANY AND/OR SUBSIDIARIES AND INTERNAL PROCEDURES FOR APPROVING HIRING OF THESE SERVICES AND REASONS FOR HIRING THEM

Proposals to hire non-audit services from the external auditor and statutory auditor are presented by the Executive Board of Directors to the Financial Matters Committee / Audit Committee and their hiring requires prior authorisation from this Committee.

The Regulation on Services Provided by EDP's Statutory Auditor and External Auditor determines, regarding the contracting of non-audit services, that the Financial Matters Committee / Audit Committee may deny authorisation of those services if one such service is prohibited and/or involves a possible threat to the independence of the Statutory Auditor. The above-mentioned regulations are available on the EDP website www.edp.com.

In 2018, the following services were performed by the external auditor:

AUDIT SERVICES AND STATUTORY AUDIT:

- Necessary services (including internal control procedures required as part of audits) for the issue of the External Auditor's annual on the accounts;
- Services required for compliance with local legislation (including internal control procedures required as part of audits) for the issue of Legal Certifications of Accounts.

OTHER ASSURANCE OF RELIABILITY SERVICES:

Services with a specific or limited purpose or scope, namely:

- Necessary services for the issue of the interim reports and quarterly information on the accounts;
- Assurance of reliability on the Internal Control System on Financial Reporting;
- Assurance of reliability on the Sustainability information;
- Assurance of reliability on annual financial information of regulated activities;
- Comfort letters issuance;
- Opinion on the Consumption Efficiency Promotion Plan (PPEC);
- Opinion over carve-out and mergers under the terms of Commercial Companies Act.

OTHER SERVICES:

- Support on human capital benchmark;
- Support on a proposal preparation in a tender process for the development of a wind farm project;
- Support on blockchain technology.

The reasons for hiring these services were essentially related with i) better understanding of the Group's business, ensuring appropriate knowledge of the relevant information, which promotes greater agility and efficiency in providing solutions and

ii) it was considered that the hiring of such services was not considered a threat to the independence of the External Auditor and did not foster any situation of personal interest in relation to the guarantee of independence given by the External Auditor.

The services that are not related with Audit and statutory audit of accounts requested by Group entities to the External Auditor and to other entities belonging to the same network, amounted to 1.282.585 Euro.

47. ANNUAL REMUNERATION PAID BY THE COMPANY AND/OR SUBSIDIARY OR GROUP COMPANIES TO THE AUDITOR AND OTHER NATURAL OR LEGAL PERSONS BELONGING TO THE SAME NETWORK AND BREAKDOWN OF PERCENTAGE FOR THE FOLLOWING SERVICES:

PriceWaterhouseCoopers is responsible for conducting an independent external audit of all the EDP Group companies in Portugal, Spain, Brazil (only in EDP Renováveis) and USA, as well as in other countries in which the Group operates. In the subgroup of EDP Brasil independent external auditing is conducted by KPMG.

In 2018, the recognised, specialised costs of the fees of PriceWaterhouseCoopers and KPMG for audit and statutory audit of accounts, other assurance of reliability services and other services than auditing for Portugal, Spain, Brazil, United States of America and other countries were as follows:

PRICEWATERHOUSE COOPERS

EUROS	PORTUGAL		SPAIN		BRAZIL		UNITED STATES OF AMERICA		OTHER COUNTRIES		TOTAL	
Audit and statutory audit of accounts	2 277 292		973 510		127 952		1 010 139		809 827		5 198 720	
Other assurance of reliability services (*)	639 465		235 994		-		-		-		875 459	
Total of audit and assurance of reliability services	2 916 757		1 209 504		127 952		1 010 139		809 827		6 074 179	94%
Tax consultancy services	-		-		-		-		-		-	
Other services	350 316		28 800		16 368		11 642		-		407 126	
Total of other services	350 316		28 800		16 368		11 642		-		407 126	6%
Total	3 267 073	50%	1 238 304	19%	144 320	2%	1 021 781	16%	809 827	12%	6 481 305	100%

(*) Includes assurance of reliability services of the exclusive competence and responsibility of the Statutory Auditor and External Auditor in accordance with the regulations on services provided approved by the General and Supervisory Board.

The audit and statutory audit of accounts in Portugal include 1,453,100 Euro related with statutory audit fees, on a company and in consolidated basis, of EDP - Energias de Portugal, S.A.

KPMG

EURO	BRAZIL		TOTAL	
Audit and statutory audit of accounts	710 695		710 695	
Other assurance of reliability services	67 781		67 781	
Total of audit and assurance of reliability services	778 475		778 475	100%
Tax consultancy services	-		-	
Other services	-		-	
Total of other services	-		-	0%
Total	778 475	100%	778 475	100%

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. RULES ON AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

EDP's Articles of Association do not set forth special rules on their amendment and the general rule set out in 3 Article 386 (3) of the Companies Code therefore applies, i.e. decisions to amend the Articles of Association must be approved at a General Meeting by two-thirds of the votes cast.

EDP's Articles of Association may also be amended under the powers of the Executive Board of Directors to move EDP's registered office (Article 2 (1) of EDP's Articles of Association) and increase EDP's share capital (Article 4 (3) of EDP's Articles of Association) provided that a favourable prior opinion of the General and Supervisory Board is obtained. Pursuant to the general rule set out in Article 410 (7) of the Company Code, by reference to Article 433 of this code, these decisions by the Executive Board of Directors must be passed by a majority of the votes of the directors present or represented.

II. WHISTLEBLOWING

49. WHISTLEBLOWING POLICY AND CHANNELS

The EDP Group has consistently implemented measures to ensure the good governance of its companies, including the prevention of incorrect practices, particularly in the areas of accounting and finance and, for this purpose, approved, on 24 January 2019, a new Whistleblowing Procedures Regulation.

EDP provides Group employees with a channel that enables them to report any alleged unlawful practice or accounting or financial irregularity in their company directly and in confidence to the Financial Matters Committee / Audit Committee of the General and Supervisory Board.

With the creation of this channel for reporting irregular accounting and financial practices, EDP aims at:

- Ensuring that any employee can freely communicate his/her concerns in these fields to the Financial Matters Committee / Audit Committee;
- Facilitating the early detection of irregular situations that, if they occurred, might cause serious damage to the EDP Group, its employees, customers and shareholders.

The Financial Matters Committee / Audit Committee can be contacted by email, fax and post and access to information received in this regard is restricted. The members of this committee are authorised to receive these reports.

All complaints sent to the Financial Matters Committee / Audit Committee are treated in strict confidence and the complainant remains anonymous, unless this prevents investigation of the complaint.

Pursuant to the Regulation, EDP guarantees that whistleblowing employees will not suffer any reprisals or disciplinary action for exercising their right to report irregularities, provide information or assist in an investigation.

The Financial Matters Committee / Audit Committee informed the General and Supervisory Board of its work as part of the whistleblowing mechanism in 2018, having concluded that during 2018 one complaint was received and processed by the

Financial Matter/Audit Committee The communication received is related to one complaint within matters covered as defined on the Regulation and therefore the Committee is responsible to instruct, conduct and supervise the investigative process, having been forwarded to the Internal Audit and Compliance Department, in order to perform a specific audit to the contractual and professional relations between EDP and a service provider identified in the complaint. At the end of 2018, the received complaint was still under investigation.

EDP makes available, at its website, greater detail regarding the Whistle Blowing Procedures' Regulation to adopt in what concerns to Communication of Erroneous Procedures (www.edp.com/en/investors/corporate-governance/whistle-blowing).

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. PEOPLE, BODIES OR COMMITTEES RESPONSIBLE FOR INTERNAL AUDITS OR IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS

Internal control matters are the responsibility of the Corporate Centre, which plays a structural role in assisting the Executive Board of Directors in defining and overseeing implementation of strategies, policies and goals.

The most important of the Corporate Departments and Business Units in terms of internal control are the Internal Audit and Compliance Department and the Risk Management Department.

The former performs internal audits or ensures that they are performed in the Group. It is also responsible for the financial reporting internal control system (SCIRF) and for the compliance role in the Group, with a view to an independent assessment of the internal control system and implementation of measures to make it more effective by optimising and aligning processes and systems.

The Risk Management Department's main responsibility is to coordinate the Group's risk assessment studies in order to assist the Executive Board of Directors in controlling and mitigating them and provide integrated risk-return analyses.

Under the law, the General and Supervisory Board permanently oversees and evaluates internal accounting and auditing procedures, the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries from employees and others are handled. This duty has been assigned to the Financial Matters Committee / Audit Committee, which, among other tasks, permanently monitors and supervises:

- EDP's financial matters and accounting practices;
- Internal auditing procedures, the company's accounting practices and the internal control system for financial information and financial reporting;
- Matters relating to the risk management system;
- The activity and independence of the Statutory Auditor of the Company;
- The function of compliance.

51. DESCRIPTION OF HIERARCHICAL AND/OR FUNCTIONAL DEPENDENCY ON OTHER COMPANY BODIES OR COMMITTEES

The Internal Audit and Compliance Department belongs to the Corporate Centre and although it is answerable to the Executive Board of Directors, it reports in practice to the Financial Matters Committee / Audit Committee. The Department's work is supervised by the Financial Matters Committee / Audit Committee, which approves the annual internal audit plan before it is sent to the Executive Board of Directors and monitors its systematic implementation.

52. OTHER COMPANY AREAS WITH RISK CONTROL DUTIES

The management of risk is an integral part of the common practices of business management and it is the responsibility of all, from the Executive Board of Directors right down to the individual staff member. Each one is responsible for knowing the risks existing in their area of intervention and for managing them in accordance with their role, expertise and delegated responsibilities.

The Group manages its meaningful risks in a portfolio approach, optimizing the risk/ return trade-off transversely across its business areas, aiming to create value and to stand out in the markets where it operates. The Group works towards a permanent progress of its risk management processes in order to reflect the evolution of its needs and to maintain its alignment with international risk management best practices.

The integration of risk management in the most relevant business and decision-making processes is promoted as part of i) strategic development, ii) investment decisions, iii) business plan and iv) operations management, with the purpose of ensuring stability in results and optimize its response to changes in context and opportunities.

The risk management process is structured around 3 lines of defense (business operation, risk management/ compliance and internal and external auditing), each led independently and ensuring an adequate level of segregation relative to one another. The functions of risk identification, analysis, evaluation, treatment and monitoring are followed by a set of bodies with clearly established roles and responsibilities, typified by Group policies that are approved and ratified by the competent bodies of the Group:

- The **General and Supervisory Board** (GSB), in particular the Financial Committee/ Audit Committee, is responsible for monitoring on a permanent basis and evaluating internal procedures for accounting and auditing, in addition to the efficacy of the risk management system, the internal control and the internal auditing systems, including the way in which complaints and queries are received and processed, whether originating from employees or not. The General and Supervisory Board is additionally involved in the Group's Strategic Plan, ensuring, implicitly, an alignment between management and shareholders regarding risk appetite.

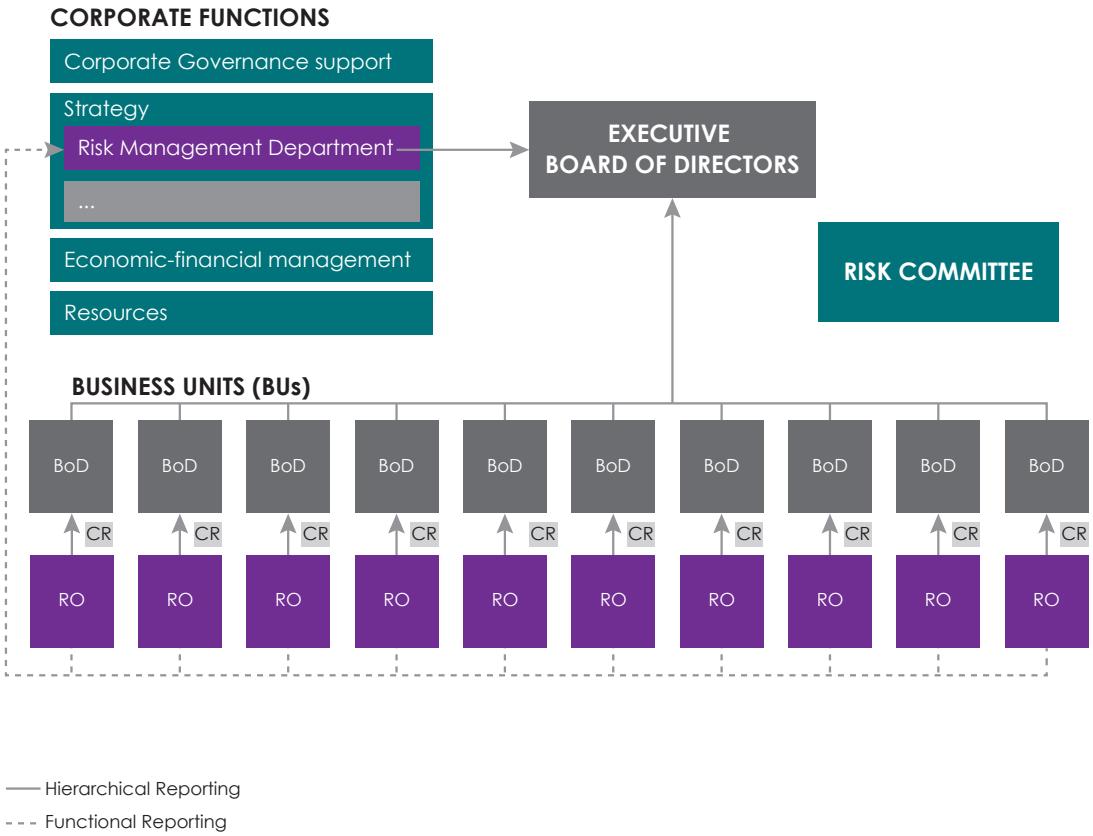
- The **Executive Board of Directors** (EBD) is the highest body responsible for risk-related decision-making, supervision and management control. It is responsible for the approval of the business plan, for setting the management objectives and policies of the EDP Group. It is responsible, among other duties, for defining the Group's risk exposure, in line with the best practices in risk management procedures and policies (namely, the respective exposition limits by risk category), as well as the allocation of resources, depending on the risk-return profile of the various options available.

- The **Risk Management Department**, headed by the Chief Risk-Officer, establishes an integrated and holistic view of the Group's risk position (top-down perspective), supporting the prioritization and coordination of cross-cutting initiatives, offering a segregated and business-independent view regarding key risks. Its main responsibilities are: i) to maintain and update an inventory of the Group's most significant risks and fostering their implementation in the various Business Units and Corporate Departments; ii) to promote and monitor the implementation of the management and control actions regarding the Group's most significant risks; iii) to systematically measure specific risks and conduct risk-return analyses, noting and reporting adjustment needs when necessary; iv) to define main concepts, methods and risk measures and Key Risk Indicators (KRI), supplementary to the Key Performance Indicators (KPI); v) to develop and support projects and

initiatives aimed at the effective improvement of the management process of significant risks; and vi) to support the Executive Board of Directors in the risk management and business continuity areas.

- The **Management of Business Units and Corporate Departments** is the first responsible for an integrated risk management in each of their business areas. Its main responsibilities are: i) to propose and approve (through the respective Board of Directors) the definition of key principles for risk management, aligned with the orientations defined by corporate policies; ii) to ensure that the risks within the scope of their activity are identified, analyzed and evaluated broadly, rigorously and consistently throughout the Group, using established methodologies; iii) to optimize the risk/ return trade-off of their activity, aligned with the orientations established by the Executive Board of Directors, regarding the definition and implementation of risk management strategies, implementation of effective initiatives in treatment costs of key risks, the clear and equilibrated allocation between parties in case of internal or external contract of products or services and the definition of mechanisms and levels of residual risk transference (insurance); iv) to monitor and report periodically their risk position, by the definition and regular monitoring of KRIs, risk reports and the evaluation of existing risk controls; and v) to highlight key aspects of risk management to their respective risk-officers, Risk Management Department and appropriate decision makers.

- **Local structures for risk management (risk-officers)** assume a key role on operationalizing risk management. Typically, they report hierarchically to a member of the respective Board of Directors, and in coordination with EDP Group Chief Risk-Officer, acting independently from business operation. In large and/ or particularly complex Business Units local replicas of risk management corporate structure exist, articulated with the Risk Management Department. Their responsibilities include: i) to identify and characterize through quantification and qualification the materiality of key risks (both threats and opportunities), within the scope of their activity and in articulation with the business; ii) to perform studies on key strategic issues and associated risks, in close articulation with the business and the Risk Management Department; iii) to support the Board of Directors and Departments on decision making, in the perspective of risk; iv) to advise on mitigation and hedging strategies for key risks; v) to monitor and report key risks to decision makers and Risk Management Department, to implement policies and procedures, including the follow-up of expositions vs. established risk limits, the systematic register of incidents and quasi-incidents, including the characterization of events and its quantitative impact; vi) to develop and promote methodologies to analyze, evaluate and treat actual and emerging risks and support its implementation; vii) to coordinate initiatives regarding crisis management and business continuity; viii) to coordinate the existing Risk Committees (if applicable); and ix) to provide adequate risk related information to the Risk Management Department, decision makers, and remaining relevant stakeholders.



Model for risk function report at EDP Group (and communication with the corporate centre)

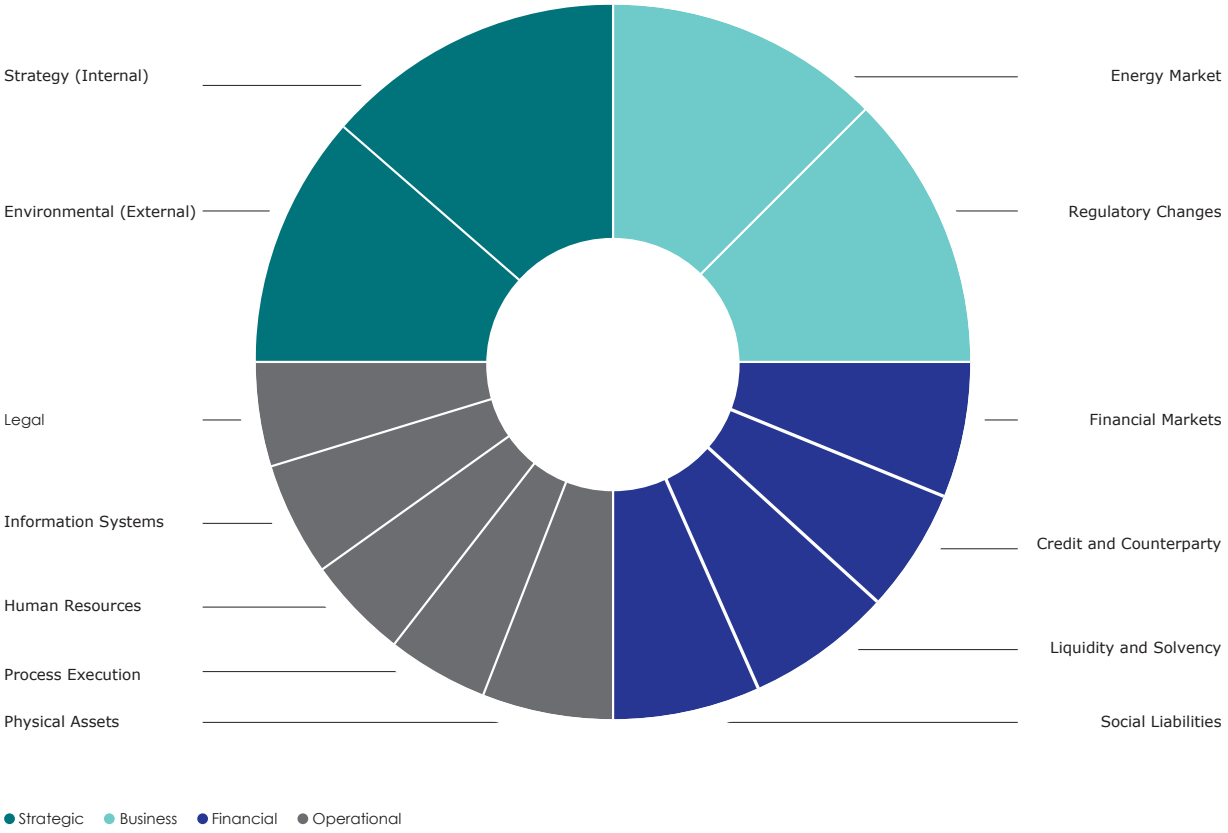
Furthermore, there are a number of regular forums for the discussion, analysis and issue of opinions on risk-related topics:

- **EDP Group Risk Committee** has the main objective of supporting the decisions of the Executive Board of Directors in the identification, assessment, management and control of risk, in terms of: i) supporting the identification of significant risks and the characterization of the EDP Group's risk profile; ii) discussing relevant risk analysis and evaluation projects results developed with Business Units and Corporate Departments; iii) advising and/ or recommending risk management strategies (e.g., regarding policies, procedures and limits); and iv) monitoring and controlling the evolution of significant risks. This Committee is held at half-yearly intervals (at least). It is composed of the key decision makers and those responsible for the Group's risk management (the Executive Board of Directors, the Corporate Centre and selected Business Units).

- **The Individual Risk Committees** are set up and held at Business Unit levels when the degree of complexity of risk management justifies such, taking on a structure replicated from the Group's Risk Committee. These Committees are composed of the key decision makers and those responsible for risks of each Business Unit, typically coordinated by the respective risk officer.

53. THE MAIN TYPES OF ECONOMIC, FINANCIAL AND LEGAL RISK TO WHICH THE COMPANY IS EXPOSED IN ITS BUSINESS

The taxonomy of risks for the EDP Group combines in an integrated approach and in common language the various mapped risks existing in relation to the Group's several Business Units, structured around four major families: strategic, business, financial and operational.



EDP Group risks' taxonomy

STRATEGIC RISKS

The EDP Group closely monitors and reports on strategic risks, since it considers that these risks may have a significant impact if they occur. The strategic risks can be broken down into two different types:

- **Risks of the surrounding context**, associated with external developments that may have a negative material impact on the Group, in particular but not limited to, severe macro-economic, social/ or political crisis in core geographies for the Group, technological disruptions of various kinds, profound changes resulting from climate change and disruptive changes in competitive paradigm.

  - **Regarding the risk of a macro-economic, social and/ or political crisis in the geographies where the Group is present**, the stability of public deficit and of the interest rate of public debt in Portugal and Spain, as well as the stability of political context, suggest a material reduction of the probability of actual occurrence of these risks. However, some geographies where EDP operates, namely Brazil, are living challenging macroeconomic cycles, which may be materialized in increased volatility of financial markets with direct impact in EDP operations.

- **Regarding technological disruption**, the EDP Group has sought to position itself at the forefront of technological development in the sector, looking at this issue not as a threat but as a central vehicle for promoting growth in the future. The EDP Group has accordingly actively and transversely invested in and investigated the promotion of new technologies in the various stages of the value chain (namely EDP Inovação activity level, and through the development of the digital acceleration program EDPX in 2018, resulting in the creation of a unit dedicated to digitalization – Digital Global Unit).

- **Regarding climate change**, such changes may have a significant and across-the-board impact on the various stakeholders over the medium to long term (e.g., in terms of average temperatures, average sea levels, structural changes in water and/or wind volumes, or the incidence of extreme climatic events). In this regard, the Group has decisively invested over the recent years in strengthening its portfolio of renewable energy as well as in a concerted strategy of environmental sustainability, which has been internationally recognized, not only in order to reduce its ecological footprint, but also to ensure its resilience to the possible materialization of risks deriving from climate change.

- **Regarding disruptive changes to the competitive paradigm**, the Group recognizes the risks associated with changes to the business model paradigm (e.g., in relation to distributed generation). The EDP Group addresses this risk through meticulous analyses and prospective investments, allowing to proactively anticipate and adapt the business model to possible market development trends.

- **Strategic risks**, associated with investment decisions, relationships with key partners (shareholders and others), internal governance and corporate planning (in its various forms).

  - **Regarding investment decisions**, EDP's growth strategy implies the constant evaluation and decision-making in relation to investment options that allow it to implement the strategy established and approved by its shareholders. Accordingly, a meticulous and consistent process is defined across the Group, with pre-established criteria[1] for analysis, decision-making and monitoring of projects. This process is conducted at the corporate level by the Business Analysis Department, locally supported by the various Business Units. Additionally, Investment Committees regularly meet to discuss, monitor and advice on i) investment analysis and decisions; ii) compliance with investment implementation schedules; and iii) evaluation of impact of detected or potential deviations. These forums are performed both at the Business Unit level and at the corporate level, involving decision-makers and key experts of the Group in the relevant fields.

  - **Regarding the relationship with partners (shareholders and others)**, the EDP Group has a solid and stable core of shareholders, which is aligned with and actively participates in the Group's strategy. On the other hand, the EDP Group is guided by strict criteria at all levels for the selection of its partners in the various countries and business areas in which it operates, the management of which is led by the Executive Board of Directors, Business Units and Institutional Relations and Stakeholders Department.

  - **Regarding internal governance**, the Group considers that the design and implementation of its various corporate bodies ensures compliance with the best international practices on this topic (see previous section for more information).

  - **Regarding corporate planning** (particularly in terms of brand and communication, investor relations, human resources, information systems, business strategy, and others) the Group believes that the current structures and processes allow it to adequately manage these risks.

[1] Particularly related to the definition of minimum return levels, up to date and geography/ business line-specific discount rates as well as to the resilience to multiple adverse scenarios of delays, overruns, fluctuations in key business variables, political environment and regulations

BUSINESS RISKS

The business risks encompass all risk factors intrinsically related with the remuneration of the core activities of the EDP Group in the generation, distribution and sale of energy in the various countries and markets where it operates. The business risks can be broken down into two different types:

- **Energy market risks**, related to electricity prices (pool) and other commodities, renewable energy generating volumes (hydro, wind and solar power), energy consumption (associated with demand) and supply margins.

  - **Regarding price of electricity**, the impact is limited by the fact that a significant share of generation is contracted in the long term, especially in relation to EDP Renováveis and most of the installed capacity in Brazil. Currently, generation subject to market price fluctuations includes: i) all ordinary status generation in Portugal and Spain; ii) generation in Brazil in excess of or in deficit to the PPA; and iii) part of the wind energy farms of EDP Renováveis in Spain, US, Poland and Romania. The Energy Management Business Unit (UNGE) is responsible for proactively acting in the MIBEL[2] and other forward markets (including OTC) in order to optimize the margin of market generation and limit the respective risk, according to the delegation of powers clearly established and ensuring periodic P@R - "Profit at Risk" reporting, based on a proprietary model. Energy Management Business Unit (UNGE)'s operations are adequately framed by a specific risk policy, including exposure limits.

  - **Regarding the price of other commodities** (mostly fuel and CO2), subject to fluctuation due to supply and demand dynamics or changes in international legislation and relevant only to power plants exposed to market risk, this risk is monitored and proactively managed by the Energy Management Business Unit (UNGE), which negotiates and manages coal and gas contracts and CO2 allowances. It is also responsible for mitigation of the fuel prices risk via hedging (including foreign exchange risk in USD, in coordination with the Financial Management Department).

  - **Regarding renewable energy generation volumes**, the EDP Group has a degree of material exposure to this risk, particularly in relation to water volume (Wind Energy Capability Index[3] tends to be less volatile than the Hydroelectric Capability Index[4], on an annual basis), arising from its increasing focus on a generation portfolio with ever greater renewable energy, as well as its hydro portfolio in Portugal and Brazil. It should be noted that although this risk may introduce some volatility in annual results, it has a significantly lower impact on the long-term value of EDP's generation assets portfolio, since it i) diversifies inter-annually; ii) diversifies through technologies, somehow compensating volume vs. price with the remaining technologies (lower hydro productivity is, in part, compensated by higher thermal production at typically higher prices) and iii) is uncorrelated with the market. On the other hand, exposure in Brazil is significantly mitigated by i) the fact that there is hydrological diversification throughout the country (through financial coupling mechanisms); as well as ii) the fact that a PPA on fixed energy generation is established; and iii) the fact that the Group joined, in the end of 2015, the hydro risk renegotiation mechanism, which combined with the cap on PLD[5] price limits the exposure to the deficit of allocated energy relative to energy sold in PPA (for the Regulated Environment).

  - **Regarding energy consumption** (electricity and gas), the EDP Group is subject to fluctuations in the amounts of energy sold (depending on factors such as, among others, economic activity and annual temperatures). A trend of recuperation of energy sales has been noted in the last year, as the result of a rise in economic activity in Portugal and Spain, although limited by the proliferation of energy efficient solutions. Consumption can also be affected, besides such economic cycle fluctuations and energy efficient solutions, by situations of rationing (as happened in Brazil in 2001). Government estimates indicate a low probability of rationing in Brazil, due to the progressive normalization of hydro affluences and consequently reservoir levels (figures above homologous periods) as well as a moderate rise in demand as a consequence of the current macro-economic context. This risk, like the previous one, is difficult to mitigate by itself. EDP chooses to manage it through diversification across multiple technologies, countries and business lines.

[2] Iberian electricity market
[3] Ratio between the yearly wind energy output vs. reference year
[4] Ratio between the yearly hydro energy output vs. reference year
[5] Of R$ 505,18/MWh in 2018

- **Regarding sales margins**, the current customer migration to the free market enhances the aggressiveness of offers from suppliers and can add additional volatility in terms of market shares and unit margins. Moreover, there is risk associated with deviations in actual consumption from the forecasting model adopted by the Group. These risks are managed by the Group's energy sales companies, with particular emphasis on initiatives to i) strengthening the core offer (e.g., through combined electricity and gas products); and ii) introducing innovative products and services (e.g., Funciona and Re:dy). In addition, the Prices and Volumes Committee evaluates and regularly makes recommendations for the dynamic management of this risk.

- **Regulatory risks**, related to changes in legislation and regulations that the Group is required to comply with in the various countries and markets in which it operates (in particular, but not limited to, sectoral packages, regulatory frameworks, environmental legislation and taxes, and other). This risk is managed proactively by the EDP Group, through monitoring and thorough preparation of the various dossiers and adopting a constructive and cooperative attitude in their discussion. This allows the materialization of options out of synch with reality in the different market contexts in which the Group operates to be anticipated and minimized.

FINANCIAL RISKS

The financial risks encompass the market risk factors linked to the (non-operational) energy business of the EDP Group in the various countries and markets where it operates. Financial risks can be divided into four different types:

- **Financial variables risks**, associated with fluctuations in international markets in interest rates, exchange rates, inflation and valuation of financial assets held by the Group.

  - **Regarding interest rates**, the risk is mainly associated with the percentage of debt at floating rates, as well as any increases in costs associated with fixed rate debt refinancing needs in a context of rising current interest rates. This risk is managed and mitigated by the Group's Financial Management Department, which ensures compliance with the risk profile, using the procedures and tools provided by the Group's risk policies. Periodic reports on the evolution of these variables and sources of risk are prepared.

  - **Regarding foreign currency exchange rates**, the risk is associated with fluctuations in the cost of the purchase and sale of electricity and fuel and with the cost of investments denominated in foreign currencies, as well as fluctuations in the value of net assets, debt and income denominated in foreign currencies. The EDP Group acts proactively in order to ensure a broadly balanced net structural exposure (assets - liabilities) in USD, GBP and CAD. On the other hand, the geographical diversification (and exposure to multiple currencies) contributes for the reduction of annual result volatility. The remaining risks are managed and mitigated by the Group's Financial Management Department, in conjunction with the Energy Management Business Unit (UNGE), EDP Renováveis and EDP Brasil, in the same way as above.

  - **Regarding inflation**, the risk is mainly associated with the fluctuation of operating revenues and costs in the various countries where the EDP Group operates. In terms of mitigation, the revenue models of regulated activities as well as part of the PPAs include inflation pegging components in order to preserve adequate revenue for the business activity. A significant component of the Group's current business activities is also focused on markets with stable inflation rates. For the remaining risk, as well as active management of the various supply and services contracts, the EDP Group addresses this risk from an integrated perspective, mitigating it through an appropriate debt profile (fixed rate/floating rate) aligned with the revenues profile.

  - **Regarding the valuation of financial assets**, EDP adopts a conservative risk policy with reduced levels of exposure, based on a reduced weight of strategic financial assets and short-term cash investments mainly based on bank deposits (without market risk). This risk mainly results from the possibility of devaluation of the financial assets that EDP

holds (traded on securities markets). It is managed according to the procedures and tools provided by the Group's risk policies.

- **Counterparty and credit risks**, associated with unexpected changes in the compliance capacity with obligations by customers, financial counterparties (mainly associated with deposits in financial institutions and financial derivatives) and energy counterparties.

  - **Regarding financial counterparties**, this risk is managed through: i) a careful selection of counterparties; ii) an appropriate diversification of risk over multiple counterparties; iii) an exposure based on financial instruments of reduced complexity, high liquidity and of a non-speculative nature; and iv) regular monitoring of the positions held.

  - **Regarding energy counterparties**, this risk is reduced for operations in an organized market. For operations in over-the-market markets and fuel purchases, the Energy Management Business Unit (UNGE), which is responsible for monitoring and the interface with wholesale markets, monitors transactions by applying exposure and negotiation limits that have been established and approved in advance by a higher management according to the counterparty rating (external whenever possible, or internally rated if the former is unavailable), and using clearing houses for clearing. The counterparty risk is also associated with the sale of long-term energy agreements (PPA), which is minimized by the fact that a significant proportion of counterparties in this context are sovereign entities (governments or state-owned electricity systems). Meticulous scrutiny and approval criteria are likewise applied for private counterparties.

  - **Regarding customers**, the Group is exposed to default risk in Portugal, Spain and Brazil. The average level of risk in Spain is structurally mitigated in terms of expected loss due to a mix of customers with greater weight of the B2B segment (which has less relative weight of average default). The risk in Brazil is mitigated through financial collateral to mitigate the loss (for the Free Contracting Environment), and through the partial recovery of non-compliance by the regulated tariff (for the Regulated Contracting Environment). This is monitored by EDP Distribuição and EDP Comercial (in Portugal) and EDP Spain, which are responsible for carrying out the meter reading cycles and cutting off the service/taking legal action and debt recovery. In addition, mitigation tools such as credit insurance and setting up bank collateral are used, whenever this is deemed necessary.

- **Liquidity/solvency risk**, associated with specific cash shortfalls, difficulties in access/ cost of credit and rating reduction risk.

  - **Regarding possible sporadic cash shortfalls**, there is a risk of possible default of the EDP Group in meeting all its short-term liabilities in the committed time periods, or just being able to do so under unfavorable conditions. This risk is mitigated through careful liquidity management, by means of: i) centralization (cash pooling) of all the Group's liquidity at the holding company except for Brazil; ii) keeping adequate levels of liquidity (cash and firmly committed credit lines) based on detailed forecasting of cash requirements (reviewed in 2016 to cover two years of refinancing); iii) an appropriate strategy to diversify funding sources; and iv) the diversification of debt type and maturity profiles.

  - **Regarding access to and the cost of credit**, the EDP Group has achieved, despite the adverse economic context, all funding necessary for the usual roll over of debt and to finance the Group's business. EDP's Group has successfully continued with its strategic commitment to reduce leverage (expressed as Net Debt/EBITDA excluding Regulatory Assets) over forthcoming years. Additionally, the Group has acted throughout 2018 towards increasing the average maturity of its debt and reducing its average cost.

  - **Regarding the risk of a ratings decline**, the EDP Group can be impacted in its access to and cost of financing by adverse changes in its rating profile (assigned by international agencies). EDP proactively manages this risk by maintaining a low risk profile and maintaining stable contractual standards, which assure that its liquidity position does not depend on mechanisms as financial covenants or rating triggers.

- **Social liabilities' risk**, associated with obligations relating to the capitalization of the Defined Benefit Pension Fund of the Group for Portugal, Spain and Brazil (which has a risk associated with the market value of its assets), and additional costs associated with early retirement as well as medical expenses. The liabilities for employee social benefits are calculated

annually by an Independent Actuary on the basis of IFRS-IAS assumptions (taking various factors into account, including interest rate, demographic aspects, economic variables and the applicable requirements). The Defined Benefit Pension Fund is regularly monitored by the Pension Fund Committee that meets at an established frequency, in terms of the value of its assets and the variations in terms of its liabilities (e.g., actuarially related).

OPERATIONAL RISKS

The operational risks encompass the risk factors other than those linked to the energy and financial business of the EDP Group in the various countries and markets where it operates, associated with the planning, construction and operation of physical assets, implementation of processes, human resources, information systems and litigation. The operational risks can be broken down into five different types:

- **Physical assets risks**, related to unforeseen occurrences in projects under development/construction, damage to physical assets in operation and (technical and non-technical) operating losses, associated with the operation of the assets (mainly in distribution).

  - **Regarding projects under development/construction and assets in operation**, the EDP Group is exposed to incidents derived from external causes (e.g., atmospheric phenomena, fire, damage to structures, burglary and theft, environmental pollution) or internal causes (e.g., damage caused by defects of origin and/or faulty installation), which can result in, among others, threats to the physical integrity of the Group's employees or third parties, repair or replacement costs of equipment, asset unavailability and consequential loss of profit or compensation to third parties. These risks are initially managed and mitigated by the various operational areas of the Group's Business Units, which propose and implement in an articulated manner the best practices in terms of the different policies, standards and operating procedures, inspection and regular preventive maintenance as well as crisis management plans and business continuity for catastrophic events. To this regard, it should be noted the revision of crisis management and business continuity policies in 2015, in order to ensure the continuous alignment with international best practices. Secondly, a significant portion of the remaining risk is mitigated through a comprehensive range of insurance policies (particularly in terms of property damage, civil liability, and the environment), insured in an integrated manner through a special area for this field - the Insurable Risks' Unit. This approach ensures consistency in the risk management policies, guarantees the dissemination of best practices and strengthens the negotiating position of the Group. The existing insurance policies contribute to significantly mitigate the impact of large-scale events (e.g., associated with extreme and comprehensive weather phenomena, non-availability of revenue generating assets or significant compensation to third parties) as well as much less frequent incidents with catastrophic impact (e.g., earthquakes).

  - **Regarding operating losses**, the EDP Group is, firstly, liable for regulatory penalties if it does not meet the objectives set for distribution efficiency (technical losses) and also, on the other hand, for the loss of revenue associated with increased consumption of non-invoiced energy (non-technical losses). The various energy distribution Business Units (EDP Distribuição, EDP Spain, Bandeirante and Escelsa) are responsible for this risk. Programs are continuously developed to monitor and mitigate this risk (including the launch of comprehensive programs to combat fraud).

- **Process implementation risks**, associated with irregularities in the implementation of various processes (particularly, but not limited to, commercial activities, supplier selection and management, billing and collection from customers, planning and budgeting of activities). This risk is monitored by the various Business Units. Its mitigation regarding financial reporting is controlled through the group-wide Financial Reporting Internal Control System (SCIRF), which systematically assess both quantitatively and qualitatively the existence and adequacy of the design and documentation of the various existing processes, as well as their internal control mechanisms, based on annual cycles.

- **Personnel risks**, associated with incidents impacting on the physical integrity of employees, the impact of unethical conduct and labor and trade union relations.

- **Regarding incidents impacting on the physical integrity of employees**, the Group directs its activity around a zero accidents culture, with awareness of employees concerning the risks involved in the various activities, as well as continuous identification and implementation of best practices for the prevention and meticulous analysis of incidents.

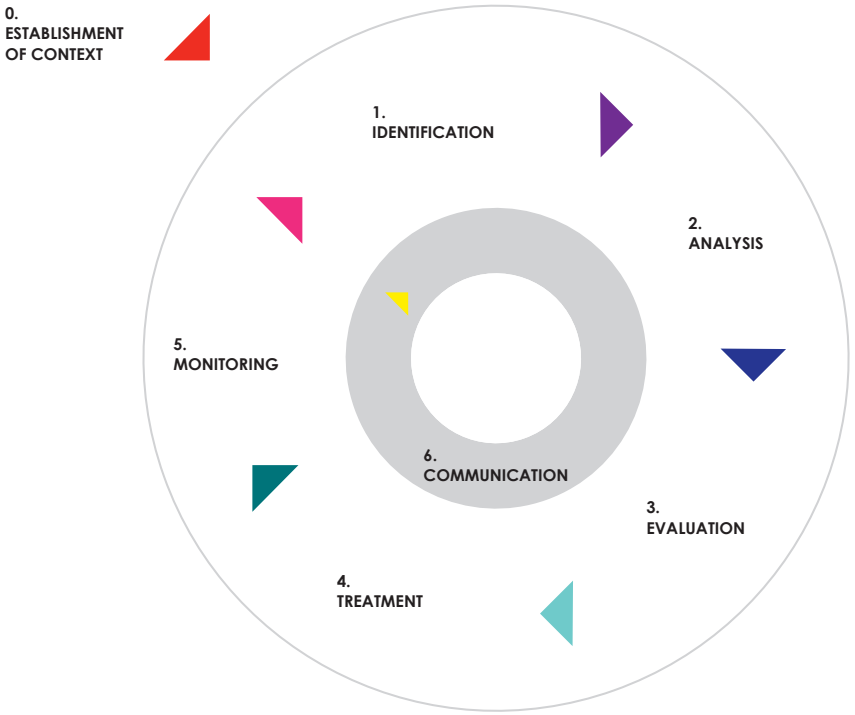
- **Regarding potentially unethical conduct by employees or other associated entities**, the EDP Group regularly develops a training course (for all employees) on ethical models of conduct and behavior in the presence of transgressions in the ethical domain. This risk is monitored by the Office of the EDP Ethics Ombudsman, which is an independent entity responsible for collecting, analyzing and assessing in the Ethics Committee all allegations of unethical conduct, under strict conditions of confidentiality and protection of the respective sources. Moreover, the EDP Group Ethics Committee is responsible for establishing the action lines to mitigate and penalize unethical conduct, whenever necessary, according to the facts collected and reported by the Ombudsman. Risks associated with the non-compliance of processes or corruption are also followed by the Internal Audit and Compliance Department.

- **Information systems risks**, associated with both the non-availability of information systems, as well as failure in the integrity and security of their data, due to a growing sophistication and integration of the several informatic systems and technologies. These risks are managed by dedicated areas within each the Business Unit (centralized in the Digital Global Unit for Portugal and Spain). To mitigate IT risks, there were established in collaboration with Business Units (end-users) critical levels and maximum unavailability timings allowed for each key application. Disaster recovery redundant systems have also been sized and implemented to address the business specifications (particularly strict for critical systems related with, for example, the implementation of financial transactions, communication and grid operation and trading of energy). Business Units with operational information systems (i.e., EDP Produção and EDP Distribuição) have specialized teams to guarantee the security and integrity of systems. Additionally, regarding cyber security there has been developed a number of mitigation measures, namely i) the creation of a Security Operations Center (SOC) dedicated to the continuous monitoring of the security of IT/ OT infrastructures, ii) the creation of a cyber range to simulate and test the reaction of employees in case of cyber-attack, iii) insurance coverage of cyber risks, and iv) the development of training and other awareness initiatives about the key principles of information security.

- **Litigation risks**, associated with losses arising from non-compliance with existing tax, labor, administrative, or civil legislation, or any other, that has an economic (penalties, compensation and agreements) and reputation impact. EDP Group analyses, monitors and reports the aggregate exposure and material developments to all relevant bodies, whether at the level of the Board of Directors or the General and Supervisory Board. In addition to overall exposure and by country, all cases deemed to be of a material nature (contingency over EUR 2.5 million) are collected, analyzed and reported individually. All ongoing processes are evaluated and classified individually by legal advisors as probable, possible or remote, according to their probability of resulting in a negative impact on the EDP Group. EDP and its subsidiaries' board of directors, based on the information provided by legal advisors and on the analysis of pending law suits, recognizes provisions to cover the losses estimated as probable, related with litigations in progress. This treatment includes not only ongoing disputes (litigation in courts and out-of-court), but also the main contingencies in dispute and not materialized (and which may also translate into a negative impact, through the materialization of a dispute).

54. IDENTIFICATION, ANALYSIS, EVALUATION, TREATMENT AND MONITORING OF RISKS

Given the size of EDP Group and its geographical diversity, it is important to define a common process for all Business Units that recognizes and manages the heterogeneity of businesses and activities in which the Group operates. Accordingly, risk management in the EDP Group can be divided into 5 major integrated and structured phases (identification, analysis, evaluation, treatment and monitoring), complemented by a previous phase of establishment of context, and adequate levels of communication between all stakeholders:



0. Assessment of **external and internal environment** • **Definition of key principles** for risk management.
1. **Mapping of key risks** (and representation on a structured taxonomy of risks).
2. **Establishment of risk criteria** • **Quantitative and qualitative analysis** of risks materiality.
3. **Assessment os risk exposure** regarding the risk appetite • **Definition of treatment strategies** to be implemented.
4. **Implementation and execution of the treatment plans** previously established.
5. **Monitoring and report** of KRI evolution, materialization of events and development of treatment measures.
6. **Continuous and bidirectional communication** between relevant stakeholders.

Fundamental phase
Previous/continuous phase

EDP Group's Risk Management Process

- **The identification** of risks concerns the survey and update of the main risks associated with the Group's business, as well as their representation in a structured repository - the taxonomy of risks. Each of the Business Unit and Corporate Departments is primarily responsible for this exercise, within their scope. The Risk Management Department, in coordination with risk-officers, is responsible for the validating and integrating the different exercises and for obtaining and maintaining a global perspective (at the EDP Group level). The Group updated its top-down global risk map, based on interviews and in conjunction with the Group's main risk-owners. More recently, it also developed a reference taxonomy of risks, promoting a common language and facilitating the structure of different exercises for risk identification across all Business Units.

- **The analysis** of risks concerns the establishment of criteria to assess its nature and order of relative magnitude, as well as the analysis of individual and aggregated exposition according to the defined criteria. Each Business Unit and Corporate Department is primarily responsible for this exercise, within their scope of activity, being supported by the Risk Management Department, in coordination with risk-officers, namely through the development of adequate methodologies. This standardization and systematization of analysis and assessment criteria helps make risks of a heterogeneous nature comparable, informs the various decision makers of the orders of magnitude of the various risks and guides the prioritization of management and mitigation initiatives and the definition of clear risk management

policies at various levels (including the definition of limits). In addition to this perspective, risk-return analyses are performed systematically (based on EBITDA@Risk, CF@Risk or other methods) associated with the main strategic guidelines and decisions of the Group (e.g., regarding the Group's Strategic Plan, key investment decisions or other topics deemed to be relevant).

- **The evaluation** of risks is related to the comparison between the risk profile and the risk appetite, tolerance and capacity of the Group (stated both implicitly or explicitly), as well as on the definition of adequate strategies for treatment, when necessary. This exercise is responsibility of the Executive Board of Directors and Business Units, supported by the risk-officers, who act in coordination with the business operation (or risk-owners) and the Risk Management Department (leaded by the Chief Risk-Officer). It is important to highlight the recent formalization of EDP Group's risk appetite statement, with the external objective of structuring a holistic narrative around the strategic pillar of controlled risk, as well as the internal objective of promoting a reflection on the risk-return trade-off of strategic options.

- **The treatment** of risks concerns the adequate implementation of the risk strategies previously established, including the definition of adequate mechanisms of control. This exercise is responsibility of each Business Unit and Corporate Department, within the scope of their activity.

- **The monitoring** of risks ensures the effectiveness of action on identified risks, both in terms of control and periodic reporting of the Group's position as regards several risk factors, as well as the effective implementation of the policies, standards and procedures established for risk management. This role is ensured by the Boards of Directors of the various Group Business Units. The Risk Management Department and risk-officers are responsible for promoting and enhancing risk control and management measures, disseminating best practices and supporting the disclosure of concepts, methods, risk measures and key risk indicators (KRI). Additionally, the Risk Management Department, supported by the network of risk-officers, develops a set of bi-weekly or quarterly reports sent to the Executive Board of Directors and to the Board of Directors of each Business Unit.

55. MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN PLACE IN THE COMPANY FOR THE DISCLOSURE OF FINANCIAL INFORMATION

EDP Group has incorporated, into its management, the Internal Control System of Financial Reporting (SCIRF), based on criteria established by the regulatory framework of internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013), in relation to business processes and entity level controls, and the Control Objectives for Information and Related Technologies (COBIT), in relation to the general controls of information technology.

According to the adopted methodology and approved responsibilities model, activities were carried out related to the development, monitoring and maintaining of the internal control system, within the competence of those responsible that participating in it at the corporate level, entrepreneurial units and business unit level (business and shared services unit companies).

The monitoring and maintenance work was carried out through: (i) corporate and ii) business and shared services unit companies.

(i) The activities at corporate level were as follows:

- Planning and monitoring cycle, maintenance and review of reference models, conceptual and methodological support to business and shared services unit companies;

- Defining SCIRF 2018 Scope based on the consolidated financial information, supported on materiality and risk criteria on a "top down" (Corporate Internal Audit and Compliance Department) and "bottom up" basis, from which the companies and Corporate Centre departments and respective processes considered relevant were identified. Autonomously, they were covered by the scope, the most relevant companies in Portugal, Spain and Brazil geographies and in aggregate, the units that make up EDP Renewables, SA, EDP Renewables Europe, SL and EDP Renewables North America, LLC;

- Support for business and shared services unit companies in the documentation and review of new controls and redesigned of the existing, resulting from the inclusion of new topics, by materiality and/or risk and legal, structural or procedural changes;

- Identification of relevant computer applications that support SCIRF and analysis of "service organizations", for monitoring the issuance of the ISAE 3402 reports corresponding to an independent assessment of the control environment used by EDP's information technology service providers;

- Support and monitoring the cycle evaluation process, by the External Auditor, in terms of work planning, interaction with business and shared services unit companies, resolution of identified non-compliances and reporting to those internal responsible and supervisors;

- Launch and monitoring of the self-certification process, through which those responsible for the internal control of the business and shared services unit companies, declare their explicit recognition about the sufficiency or insufficiency of the controls documentation in terms of updating and adjustment, its execution and maintenance of evidence, actions approval and implementation related to the resolution of non-compliance and compliance with the Code of Ethics;

- Completion of the self-assessment process for SCIRF 2018 cycle, through which the Executive Board of Directors, represented by the Chairman of the Executive Board of Directors and member of the Executive Board of Directors responsible for the financial areas, emit a responsibility report on the safety and reliability degree of consolidated financial statements preparation and presentation;

- Testing and migration of the new Governance, Risk and Compliance tool (GRC), for transversal use in all geographies.

(ii) The activities at business and shared services unit companies level of EDP Group were as follows:

- Analysis of the results of the scope model application to the financial statements on an individual basis and inclusion of new topics and relevant applications, following the risk analysis bottom up;

- Application on "stand alone" scope level for the EDP Espanha, EDP Renováveis and EDP Brasil subgroups, with the profile of materiality and risk appropriate to their size, have been published by the Auditors, in their respective annual reports, the corresponding independent reports on the internal control system, in line with the publication made in the annual consolidated report;

- Identification, review and appointment of SCIRF responsible, depending on the result of the scope model application and on the review and/or update due to organizational, structural, legislative and operational changes in the business and shared services unit companies;

- Documentation of new controls and redesign of the controls documented in previous cycles, subject to revision due to changes at different levels of the business and shared services unit companies;

- Implementation of actions necessary for the resolution of non-compliances identified in the assessment tests made by the external auditor;

- Self-certification by which the SCIRF leaders assess, at all levels of the chain, the sufficiency and updating of documentation and maintenance of evidence in the execution of control activities;

- Self-assessment by the President of the Board and by the board member in charge of the financial matters of EDP Spain, EDP Renewables and EDP Brasil subgroups, through the issue of responsibility reports on the degree of safety and reliability of the preparation and presentation of financial statements, in line with the issuance of the independent reports, by the External Auditor, at "stand alone" level;

- The SCIRF 2018 evaluation was made by the Group's External Auditor, PriceWaterhouseCoopers, according to the "ISAE 3000 - International Standard on Assurance Engagements" in all geographies covered by the scope model, with the support of KPMG, in the specific case of EDP Brasil.

The External Auditor issued an independent report on the Group's Internal Control System of Financial Reporting related to the financial statements of December 31, 2018, without reservations nor qualifications, presented in the annex "Reporting Principles", concluding with a reasonable degree of assurance regarding the effectiveness of internal controls system on financial reporting of EDP Group.

IV. INVESTOR RELATIONS

56. COMPOSITION, DUTIES AND INFORMATION PROVIDED BY THESE SERVICES AND THEIR CONTACT INFORMATION

The essential role of the Investor Relations Department is to act as the interlocutor between EDP's Executive Board of Directors and investors and the financial markets in general. It is responsible for all the information provided by the EDP Group, in terms of disclosure of privileged information and other market communications and publication of periodic financial statements.

In carrying out its duties, the department is in constant contact with investors and financial analysts, providing all the information that they request, while observing the applicable legal and regulatory provisions.

EDP's Investor Relations Department comprises five people and is coordinated by Miguel Viana. It is located at the Company's head office:

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1249-300 Lisboa
Telephone: +351 21 001 2834
Fax + 351 21 001 2899
E-mail: ir@edp.pt
Website: www.edp.com

The following chart shows the communication channels through which EDP provides its shareholders with information on each type of documentation.

CHANNELS	IN PERSON [1]	WWW.EDP.COM	E-MAIL	IR PHONE NUMBER [2]	BY MAIL [3]	WWW.CMVM.PT
ELEMENTS REQUIRED BY LAW OR REGULATION [4]						
Notice of meeting	√	√	√	√	√	√
Executive Board of Directors' proposals	√	√	-	√	√	√
Amendment of the Articles of Association	√	√	-	√	√	√
Other proposals	√	√	-	√	√	-
Annual Report	√	√	√	-	-	√
Management and supervisory positions held in other Group companies by company officers	√	√	-	√	-	√
ADDITIONAL ELEMENTS						
Ballots for voting by proxy	√	√	√	√	√	-
Ballots for voting by mail	√	√	√	√	√	-
Ballots for voting by e-mail	√	√	√	√	√	-
Clarification of any issues	√	√	√	√	√	-
EDP Articles of Association and Regulations	√	√	√	√	√	√

[1] At EDP's headquarters
[2] IR phone number +351 21 001 2834;
[3] Written notice from the Chairman of the Executive Board of Directors regarding Annual General Meetings
[4] Art. 289 of Companies Code and Regulation of CMVM 5/2008

57. REPRESENTATIVE FOR MARKET RELATIONS

The representative for market relations is Miguel Stilwell de Andrade, member of the Executive Board of Directors.

58. PERCENTAGE OF AND RESPONSE TIME TO QUERIES RECEIVED IN THE YEAR OR PENDING FROM PREVIOUS YEARS

EDP's goal is for communication with the market to consist of objective, transparent information that is understandable to all stakeholders. In order to achieve such intent, and bearing in mind the importance of keeping a trustworthy and sustainable behavior, EDP has adopted a financial reporting policy based on transparent and consistent information properly conveyed to investors and analysts.

The Company has therefore made a systematic effort to meet the needs of investors and analysts, which is increasingly difficult, given the complexity of the sector.

In 2018, EDP participated in events with analysts and investors to inform the market of the Company's strategy and operational and financial performance. These included roadshows, presentations to analysts and investors, meetings and conference calls.

113 market communications were made in 2018.

The Company's efforts have been rewarded at a number of events. In 2018, EDP was nominated for the "IR Magazine Europe Awards 2018", having been considered the second best company for investor relations in the utilities sector and the forth best ex-aequo in the Western Europe region.

V. WEBSITE

59. WEBSITE ADDRESS

EDP's website (www.edp.com) provides comprehensive legal or corporate governance information, updates on the Group's activity and complete financial and operational data in order to facilitate searches and access to information by shareholders, financial analysts and others.

The information made available through this channel in Portuguese and English includes data on the Company, financial statements and accounts, privileged information, the Articles of Association and Internal Regulation of corporate bodies, the Group's shareholder structure, preparatory documentation for General Meetings, historical performance of EDP share prices, a calendar of Company events, the names of members of the corporate bodies and the representative for market relations, contact information for the Investor Relations Department and other information of potential interest about the Group. EDP's website also allows visitors to consult accounting documents for any financial year since 1999.

60. LOCATION OF INFORMATION ABOUT THE COMPANY, ITS STATUS AS A PUBLIC LIMITED COMPANY, HEAD OFFICE AND OTHER DETAILS MENTIONED IN ARTICLE 171 OF THE COMPANY CODE

The information set out in Article 171 of the Companies Code is available on EDP's website on:

www.edp.com/en/investors/corporate-governance/companys-data/by-laws-regulations

61. LOCATION OF THE ARTICLES OF ASSOCIATION AND REGULATIONS OF BODIES OR COMMITTEES

The Articles of Association and regulations of bodies and committees are available on EDP's website on:

www.edp.com/en/investors/corporate-governance/companys-data/by-laws-regulations

62. LOCATION OF INFORMATION ON THE NAMES OF MEMBERS OF THE CORPORATE BODIES, MARKET RELATIONS REPRESENTATIVE, INVESTOR RELATIONS OFFICE OR EQUIVALENT BODY, THEIR DUTIES AND FORMS OF ACCESS

The names of members of the corporate bodies, market relations representative, investor relations office or equivalent body, their duties and forms of access are available on EDP's website on:

www.edp.com/en/investors/corporate-governance/governing-bodies-0

www.edp.com/en/investors/corporate-governance/companys-data/by-laws-regulations

63. LOCATION OF ACCOUNTING DOCUMENTS, WHICH MUST BE AVAILABLE FOR AT LEAST FIVE YEARS AND THE SIX-MONTHLY CALENDAR OF COMPANY EVENTS DISCLOSED AT THE START OF EACH HALF YEAR, INCLUDING GENERAL MEETINGS, DISCLOSURE OF ANNUAL, SIX-MONTHLY AND, IF APPLICABLE, QUARTERLY ACCOUNTS

The accounting documents and calendar of company events are available on EDP's website on:

www.edp.com/en/investors/investor-information/reports-and-accounts

www.edp.com/en/investors-0

64. LOCATION OF NOTICE OF MEETING FOR GENERAL MEETINGS AND ALL THEIR PREPARATORY AND SUBSEQUENT INFORMATION

The notice of meeting for General Meetings and all their preparatory and subsequent information are available on EDP's website on:

www.edp.com/en/investors/general-meetings

65. LOCATION OF HISTORY OF DECISIONS MADE AT THE COMPANY'S GENERAL MEETINGS, THE SHARE CAPITAL REPRESENTED AND RESULT OF VOTES FOR THE PREVIOUS THREE 3 YEARS

The history of decisions made at the Company's General Meetings, the share capital represented and result of votes are available on EDP's website on:

www.edp.com/en/investors/general-meetings

D. REMUNERATION

I. POWER TO SET REMUNERATION

66. POWER TO SET THE REMUNERATION OF CORPORATE BODIES AND COMPANY DIRECTORS

Pursuant to the Articles of Association, payments to the company officers are fixed by a Remuneration Committee appointed by the General Meeting of Shareholders, with the exception of the remuneration to members of the Executive Board of Directors, which is fixed by a Remuneration Committee appointed by the General and Supervisory Board.

These Committees submit annually to the Shareholders' General Meeting a declaration regarding the remuneration policy of the corporate bodies members, pursuant to Article (2) (1) of Law no. 28/2009, 19 June.

When establishing the remuneration of the members of the General and Supervisory Board and Statutory Auditor, the Remuneration Committee of the General Meeting takes account of its fixed nature and the imperative rules on its determination, in particular Article 440 (2) of the Company Code, which sets out the criteria for setting the remuneration of the General and Supervisory Board, Article 374-A of the Companies Code on the remuneration of members of the officers of the General Meeting and Article 60 of Decree-Law 224/2008 of 20 November on the remuneration of the Statutory Auditor.

II. REMUNERATION COMMITTEE

67. MEMBERSHIP OF THE REMUNERATION COMMITTEE, INCLUDING NAMES OF THE NATURAL OR LEGAL PERSONS HIRED TO ASSIST AND DECLARATION ON INDEPENDENCE OF EACH MEMBER AND CONSULTANT

The membership of the Remuneration Committee of the General Meeting and of the Remuneration Committee appointed by the General and Supervisory Board is set out in Item 29.

In 2018, no natural or legal persons were hired to the assist Remuneration Committee of the General Meeting in its functions.

In 2018, the Remuneration Committee of the General and Supervisory Board hired an external consultant – Mercer (Portugal), Lda. – for the provision of support in the validation and certification of the calculation of the annual and multi-annual variable remuneration of the Executive Board of Directors.

In January 2019, the General and Supervisory Board also hired Mercer (Portugal), Lda. for supplying services concerning the certification of the evaluation process of the abovementioned body, of its specialized committees and of the Executive Board of Directors. The referred certifications may be consulted at the 2018 Annual Report of the General and Supervisory Board.

68. KNOWLEDGE AND EXPERIENCE OF REMUNERATION POLICY OF THE MEMBERS OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the General and Supervisory Board is composed of members of the General and Supervisory Board with qualifications and experience in remuneration policy, according to Annex I of the current Report.

III. REMUNERATION STRUCTURE

69. REMUNERATION POLICY OF MANAGEMENT AND SUPERVISORY BODIES

EXECUTIVE BOARD OF DIRECTORS

Remuneration policy for the members of the managing body is set by the Remuneration Committee appointed by the General and Supervisory Board. This committee defined the remuneration of the directors, intending for it to reflect the performance of each member of the Executive Board of Directors in each year of their term of office (annual variable remuneration) and their performance during their term by fixing a variable component that is consistent with maximisation of EDP's long-term performance (variable multi-annual remuneration).

The recommendation uses an undetermined concept whose satisfaction depends on the concrete circumstances of the issuing company and especially on its shareholders' understanding of what is reasonable in these circumstances. Interpretation of the reasonability of the relative weight of the variable remuneration against the fixed remuneration must take account of the other elements in the recommendation, particularly of orientation towards alignment of the remuneration structure with the shareholders' long-term interests. One of the natural consequences of this principle is an increase in the weight of the variable component in order to create appropriate incentives for the company's executive directors to foster sustainable growth.

The remuneration policy statement, as approved by the shareholders, lays down that the total variable component can reach twice the fixed component during a term of office, thereby placing a maximum limit of two-thirds of the remuneration depending on fulfilment of strict Company performance goals. Variable remuneration depends on whether the executive directors achieve a performance of 90% of the business plan. Only if they achieve 110% fulfilment will they receive the maximum amounts allowed by the Company's remuneration policy.

Variable remuneration is divided into annual, which may only reach 80% of fixed remuneration, and multi-annual, which may reach 120% of the fixed remuneration. The multi-annual remuneration, although calculated annually, it only becomes effective if, at the end of the term, in average, at least 90% of the fixed goals have been achieved, assessed by the performance of the Company, by its comparison with strategic benchmarks of reference and by the individual contribution of each member of the EDB for that aim.

If the remuneration goals are fully met in a term of office, 60% of the directors' variable remuneration is deferred for no less than three years.

If we compare this percentage with that set out for credit institutions and financial companies, pursuant to Directive 2010/76/EU of the European Parliament and of the Council of 24 November, as it is a paradigm that was widely analysed and discussed in Europe, we find that EDP's policy on variable remuneration is equivalent to the strictest used by these entities.

In accordance with the remuneration policy of the members of the Executive Board of Directors proposed by the Remuneration Committee of the General and Supervisory Board corresponding to the variable multi-annual remuneration may be a maximum of 120% of gross annual remuneration and it will be paid three years after the financial year in question.

Payment of the multiannual variable remuneration is conditional on the non-realization of intentional unlawful acts, known after the completion of the evaluation and that jeopardize the sustainability of the performance of the Company, being paid after the clearance and Remuneration Committee of the General and Supervisory Board approval.

The remuneration policy statement approved by the General Meeting on 5 April 2018 sets out for the mandate of the 2018-2020 triennium the following:

- **Fixed annual remuneration** – EUR 800,000 gross for the CEO, EUR 560,000 gross for the administrator responsible for finance matters and for the Chief Executive Officer of EDP Renováveis Group and EUR 480,000 for each of the remaining members of the Executive Board of Directors. Maintenance of directors' retirement savings plans during their term of office, at a net amount of 10% of their fixed annual remuneration. The characteristics of these retirement savings plans are set out in current legislation applicable to these financial products;

- **Annual variable remuneration** – for each member of the Executive Board of Directors its value is limited to 80% of their gross annual fixed remuneration. The amount is determined on the basis of the following indicators for each year in office: performance of the EDP Group's total shareholder return against Eurostoxx Utilities and PSI-20, earning per share, net debt to EBITDA ratio, operational cash flow excluding regulatory receivables, and residual income. The weighted average of these indicators is given an overall weight of 80% for all members of the Executive Board of Directors, when determining their annual variable remuneration. The other 20% is based on an qualitative assessment by the Remuneration Committee of the General and Supervisory Board;

- **Multi-annual variable remuneration** – also for each member of the Executive Board of Directors, this component may be between 0% and 120% of their fixed annual remuneration based on an annual accumulated assessment of the directors' performance in achieving economic sustainability for the EDP Group. The award of this multi-annual remuneration, although calculated on an annual basis, only takes effect if, at the end of the term of office, at least 90% of the strategic objectives have been achieved. These will be assessed on the basis of performance and comparison with defined strategic benchmarks, as well as the individual contribution of each member of the Executive Board of Directors to such performance. This payment component is fixed on the basis of the following factors: performance of total return for the Group's shareholders against Eurostoxx Utilities and PSI-20 in the term of office, performance of earnings per share in the term of office, performance of Net Debt to EBITDA ration in the term of office, performance of the sustainability index applied to the EDP Group, and performance of operational cash flow excluding regulatory receivables in the term of office. The weighted average of these indicators is given an overall weight of 65% for all members of the Executive Board of Directors, when determining their multi-annual variable remuneration. 35% of the remuneration that is determined by the qualitative individual assessment of the Executive Board of Directors by the Remuneration Committee of the General and Supervisory Board is reserved. Payment of the multiannual variable remuneration is deferred in time, for a period not less than three years, getting the appropriate payment conditional on the non-realization of intentional unlawful acts, known after the completion of the evaluation and that jeopardize the sustainability of the performance of the Company, being paid after the clearance and Remuneration Committee of the General and Supervisory Board approval.

GENERAL AND SUPERVISORY BOARD

Pursuant to the provision of the Article 440 of the Companies' Code, the remuneration of the members of the General and Supervisory Board is fixed, in view of their duties.

This remuneration policy is annually reviewed, and with such periodicity is subject to appreciation of the Shareholders' General Meeting.

The remuneration of the Chairman of the General and Supervisory Board was fixed on the basis of the almost full-time performance of his duties, unlike the rest of the members of such body.

This Committee has defined the remuneration policy for the members of the General and Supervisory Board, having as a guiding principle that such should be simple, transparent, moderate, adapted to the work conducted and the economic situation of the Company but also competitive and equitable in order to guarantee the purpose of creating value for shareholders and remaining stakeholders.

Based on these principles, the Committee has defined the following remuneration policy guidelines for 2018:

- A differentiation between the remuneration of the members of the General and Supervisory Board and those of the members of the Executive Board of Directors shall be maintained, and there will be no variable component or any other remunerative supplement for the General and Supervisory Board.

- It shall be taken into account the performance merit and the complexity of the functions performed by the members of each body, so that the cohesion, stability and development of the Company is not endangered.

- As to the General and Supervisory Board Chairman, it shall be particularly considered that the Chairman office's functions comprehend a strong component of institutional representation. In addition, under Article 23 (3) of the Articles of Association, the General and Supervisory Board Chairman, being independent, should also preside the Financial Matters Committee/Audit Committee.

- In what regards the Vice Chairman, it shall be considered the duties and works performed by him in other committees.

- It is also important to distinguish other specific positions in the General and Supervisory Board, namely the participation of the members of the General and Supervisory Board in other committees, as well as the functions in those committees.

- Finally, it should be considered that, historically, the remuneration of the Chairman of the General Shareholders' Meeting Board is similar to the remuneration attributed to a Committee Chairman. Therefore, the remuneration of the Chairman of the General Shareholders' Meeting Board shall be aligned accordingly.

The shareholders approved the statement of remuneration policy for the mandate of the 2018-2020 triennium on the Shareholders' General Meeting of 5 April 2018.

70. HOW REMUNERATION IS STRUCTURED TO ALLOW ALIGNMENT OF THE INTERESTS OF THE MEMBERS OF THE MANAGING BODY WITH THE COMPANY'S LONG-TERM INTERESTS AND HOW IT IS BASED ON ASSESSMENT OF PERFORMANCE AND DISCOURAGES EXCESSIVE RISK-TAKING

As set out in the remuneration policy described in Item 69, remuneration is structured to allow alignment of the interests of the members of the Executive Board of Directors with the Company's long-term interests.

The time period considered for the payment of the variable component of the remuneration (gap of three years regarding the exercise at stake), the subjection of this payment to the non-performance of unlawful willful actions known after the assessment and that jeopardize the sustainability of the Company's performance, to which is added i) the utilization of qualitative criteria looking forward for a strategic perspective and of medium term in the development of the Company, ii) the existence of a maximum limit for the variable remuneration and iii) the relative weight of this component in the total value of the remuneration, represent decisive elements to promote a performance of the Company's management focused not only in short term goals, but also that integrates in its performance the Company's and the shareholders' interests in a medium and long term perspective.

The members of the managing body have not concluded any agreements with the Company or third parties that have the effect of mitigating the risk of variability of their remuneration fixed by the Remuneration Committee.

71. REFERENCE TO A VARIABLE REMUNERATION COMPONENT AND ANY IMPACT OF PERFORMANCE EVALUATION ON THIS COMPONENT

As described above in Item 69, remuneration policy in effect for 2018-2020 involves three components: i) fixed remuneration, ii) annual variable remuneration and iii) multi-annual variable remuneration.

The indicators used to assess the performance of the Executive Board of Directors in order to determine annual and multi-annual variable remuneration are as follows:

ANNUAL PERFORMANCE INDICATORS

The annual performance indicators aim to evaluate the Executive Board of Directors in a short-term perspective. For such, stock exchange indexes are considered, as well as financial performance indicators, compared against the annual budget proposed by the Executive Board of Directors and approved by the General and Supervisory Board, having each of the budgets the business plan as a starting point. This type of performance evaluation allows the measurement of the level of fulfilment of short-term objectives assumed by the Executive Board of Directors towards the shareholders.

Quantitative and qualitative component and its weight:

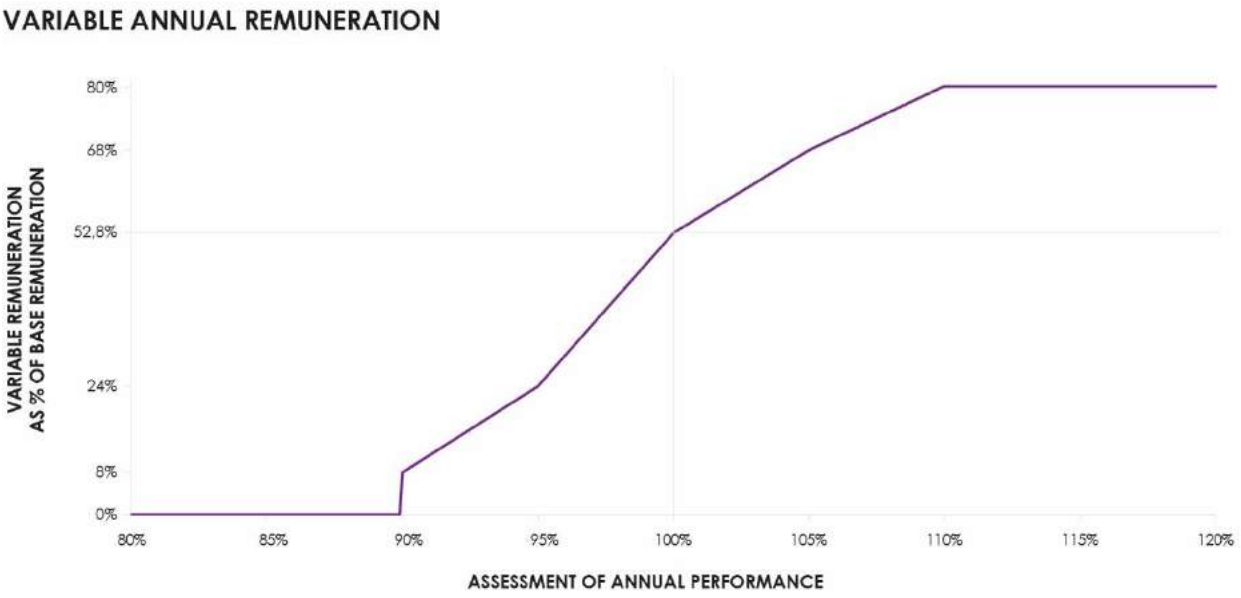
	KPI	WEIGHT	BENCHMARK	DESCRIPTION
QUANTITATIVE COMPONENT (80%)	Total shareholder return (TSR) vs Eurostoxx utilities and PSI20	25%	50% - PSI 20 50% - SX6E	Comparison between EDP's Total Shareholder Return (TSR) and the TSR of two major indexes (SX6E which encompasses the most important companies within the Eurozone); and the PSI 20 (the Portuguese stock market index). The indexes are equally-weighted and the current year-end prices, including dividends reinvestment during the year.
	Earnings per Share	20%	2018 Budget	Comparison between earning per share of the year under analysis and the one defined in the annual budget previously approved by the General and Supervisory Board.
	Net debt to EBITDA	15%	2018 Budget	Comparison between the net debt over EBITDA ratio and the ratio defined in the annual budget approved by the General and Supervisory Board.
	Operating cash flow excluding regulatory receivables	13%	2018 Budget	Comparison between this year operating cash flow, excluding the impact from regulatory receivables and the one defined in the annual budget approved by the General and Supervisory Board.
	Residual Income	7%	2018 Budget	Comparison between the net income minus the product between EDP's cost of capital and its net worth, excluding non-controllable interest, and the amount previously defined in the annual budget approved by the General and Supervisory Board.
QUALITATIVE COMPONENT (20%)	Individual Performance Assessment	20%	-	Individual assessment by the Remuneration Committee of the General and Supervisory Board, based on the individual performance for the period of each member of the Executive Board of Directors.
	Total	**100%**		

The resulting amount of the quantitative and qualitative component is then weighted, as mentioned above, by a coefficient of 80% of the annual fixed remuneration, linearly calculated as follows:

- If performance reaches less than 90% of the defined objectives, there will be no annual variable remuneration attribution;
- If the performance is between 90% and 95% of the defined objectives, it is due an amount within the range of 8% and 24% of the fixed remuneration of each member of the Executive Board of Directors;

- If performance is between 95% and 100% of the defined objectives, it is due an amount within the range of 24% and 52,8% of the fixed remuneration of each member of the Executive Board of Directors;
- If performance is between 100% and 105% of the defined objectives, it is due an amount within the range of 52,8% and 68% of the fixed remuneration of each member of the Executive Board of Directors;
- If performance is between 105% and 110% of the defined objectives, it is due an amount within the range of 68% and 80% of the fixed remuneration of each member of the Executive Board of Directors;
- If performance meets the defined objectives in more than 110% of the defined objectives, it's due an amount equal to 80% of the fixed remuneration of each member of the Executive Board of Directors.

Graphically:



MULTI-ANNUAL PERFORMANCE INDICATORS

The multi-annual performance indicators aim to evaluate the Executive Board of Directors in a long term perspective. For such, stock exchange indexes are considered, as well as financial performance indicators, compared against the most recent business plan proposed by the Executive Board of Directors and approved by the General and Supervisory Board. This type of performance evaluation allows the measurement of the level of fulfilment of long term objectives assumed by the Executive Board of Directors towards the shareholders. The internal business plan of EDP Group is the document sustaining the mid and long-term financial objectives of EDP, presented to the capital markets on its "Investor Days" or "Capital Markets Day". The business plan for the 2016-2020 period has obtained a favourable prior opinion by the General and Supervisory Board in May 2016 and was presented to the market in "EDP Capital Markets 2016", concerning the main financial objectives for the Company through 2020, having been reviewed on 12 March 2019.

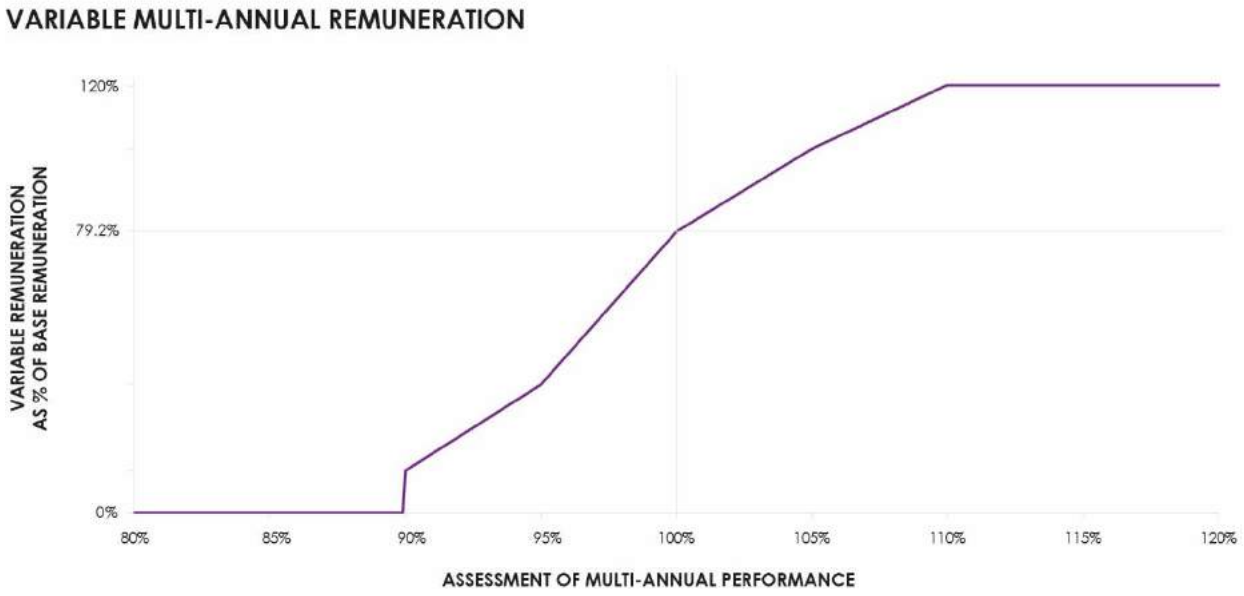
Quantitative and qualitative component and its weight:

	KPI	WEIGHT	BENCHMARK	DESCRIPTION
QUANTITATIVE COMPONENT (65%)	Total shareholder return (TSR) vs Eurostoxx utilities and PSI20	18,5%	50% - PSI 20 50% - SX6E	Comparison between EDP's Total Shareholder Return (TSR) and the TSR of two major indexes (SX6E which encompasses the most important companies within the Eurozone); and the PSI 20 (the Portuguese stock market index). The indexes are equally-weighted and the current year-end prices, including dividends reinvestment during the year.
	Earnings per Share	18,5%	Budget	Comparison between earnings per share of the year under analysis and the one defined in the pluriannual business plan previously approved by the General and Supervisory Board.
	Net debt to EBITDA	15,0%	Budget	Comparison between the net debt over EBIDTA ratio and the ratio defined in the pluriannual business plan approved by the General and Supervisory Board.
	Sustainability Performance Indicator	8%	Historic | Peers | Qualitative	This indicator evaluates EDP sustainability performance taking into account: absolute metrics' evolution over past periods, peer comparison and qualitative performance evaluation of the Remuneration Committee of the General and Supervisory Board.
	Operating cash flow excluding regulatory receivables	5%	Budget	Comparison between this year operating cash flow, excluding the impact from regulatory receivables, and the one defined in the pluriannual business plan approved by the General and Supervisory Board.
QUALITATIVE COMPONENT (35%)	Individual Performance Assessment	35%	-	Individual assessment by the Remuneration Committee of the General and Supervisory Board, based on the individual performance for the period of each member of the Executive Board of Directors.
	Total	**100%**		

The resulting amount of the quantitative and qualitative component is then weighted, as mentioned above, by a coefficient of 120% of the annual fixed remuneration, linearly calculated as follows:

- If performance is less than 90% of the defined objectives, there will be no multiannual variable remuneration attribution;
- If performance is between 90% and 95% of the defined objectives, it's due an amount within the range of 12% and 36% of the fixed remuneration of each member of the Executive Board of Directors;
- If performance is between 95% and 100% of the defined objectives, it's due an amount within the range of 36% and 79,2% of the fixed remuneration of each member of the Executive Board of Directors;
- If performance is between 100% and 105% of the defined objectives, it's due an amount within the range of 79,2% and 102% of the fixed remuneration of each member of the Executive Board of Directors;
- If performance is between 105% and 110% of the defined objectives, it's due an amount within the range of 102% and 120% of the fixed remuneration of each member of the Executive Board of Directors;
- If performance meets the defined objectives in more than 110%, it's due an amount equal to 120% of the fixed remuneration of each member of the Executive Board of Directors.

Graphically:



72. DEFERRAL OF PAYMENT OF VARIABLE COMPONENT OF REMUNERATION AND ITS LENGTH

The multi-annual variable remuneration is calculated every year and only becomes effective at the end of the term of office if at least 90% of the strategic goals have been achieved, as assessed on the basis of Company performance and its comparison with the strategic benchmarks and the individual contribution of each member of the Executive Board of Directors.

All multi-annual eventual variable remuneration is paid three years after the financial year in question.

73. CRITERIA ON ALLOCATION OF VARIABLE REMUNERATION IN SHARES AND EXECUTIVE DIRECTORS' MAINTENANCE OF THESE SHARES, ANY AGREEMENTS CONCLUDED CONCERNING THESE SHARES, SUCH AS HEDGING OR RISK TRANSFER CONTRACTS, THEIR LIMIT AND THEIR ASSOCIATION WITH TOTAL ANNUAL REMUNERATION

The members of the Executive Board of Directors do not own Company shares under variable remuneration mechanisms.

74. CRITERIA ON ALLOCATION OF VARIABLE REMUNERATION IN OPTIONS, PERIOD OF DEFERRAL AND PRICE OF EXERCISE

EDP has no variable remuneration option schemes.

75. MAIN PARAMETERS AND BASIS OF ANY ANNUAL BONUS SYSTEM AND ANY NON-MONETARY BENEFITS

Company directors do not receive any significant remuneration in the form of non-monetary benefits.

76. MAIN CHARACTERISTICS OF SUPPLEMENTARY PENSION OR EARLY RETIREMENT SCHEMES FOR DIRECTORS AND DATE OF APPROVAL INDIVIDUALLY AT A GENERAL MEETING

The remuneration fixed by the Remuneration Committee of the General and Supervisory Board sets for a retirement savings plan-type standard financial product for the members of the Executive Board of Directors, through the application of a net amount correspondent to 10% (ten percent) of their fixed annual remuneration. It was granted in accordance with the Remuneration Policy Statement approved by resolution of the General Shareholders' Meeting dated 5 April 2018. This financial product does not entail any cost to EDP in the future, as it is merely a subscription to a financial product while the members of the managing body hold their positions and is not covered by Article 402 (1) of the Company Code.

IV. DISCLOSURE OF REMUNERATION

77. ANNUAL AGGREGATE AND INDIVIDUAL REMUNERATION PAID TO THE MEMBERS OF THE COMPANY'S MANAGING BODY BY THE COMPANY, INCLUDING FIXED AND VARIABLE REMUNERATION AND ITS DIFFERENT COMPONENTS

The total gross amount paid by EDP to the members of the Executive Board of Directors in 2018 was 11,303,658 Euro.

The chart below shows the gross amounts of remuneration paid individually to the members of the Executive Board of Directors in office up to April 5th, 2018:

EURO	GROSS REMUNERATION PAID BY EDP	
	FIXED	ANNUAL VARIABLE (2017)
António Luís Guerra Nunes Mexia	249,863	601,751
Nuno Maria Pestana de Almeida Alves	225,046	423,914
João Manuel Manso Neto	168,152	410,474
António Fernando Melo Martins Costa	143,166	344,923
João Manuel Veríssimo Marques da Cruz	86,364	221,628
Miguel Stilwell de Andrade	180,888	361,051
Miguel Nuno Simões Nunes Ferreira Setas	80,539	237,086
Rui Manuel Rodrigues Lopes Teixeira	155,716	342,619

In turn, the chart below shows the gross amounts of remuneration paid individually to the members of the Executive Board of Directors in office after April 5th, 2018:

EURO	GROSS REMUNERATION PAID BY EDP FIXED
António Luís Guerra Nunes Mexia	720,350
João Manuel Manso Neto	484,779
António Fernando Melo Martins Costa	412,744
João Manuel Veríssimo Marques da Cruz	248,985
Miguel Stilwell de Andrade	521,497
Miguel Nuno Simões Nunes Ferreira Setas	232,191
Rui Manuel Rodrigues Lopes Teixeira	448,927
Maria Teresa Isabel Pereira	433,661
Vera de Morais Pinto Pereira Carneiro	433,661

The member of the Executive Board of Directors, Maria Teresa Isabel Pereira received, still in 2018, as EDP employee and for her activity until 5 April 2018, the total amount of 163,885.85 Euro, amount that includes the annual bonus in accordance with the individual performance.

The remuneration of the Chairman and directors of the Executive Board of Directors include the amounts associated with the retirement savings plan. The amounts of the variable remuneration were fixed on the basis of the tax treatment applicable in the director's country of tax residence. The amounts paid by EDP subsidiaries refer solely to their period of residence abroad.

As results of the policy in force, the compensation is structured to allow the alignment of the Executive Board of Directors members' interests with the long-term interests of the Company. In this way, taking into account the objective calculations associated with the remuneration model, the Committee set the multi-annual variable component imputable to the third, and last, year of the 2015-2017 mandate.

EURO	GROSS REMUNERATION PAID BY EDP MULTI-ANNUAL VARIABLE REMUNERATION (2015) *
António Luís Guerra Nunes Mexia	626,928
Nuno Maria Pestana de Almeida Alves	404,981
João Manuel Manso Neto	404,981
António Fernando Melo Martins Costa	231,005
João Manuel Veríssimo Marques da Cruz	130,650
Miguel Stilwell de Andrade	318,096
Miguel Nuno Simões Nunes Ferreira Setas	211,581
Rui Manuel Rodrigues Lopes Teixeira	318,096

* Multi-annual variable remuneration concerning performance in 2015-2017, year of 2015

78. AMOUNTS PAID FOR ANY REASON BY OTHER SUBSIDIARY OR GROUP COMPANIES OR COMPANIES UNDER COMMON CONTROL

The chart below shows the gross amounts of remuneration paid by other subsidiary or Group companies or companies to a member of the Executive Board of Directors under common control.

EURO	GROSS REMUNERATION PAID BY EDP		
	FIXED	VARIABLE (2017)	COMPANIES IN A CONTROL RELATIONSHIP
João Manuel Veríssimo Marques da Cruz	240,000	0	EDP Ásia - Soluções Energéticas
Miguel Nuno Simões Nunes Ferreira Setas*	247,364	0	EDP Energias do Brasil

* Annual Fixed Remuneration shall be adjusted by the end of April 2019, aiming for the correction of deviations resulting from exchange rates, so that the board member effectively receives the amount defined by the Remuneration Committee of the General and Supervisory Board.

79. REMUNERATION IN THE FORM OF PROFIT-SHARING AND/OR PAYMENT OF BONUSES AND REASONS FOR THESE BONUSES OR PROFIT SHARING

EDP has no schemes in place for payment of remuneration in the form of profit-sharing and/or payment of bonuses.

80. COMPENSATION PAID OR OWED TO FORMER EXECUTIVE DIRECTORS FOR TERMINATION IN THE FINANCIAL YEAR

There are no agreements between the Company and members of the managing and supervisory bodies providing for compensation in the event of termination, as proven by the remuneration policy statement in effect for 2018. As a result no compensation for termination was paid or is owed to former directors.

It should also be noted that there are no contracts for severance payment in force, nor does the remuneration policy provide for such, in the event of dismissal or termination by agreement from the post of director.

In particular, the Company does not assign compensation beyond the legally required in case of dismissal from the post of director founded in inadequate performance neither was any payments made in this context during the year 2018.

81. ANNUAL AGGREGATE AND INDIVIDUAL REMUNERATION PAID TO THE MEMBERS OF THE COMPANY'S SUPERVISORY BODIES

1. GENERAL AND SUPERVISORY BOARD

The total gross amount paid by EDP to the members of the General and Supervisory Board in 2018 was 1,833,226 Euro.

The chart below shows the remuneration paid in 2018 to the members of the General and Supervisory Board in office up to April 5th, 2018:

EURO	FIXED
China Three Gorges Corporation*	134,472
Luís Filipe Marques Amado	24,806
China International Water & Electric Corporation	11,750
China Three Gorges New Energy Corporation	17,500
CWEI (Europe), S. A.	14,250
CWEI (Portugal), Sociedade Unipessoal, Lda.	16,750
Banco Comercial Português, S.A.	14,679
DRAURSA, S. A.	14,679
SONATRACH	14,679
Senfora BV	14,679
António Sarmento Gomes Mota	30,000
Vasco Joaquim Rocha Vieira	14,883
Maria Celeste Ferreira Lopes Cardona	20,603
Jorge Avelino Braga Macedo	17,255
Ilídio Costa Leite Pinho	14,679
Fernando Maria Masaveu Herrero	17,255
Augusto Carlos Serra Ventura Mateus	14,883
João Carvalho das Neves	26,111
Alberto Joaquim Milheiro Barbosa	20,000
María del Carmen Fernández Rozado	18,027
António Manuel Carvalho Ferreira Vitorino	18,278

* Remuneration paid to representative, Eduardo de Almeida Catroga

In turn, in the chart below it is shown the remuneration paid in 2018 to the members of the General and Supervisory Board in office after April 5th, 2018:

EURO	FIXED
Luís Filipe Marques Amado	380,528
China Three Gorges (Portugal), Sociedade Unipessoal, Lda.*	42,117
China Three Gorges Corporation	69,931
China Three Gorges International Corp.	41,958
China Three Gorges (Europe), S.A.	49,506
China Three Gorges Brasil Energia Ltda	41,958
Banco Comercial Português, S.A.	42,321
DRAURSA, S. A.	42,321
SONATRACH	42,321
Senfora BV	42,321
Fernando Maria Masaveu Herrero	49,745
Maria Celeste Ferreira Lopes Cardona	59,397
Ilídio Costa Leite Pinho	42,321
Jorge Avelino Braga Macedo	49,745
Vasco Joaquim Rocha Vieira	49,506
Augusto Carlos Serra Ventura Mateus	49,506
João Carvalho das Neves	84,972
María del Carmen Fernández Rozado	51,973
Laurie Lee Fitch	42,117
Clementina Maria Dâmaso de Jesus Silva Barroso	51,722
António Manuel Carvalho Ferreira Vitorino	16,722

* Remuneration paid to representative, Eduardo de Almeida Catroga

2. OTHER COMPANY BODIES

ENVIRONMENT AND SUSTAINABILITY BOARD

The members of the Environment and Sustainability Board are paid in attendance vouchers of EUR 1,750 per meeting. In 2018, the remuneration paid to the members of the Environment and Sustainability Board in office up to April 5th, 2018 was as follows:

EURO	FIXED
José Pedro Silva Sucena Paiva	1,750
António José Tomás Gomes de Pinho	1,750
José Manuel Caré Baptista Viegas (*)	0
Maria Graça Madeira Martinho	0

(*) Waiver of remuneration

In turn, the remuneration paid individually to members of the Environment and Sustainability Board in office after April 5th, 2018 is shown in the chart below:

EURO	FIXED
José Manuel Caré Baptista Viegas	3,500
António José Tomás Gomes de Pinho	3,500
Joana Pinto Balsemão (*)	0
Joaquim Poças Martins	1,750
Pedro Manuel Sousa Mendes Oliveira	3,500

(*) Waiver of remuneration

REMUNERATION COMMITTEE OF THE GENERAL MEETING

The members of the Remuneration Committee of the General Meeting received the following remuneration in 2018:

EURO	FIXED
Luís Miguel Nogueira Freire Cortes Martins	15,000
José Gonçalo Ferreira Maury	10,000
Jaime Amaral Anahory	10,000

82. REMUNERATION OF THE CHAIRMAN OF THE GENERAL MEETING

The Chairman and Secretary of the General Meeting do not earn any remuneration in that capacity, given that they are remunerated as a member of the General and Supervisory Board and Company Secretary, respectively. The Vice-Chairman of the General Meeting is paid an amount of EUR 3,000 a year.

V. AGREEMENTS AFFECTING REMUNERATION

83. CONTRACTUAL LIMITATIONS FOR COMPENSATION PAYABLE TO DIRECTORS FOR DISMISSAL WITHOUT DUE CAUSE AND THEIR ASSOCIATION WITH THE VARIABLE COMPONENT OF REMUNERATION.

In accordance with the remuneration policy statement in effect for 2018, EDP has no existing contracts providing for payments in the event of dismissal or termination by mutual agreement of directors.

84. DESCRIPTION AND AMOUNTS OF AGREEMENTS BETWEEN THE COMPANY AND MEMBERS OF THE MANAGING BODY AND DIRECTORS, AS SET OUT IN ARTICLE 248-B (3) OF THE SECURITIES CODE, PROVIDING FOR COMPENSATION IN THE EVENT OF DISMISSAL WITHOUT DUE CAUSE OR TERMINATION OF EMPLOYMENT FOLLOWING A CHANGE OF COMPANY CONTROL

Considering Article 248-B (3) of the Securities Code, EDP has no directors other than the members of the corporate bodies. In addition to the members of these bodies, there are no managers who have regular access to privileged information and participate in decisions on the Company's management and business strategy.

Furthermore, we reiterate that, in accordance with the remuneration policy statement approved at a General Meeting and in effect for 2018, EDP has no existing agreements providing for payments in the event of dismissal or termination by mutual agreement of directors.

VI. STOCK PURCHASE OPTION PLANS OR STOCK OPTIONS

85. PLAN AND ITS BENEFICIARIES

There are no stock options for Company employees.

86. DESCRIPTION OF THE PLAN (CONDITIONS FOR AWARD, CLAUSES ON NON-SALEABILITY OF SHARES, SHARES PRICE CRITERIA, PRICE OF OPTIONS IN FINANCIAL YEAR, PERIOD IN WHICH OPTIONS CAN BE EXERCISED, CHARACTERISTICS OF SHARES OR OPTIONS, INCENTIVES FOR PURCHASE OF SHARES OR EXERCISE OF OPTIONS)

There are no stock options for Company employees.

87. STOCK OPTIONS OF COMPANY EMPLOYEES

There are no stock options for Company employees.

88. CONTROL MECHANISMS SET OUT IN ANY EMPLOYEE SHARE SCHEME SO THAT THEY DO NOT EXERCISE THEIR VOTING RIGHTS DIRECTLY

The Company has no such control mechanisms.

E. TRANSACTIONS WITH RELATED PARTIES

I. MECHANISMS AND PROCEDURES OF CONTROL

89. COMPANY MECHANISMS FOR MONITORING TRANSACTIONS WITH RELATED PARTIES

The General and Supervisory Board approved in 2009 objective, transparent rules on the identification, prevention and resolution of relevant corporative conflicts of interest called Framework on Handling of Conflicts of Interest.

Following a resolution made by the General and Supervisory Board, on 17 May 2010 the Executive Board of Directors approved the rules on identification, in-house reporting and procedure in the event of conflicts of interest applicable to all EDP Group employees who play a decisive role in transactions with related parties.

These rules are also available on EDP's website.

As part of its improvement of governance practices, on 29 July 2010, the General and Supervisory Board approved EDP's Regulation on Conflict of Interest and Transactions between Related Parties, which was reviewed in 2015 and a new version was approved on 29 October 2015, available on EDP's website (www.edp.com). This set of rules on the prevention, identification and resolution of potential corporate conflicts of interest has a wider scope of application than that set out in CMVM Regulation 4/2013.

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its work to the General and Supervisory Board.

For further information on this matter, see Item 3.4.3. of the Annual Report of the General and Supervisory Board.

90. TRANSACTIONS THAT UNDERWENT CONTROLS IN THE YEAR

Attentive to the current reporting obligations, the Executive Board of Directors, during 2018, submitted to the General and Supervisory Board the information concerning the transactions between related parties. Such information concerned the transactions listed below:

- Following the Investment Cooperation Agreement between EDP Renováveis and China Three Gorges for the Moray wind offshore project, announced on 19 October 2015, was concluded, on December 2018, the sale of a 10% stake in equity shareholding and outstanding shareholder loans on Moray Offshore Windfarm (East) Limited to China Three Gorges (Europe) S.A. owned by China Three Gorges Corporation, for a total amount of £37.6 million.

- EDP Group, through EDP Spain, has rendered electricity and gas services and also energy efficiency products to the company Cementos Tutela Veguín and to other companies incorporated in the Masaveu Group in the approximate amount of €20.4 million (Cementos Tutela Veguín is a subsidiary of Masaveu Group which holds 55.9% of Oppidum Capital, S.L.).

- EDP Group provided electricity and gas services to Liberbank and related companies amounting to approximately €5.9 million (Liberbank holds 44.1% of Oppidum Capital, S.L.). EDP Group has rendered payment management services to Liberbank on the approximate amount of €80,000.00 (Liberbank holds 44,1% of the company Oppidum Capital, S.L.).

- Banco Comercial Português (BCP) has rendered financial consultancy services to EDP Group, between October 2017 and December 2018 - under the Sagres Proejct that was aiming to the equity divestment on EDP Small Hydro and Pebble Hydro which together hold 21 small hydro facilities with an installed capacity of 103MW - on the amount of €700,000.00 in consultancy fees and €1,600.00 in expenses (amounts valued added tax excluded).

- Banco Comercial Português (BCP) has rendered financial intermediation services to EDP Group having namely, integrated a bank syndicate which performed as bond issuance Joint Bookrunners under the Euro Medium Term Notes Program that took place in October 2018, on the amount of €600 million. BCP was one of the 9 lead managers of the transaction, having been paid the amount of €266,666.67.

- It was acquired to Sonatrach natural gas under the long-term supply agreement to EDP Group, and for the Soto 4 Combined Cycle Power Station, entered into after the existing partnership between EDP and Sonatrach in October 2007, having been paid the amount of €191.91 million.

The General and Supervisory Board noted that, with basis on the cases analyzed and information provided by the Executive Board of Directors for 2018, there was no evidence that the potential conflict of interests in EDP operations were resolved contrarily to the company's interests.

At the same time, it is important to highlight Article 17(2) of EDP Articles of Association, that defines a number of matters subject to prior opinion from the General and Supervisory Board. This corporate body has competences to set the parameters for

measuring the economic or strategic value of the operations that must be submitted for its opinion, and these were approved by the referred Board on the 6 April 2018.

In this scope, during 2018 exercise, 24 operations were submitted to favourable prior opinion from the General and Supervisory Board with an average value €604 million, having the transaction with the highest amount been of €3 600 million. Regarding the waiver of prior opinion, were submitted to the General and Supervisory Board 15 operations, with the average value of €432 million, having the transaction with the highest amount been of €2 065 million.

In what concerns operations subject to favourable prior opinion from the General and Supervisory Board, one of them had a financial consultant as a related party, BCP, inherent to the transaction in the amount of €164 million, and the consultancy fee with the related party in the amount of €700,000.00. Regarding operations in which there were waivers of prior opinion, none had inherent a transaction with a related party. In accordance with the Regulation on Conflict of Interest and Transactions between Related Parties, and considering the specificities underlined to this transaction, the General and Supervisory Board , the Corporate Governance and Sustainability Committee, whenever possible, analyses such transaction, having concluded for the non-existence of evidences that the potential conflict of interests subjacent to the operations performed by EDP have been resolved in a way contrary to the Company's interests.

91. PROCEDURES AND CRITERIA APPLICABLE TO THE SUPERVISORY BODY'S PRIOR ASSESSMENT OF TRANSACTIONS BETWEEN THE COMPANY AND HOLDERS OF QUALIFYING SHAREHOLDINGS OR ENTITIES RELATED TO THEM IN ANY WAY

The current rules on the issue and waiving of a prior opinion from the General and Supervisory Board, as referred previously, were approved on 18 June 2015, along with the procedures for communication and clarifications between it and the Executive Board of Directors.

Pursuant to EDP's Articles of Association, the General and Supervisory Board fixes the parameters for measuring the economic or strategic value of operations submitted to it for an opinion and sets up speedy mechanisms for issuing an opinion in urgent cases or when the nature of the subject so warrants and the situations in which this opinion can be waived (Article 21 (7)). The mechanism for waiving a prior opinion from the General and Supervisory Board may only be used in cases of exceptional urgency or if the nature of the subject so warrants, as set out in EDP's Articles of Association and the General and Supervisory Board Internal Regulation in effect in 2011 (current Article 15 (5)).

All matters in which a prior opinion is waived are later appraised at meetings of the General and Supervisory Board.

Furthermore, the General and Supervisory Board has set out strict rules on transactions between related parties in order to prevent conflicts of interest.

Within this scope, it should be highlighted what is defined in the Regulation on Conflict of Interest and Transactions between Related Parties in what concerns the procedures and criteria applicable to the supervision for previous evaluation of business between the Company and qualified shareholders or any entities with whom the latter are related:

a) For legal transactions or situations between related parties that are likely to cause a conflict of interest between those involved that will have an impact on the interests of EDP, the Executive Board has to request the preliminary opinion of the General and Supervisory Board or its waiver, and also has to provide the following information:

    - A brief description of the operations and obligations assumed by the parties.

    - A statement the procedures adopted for selecting the counterparty, particularly if the operation was based on a tender/consultation or limited tendering procedure.

    - In the case of a limited tendering procedure, the reasons for such decision and the measures adopted to mitigate any risks from potential conflicts of interests.

- In the case of a tender/consultation, statement of the type of contact established with potential stakeholders and identify such.

- In the event competitive offers existed, information on the terms of the different proposals and the reason for the choice made.

- Identification of the parameters to measure the operation performed under "normal market conditions for similar transactions".

- Measures taken to prevent or resolve potential conflicts of interests.

- Evidence, if applicable, of the multiannual nature of the operation, in which case the starting date of the selected tender/contract should be reported together with the date on which the supplies and/or services provided shall be provided or carried out.

b) With respect to legal business or cases that exist between related parties that are likely to give rise to a conflict of interests between those involved, which could impact the interests of EDP, these should be subject to a preliminary opinion from the General and Supervisory Board:

- If the Corporate Governance and Sustainability Committee can meet before the General and Supervisory Board meeting, an opinion from this Committee should be requested, which should be presented to the General and Supervisory Board for decision making purposes.

- If it is not possible for the Corporate Governance and Sustainability Committee to meet, the assessment of the potential conflict of interests must be made directly by the General and Supervisory Board within its decision making authority.

c) With respect to legal business or cases that exist between related parties that are likely to give rise to a conflict of interests between those involved, which could impact the interests of EDP, which are subject to a request for waiver of the preliminary opinion from the General and Supervisory Board, at least three Members of the Committee should be consulted, and the majority have to be independent.

d) When considering the request by the Executive Board, in the event of a request to waiver the preliminary report, the Corporate Governance and Sustainability Committee, the General and Supervisory Board or the Chairman of this Board, may recommend to the Executive Board that appropriate measures must be taken to address the potential conflict of interest.

II. BUSINESS INFORMATION

92. LOCATION OF ACCOUNTING DOCUMENTS PROVIDING INFORMATION ON TRANSACTIONS WITH RELATED PARTIES, PURSUANT TO IAS 24, OR REPRODUCTION OF THE INFORMATION

Information on transactions with related parties, pursuant to IAS 24, is set out in Note 43 of the consolidated and individual financial statements.

PART II

ASSESSMENT OF CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE CODE IN EFFECT

EDP – Energias de Portugal, S.A. (EDP) is a listed company whose securities are admitted to trading on the NYSE Euronext Lisbon stock market.

Following the entry into force of the Protocol between the CMVM and the Portuguese Institute for Corporate Governance, on 13 October 2017 which gave rise to the revocation of the Corporate Governance Code issued by CMVM, having been introduced changes to the Corporate Governance Code issued by the Portuguese Institute for Corporate Governance, available at www.cgov.pt,

The choice of EDP to adopt the Corporate Governance Code issued by the Portuguese Institute for Corporate Governance reflects the concern of ensuring at all times the implementation of best corporate governance practices.

According to the CMVM Circular, dated 11 January 2019, this Report is still structured in accordance with Article 1(4) of CMVM Regulation 4/2013, and therefore abides by the model in its Annex I, not including the sections not applicable to EDP's corporate governance model.

2. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The following chart the Portuguese Institute for Corporate Governance principles and recommendations on corporate governance established in the respective Corporate Governance Code and indicating whether or not they were adopted by EDP, or the possibility of such provisions are not applicable to the Company. In case the descriptions set forth on the shareholder structure, organization and corporate governance of the report does not exhaust the scope of the underlying explanation of the respective principles or recommendations, complementary information was included.

COMPLIANCE DECLARATION

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
CHAPTER I · GENERAL PROVISIONS			
General Principle: Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies.			
I.1. Company's relationship with investors and disclosure			
Principle: Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information		Regarding the disclosure of information, it is important to refer the existence of, on one hand, information flow and mechanisms and the calling and, on the other hand, binding rules of the corporate bodies and specialized committees for information sharing. On that regard, EDP relies on an information sharing platform between the Executive Board of Directors and the General and Supervisory Board as well as between the specialized committees, accessible to all members of such bodies and committees. Such information tool allows all members to have knowledge of the most important documents namely minutes and resolutions supporting documents. The Executive Board of Directors provides to all other corporate body members all the requested information in a timely and appropriate manner. Furthermore, the Investors Relations Department aims to ensure the communication with analysts and investors of the Group companies in order to guarantee a sustainable Company's image and EDP's notoriety as well as to answer all information requests of regulatory entities and financial supervisory authorities. Moreover, the Stakeholders and Institutional Relations Department ensures the institutional communication of the Company through an integrated and consistent narrative before the Group Stakeholders in line with the adopted vision and strategy in order to maximize the communication potential of the Group towards its stakeholders and to contribute to a fluid and systematized information flow among the Group and its activities. In addition to these Departments, EDP has also an Information Disclosure Committee which main functions are: (i) to analyse and assess the provided information or which information should be provided periodically by EDP when preparing its reports or other releases to the market and (ii) to assess the control and disclosure information mechanism of EDP. Finally, EDP has established a corporate centre that assumes a supporting role to the Executive Board of Directors in the definition and execution of the defined control strategies, policies and objectives. The corporate centre is organized by Corporate Departments and Business Units, allowing a better optimization and efficiency of the organisational structure.	Item 15 | Item 21 | Item 22 | Item 27 | Item 29 | Item 52 | Items 55 to 65
Recommendation I.1.1. The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general	**ADOPTED**		Item 15 | Item 21 | Item 22 | Item 27 | Item 29 | Item 52 | Items 55 to 65
I.2. Diversity in the composition and functioning of the company's governing bodies			
Principle I.2.A Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders		The Internal Regulations of the corporate bodies, corporate entities and specialized committees which form part of EDP's structure set forth several provisions related to reputation, independence and incompatibilities applicable to the members of those corporate bodies. Regarding the General and Supervisory Board and the Executive Board of Directors, EDP has a specific policy entitled "Policy on Selection of the Members of the General and Supervisory Board and Executive Board of Directors" according to which the integration of several skills, professional experiences and knowledge, as well as genre and cultural diversity should always be assured	Item 11 | Items 15 to 17 | Items 30 to 33 | Annex I
Principle I.2.B Companies should be provided with clear and transparent decision structures and ensure a			Item 21 | Items 27 to 31

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
maximum effectiveness of the functioning of their governing bodies and commissions		taking into account the specificities of the Company business. Such policy establishes that the election proposal of any candidate to be submitted to the Shareholders' General Meeting should be duly substantiated, considering the candidate's profile and function to be performed so as to enable the verification of adequacy of the candidate's profile, knowledge and curriculum to the functions to be performed. Under the abovementioned policy, some of the general selection criteria are: (i) promotion of equality of rights and of opportunities in a context of diversity; (ii) enhancement of diversity, notably in matters of age, gender, geographical origin, skills, competences, qualifications and experience; (iii) promotion of the increase in the number of members of the under-represented gender; (iv) prevention of potential conflicts of interest. Said selection policy also foresees competences of the members of the Executive Board of Directors and of the General and Supervisory Board should have, among which we highlight the following: (i) technical-professional competences suitable for the function; (ii) Integrity, ethics and professional and personal values; (iii) sufficient knowledge of the legal, regulatory and statutory rules applicable to the its functions and to the Company; (iv) sufficient availability to comply with the respective legal and statutory functions; (v) fulfilment of the independence requirements established by law and in the Articles of Association; (vi) commitment with the provisions set forth in legal provisions, and policies and Company's Internal Regulation; (vii) commitment towards the compliance with the best practices in corporate governance; (viii) competences and experience in companies' management, risk management and supervision suitable for the function and (ix) industry knowledge and experience in the sector. In particular regarding gender diversity, it is convened by the compliance with Law 62/2017, of 1 August, related to the balanced representation between men and women in governing and supervisory bodies in public sector entities and listed companies. Furthermore, EDP has a diversity policy according to which it undertakes to (i) promote the mutual respect and equal opportunities before diversity, (ii) acknowledge the differences as a source of strengthen human potential and diversity enrichment in the organization, in the management and in the strategy and (iii) adoption of non-discriminatory and awareness measures not only internal but also towards the community in order to have an effective and efficient implementation of the diversity policy.	
Recommendation I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition	**ADOPTED**		Item 11 | Items 15 to 17 | Items 30 to 33 | Annex I
Recommendation I.2.2. The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, and detailed minutes of the meetings of each of these bodies should be carried out	**ADOPTED**	The General and Supervisory Board (GSB), the Executive Board of Directors (EBD), the Financial Matters Committee / Audit Committee (FMC/AC), the Corporate Governance and Sustainability Committee (CGSC), the Strategy and Performance Committee (SPC) and the Remuneration Committee (RC) have specific Internal Regulations that establish its functioning and which were updated in 2018 to adopt the best practices, in particular those principles and recommendations set forth by the Portuguese Institute for Corporate Governance. In relation to the applicable specific articles, please see charts below: **Internal Regulation GSB** Duties 2 Chairmanship 5	Items 22 and 23 | Items from 27 to 29 | Item 34 | Item 61

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
		Periodicity of meetings 4 Functioning 4 Duties of their members 11 Duty to draft Minutes 26 **Internal Regulation EBD** Duties 4 Chairmanship 5 Periodicity of meetings 7 Functioning 7 Duties of their members 4 Duty to draft Minutes 9 **Internal Regulation FMC/AC** Duties 2 Chairmanship 5 Periodicity of meetings 4 Functioning 4 Duties of their members 10 Duty to draft Minutes 4 **Internal Regulation RC** Duties 2 Chairmanship 5 Periodicity of meetings 4 Functioning 4 Duties of their members 10 Duty to draft Minutes 4 **Internal Regulation CGSC** Duties 2 Chairmanship 5 Periodicity of meetings 4 Functioning 4 Duties of their members 10 Duty to draft Minutes 4 **Internal Regulation SPC** Duties 2 Chairmanship 5 Periodicity of meetings 4 Functioning 4 Duties of their members 10 Duty to draft Minutes 4	
Recommendation I.2.3. The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website	**ADOPTED**	In addition to Items 34, 59 and 61, the corporate bodies and the specialized committees' Internal Regulations make express reference to the disclosure on EDP's institutional website of such Internal Regulations, as follows: - Internal Regulation GSB: Article 29 - Internal Regulation EBD: Article 10 - Internal Regulation FMC/AC: Article 15 - Internal Regulation RC: Article 15 - Internal Regulation CGSC: Article 15 - Internal Regulation SPC: Article15	Item 34 | Item 59 | Item 61
Recommendation I.2.4. The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website	**ADOPTED**	This information is made available at EDP's website, is disclosed on EDP's Annual Report as well as on the General and Supervisory Board Annual Report. www.edp.com/en/investors/corporate-governance/governing-bodies-0	Item 59

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
Recommendation I.2.5. The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested	**ADOPTED**	A Whistleblowing Procedures Regulation is in force. Such Regulation sets forth reception mechanisms and procedures, irregularities communication retention and processing on several matters received by the Company.	Item 49
I.3. Relationships between the company bodies			
Principle: Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.			Items 21 to 45
Recommendation I.3.1. The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	**ADOPTED**	EDP's Article of Association expressly set forth that all corporate bodies of the Company should, to the extent of their competences, create the necessary conditions for a harmonious, articulated and informed performance of their duties. It was also implemented reporting and information sharing mechanisms in accordance with recommendation I.1.1. In addition, in the Internal Regulation of the General and Supervisory Board, on the Executive Board of Directors and on the specialized committees, there are several provisions that set forth reporting mechanisms namely to supervisory bodies as well as information flow systems regarding annual activity plans, resolutions and minutes.	Items 21 to 45
Recommendation I.3.2. Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls	**ADOPTED**	All Internal Regulations set forth reporting and information sharing mechanisms. In particular, it should be highlighted the relevance of the information sharing platform between the General and Supervisory Board and the Executive Board of Directors.	Items 21 to 45

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.			
I.4. Conflicts of interest			
Principle: The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed.		On 17 May 2010, the Executive Board of Directors approved rules on identification, internal reporting and respective actions to be carried out should a case of conflicts of interest occurs. This Regulation is applicable to all EDP Group employees that have a decision-making role on the completion of a transaction with related parties which was reviewed in 2015. On EDP's bodies and committees' Internal Regulations, a provision is set forth by which such bodies and committees members should inform the respective body or committee on facts that could constitute or give cause to a conflict between his/hers interests and the corporate interest. In accordance with the Regulation on Conflict of Interest and Transactions between Related Parties, the Corporate Governance and Sustainability Committee should inform the General and Supervisory Board on all activities should a conflict of interest occurs.	Item 10 | Item 18 | Item 20 | Item 21 | Item 91
Recommendation I.4.1. The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	**ADOPTED**		Item 10 | Item 18 | Item 20 | Item 21 | Item 91
Recommendation I.4.2. Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	**ADOPTED**	All corporate bodies and specialized committees' Internal Regulations set forth a specific provision on the conduct to be adopted by the respective body or committee member in case of an effective or apparent conflict of interest as well as a duty to provide information or clarifications. The respective articles that specifically set forth this recommendation are the following: - Internal Regulation GSB: Article 10 - Internal Regulation EBD: Article 8 - Internal Regulation FMC/AC: Article 9 - Internal Regulation RC: Article 9 - Internal Regulation CGSC: Article 9 - Internal Regulation SPC: Article 9	Item 10 | Item 18 | Item 20 | Item 21 | Item 91
I.5. Related party transactions			
Principle: Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.		As provided for in item 5.1 of the Regulation on Conflict of Interest and Transactions between Related Parties of EDP, the Executive Board of Directors should inform the General and Supervisory Board, within 20 days following the end of each quarter, of all transactions that are considered relevant situations. Item 5.2 refers to the elements that should be included on such disclosure of information. Furthermore, Article 17 (2) of EDP's Articles of Association makes reference to a set of matters that are subject to the favourable prior opinion of the General and Supervisory Board. In accordance with Article 21 (7) of EDP's Articles of Association and Article 15 of the General and Supervisory Board Internal Regulation, the General and Supervisory Board should set the parameters to measure the economic or strategic value parameters of the transactions that should be submitted for opinion, namely in case of investments and divestments of assets, rights and shares of significant economic or strategic value. It is the General and Supervisory Board's duty to, in the context of the assessment of the annual and interim management report of EDP, and taking into consideration the work	Item 10 | Items 89 to 92
Recommendation I.5.1. The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional	**ADOPTED**		Item10 | Items 89 to 92

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
favourable report of the supervisory body.		developed by the Corporate Governance and Sustainability Committee, issue an opinion on the application of the Regulation on Conflict of Interest and Transactions between Related Parties, regarding transactions entered into between such parties.	
Recommendation I.5.2. The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.	**ADOPTED**	As provided for in item 5 of EDP's Regulation on Conflict of Interest and Transactions between Related Parties available at its institutional website, the Executive Board of Directors should inform the General and Supervisory Board within 20 days following the end of each quarter, of all transactions that are considered relevant situations.	Item 10 | Items 89 to 92
CHAPTER II – SHAREHOLDERS AND GENERAL MEETINGS			
Principle II.A As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.			Item 5 | Item 6 | Item 7 | Item 10 | Item 12 to 16 | Item 56
Principle II.B The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself.			Item 5 | Item 6 | Item 7 | Item 10 | Item 12 to 16 | Item 56
Principle II.C The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.			Item 5 | Item 6 | Item 7 | Item 10 | Item 12 to 16 | Item 56
Recommendation II.1. The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	**ADOPTED**	EDP establishes in Article 14 (1) and (2) of its Articles of Association that to each share corresponds one vote and that all shareholders with voting rights may participate in the Shareholders' General Meeting provided that they have such capacity on registration date.	Item 5 | Item 6 | Item 7 | Item 10 | Item 12 to 16 | Item 56
Recommendation II.2. The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	**ADOPTED**	Article 11 (3) of EDP's Articles of Association establishes that Shareholders' General Meeting resolutions are adopted by a majority of voting cast, unless a legal or statutory provision requires a qualified majority.	Item 5 | Item 6 | Item 7 | Item 10 | Item 12 to 16 | Item 56
Recommendation II.3. The company should implement adequate means for the exercise of voting rights through postal votes,	**ADOPTED**	If on one hand EDP's Articles of Association enable the exercise by postal vote, by letter (Article 14 (6)), on the other hand, allow and determine the procedure for the exercise of postal vote, including by electronic means under Article 14 (6) to (8). As described in the	Item 5 | Item 6 | Item 7 | Item 10 | Item 12 to 16 | Item 56

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including by electronic means.		Report, drafts for the correspondence vote are made available as well as minutes to the voting exercise for electronic correspondence. At EDP website (www.edp.com) shareholders may find the necessary minutes of the correspondence and electronic voting exercise.	
Recommendation II.4. The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	**NOT ADOPTED**	In recent years, the shareholders' participation rate in the Shareholders' General Meetings of EDP stood between 69.5% and 77.9%. From this referential, it should be pointed out that the postal vote has always represented less than 1% (exception made to the Shareholders' General Meeting that took place on 19 April 2017, in which the postal vote stood at 3.2%), which illustrates the shareholders' clear option for the on-site presence in such meetings. These data substantiate and comfort EDP's position striving for the maximization of the shareholders' participation in general meetings, as such involvement provides a direct interaction with shareholders and, therefore, represents a positive factor for the proximity to the shareholder structure, for the efficient operation of the Company and for the fulfilment of its corporate purpose. It is certain that, without prejudice of this matter being revisited in the future, the non-adoption of telematic mechanisms to date has not prevented the shareholders' significant participation on such forum, as referred above. Equally representative of such clear preference of the shareholders for the presential participation is the reduced participation rate by means of postal vote.	
Recommendation II.5. The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	**NOT ADOPTED**	Over the past few years, the subject of statutory limitation on voting rights has already been discussed by the Shareholders' General Meeting of EDP on two occasion. The limitation of the number of votes set out in Article 12 of the Articles of Association reflects the will of the shareholders of EDP expressed through resolutions of the Shareholders' General Meeting, in the defence of the Company's specific interests: (i) change of the limit from 5% to 20% was approved by the shareholders at the General Meeting of 25 August 2011, involving the participation of 72.25% of the capital and approval of a majority of 94.16% of the votes cast; (ii) a later increase to the current 25% was approved at the General Meeting of 20 February 2012, involving the participation of 71.51% of the capital and approval by a majority of 89.65% of the votes cast. The shareholders have thus been called on to decide on limiting the number of votes. The continued existence of the limitation has prevailed and the reflection on the adjustment of the relevant ceiling for counting voting rights, precisely to progressively increase this level. The momentum of shareholders of the Company has thus proven to be perfectly in tune with the sense advocated in the Recommendation and sufficiently apt for pursuing its goals, avoiding rigid formulas for this review set down in the Articles of Association, which has also fostered the particularly intense scrutiny of this clause by shareholders.	
Recommendation II.6. The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a	**ADOPTED**	As provided for in EDP's Corporate Governance Manual, no measures that prevent free transmission of shares and free performance assessment of the members of the Executive Board of Directors are known. Identically, EDP has not entered into any significant agreements that come into force, are altered or are terminated in case of a change of control or a change to the management board	Items 4 and 5

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
shareholder assessment of the performance of the members of the managing body.		occurs, as provided for in the Remuneration Policy Declaration of the Executive Board of Directors.	
CHAPTER III – NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION			
Principle III.A The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.			Items from 15 to 19 | Item 21 | Item 29
Principle III.B The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.		The election proposal of any candidate of the General and Supervisory Board and of the Executive Board of Directors to be submitted to the Shareholders' General Meeting should be duly substantiated, considering the candidate's profile and function to be performed so as to enable the verification of the adequacy of the candidate's profile, knowledge and curriculum to the functions to be performed. Among the established criteria are (i) the promotion of equality of rights and opportunities in a context of diversity; (ii) the enhancement of diversity, notably in matters of age, gender, geographical origin, skills, competences, qualifications and experience; (iii) the promotion of the increase in the number of members of the under-represented gender; (iv) prevention of potential conflicts of interest. As provided in the respective recomendation, a selection policy is in force which sets forth specifically the skills that the members of the Executive Board of Directors and the General and Supervisory Board should have.	Item 21 | Item 29 | Item 31 | Item 68
Principle III.C The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.			Items from 15 to 19 | Item 21 | Item 29
Recommendation III.1. Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the	**NOT APPLICABLE**	This recommendation is not applicable to the governance model in force.	

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
performance of the managing body, as established in recommendation V.1.1.			
Recommendation III.2. The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	**ADOPTED**	The General and Supervisory Board is composed of a number of effective members not lower than nine, but always higher than the number of directors, under Article 21 (1) of the Articles of Association. The Financial Matters Committee / Audit Committee should be composed by at least three independent members according to Article 3 of the Financial Matters Committee / Audit Committee Internal Regulation which is entirely proportional to the Company features.	Item 17 | Item 21 | Item 29
Recommendation III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.	**NOT APPLICABLE**	This recommendation is not applicable to the governance model in force.	
Recommendation III.4. Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i. having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. having been a beneficiary of remuneration paid by the	**NOT APPLICABLE**	This recommendation is not applicable to the governance model in force.	

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company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi. having been a qualified holder or representative of a shareholder of qualifying holding.			
Recommendation III.5. The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	**NOT APPLICABLE**	This recommendation is not applicable to the governance model in force.	
Recommendation III.6. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	**NOT APPLICABLE**	This recommendation is not applicable to the governance model in force.	
Recommendation III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	**ADOPTED**	In accordance with Article 21 (7) of EDP's Articles of Association, the General and Supervisory Board should establish the economic or strategic value parameters of the transactions that under Article 17 (2) should be submitted for opinion, as well as establish effective mechanisms to issue opinions in case of urgency or if the nature of the matter concerned justifies it, and the situations in which such opinion could be waived. Furthermore, under Article 17 (1) (g) of EDP's Articles of Association, the Executive Board of Directors may resolve on bond issuance and other securities, having to comply with annual quantitative limits set by the General and Supervisory Board. The General and Supervisory Board, in 6 April 2018, unanimously approved the mandatory determination parameters to prior opinion of the General and Supervisory Board as well as established the annual quantitative limits for the issuance of securities by the Executive Board of Directors.	Item 21 | Item 24 | Item 29 | Items from 49 to 55
Recommendation III.8. The supervisory body, in observance of the powers conferred to it by law, should,	**ADOPTED**		Item 21 | Item 24 | Item 29 | Items from 49 to 55

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in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.			
Recommendation III.9. Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	**ADOPTED**		Item 21 | Item 29
Recommendation III.10. Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	**ADOPTED**		Item 21 | Item 29 | Items from 50 to 55
Recommendation III.11. The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.	**ADOPTED**		Item 15 | Item 17 | Item 21 | Item 29
Recommendation III.12. The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	**ADOPTED**		Items from 50 to 55
CHAPTER IV – EXECUTIVE MANAGEMENT			
Principle IV.A As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the			Item 17 | Item 18 | Item 19 | Item 21

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company's objectives and aiming to contribute towards the company's sustainable development.			
Principle IV.B In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.			Item 17 | Item 18 | Item 19 | Item 21
Recommendation IV.1. The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	**ADOPTED**		Item 17 | Item 18 | Item 19 | Item 21
Recommendation IV.2. The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: i. the definition of the strategy and main policies of the company; ii. the organisation and coordination of the business structure; iii. matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	**NOT APPLICABLE**	This recommendation is not applicable to the governance model in force at EDP. In fact, in accordance with the dual governance model, the Executive Board of Directors does not grant any powers namely those provided for in this recommendation, however, the supervisory and management monitoring board issues prior opinions related to the approval of the strategic plan and to specific or significant strategic operations under the terms of Article 17 (2) of the Articles of Association.	Item 17 | Item 18 | Item 19 | Item 21
Recommendation IV.3. In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	**ADOPTED**		Item 21 | Items 50 to 55
Recommendation IV.4. The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	**ADOPTED**		Item 21 | Item 29 | Items 51 to 55
CHAPTER V – EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT			
V.1 Annual evaluation of performance			
Principle: The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.			Item 21 | Item 24 and 25 | Item 27 | Item 29
Recommendation V.1.1. The managing body should	**ADOPTED**	Under Article 5 (4) of the Executive Board of Directors Internal Regulation, the Executive Board of Directors	Item 21 | Item 24 and 25 | Item 27 | Item 29

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annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.		Chairman should ensure the adoption of adequate mechanisms to annually evaluate the operation of the Executive Board of Directors and of each of its members.	
Recommendation V.1.2. The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	**ADOPTED**		Item 21 | Item 24 and 25 | Item 27 | Item 29 | Item 52 | Item 54
V.2 Remuneration			
Principle: The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.			Items from 66 to 88
Recommendation V.2.1. The remuneration should be set by a committee, the composition of which should ensure its independence from management.	**ADOPTED**	The Remuneration Committee appointed by the General and Supervisory Board is independent from the management and aims to fix the remuneration of the Executive Board of Directors, in accordance with Article 27 of the Articles of Association and Article 28 (b) of the General and Supervisory Board Internal Regulation.	Item 29
Recommendation V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and	**ADOPTED**	As stated in Article 12 of its Internal Regulation, the Remuneration Committee is responsible for (i) annually define the remuneration policy of the Executive Board of Directors Chairman and of the remaining members of the Executive Board of Directors, namely in line with the best practices corporate governance, setting criteria of the variable component of the remuneration, (ii) determine the several components	Item 29 | Items 66 to 88

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committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.		of the fixed and variable remuneration, namely eventual benefits and complements, in particular the retirement pension benefits due to old age or disability, (iii) setting remunerations according to the defined policy, allowing the Company to attract, within a reasonable economic cost, qualified professionals, induce the alignment of shareholders' interests and constitute a development factor of a professionalization culture, promotion of merit and transparency within the Company, (iv) determining the significant part of the multi-year variable remuneration to be deferred in time, at least for a period of three years. The said payment is conditional upon not undertaking intentional unlawful acts known after completion of the assessment and which jeopardise the sustainability of the Company's performance, (v) annually evaluating the executive management body considering, among other factors, compliance with the Company's strategy and previously defined objectives, plans and budgets, in order to ponder and determine the variable remuneration of the Executive Board of Directors Chairman and Directors, (vi) assessing the individual performance of each member of the Executive Board of Directors, including in this assessment the contribution of each member to the operating efficiency of the body and relations with the different bodies of the Company, (vii) monitoring the contractual changes of the mandates of the Chairman of the Executive Board of Directors and the executive directors, that reflect on their remuneration, particularly in the event of suspension or termination of those mandates, (viii) setting the maximum amount of compensation payable to the Chairman of the Executive Board of Directors and the executive directors in the event of termination of office, (ix) evaluating consequences, in the scope of the adopted remuneration policy, of the possible remuneration to Executive Board of Directors Chairman or Directors for holding an office in participated or Subsidiary Companies, (x) submitting before the annual General Meeting a statement on remuneration policy for Executive Board of Directors Chairman and Directors adopted by the Committee (xi) establish the necessary mechanisms to coordinate its activity with the Remuneration Committee elected by the General Meeting to set remuneration for the remaining social bodies and (xii) monitor definition of the remuneration policies of directors of Subsidiaries	
Recommendation V.2.3. The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following: i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how	**ADOPTED**	Exception made to sub-paragraph (iii) to the extent that such remuneration mechanism is inexistent at EDP, all the other references are made in the Statement of the Remuneration Committee of management and supervision bodies.	Items from 69 to 72 | Item 80

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the performance requirements were applied; ii. remunerations from companies that belong to the same group as the company; iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date; iv. information on the possibility to request the reimbursement of variable remuneration; v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation; vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.			
Recommendation V.2.4. For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	**PARTIALLY APPLICABLE**	Article 27 of EDP's Articles of Association sets forth that the General and Supervisory Board Remuneration Committee, which the majority of the members are independent, sets the directors' remunerations, as well as eventual supplements, namely retirement pension complements for old-age or disability. In this sense, the Remuneration Policy Declaration approved by resolution of the Shareholders' General Meeting on 5 April 2018 sets forth that the base remuneration includes the hiring of a standard financial product, a retirement savings plan type, that the Executive Board of Directors members benefit from through the application of 10% (ten per cent) of the net amount of the respective fixed annual remuneration. In relation to compensations payable to any member of a board or committee of the company due to the respective termination of office provision, no specific system have been provided for.	Item 69 | Item 76 | Item 80
Recommendation V.2.5. In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been	**ADOPTED**	Article 5 (2) of the Remuneration Committee Internal Regulation expressly sets forth that in order to provide information or clarification to shareholders, the Chairman, or in his absence, other Remuneration Committee member, ensures the presence in the Annual Shareholders' General Meeting or in any other Shareholders' General Meeting if the agenda covers any matter related to the Company's bodies or committees' members remuneration or if such presence is required by shareholders.	Item 29

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requested by the shareholders.			
Recommendation V.2.6. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	**ADOPTED**	In accordance with Article 4 (5) of its Internal Regulation, the Remuneration Committee ensures that the consultancy services on remuneration matters are provided with independence and that the respective service providers are not hired for the provision of any other services to the Company or any other controlled by the Company or subsidiary of the Company without express consent of the Committee. Furthermore, Article 4 (6) sets forth that the Remuneration Committee freely decides on the hiring of the necessary or convenient consultancy services for the performance of their duties.	Item 29
V.3 Director remuneration			
Principle: Directors should receive compensation: i) that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company; ii) that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and iii) that rewards performance.			Items 69 and 70
Recommendation V.3.1. Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	**ADOPTED**		Items 69 and 70
Recommendation V.3.2. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	**ADOPTED**		Items from 70 to 72
Recommendation V.3.4. When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be	**NOT APPLICABLE**	There are no stock option plans or other direct or indirect instruments dependent on stock amounts.	Items from 85 to 88

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deferred in time for a period of no less than three years.			
Recommendation V.3.5. The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	**NOT APPLICABLE**	This recommendation is not applicable to the governance model in force.	
Recommendation V.3.6. The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	**ADOPTED**	There is no provision on payment of any amount to the corporate bodies members as compensation in case of termination of the functions before the term of the mandate, apart from those set forth in the applicable law.	Item 80
V.4. Appointments **Principle** Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.		Taking into consideration the importance that supervision and the management of the Company assumes in the management model in force and that the composition of the General and Supervisory Board and the Executive Board of Directors are considered as one of the most relevant components of the governance, a selection procedure for the members of such bodies was implemented in accordance with the best practices and aiming to implement transparent and objective selection procedures. The members of the General and Supervisory Board and of the Executive Board of Directors Members appointment results from a transparent and objective selection procedure that evaluates the adequacy of the candidates, both individually and collectively, taking into consideration the legal and statutory competences of such corporate bodies. In the scope of the selection process, it must be assured the integration of a range of skills, professional experiences, diversity of knowledges, gender and culture, in accordance with the specificities of the companies' businesses. Regarding the General and Supervisory Board and the Executive Board of Directors, EDP has a specific policy entitled "the General and Supervisory Board and Executive Board of Directors Members selection procedure" according to which the integration of several skills, professional experiences and knowledge, as well as genre and cultural diversity should always be assured taking into account the specificities of the Company. It should also be highlighted the specific competences set forth the Corporate Governance and Sustainability Committee Internal Regulation in which are granted to this Committee the powers to monitor, together with the Executive Board of Directors, the selection criteria, the fixation of necessary competences to the internal bodies structures of the Company, subsidiaries and to other entities in relation to which the Company has the right to appoint the respective composition to the corporate bodies and their repercussions to the respective composition, in articulation with the Selection Policy of EDP and the criteria of merits, adequacy and diversity to the function stated therein.	Items from 17 to 19
Recommendation V.4.1. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	**ADOPTED**		Items from 17 to 19

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
Recommendation V.4.2. The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	**ADOPTED**	The Corporate Governance and Sustainability Committee shall also seek to oversee the drafting, in coordination with the Executive Board of Directors, of the succession plans regarding the internal structures and bodies of the Company and its Subsidiaries, as well as of other entities in which the Company has the right to appoint corporate bodies members. In this respect, it is an objective the early identification of eventual additional human resources needs in order to ensure the continuity of the Company's regular operation. Under the selection procedure of the candidates it is considered advisable the use of external independent consultants with specific expertise on these matters which on the identification of candidates should comply with the criteria and skills sets forth on such policy. The Corporate Governance and Sustainability Committee should carry out a periodic reflexion on the execution and compliance of the selection policy, and should draft alteration proposals deemed necessary and report to the General and Supervisory Board the respective conclusions on the adoption of the provisions set forth on this policy. The members to be appointed for the General and Supervisory Board and the Executive Board of Directors shall be individuals of recognised national and/or international prestige, with adequate professional knowledge and experience for the exercise of the respective functions. The corporate bodies candidates' curricula should be made available on the institutional website of the Company. Along with the concern for each member's individual adequacy, it is also aimed at the composition of the corporate bodies demonstrates a collective adequacy, by gathering as a whole the professional and personal qualities required for the proper performance of the functions of each EDP corporate body. Likewise, in order to determine the Executive Board of Directors number it shall be weighted, in addition to the costs and the desirable operational agility of the management, the size of the Company, the complexity of its activity and the geographical dispersion.	Items from 17 to 19
Recommendation V.4.3. This nomination committee includes a majority of nonexecutive, independent members	**ADOPTED**		Items from 17 to 19
Recommendation V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	**ADOPTED**		Items from 17 to 19
CHAPTER VI – RISK MANAGEMENT			
Principle Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.		The Executive Board of Directors is the highest responsible for the risk management decision-making, supervision and control, and is in charge to set objectives and management policies within EDP Group. Among other competences, the Executive Board of Directors is responsible for the Business Plan, risk policies definition namely the respective exposure limits by risk category and by resources allocation, according to risk profile. On the other hand, the General and Supervisory Board permanently monitors and assesses the risk management system efficiency. As stated on Article 4 (2) (k) of the its Internal Regulation, the Executive Board of Directors should "ensure that the Company risks are identified, assessed, controlled and managed, define risk objectives, set risk profiles of the Company and coordinate the decisions related to material risks managements." In this regard, the set of EDP's strategic objectives on risk assumptions (i) should be subject to the General and Supervisory Board and the Financial Matters Committee/Audit Committee appreciation following proposal of the Executive Board of Directors, namely	Items 50 to 55
Recommendation VI.1. The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	**ADOPTED**		Items 50 to 55

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
		within the scope of the business plan appreciation; (ii) the Executive Board of Directors should develop a continuous effort to improve the internal control and risk management systems, assessing its efficiency and implementing measure deemed adequate to reinforce and assure the quality levels; (iii) periodically, the Executive Board of Directors reports to the General and Supervisory Board and to the Financial Matters Committee/Audit Committee the identification and evaluation of the main risks related to EDP's activity, quantifying its impact and the occurrence probability of the deemed relevant risks.	
Recommendation VI.2. Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	**ADOPTED**	EDP has set several internal rules that set forth provisions on risk management strategies and policies. On the Group Business Risk Management Manual of EDP it should be highlighted the specific chapters on business risk management structures, on risks management procedures, on business risk management tools and on periodic updating. Regarding EDP's Risk Appetite Execution document, the objective is to formalize and to disclose EDP's risk approach, as a relevant element of alignment and transparency towards shareholders and other stakeholders, as well as further explain the controlled risk pillar. For further information please see: www.edp.com/pt-pt/investidores/governo-da-sociedade/gestao-de-risco www.edp.com/pt-pt/node/10491 www.edp.com/pt-pt/fornecedores/compras-sustentaveis/risco-cadeia-de-fornecimento/analise-de-risco	Items 53 and 54
Recommendation VI.3. The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	**ADOPTED**	The Financial Matters Committee/Audit Committee should according to Article 12 (2) (h) monitor with special attention the risk identification, evaluation, control and management and to assess the internal compliance standards, as well as to continuously monitor the risk management system performance and efficiency with the Executive Board of Directors, accompanied namely by the risk control policies, the key risk indicators (KRI) identification and the integrated risk assessment methodologies, having the possibility to request to the Risk Management Department and to the Corporate Risk Committee the deemed relevant information. In addition to Article 12 (1) paragraph d) provision which specifically sets forth the Financial Matters Committee/Audit Committee competence to supervise the risk management, the internal control and internal audit systems efficiency, it should also be taken into consideration that the Financial Matters Committee/Audit Committee is authorized to propose to the General and Supervisory Board and to the Executive Board of Directors the measures aimed to guarantee the financial information integrity and improve the operation of financial information internal control systems, of the risk management and internal audit system, in accordance with 12 no. 3 paragraph a). It is also important to point out that, according to Article 12 (3) (f), the Financial Matters Committee/Audit Committee should annually evaluate the activity and performance of Compliance and Internal Audit Department, as well as the working conditions namely on human resources and technical means adequacy.	Items 50 to 55
CHAPTER VII – FINANCIAL INFORMATION			
VII.1 Financial Information			

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
Principle VII.A The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.		The General and Supervisory Board is responsible for the monitoring and permanent assessment of internal proceedings related to accounting and auditing matters as well the monitoring of the risk profile of the Company, the risk management system efficiency, the internal control system and the internal auditing system including the reception and processing of claims and complaints whether or not arising from employees under Article 14 (1) (e). In particular, the Financial Matters Committee/Audit Committee has the authority to (i) verify if the accounting and metrical criteria policies adopted by the Company are consistent with the general accounting principles accepted and adequate to the correct presentation of its assets, responsibilities and results under Article 12 (1) (a) and (ii) supervise the risk management system, the internal control system and the internal auditing system efficiency under Article 12 (1) (d).	Item 15 | Item 17 | Item 21 | Item 29 | Items 30 to 41
Principle VII.B The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.		The Financial Matters Committee/Audit Committee Internal Regulation specifically sets forth the competence to monitor, with special care, the activity and contractual relations with the statutory auditor, without interfering with its performance, being allowed to formulate recommendations or request clarifications under the relation with the General and Supervisory Board, the Executive Board of Directors and the statutory auditor, in relation with the financial information as well as the monitoring and evaluation, under the legal terms, of the objectivity and independence of the statutory auditor, namely regarding the provision of non-audit services under 12 (2) (i).	Item 15 | Item 17 | Item 21 | Item 29 | Items 30 to 41
Recommendation VII.1.1. The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	**ADOPTED**	The Financial Matters Committee/Audit Committee Internal Regulation sets forth in Article 12 (2) (f) the competence of supervising the adequacy of the preparation and financial disclosure of information process as well as to prepare a report addressed to the General and Supervisory Board which includes the analysis of the Financial Matters Committee/Audit Committee of such process, namely on the adequacy of accounting policies, estimates, judgements and relevant disclosures procedures and its consistent implementation between financial years.	Item 21 | Item 27 | Item 29 | Item 46 | Item 50 | Item 55
VII.2 Statutory audit of accounts and supervision			
Principle The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor. with rules regarding independence imposed by law and professional regulations.		Article 14 (1) (d) of the General and Supervisory Board Internal Regulation sets forth that this body should permanently monitor the Statutory Auditor activity and give its opinion on the respective election or appointment, on its exoneration and on the terms of its independency. Particularly, the Financial Matters Committee/Audit Committee is responsible for the (i) proposal to the General and Supervisory Board of the hiring and the dismissal of the Statutory Auditor as well as its remuneration under Article 12 (1) (j), (ii) issue of a reasoned opinion in accordance with the applicable law on the renewal and extension of the Statutory Auditor mandate to be submitted to the General and Supervisory Board under Article 12 (1) (i), (iii) monitoring, with special care, of the activity and contractual relations with the Statutory Auditor, without interfering on its performance, being allowed to formulate recommendations or request clarifications under the relation with the General and Supervisory Board, the Executive Board of Directors and the Statutory Auditor, in relation with the financial	Item 29 | Item 42 | Items from 44 to 46 | Item 50

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
		information as well as the monitoring and evaluation, pursuant to the applicable law, of the objectivity and independence of the Statutory Auditor, namely regarding the provision of non-audit services under Article 12 (2) (i) and (iv) supervise the activity and the independence of the Statutory Auditor and the compliance of legal, regulatory and contractual provisions, as well as principles and good practices which regulate the statutory audit companies and its representatives operation before the audited under Article 12 (1) (l).	
Recommendation VII.2.1. Through the use of internal regulations, the supervisory body should define: i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor.	**ADOPTED**	EDP has an Internal Regulation on the provision of audit services by the Statutory Auditor or the Statutory Auditor Company which defines and promotes criteria and methodologies to ensure the Statutory Auditor or the Statutory Auditor Company independent provision of audit services and of non-audit services to EDP or to companies under its control. This Regulation is available at EDP website: www.edp.com/pt-pt/governo-da-sociedade/orgaos-da-sociedade/revisor-oficial-de-contas	Items from 39 to 41
Recommendation VII.2.2. The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	**ADOPTED**	The Financial Matters Committee/Audit Committee is responsible for the assessment of the account certification of annual reports content together with the Statutory Auditor under Article 12 (1) (k) and for monitoring, with special care, the activity and contractual relations with the Statutory Auditor, without interfering with its performance, being allowed to formulate recommendations or request clarifications to the General and Supervisory Board, the Executive Board of Directors and the Statutory Auditor, regarding financial information as well as to monitor and assess, pursuant to the applicable law, the Statutory Auditor objectivity and independence, namely with respect to the provision of non-audit services under Article 12 (2) (i) Furthermore, this Internal Regulation sets forth the specific competences of the Financial Matters Committee/Audit Committee to propose to the General and Supervisory Board, the hiring and dismissal of the Statutory Auditor.	Item 21 | Item 29
Recommendation VII.2.3. The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	**ADOPTED**	The Financial Matters Committee/Audit Committee Internal Regulation establishes specific prerogatives and competences to annually assess the activity pursued by the Statutory Auditor namely on (i) submitting to the General and Supervisory Board the hiring and dismissal of the Statutory Auditor as well as its remuneration under Article 12 (1) (j), (ii) issuing a reasoned opinion in accordance with the applicable law on the renewal and extension of the Statutory Auditor mandate to be presented to the General and Supervisory Board under Article 12 (1) (i), (iii) monitoring with special care the activity and contractual relations with the Statutory Auditor, without interfering with its performance, being allowed to formulate recommendations or request clarifications under the relation with the General and Supervisory Board, the Executive Board of Directors and the Statutory Auditor, regarding financial information as well as to monitor and assess, pursuant to the applicable law, the Statutory Auditor objectivity and independence, namely with respect to the provision of non-audit	Item 21 | Item 29 | Item 45

PRINCIPLES AND RECOMMENDATIONS	ADOPTED NOT ADOPTED NOT APPLICABLE	COMMENTS	REPORT DESCRIPTION
		services under Article 12 (2) (i) and (iv) supervising the activity and the independence of the Statutory Auditor and the compliance of legal, regulatory and contractual provisions, as well as principles and good practices which regulate the statutory auditor companies and its representatives performance before the audited under Article 12 (1) (l).	
Recommendation VII.2.4. The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	**NOT APPLICABLE**	This recommendation is addressed to the statutory auditor and therefore is not applicable to companies other than statutory auditor companies.	
Recommendation VII.2.5. The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	**NOT APPLICABLE**	This recommendation is addressed to the statutory auditor and therefore is not applicable to companies other than statutory auditor companies.	

3. OTHER INFORMATION

Attached to this report and considered part of it there are the following documents:

Annex I – General and Supervisory Board and Executive Board of Directors Members brief curricula

Annex II - Attendance list of the General and Supervisory Board

Annex III - Attendance list of the Executive Board of Directors

Annex IV - Positions held by the members of the Executive Board of Directors in other companies belonging or not to the EDP Group

Annex V - Attendance list of:

i. The Financial Matters Committee/Audit Committee;

ii. The Remuneration Committee;

iii. The Corporate Governance and Sustainability Committee;

iv. Strategy and Performance Committee

ANNEX I

GENERAL AND SUPERVISORY BOARD

Full name	**LUÍS FILIPE MARQUES AMADO**
Status	Independent
Position	General and Supervisory Board Chairman
Committees	Corporate Governance and Sustainability Committee Chairman | Financial Matters Committee/Audit Committee Chairman
Skills and Experience	Degree in Economics – Lisbon University (79) | Auditor – Court of Auditors | Auditor – National Defence Institute (89-90) | Deputy –National Assembly of Portugal (el. 91/95/99/05/09)| Deputy Secretary of State – Internal Administration Minister (95-97)| Secretary of State – Foreign Affairs and Cooperation Minister (97-02) | National Defence Minister (05-06) | State and Foreign Affairs Minister (06-11) | Non Executive Board Member - Sociedade de Desenvolvimento da Madeira (13-19) | Chairman of the Board of Directors - Banco Internacional do Funchal, S.A. (12-16) | Chairman of the General Meeting Board - Banco Cabo-Verdiano de Negócios, S.A. (13-14) | Chairman of the Board of Directors - Banco Cabo-Verdiano de Negócios, S.A. (15-17) | Non executive member of the Board of Directors - Francisco Manuel dos Santos Foundation (13-17)
EDP's Historic	General and Supervisory Board Vice Chairman (April 2015 - April 2018) | General and Supervisory Board Chairman (April 2018)
Current External Appointments	Curator - Oriente Foundation (12)| Curator - Francisco Manuel dos Santos Foundation (18) | Member of Global Advisory Board - SONAE (18) | Chairman of the General Meeting Board - Tabaqueira, S.A. (18) | Invited Professor - ISCSP (12) | Invited Professor - Paris School of International Affairs (16)

Full name	**DINGMING ZHANG**
Status	Non-independent
Position	General and Supervisory Board Vice Chairman
Committees	-
Skills and Experience	Bachelor's degree in Power System and Automation - Huazhong University of Science and Technology (84) | Master's degree in Management - Huazhong University of Science and Technology (01) | Deputy Director of Power Production Department - China Three Gorges Corporation (02) | Executive Vice President - China Yangtze Power Company (02-11) | Director - Guangzhou Development Industry
EDP's Historic	General and Supervisory Board Vice Chairman, in representation of China Three Gorges (February 2012 – April 2015) | General and Supervisory Board Member, in representation of CWEI (EUROPE), S.A. (April 2015 - April 2018) | General and Supervisory Board Member, in representation of China Three Gorges International Corporation (April 2018 - December 2018) | General and Supervisory Board Vice Chairman, in representation of China Three Gorges Corporation, since December 2018
Current External Appointments	President - Beijing Yangtze Power Capital (15)

Full name	**SHENGLIANG WU**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Remuneration Committee Chairman | Strategy and Performance Committee Member
Skills and Experience	Bachelor's degree in Engineering –Wuhuan University (92) | Master's degree in Technical Economics and Management – Chongqing University (00) | Secretary of Corporate Affairs Department - Gezhouba Hydropower Plant (98-00) | Deputy Director of the Board - China Yangtze Power Company (02-03) | Director of Capital Operating Department - China Yangtze Power Company (04-06) | Executive Vice-President - Beijing Yangtze Power Capital (06-11) | Deputy Director of Strategic Planning Department – China Three Gorges Corporation (11-15)
EDP's Historic	General and Supervisory Board Member, in representation of China Three Gorges International (Europe), S.A. (February 2012 – April de 2015) | General and Supervisory Board Member, in representation of China Three Gorges (Portugal), Sociedade Unipessoal, Lda. (April 2015 - April 2018) | General and Supervisory Board Member, in representation of China Three Gorges (Europe), S.A (April 2018 - December 2018) | General and Supervisory Board Vice-Chairman in representation of China Three Gorges International Corporation, since December 2018
Current External Appointments	Executive Vice-President – China Three Gorges International Corporation (15) | Chairman - China Three Gorges (Europe), S.A. (15)

Full name	**IGNACIO HERRERO RUIZ**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Corporate Governance and Sustainability Committee Member| Strategy and Performance Committee Member
Skills and Experience	Degree in Economics - Carlos III University (Madrid) (97) | Mergers and Acquisitions Department - Citigroup (97-98) | Mergers and Acquisitions Department - Deutsche Bank Investment (98- 03) | Mergers and Acquisitions Department - Credit Suisse (03-16)
EDP's Historic	General and Supervisory Board Member, in representation of China Three Gorges (Europe), S.A., since December 2018
Current External Appointments	Executive Vice-Chairman at China Three Gorges Corporation (Europe), S.A. (16)

Full name	**YINSHENG LI**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Corporate Governance and Sustainability Committee Member
Skills and Experience	Bachelor's degree in Science - Tsinghua University (96)| Master's degree in Engineering – Tsinghua University (04) | MBA – *Fundação Getúlio Vargas* (18) | Country Manager - China International Water & Electric Corporation (96-09)| Business Unit Deputy General Manager - China International Water & Electric Corporation (06) | Division Chief of International Department – China Three Gorges (09) | Deputy Director CTG/EDP Collaboration Department – China Three Gorges (12)
EDP's Historic	General and Supervisory Board Member, in representation of China Three Gorges Brasil Energia Ltda., since April 2018
Current External Appointments	Chief Executive Officer – China Three Gorges Brazil (13) | Executive Vice President - China Three Gorges International Corporation (16)

Full name	**EDUARDO DE ALMEIDA CATROGA**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Strategy and Performance Committee Chairman
Skills and Experience	Degree in Finance – Instituto Superior de Economia e Gestão (66) | Program for Management Development Course - *Harvard Business School* (79) | Honorary Doctor – Lisbon University | Minister of Finance – Portuguese Government (93-95) | Invited Full Professor - MBA of Instituto Superior de Economia e Gestão | Director with executive and non-executive functions in particular as Chief Executive Officer and Chairman on several national and international companies in several fields namely chemical, agrochemical, major consumer products, energy and investment banking
EDP's Historic	Independent member of the General and Supervisory Board (June 2006 – February 2012) | Chairman and independent member of the General and Supervisory Board (February 2012 - April 2015) | Chairman and Member of the General and Supervisory Board, in representation of China Three Gorges Corporation (April 2015 – April 2018) | General and Supervisory Board Member, in representation of China Three Gorges (Portugal), Sociedade Unipessoal, Lda., since April 2018
Current External Appointments	Chairman (non-executive) of the Board of Directors – Finantipar, holding which control Finantia Bank (17) | Investment Committee Member - Portugal Venture Capital Initiative managed by the European Investment Fund (08)

Full name	**FELIPE FERNÁNDEZ FERNÁNDEZ**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Corporate Governance and Sustainability Committee Member
Skills and Experience	Degree in Administrative and Economic Sciences – Bilbao University (75) | Professor of Business and Economic Faculty – Oviedo University (84-90) | Director of Economics and Regional Planning - Principality of Asturias (84-90) | Counsellor of Organisation of the Territory and Housing – Principality of Asturias (90-91) | Counsellor of countryside and fishing - Principality of Asturias (91-93) Manager on several companies on in numerous fields
EDP's Historic	General and Supervisory Board Member in representation of Cajastur Inversiones S.A., (February 2012 - April 2015) | General and Supervisory Board Member, in representation of DRAURSA, S.A., since April 2018
Current External Appointments	Board of Director Member – Liberbank (11) | Chairman of Board of Directors - Lico Leasing (17) | Executive Commission Member - Lico Leasing (18) | Board of Director Member - Tudela Veguín (11) | Masaveu Inmobiliaria (14) | Cimento Verde do Brasil (14) | Board of Director Member – Molecular Oncology Medicine Institute of Asturias (14)

Full name	**FERNANDO MARÍA MASAVEU HERRERO**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Remuneration Committee Member | Strategy and Performance Committee Member
Skills and Experience	Law Degree – Navarra University (92) | Manager on several companies of Masaveu Group in numerous fields such as energy, finance, transport, environment and real state, among others.
EDP's Historic	General and Supervisory Board Member, since February 2012 (re-elected in April 2015 and April 2018)
Current External Appointments	Chairman - Masaveu Corporation | Chairman - Cementos Anónima Tudela Veguín | Chairman - Masaveu International | Board Member - Bankinter | Executive Committee Member - Bankinter |Board Member - EGEO, SGPS | Board Member - Olmea Internacional | Chairman - Maria Cristina Masaveu Peterson Foundation | Chairman - San Ignacio de Loyola Foundation | Protrector – Asturias Princess Foundation |Executive Committee Member - Asturias Princess Foundation |Chairman of the Board of Directors - Oppidum Capital

Full name	**MOHAMMED ISSA KHALFAN AL-HURAIMEL AL-SHAMSI**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Strategy and Performance Committee Member
Skills and Experience	Bachelor's degree in Business Administration – American University of Sharjah (01) | MBA - HEC School of Management (05) | Consultant - McKinsey & Company (05-07) | Director of Strategy & Policy - UAE Prime Minister's Office (09-11) | Board Member - Tabreed District Cooling (14) | Board Member - Jiangsu Suyadi (12-14) | Board Member - Shariket Kahraba Hadjret-En-Nous (14-16) | Board Member - SMN Power Company (13-16)
EDP's Historic	General and Supervisory Board Member, in representation of Senfora BV, since October 2017 (re-elected in April 2018)
Current External Appointments	Director of Utilities Investments - Mubadala Investments Company (11)

Full name	**NUNO MANUEL DA SILVA AMADO**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Strategy and Performance Committee Member
Skills and Experience	Degree in Companies Organization and Management – Advances Institute of Labour and Business Sciences (80) | Advanced Program in Management – INSEAD (04) | Audit and Consulting Department - KPMG Peat Marwick (80-85) | Citibank (85-90) | Banco Fonsecas & Burnay (90-92) | Board of Director Member - Deutsche Bank Portugal (93-97) | Executive Committee Member - Banco de Comércio e Indústria (97-04) | Vice-Chairman of the Executive Committee - Crédito Predial Português (00-04) | Vice-Chairman of the Board of Directors and Chairman of the Executive Committee - Banco Santander Totta, SGPS (06-12) | Chairman of the Executive Committee - Banco Comercial Português (12-18)
EDP's Historic	General and Supervisory Board Member, since May 2013 (re-appointed in April 2015 and April 2018)
Current External Appointments	Chairman – Banco Comercial Português (18)

Full name	**KARIM DJEBBOUR**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Strategy and Performance Committee Member
Skills and Experience	Degree in Agronomic Engineering - (83) | Degree in Assessment Economic and Financial Project - C.E.F.E.B Paris (89) | Several positions - *Banque de l'Agriculture et du Développement Rural* (84-91) | Sub-director - Ministry of Economy (91-93) | General Manager Assistant in Project Financing, Finance Director - SONATRACH's branch, General Manager (93-99) | CEO - Brown and Root Condor (07) | General Manager - SONATRACH Investissements et Participations SIP (08) | Chief of Staff of the CEO – Sonatrach (14-15)
EDP's Historic	General and Supervisory Board Member, in representation of Sonatrach, since April 2018
Current External Appointments	Official in the General Directorate – Sonatrach Group(15)

Full name	**MARIA CELESTE FERREIRA LOPES CARDONA**
Status	Independent
Position	General and Supervisory Board Member
Committees	Corporate Governance and Sustainability Committee Member | Financial Matters Committee/Audit Committee Member
Skills and Experience	Law Degree – Lisbon University (81) | Master degree in Law - Lisbon University (94) | Doctorate in Law - Lisbon University (15) | Assistant Professor – Lisbon University (82) | Tax Studies Center Member (83) | Portuguese Representative – Organization for Economic Cooperation and Development (85) | Justice Minister – Portuguese Government (02-04) | Non Executive Member of the Board of Directors - Caixa Geral de Depósitos, S.A. (04-08)
EDP's Historic	Independent General and Supervisory Board Member since February 2012 (re-elected in April 2015 and April 2018)
Current External Appointments	Lawyer (82) | Consultant - M. Cardona Consulting, Unipessoal, Lda. (93) | Supervisory Board Member - SIBS (12) | Associate Professor – Lusíada University (17)

Full name	**ILÍDIO DA COSTA LEITE DE PINHO**
Status	Independent
Position	General and Supervisory Board Member
Committees	Remuneration Committee Member
Skills and Experience	Electronic and Machinery Engineering degree – Porto Industrial Institute (64) | Non Executive member, in representation of the National Industry, of the Board of Directors – ICEP (86-91) | President – Municipal Council of Vale de Cambra (73-83) | President – General Meeting of Vale de Cambra (93-97) | Founder of COLEP Group | Founder of Nacional Gás and its associates | CEO of several companies and associations
EDP's Historic	Independent General and Supervisory Board Member since February 2012 (re-elected in April 2015 and April 2018)
Current External Appointments	CEO – Grupo Ilídio Pinho (94)

Full name	**JORGE AVELINO BRAGA DE MACEDO**
Status	Independent
Position	General and Supervisory Board Member
Committees	Corporate Governance and Sustainability Committee Member | Strategy and Performance Committee Member
Skills and Experience	Law Degree – Lisbon University (71) | International Relations Master degree – Yale University (73) | Doctorate in Economics – Yale University (79) | Professor – *Princeton University* (80-86) | Minister of Finances – Portuguese Government (91-93) | Chairman of the European Affairs Parliamentary Committee (94-95) | President – Tropical Research Institute (04-15) | Consultant – European Bank for Reconstruction and Development (96-99) | Consultant – United Nations (82-84) | Consultant – World Bank (84-88) | Trainee – International Monetary Fund (78-79)
EDP's Historic	Independent General and Supervisory Board Member since February 2012 (re-elected in April 2015 and April 2018)
Current External Appointments	Economics Professor – Nova University of Lisbon (76) | Director – Globalization and Governance Center – Economy Faculty - Universidade Nova de Lisboa (08) | Distinguished Fellow - Board of Governors of the International Centre for International Governance Innovation in Waterloo (14) | Chairman of the General Meeting Board – Sociedade de Desenvolvimento da Madeira (12)

Full name	**VASCO JOAQUIM ROCHA VIEIRA**
Status	Independent
Position	General and Supervisory Board Member
Committees	Remuneration Committee Member | Strategy and Performance Committee Member
Skills and Experience	Degree in Civil Engineering – Military Academia (69-70) | Complementary Course of General Staff at the Army (70-72) | Course of Command and Direction for Official General (82-83) | Course of National Defence (84) | Brigadier (84) | General (87) | Governor of Macao (91-99) | Minister of the Republic for the Azores (86-91) | Deputy Secretary of Communications and Public Works – Macao Government (74-75) | Chief of Army Staff (76-78) | National Military Representative at NATO Supreme Headquarters Allied Powers in Europe (78-84)
EDP's Historic	Independent General and Supervisory Board Member since February 2012 (re-elected in April 2015 and April 2018)
Current External Appointments	Council Member of the Order of Engineers (00) | Member of the Representatives General Meeting of the Order of Engineers (04)

Full name	**AUGUSTO CARLOS SERRA VENTURA MATEUS**
Status	Independent
Position	General and Supervisory Board Member
Committees	Corporate Governance and Sustainability Committee Member | Strategy and Performance Committee Member
Skills and Experience	Economics Degree – Higher Economics and Management Institute (72) | Invited Professor - Higher Economics and Management Institute (72-14) | Industry Secretary of State (95-96) | Minister of Economy (96-97)
EDP's Historic	Independent General and Supervisory Board Member since May 2013 (re-elected in April 2015 and April 2018)
Current External Appointments	Consultant on macroeconomics fields, economic policies, strategy and business (86)

Full name	**JOÃO CARVALHO DAS NEVES**
Status	Independent
Position	General and Supervisory Board Member
Committees	Remuneration Committee Member | Financial Matters Committee/Audit Committee Vice-Chairman
Skills and Experience	Degree in Companies Organization and Management - Economics and Management College Institute - Lisbon University (81) | MBA – Economics and Management College Institute (85) | Doctorate - Manchester Business School (92) | Leadership Development Program - Creative Leadership Center (10) | Coaching for Performance - London Business School (10) | Leadership - Kennedy Harvard Government School (09) | Finance and Control - IMD (86) | Management Control - HEC Paris (87) | Executive course - International Finance - INSEAD (87) | Chairman – Central Administration of Health System (11-14) | Director - BPN (08) | CEO and CFO - SLN (08-09); Judicial Manager: TVI (98); Torralta (93-98) - Casino Hotel de Tróia (94-95) | Chairman Management Department – ISEG (10-11)
EDP's Historic	Independent General and Supervisory Board Member since April 2015 (re-elected in April 2018)
Current External Appointments	School Board Member (14) | Professor – Financing and Management Control (92) | Director – Post-graduation in Management and Real Estate Evaluation - ISEG (00) | Invited Professor in Financing, Negotiation and Health Contracting - ISCSP (12) | Independent non-executive member - Montepio - Valor SGFI (17) | Management Consultant in Management through the company Zenaction Business Consulting (14) | Statutory Auditor (16)

Full name	**MARÍA DEL CARMEN FERNÁNDEZ ROZADO**
Status	Independent
Position	General and Supervisory Board Member
Committees	Financial Matters Committee/Audit Committee Member
Skills and Experience	Degree in Economics and Business Administration and Political Sciences and Sociology - Complutense University of Madrid (78) | PhD in Public Finance - Complutense University of Madrid (04-05) | PADE Management Program MBA - IESE Business School (04-05) | Chief-Inspector – Spanish Minister of Economy and Finance Economy and Finance Minister (84-99) | Member of the Board - Spanish National Energy Commission (99-11) | President of the Task Force for Renewable Energies, Sustainability and Carbon Markets - ARIAE (99-11) | Member of the Advisory Board - EY (12-13) | Chief Inspector - Ministry of Economy and Finance of Spain (84 -99) | Auditor (88)
EDP's Historic	Independent General and Supervisory Board Member since April 2015 (re-elected in April 2018)
Current External Appointments	Consultant (11) | Chairman of Audit Committee – ACS Group (17) | Member of the Advisory Board - Beragua Capital | Lecturer in several Universities

Full name	**LAURIE LEE FITCH**
Status	Independent
Position	General and Supervisory Board Member
Committees	Strategy and Performance Committee Member
Skills and Experience	B.A. in Arabic - American University (91) | M.A. - Georgetown University's School of Foreign Service (94) | Assistant Vice-President - Bank of New York (94-99) | Associate - Schroders plc (99-00) | Associate - UBS Warburg (00-02) | Managing Director and Director of International Equity Research - TIAA-CREF (02-06)| Senior Analyst and Partner - Artisan Partners (06-11)| Managing Director and Co-Head, Global Industrial Group, Investment Division - Morgan Stanley (12-16);
EDP's Historic	General and Supervisory Board Member since April 2018
Current External Appointments	Partner at PJT Partners (16) |Non-Executive Director and member of the Remuneration Committee - Enquest PLC (18) | Member of the Audit and Finance & Operations subcommittees - Tate Board of Trustees (15) | Chairs the Advisory Board of Georgetown University's Center for Contemporary Arab Studies (13) | Trustee of The American University in Cairo (19)

Full name	**CLEMENTINA MARIA DÂMASO DE JESUS SILVA BARROSO**
Status	Independent
Position	General and Supervisory Board Member
Committees	Financial Matters Committee/Audit Committee Member
Skills and Experience	Degree in Management – Advanced Institute of Labour and Business Sciences (ISCTE) (76-81) | Master in Business Management - Economy and Management Superior Institute (ISEG) (84-85) | Doctorate in Advanced Company Management – ISCTE (05) | Several positions - Banco Espírito Santo e Comercial Lisboa (88-90) | Board of Directors Member and General Director – INDEG ISCTE (99-03)
EDP's Historic	General and Supervisory Board Member since April 2018
Current External Appointments	Invited Professor - ISCTE (82) | Statutory auditor and external auditor (90) | Non-Executive Director and Audit Committee Member – CTT Bank, S.A. (15) | Non-Executive Director and Audit Committee Member - Sociedade Gestora de Fundo de Investimento FundBox, SFIM, S.A. (11) | Board of Directors Member - Portuguese *Corporate Governance* Institute (16) | Chairman of the Board of the General Meeting – Science4You, S.A. (14)

EXECUTIVE BOARD OF DIRECTORS

Full Name

ANTÓNIO LUÍS GUERRA NUNES MEXIA

Position

Executive Board of Directors Chairman elected in March 2006 (reappointed in April 2009, February 2012, April 2015 and April 2018)

Skills and Experience

Degree in Economy – Geneva University (80) | Assistant of the Economy Department | Professor at Nova University of Lisbon and Portuguese Catholic University (82-95) | Portuguese Institute for foreign Trade Vice-Chairman of the Board of Directors (88-90) | Board of Directors Member – Banco Espírito Santo de Investimentos (90-98) | Board of Directors Chairman - Gás de Portugal and Transgás (98-00) | Board of Directors Vice-Chairman - Galp Energia (00-01) | Executive Chairman - Galp Energia (01-04) | Minister of Public Works, Transport and Communications - Portuguese Government (04-05) | President - Eurelectric (15-17)

Current External Appointments

Does not hold any other office or was appointed to any executive position outside EDP Group

Full Name

JOÃO MANUEL MANSO NETO

Position

Executive Board of Directors Member elected in March 2006 (reappointed in April 2009, February 2012, April 2015 and April 2018)

Skills and Experience

Degree in Economy – Higher Institute of Economics (81) | Postgraduate in European Economy - Portuguese Catholic University (82) | Course - American Bankers Association (82) | Advanced Management Program for Overseas Bankers - Wharton School (85) | Financial and Commercial Retail South Central Director – Banco Português do Atlântico (81-95) | Financial Directorate, Large Institutional Businesses and Treasury General Director, Board Member - BCP – Investment Bank and Vice Chairman of BIG Bank Gdansk (95-02) | Board Member - Grupo Banco Português de Negócios (02-03) | General Director and Board Member - EDP Produção (03-05)

Current External Appointments

Director - Mibgas, S.A. | Director - OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. | Counsellor - Operador del Mercado Ibérico de Energía, Polo Español, S.A. (OMEL) | CEO – EDP Renováveis

Full Name

ANTÓNIO FERNANDO MELO MARTINS DA COSTA

Position

Executive Board of Directors Member elected in March 2006 (reappointed in April 2009, February 2012, April 2015 and April 2018)

Skills and Experience

Degree in civil engineering – Porto University (76) | MBA - Porto Business School (89) | Executive Course - INSEAD, Fontainebleau – (95) | PADE - AESE (00) | Advanced Management Program - Wharton School (03) | Assistant Professor – Engineering Institute of Oporto (76-89) | Hydraulic Production – EDP (81-89) | General Director - Banco Millennium BCP and Executive Board Member of several insurance, pension and financial asset management companies – BCP Group (89-03) | Executive Director - Eureko BV, Chairman - Eureko Polska and Executive Vice-Chairman – PZU (99-02) | Director and Board of Directors Vice-Chairman – EDP Brasil (03-07) | Vice-Chairman – Portuguese Chamber of Commerce in Brazil (03-07) | Chairman – Brazilian Electricity Distributors Association (03-07) | Chairman and CEO - EDP Renováveis EUA (07-09) | Member of the Board of Directors - EDP Renováveis (08-11) | Vice-Chairman - Chamber of Commerce of USA in Portugal | Vice-Chairman - Proforum | Vice-Chairman- APGEI

Current External Appointments

Does not hold any other office or was appointed to any executive position outside EDP Group

Full Name

JOÃO MANUEL VERÍSSIMO MARQUES DA CRUZ

Position

Executive Board of Directors Member elected in February 2012, (reappointed in April 2015 and April 2018)

Skills and Experience

Degree in Management – Technical University of Lisbon (84) | MBA - Technical University of Lisbon (89) | Post-graduation in Marketing and Airlines Marketing - International Air Travel Association / Bath University (92) | Several positions including General Director - TAP Air Portugal (84-99) | Director - TAPGER (97-99) | Director – EMEF and other companies - Grupo CP (00-02) | Executive Committee Chairman - Air Luxor (02-05) | President – External Trade Institute of Portugal (05-07)

Current External Appointments

Vice-Chairman - Companhia de Electricidade de Macau - CEM, S.A. | Director - KNJ Global Limitada (Macau) | President – Portuguese-Chinese Chamber of Commerce and Industry

Full Name

MIGUEL STILWELL DE ANDRADE

Position

Executive Board of Directors Member elected in February 2012, (reappointed in April 2015 and April 2018)

Skills and Experience

Degree in Mechanic Engineering – Strathclyde University (98) | MBA - MIT Sloan (03) | Mergers and Acquisitions – UBS Investment Bank (UK) (98-00) | Strategy and Corporate Development Area – EDP (00-05) | Strategy and Corporate Development Director – EDP (05-09) | Board of Directors Member – EDP Distribuição and Board Member of other companies within the Group (09-12)

Current External Appointments

Does not hold any other office or was appointed to any executive position outside EDP Group

Full Name

MIGUEL NUNO SIMÕES NUNES FERREIRA SETAS

Position

Executive Board of Directors Member elected in April 2015 (reappointed in April 2018)

Skills and Experience

Degree in Physics Engineering – Higher Technical Institute (93) | Masters in Electronic and Computing Engineering – Higher Technical Institute (95) | MBA – Nova University of Lisbon (96) | Consultant – McKinsey & Company (95-98) | Corporate Director - GDP - Gás de Portugal (98-00) | Board Member - Setgás (99-01) | Executive Board Member – Lisboagás (00-01) | Strategic Marketing Director – Galp Energia (01-04) | Board Member – Comboios de Portugal (04-06) | Chief of Staff of the Chairman of the Executive Board of Directors Chairman – EDP (06-07) | Board Member – EDP Comercial (07-08) | Board Member - EDP Inovação (07-08 / 12-14) | Vice-Chairman – EDP Brasil (08-13)

Current External Appointments

CEO – EDP Brasil (14)

Full Name	**RUI MANUEL RODRIGUES LOPES TEIXEIRA**
Position	Executive Board of Directors Member elected in April 2015 (reappointed in April 2018)
Skills and Experience	Degree in in Naval Engineering - Higher Technical Institute (95) | MBA – Nova University of Lisbon (01) | Advanced Management Program - Harvard Business School (13) | Assistant Director of the Naval Commercial Department - Gellweiler (96-97) | Project manager - Det Norske Veritas (97-01) | Consultant - McKinsey & Company (01-04) | Corporate Control and Planning Director – EDP (04-07) | Board Member – EDP Renováveis (07-15)
Current External Appointments	Does not hold any other office or was appointed to any executive position outside EDP Group

Full Name	**MARIA TERESA ISABEL PEREIRA**
Position	Executive Board of Directors Member elected in April 2018
Skills and Experience	Law Degree – Law School, Lisbon University (93) | Lecturer in Law of Obligations – Law School, Lisbon University (93-97) | Post-graduation in Information Society Law – Lisbon Law School (00-01) | Lawyer registered at the Portuguese Bar Association (97) | Jurist - Proet Projectos (EDP Group) (94-98) | Legal Director - ONI SGPS (98-05) | Legal Director and General Secretariat, Company Secretary – EDP (06-18)
Current External Appointments	Does not hold any other office or was appointed to any executive position outside EDP Group

Full Name	**VERA DE MORAIS PINTO PEREIRA CARNEIRO**
Position	Executive Board of Directors Member elected in April 2018
Skills and Experience	Economics Degree – Nova University of Lisbon (96) | Post-graduation in Economics – Nova University of Lisbon (98) | MBA – INSEAD, Fontainebleau (00) | Associate – Mercer (96-99) | Founder – Innovagency Consulting (01-03) | Television Service Director – TV Cabo – PT Multimédia (03-07) | Television Service Director – MEO (07-14) | Executive Vice-Chairman and General Director (Portugal and Spain) - Fox Networks Group (14-18)
Current External Appointments	Does not hold any other office or was appointed to any executive position outside EDP Group

ANNEX II

Meetings of the General and Supervisory Board and each member's attendance:

NAME	25-Jan	1-Mar	%
Eduardo Almeida Catroga – Chairman	P	P	100
Luís Filipe Marques Amado – Vice-Chairman	P	P	100
Alberto Joaquim Milheiro Barbosa	P	P	100
António Manuel de Carvalho Ferreira Vitorino	P	P	100
António Sarmento Gomes Mota	P	P	100
Augusto Carlos Serra Ventura Mateus	P	P	100
Dingming Zhang	P	P	100
Felipe Fernández Fernández	P	P	100
Ferhat Ounoughi	A	P	50
Fernando María Masaveu Herrero	R	R	0
Guojun Lu	R	R	0
Ilídio da Costa Leite de Pinho	P	P	100
João Carvalho das Neves	P	P	100
Jorge Avelino Braga de Macedo	P	P	100
Maria Celeste Ferreira Lopes Cardona	P	P	100
María del Carmen Fernandez Rozado	P	P	100
Mohammed Al-Huraimel Al-Shamsi	A	P	50
Nuno Manuel da Silva Amado	A	P	50
Shengliang Wu	P	P	100
Vasco Joaquim Rocha Vieira	P	P	100
Ya Yang	P	P	100

P = Presence; A = Absence; R = Represented

NAME	6-Apr	10-May	16-May	7-Jun	8-Jun	26-Jul	27-Sep	8-Nov	%
Luís Filipe Marques Amado – Chairman	P	P	P	P	P	P	P	P	100
Ya Yang – Vice-Chairman	P	P	#	P	#	P	A	A	67
António Manuel de Carvalho Ferreira Vitorino*	P	P	A	A	A	A			33
Augusto Carlos Serra Ventura Mateus	P	P	P	P	P	P	A	P	88
Clementina Maria Dâmaso de Jesus da Silva Barroso	P	P	P	P	P	P	P	P	100
Dingming Zhang	A	P	#	A	#	P	P	R	50
Eduardo Almeida Catroga	P	P	#	P	#	P	P	R	83
Felipe Fernández Fernández	P	P	P	P	P	P	P	P	100
Fernando María Masaveu Herrero	P	P	P	R	P	P	P	P	88
Ilídio da Costa Leite de Pinho	P	P	A	P	P	A	P	P	75
João Carvalho das Neves	P	P	P	P	P	P	P	P	100
Jorge Avelino Braga de Macedo	R	P	P	P	P	R	P	P	75
Karim Djebbour	P	P	P	P	P	P	P	A	88
Laurie Fitch	P	P	P	P	P	P	P	P	100
Maria Celeste Ferreira Lopes Cardona	P	P	P	P	P	P	P	P	100
María del Carmen Fernandez Rozado	P	P	P	P	P	P	P	P	100
Mohammed Al-Huraimel Al-Shamsi	P	A	P	P	P	P	P	A	75
Nuno Manuel da Silva Amado	P	P	#	P	#	A	P	P	83
Shengliang Wu	P	P	#	P	#	P	P	P	100
Vasco Joaquim Rocha Vieira	P	P	P	P	P	P	P	P	100
Yinsheng Li	P	P	#	A	#	P	P	P	83

* Antonio Vitorino resigned on 26 July 2018

P = Presence; A = Absence; R = Represented

Regarding the sole item of the agenda and despite that all General and Supervisory Board members received the call, it was stated that " having been raised the question, under the legal and statutory provisions and taking into consideration the sole item of the agenda, one or some General and Supervisory Board members may or could be prevented to participate in the meeting, for alleged conflicts of interest, the General and Supervisory Board Chairman has requested a Legal Opinion, in which is concluded that the Offeror, companies in parent-subsidiary or group relationship as well as companies with members associated with the Offeror (including providers or entities that provide services under the public takeover bid) should not participate and vote on the General and Supervisory Board meeting in which matters related to such public takeover bid are discussed and/or resolved (…)", and therefore the Vice Chairman, Yang Ya, and members Dingming Zhang, Eduardo de Almeida Catroga, Shengliang Wu, Yinsheng Li and Nuno Amado despite expressing a different understanding, accept not to show up at the meeting.

NAME	13-Dec	%
Luís Filipe Marques Amado – Chairman	P	100
Dingming Zhang – Vice-Chairman	R	0
Augusto Carlos Serra Ventura Mateus	P	100
Clementina Maria Dâmaso de Jesus da Silva Barroso	P	100
Shenliang Wu	P	100
Eduardo Almeida Catroga	P	100
Felipe Fernández Fernández	P	100
Fernando María Masaveu Herrero	P	100
Ignacio Herero Ruiz	P	100
Ilídio da Costa Leite de Pinho	P	100
João Carvalho das Neves	P	100
Jorge Avelino Braga de Macedo	P	100
Karim Djebbour	P	100
Laurie Lee Fitch	P	100
Maria Celeste Ferreira Lopes Cardona	P	100
María del Carmen Fernandez Rozado	P	100
Mohammed Al-Huraimel Al-Shamsi	P	100
Nuno Manuel da Silva Amado	P	100
Vasco Joaquim Rocha Vieira	P	100
Yinsheng Li	R	0

P = Presence; A = Absence; R = Represented

Total meetings in 2018: 11
Average participation: 86%

ANNEX III

Meetings of the Executive Board of Directors and each member's attendance:

NAME	9-JAN	16-JAN	30-JAN	6-FEB	20-FEB	23-FEB	27-FEB	1-MAR	6-MAR	20-MAR	27-MAR	% Presences
António Luís Guerra Nunes Mexia	P	P	P	P	P	P	P	P	P	P	P	100%
Nuno Maria Pestana de Almeida Alves	P	P	P	P	P	P	P	P	A	P	P	91%
João Manuel Manso Neto	P	P	P	P	P	P	P	P	P	P	P	100%
António Fernando Melo Martins da Costa	P	P	P	P	P	P	P	P	P	P	A	91%
João Manuel Veríssimo Marques da Cruz	P	P	P	P	P	A	P	P	P	P	P	91%
Miguel Stilwell de Andrade	P	P	P	P	P	P	P	P	A	P	P	91%
Miguel Nuno Simões Nunes Ferreira Setas	P	P	P	P	P	P	P	P	A	P	P	91%
Rui Manuel Rodrigues Lopes Teixeira	P	P	P	P	P	P	P	P	P	P	A	91%

P = Presence; A = Absence

Total meetings in 2018: 11

Average participation: 93.2%

NAME	5-APR	17-APR	24-APR	03-MAY	08-MAY	10-MAY	14-MAY	15-MAY	21-MAY	29-MAY	06-JUN	07-JUN	08-JUN	19-JUN	05-JUL	10-JUL	17-JUL	23-JUL	24-JUL	26-JUL
António Luís Guerra Nunes Mexia	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
João Manuel Manso Neto	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
António Fernando Melo Martins da Costa	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
João Manuel Veríssimo Marques da Cruz	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Miguel Stilwell de Andrade	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Miguel Nuno Simões Nunes Ferreira Setas	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Rui Manuel Rodrigues Lopes Teixeira	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Maria Teresa Isabel Pereira	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Vera Morais Pinto Pereira Carneiro	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P

NAME	31-JUL	04-SEP	11-SEP	18-SEP	25-SEP	26-SEP	02-OCT	09-OCT	15-OCT	23-OCT	30-OCT	06-NOV	08-NOV	13-NOV	26-NOV	29-NOV	03-DEC	11-DEC	13-DEC	20-DEC	% 2018
António Luís Guerra Nunes Mexia	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	100%
João Manuel Manso Neto	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	100%
António Fernando Melo Martins da Costa	A	A	P	P	P	P	P	P	P	A	P	P	P	P	P	P	P	P	P	P	93%
João Manuel Veríssimo Marques da Cruz	P	P	P	P	P	P	P	P	A	P	P	P	P	P	P	P	P	P	P	P	98%
Miguel Stilwell de Andrade	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	100%
Miguel Nuno Simões Nunes Ferreira Setas	P	P	P	P	P	P	P	P	P	P	P	P	P	A	P	P	P	P	P	P	98%
Rui Manuel Rodrigues Lopes Teixeira	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	100%
Maria Teresa Isabel Pereira	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	100%
Vera Morais Pinto Pereira Carneiro	A	P	P	P	P	P	P	P	P	P	P	P	P	P	A	P	P	P	P	P	95%

P = Presence; A = Absence

Total meetings in 2018: 40

Average participation: 98.1%

ANNEX IV

Positions held by the members of the Executive Board of Directors in other companies belonging or not to the EDP Group:

	ANTÓNIO MEXIA	JOÃO MANSO NETO	ANTÓNIO MARTINS DA COSTA	JOÃO MARQUES DA CRUZ	MIGUEL STILWELL ANDRADE	MIGUEL SETAS	RUI TEIXEIRA	TERESA PEREIRA	VERA PINTO PEREIRA
CNET – Centre for New Energy Technologies, S.A.	-	-	-	CBD	-	-	-	-	-
SCNET – Sino-Portuguese Centre for Energy Technologies (Shangai) co., Ltd.	-	-	-	D	-	-	-	-	-
EDP - Ásia Soluções Energéticas Lda.	-	-	-	CBD	-	-	-	-	-
EDP - Energias de Portugal Sociedade Anónima, Sucursal en España	PR	PR	PR	-	PR	-	PR	-	-
EDP - Energias do Brasil, S.A.	CBD	-	-	D	C	VP/MD	-	-	-
EDP - Estudos e Consultoria, S.A.	-	-	-	-	-		-	CBD	
EDP - Gestão da Produção de Energia, S.A.	-	-	-	-	-	-	CBD	-	-
EDP - Soluções Comerciais, S.A.	-	-	-	-	-	-	-	-	CBD
EDP Comercial - Comercialização de Energia, S.A.	-	-	-	-	-	-	-	-	CBD
EDP Comercializadora de Último Recurso S.A.	-	-	-	-	-	-	CBD	-	-
EDP España, S.A.U.	-	C	-	-	C	-	VP/MD	-	C
EDP Espírito Santo Distribuição de Energia S.A.	-	-	-	-	-	CBD	-	-	-
EDP Finance BV	R	R	R	R	R	R	R	R	R
EDP Gás.Com - Comércio de Gás Natural, S.A.	-	CBD	-	-	-	-	-	-	D
EDP Imobiliária e Participações, S.A.	-	-	-	-	-	-	-	CBD	-
EDP Internacional, S.A.	-	-	-	CBD	-	-	-	-	-
EDP International Investments and Services SL	-	-	-	CBD	-	-	-	-	-
EDP IS - Investimentos e Serviços, Sociedade Unipessoal, Lda.	-	-	-	-	M	-	-	-	-
EDP Renewables Europe SL	-	CBD	-	-	-	-	-	-	-
EDP Renováveis Brasil, S.A.	-	CBD	-	-	-	-	-	-	-
EDP Renováveis Servicios Financieros S.A.	-	CBD	-	-	-	-	-	-	-
EDP Renováveis, S.A.	CBD	VP/MD	-	-	-	-	-	-	-
EDP São Paulo Distribuição de Energia S.A.	-	-	-	-	-	CBD	-	-	-
EDP Transmissão Aliança SC S.A.	-	-	-	-	-	CBD	-	-	-
EDP Transmissão MA I S.A.	-	-	-	-	-	CBD	-	-	-
EDP Transmissão MA II S.A.	-	-	-	-	-	CBD	-	-	-
EDP Transmissão S.A.	-	-	-	-	-	CBD	-	-	-
EDP Transmissão SP-MG S.A.	-	-	-	-	-	CBD	-	-	-
EDP Valor - Gestão Integrada de Serviços, S.A.	-	-	-	-	-	-	-	CBD	-
Empresa Hidroeléctrica do Guadiana, S.A.	-	-	-	-	-	-	CBD	-	-
Enagás – S.G.P.S, S.A.	-	-	CBD	-	-	-	-	-	-
ENERGEST S.A.	-	-	-	-	-	CBD	-	-	-
Energia Ásia Consultoria, Lda.	-	-	-	CBD	-	-	-	-	-
Energia RE, S.A.	-	-	D	-	CBD	-	-	-	-
Hydro Global Investment Limited	-	-	-	CBD	-	-	-	-	-
INVESTCO S.A.	-	-	-	-	-	CBD	-	-	-
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	-	-	-	CBD	-	-	-	-	-
Lajeado Energia S.A.	-	-	-	-	-	CBD	-	-	-
Pecém Operação e Manutenção de Unidades de Geração Elétrica S.A.	-	-	-	-	-	CBD	-	-	-
Porto do Pecém Geração de Energia S.A.	-	-	-	-	-	CBD	-	-	-
Sãvida - Medicina Apoiada, S.A.	-	-	-	-	-	CBD	-	-	-
EDP Energía, S.A.	-	-	-	-	-	-	CBD	-	-
EDP Iberia, S.L.	-	-	-	-	-	-	CBD	-	-
EDP Ventures Brasil S.A.	-	-	-	-	-	CBD	-	-	-
Companhia de Electricidade de Macau - CEM, S.A.	**-**	**-**	**-**	**VP**	**-**	**-**	**-**	**-**	**-**
Mibgas, S.A.	**-**	**D**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A.	**-**	**D**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
KNJ Global Limitada (Macau)	**-**	**-**	**-**	**D**	**-**	**-**	**-**	**-**	**-**
Operador del Mercado Ibérico de Energía, Polo Español, S.A. (OMEL)	**-**	**C**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

D – Director
C - Counsellor
M – Manager
CBD – Chairman of Board of Directors
R – Representative
PR – Permanent Representative
VP – Vice-President
VP/MD – Vice President and Managing Director

ANNEX V

i. Financial Matters Committee/Audit Committee

NAME	1-Feb	22-Feb	1-Mar	4-Apr	5-Apr	%
António Sarmento Gomes Mota (Chairman)	P	P	P	P	P	100
João Carvalho das Neves (Vice-Chairman)	P	P	P	P	P	100
Alberto Joaquim Milheiro Barbosa	P	P	P	P	P	100
Maria Celeste Ferreira Lopes Cardona	P	P	P	P	P	100
Maria del Carmen Fernández Rozado	P	P	P	P	P	100

P = Presence; A = Absence;

NAME	3-mai	10-mai	24-mai	20-jun	23-jul	26-jul	17/19 sep	30-oct	8-nov	7-dec	%
Luís Filipe Marques Amado (Chairman)	P	P	P	P	P	P	P	P	P	P	100
João Carvalho das Neves (Vice-Chairman)	P	P	P	P	P	P	P	P	P	P	100
Clementina Dâmaso Barroso	P	P	P	P	P	P	P	P	P	P	100
Maria Celeste Ferreira Lopes Cardona	P	P	P	P	P	P	A	P	P	P	90
Maria del Carmen Fernandez Rozado	P	P	P	P	P	P	P	P	P	P	100

P = Presence; A = Absence;
Total meetings in 2018: 15
Average participation: 99%

ii. Remuneration Committee

NAME	1-Mar	6-Apr	%
Yang Ya – Chairman	P	P	100
Fernado María Masaveu Herrero	R	A	0
Ilídio da Costa Leite de Pinho	P	P	100
João Carvalho das Neves	P	P	100
Vasco Joaquim Rocha Vieira	P	P	100

P = Presence; A = Absence; R = Represented

Total meetings in 2018: 2

Average participation: 80%

iii. Corporate Governance and Sustainability Committee

NAME	28-Feb	%
Luís Filipe Marques Amado - Chairman	P	100
Felipe Fernández Fernández	P	100
Jorge Avelino Braga de Macedo	P	100
Maria Celeste Ferreira Lopes Cardona	P	100
Shengliang Wu	A	0

P = Presence; A = Absence

NAME	9-May	25-Jul	26-Sep	7-Nov	%
Luís Filipe Marques Amado - Chairman	P	P	P	P	100
Augusto Mateus	P	P	A	P	75
Felipe Fernández Fernández	P	P	P	P	100
Jorge Avelino Braga de Macedo	P	R	P	P	75
Maria Celeste Ferreira Lopes Cardona	P	P	P	P	100
Shengliang Wu	P	P	P	P	100
Yinsheng Li	P	P	P	P	100

P = Presence; A = Absence; R = Represented

Total meetings in 2018: 5
Average participation: 91%

iv. Strategy and Performance Committee

NAME	24-Jan	28-Feb	%
Eduardo de Almeida Catroga	P	P	100
Alberto Joaquim Milheiro Barbosa	P	P	100
Augusto Carlos Serra Ventura Mateus	P	P	100
Dingming Zhang	R	A	0
Ferhat Ounoughi	A	P	50
Fernando Maria Masaveu Herrero	R	R	0
João Carvalho das Neves	P	P	100
Jorge Avelino Braga de Macedo	P	P	100
Mohammed Al-Shamsi	A	P	50
Shengliang Wu	P	P	100

P = Presence; A = Absence; R = Represented

NAME	5-May	25-Jul	26-Sep	7-Nov	6-Dec	%
Eduardo de Almeida Catroga	P	P	P	P	P	100
Augusto Carlos Serra Ventura Mateus	P	P	A	P	P	80
Dingming Zhang	R	P	P	R	A	40
Fernando Maria Masaveu Herrero	R	R	P	R	R	20
Jorge Avelino Braga de Macedo	P	A	P	P	P	80
Karim Djebbour	P	P	P	A	A	60
Laurie Fitch	P	P	P	P	P	100
Mohammed Al-Shamsi	P	P	P	A	P	80
Nuno Amado	A	A	P	A	A	20
Shengliang Wu	P	P	P	P	A	80
Vasco Rocha Vieira	P	P	P	P	P	100

P = Presence; A = Absence; R = Represented

Average participation: 69%
Total meetings in 2018: 7

WATER

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05 FINANCIAL STATEMENTS

Financial Statements
31 December 2018

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EDP - Energias de Portugal

Consolidated Income Statements
for the periods ended at 31 December 2018 and 2017

Thousand Euros	Notes	2018	2017
Revenues from energy sales and services and other	7	15,278,085	15,745,987
Cost of energy sales and other	7	-10,178,903	-10,354,909
		5,099,182	5,391,078
Other income	8	562,677	1,036,999
Supplies and services	9	-956,961	-990,533
Personnel costs and employee benefits	10	-651,540	-680,833
Other expenses	11	-715,379	-766,762
Impairment losses on trade receivables and debtors	11	-20,850	-
		-1,782,053	-1,401,129
		3,317,129	3,989,949
Provisions	35	-287,938	3,627
Amortisation and impairment	12	-1,444,812	-1,675,659
		1,584,379	2,317,917
Financial income	13	456,245	439,636
Financial expenses	13	-1,010,390	-1,248,089
Share of net profit in joint ventures and associates	20	10,858	11,521
Profit before income tax and CESE		1,041,092	1,520,985
Income tax expense	14	-99,666	-10,304
Extraordinary contribution to the energy sector (CESE)	15	-65,345	-69,246
		-165,011	-79,550
Net profit for the period		**876,081**	**1,441,435**
Attributable to:			
Equity holders of EDP		**519,189**	**1,113,169**
Non-controlling Interests	31	**356,892**	**328,266**
Net profit for the period		**876,081**	**1,441,435**
Earnings per share (Basic and Diluted) - Euros	28	0.14	0.31

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statements of Comprehensive Income
for the periods ended at 31 December 2018 and 2017

Thousand Euros	2018		2017	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	519,189	356,892	1,113,169	328,266
Items that will never be reclassified to profit or loss (i)				
Actuarial gains/(losses) (iii)	-74,125	8,694	-46,326	-20,048
Tax effect from the actuarial gains/(losses)	22,199	-2,957	20,597	6,818
Fair value reserve with no recycling (financial assets) (ii)	-3,586	-	-	-
Tax effect from the fair value reserve with no recycling (financial assets) (ii)	917	-	-	-
	-54,595	5,737	-25,729	-13,230
Items that may be reclassified to profit or loss (i)				
Exchange differences arising on consolidation	-122,280	-80,484	-216,158	-349,829
Fair value reserve (cash flow hedge) (ii)	-164,709	-7,811	-147,264	1,960
Tax effect from the fair value reserve (cash flow hedge) (ii)	42,020	1,641	41,304	-858
Fair value reserve with recycling (financial assets) (ii)	-2,739	-35	-15,762	94
Tax effect from the fair value reserve with recycling (financial assets) (ii)	863	-	-3,396	-
Share of other comprehensive income of joint ventures and associates, net of taxes	-13,658	-2,372	-1,006	4,644
	-260,503	-89,061	-342,282	-343,989
Other comprehensive income for the period (net of income tax)	-315,098	-83,324	-368,011	-357,219
Total comprehensive income for the period	204,091	273,568	745,158	-28,953

(i) See Condensed Consolidated Statement of Changes in Equity
(ii) See Note 30
(iii) See Note 34

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

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

Thousand Euros	Notes	2018	2017
Assets			
Property, plant and equipment	16	22,707,511	22,730,615
Intangible assets	17	4,736,530	4,747,360
Goodwill	18	2,251,461	2,232,668
Investments in joint ventures and associates	20	951,613	843,082
Available for sale investments		-	124,016
Equity instruments at fair value	21	125,147	-
Investment property		30,973	39,199
Deferred tax assets	22	1,152,195	808,521
Debtors and other assets from commercial activities	24	2,522,640	2,839,379
Other debtors and other assets	25	629,620	518,772
Non-Current tax assets	26	53,728	60,793
Collateral deposits associated to financial debt	33	25,466	34,874
Total Non-Current Assets		35,186,884	34,979,279
Inventories	23	342,037	265,775
Debtors and other assets from commercial activities	24	3,167,479	3,325,730
Other debtors and other assets	25	594,808	304,628
Current tax assets	26	354,057	520,500
Financial assets at fair value through profit or loss		-	37,544
Collateral deposits associated to financial debt	33	167,425	10,381
Cash and cash equivalents	27	1,803,205	2,400,077
Non-Current Assets held for sale	40	11,065	231,135
Total Current Assets		6,440,076	7,095,770
Total Assets		41,626,960	42,075,049
Equity			
Share capital	28	3,656,538	3,656,538
Treasury stock	29	-62,410	-62,957
Share premium	28	503,923	503,923
Reserves and retained earnings	30	4,350,938	4,335,265
Consolidated net profit attributable to equity holders of EDP		519,189	1,113,169
Total Equity attributable to equity holders of EDP		8,968,178	9,545,938
Non-controlling Interests	31	3,932,149	3,934,322
Total Equity		12,900,327	13,480,260
Liabilities			
Financial debt	33	13,462,390	15,469,636
Employee benefits	34	1,099,049	1,198,362
Provisions	35	982,515	726,771
Deferred tax liabilities	22	574,701	466,532
Institutional partnerships in USA	36	2,231,249	2,163,722
Trade payables and other liabilities from commercial activities	37	1,356,245	1,343,171
Other liabilities and other payables	38	756,899	874,984
Non-current tax liabilities	39	97,637	91,551
Total Non-Current Liabilities		20,560,685	22,334,729
Financial debt	33	2,622,509	1,448,129
Employee benefits	34	308,253	323,891
Provisions	35	35,930	26,058
Hydrological correction account	32	-	1,574
Trade payables and other liabilities from commercial activities	37	3,862,245	3,498,131
Other liabilities and other payables	38	770,922	284,140
Current tax liabilities	39	566,089	563,456
Non-Current Liabilities held for sale	40	-	114,681
Total Current Liabilities		8,165,948	6,260,060
Total Liabilities		28,726,633	28,594,789
Total Equity and Liabilities		41,626,960	42,075,049

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated Statements of Changes in Equity for the periods ended as at 31 December 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)	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	1,441,435	-	-	-	1,113,169	-	-	-	-	1,113,169	328,266
Changes in the fair value reserve (cash flow hedge) net of taxes	-104,858	-	-	-	-	-105,960	-	-	-	-105,960	1,102
Changes in the fair value reserve (available for sale investments) net of taxes	-19,064	-	-	-	-	-	-19,158	-	-	-19,158	94
Share of other comprehensive income of joint ventures and associates net of taxes	3,638	-	-	-	-	-	-	-1,006	-	-1,006	4,644
Actuarial gains/(losses) net of taxes	-38,959	-	-	-	-25,729	-	-	-	-	-25,729	-13,230
Exchange differences arising on consolidation	-565,987	-	-	-	-	-	-	-216,158	-	-216,158	-349,829
Total comprehensive income for the period	716,205	-	-	-	1,087,440	-105,960	-19,158	-217,164	-	745,158	-28,953
Dividends paid	-690,637	-	-	-	-690,637	-	-	-	-	-690,637	-
Dividends attributable to non-controlling interests	-118,251	-	-	-	-	-	-	-	-	-	-118,251
Purchase and sale of treasury stock	-869	-	-	-	-	-	-	-	-869	-869	-
Share-based payments	1,364	-	-	-	-76	-	-	-	1,440	1,364	-
Public Offer for the Acquisition of EDP Renováveis S.A.	-299,620	-	-	-	17,338	-1,608	315	26	-	16,071	-315,691
Sale without loss of control of windfarms in Europe	210,098	-	-	-	72,479	1,940	-	-	-	74,419	135,679
Changes resulting from acquisitions/sales, equity increases/decreases and other	-74,402	-	-	-	-5,855	-	-	-	-	-5,855	-68,547
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	876,081	-	-	-	519,189	-	-	-	-	519,189	356,892
Changes in the fair value reserve (cash flow hedge) net of taxes	-128,859	-	-	-	-	-122,689	-	-	-	-122,689	-6,170
Changes in the fair value reserve (financial assets), net of taxes	-4,580	-	-	-	-	-	-4,545	-	-	-4,545	-35
Share of other comprehensive income of joint ventures and associates net of taxes	-16,030	-	-	-	-	-14,484	-	826	-	-13,658	-2,372
Actuarial gains/(losses) net of taxes	-46,189	-	-	-	-51,926	-	-	-	-	-51,926	5,737
Exchange differences arising on consolidation	-202,764	-	-	-	-	-	-	-122,280	-	-122,280	-80,484
Total comprehensive income for the period	477,659	-	-	-	467,263	-137,173	-4,545	-121,454	-	204,091	273,568
Dividends paid	-690,517	-	-	-	-690,517	-	-	-	-	-690,517	-
Dividends attributable to non-controlling interests	-196,852	-	-	-	-	-	-	-	-	-	-196,852
Purchase and sale of treasury stock	-952	-	-	-	-	-	-	-	-952	-952	-
Share-based payments	1,393	-	-	-	-106	-	-	-	1,499	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	-89,170	-	-	-	-14,743	-	-	-	-	-14,743	-74,427
Balance as at 31 December 2018	**12,900,327**	**3,656,538**	**503,923**	**739,024**	**4,817,541**	**-213,315**	**10,287**	**-483,410**	**-62,410**	**8,968,178**	**3,932,149**

(i) See note 28
(ii) See note 30
(iii) See note 29
(iv) See note 31
(v) See note 3

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated and Company Statements of Cash Flows for the periods ended as at 31 December 2018 and 2017

Thousand Euros	Group		Company	
	2018	2017	2018	2017
Operating activities				
Cash receipts from customers	14,236,820	13,776,871	3,307,270	2,600,335
Proceeds from tariff adjustments sales	1,288,676	1,192,916	-	-
Payments to suppliers	-10,920,343	-10,551,653	-3,274,269	-2,633,932
Payments to personnel	-849,970	-854,016	-74,410	-68,791
Concession rents paid	-281,281	-279,631	-	-
Other receipts/(payments) relating to operating activities	-412,532	-390,307	-87,023	51,089
Net cash flows from operations	3,061,370	2,894,180	-128,432	-51,299
Income tax received/(paid)	-123,296	-658,587	77,602	-18,397
Net cash flows from operating activities	2,938,074	2,235,593	-50,830	-69,696
Investing activities				
Cash receipts relating to:				
Sale of assets/subsidiaries with loss of control (i)	492,024	2,764,384	-	32,103
Other financial assets and investments (ii)	143,320	50,917	34,148	50,719
Held to maturity financial investments	-	-	408,617	26,332
Changes in cash resulting from consolidation perimeter variations	2,785	28,342	-	-
Property, plant and equipment and intangible assets	12,948	23,405	543	121,361
Other receipts relating to tangible fixed assets	10,857	17,381	21	-
Interest and similar income	36,229	73,746	193,436	333,999
Dividends	26,851	32,403	868,344	785,399
Loans to related parties	275,622	32,318	5,198,799	1,323,531
	1,000,636	3,022,896	6,703,908	2,673,444
Cash payments relating to:				
Acquisition of assets/subsidiaries	-	-308,921	-	-319,391
Other financial assets and investments (iii)	-215,027	-170,237	-3,600,344	-
Other financial assets at amortised cost	-	-	-541,751	-446,802
Changes in cash resulting from consolidation perimeter variations	-50,183	-34,088	-	-
Property, plant and equipment and intangible assets	-1,708,627	-1,920,980	-50,109	-29,340
Loans to related parties	-205,787	-18,916	-919,384	-1,795,610
	-2,179,624	-2,453,142	-5,111,588	-2,591,143
Net cash flows from investing activities	-1,178,988	569,754	1,592,320	82,301
Financing activities				
Receipts/(payments) relating to financial debt (include Collateral Deposits)	-930,082	-440,343	-633,958	2,323,319
Interest and similar costs of financial debt including hedge derivatives	-623,444	-789,930	-311,999	-316,700
Receipts/(payments) relating to loans from non-controlling interests	-61,907	8,229	-	-
Interest and similar costs relating to loans from non-controlling interests	-32,458	-25,405	-	-
Receipts/(payments) relating to loans from related parties	-	-	-829,664	-444,669
Interest and similar costs of loans from related parties including hedge derivatives	-	-	-40,972	-94,743
Governmental grants received	-	-16	-	-
Share capital increases/(decreases) by non-controlling interests	-71,410	-87,563	-	-
Receipts/(payments) relating to derivative financial instruments	17,796	-90,876	312,433	34,380
Dividends paid to equity holders of EDP (iv)	-690,517	-690,637	-690,805	-690,924
Dividends paid to non-controlling interests	-167,796	-140,159	-	-
Treasury stock sold/(purchased) (iv)	-952	-869	-952	495
Sale of assets/subsidiaries without loss of control	-	210,098	-	-
Receipts/(payments) from institutional partnerships - USA (v)	225,353	250,022	-	-
Net cash flows from financing activities	-2,335,417	-1,797,449	-2,195,917	811,158
Changes in cash and cash equivalents	-576,331	1,007,898	-654,427	823,763
Effect of exchange rate fluctuations on cash held	-20,541	-129,074	270	-2,758
Cash and cash equivalents at the beginning of the period	2,400,077	1,521,253	1,138,760	317,755
Cash and cash equivalents at the end of the period*	1,803,205	2,400,077	484,603	1,138,760

(i) Relates to the amounts received of contingent prices associated with the sale of gas distribution activity in Spain (see note 25) and to the receivements of the sales prices of Costa Rica Energética, Ltda., Santa-Fé Energia, S.A., EDP Pequenas Centrais Hidroelectricas S.A., EDP Small Hydro, S.A., Pebble Hydro - Consultoria, Investimento e Serviços, Lda., Meadow Lake Wind Farm VI LLC, Prairie Queen Wind Farm LLC, Nation Rise Wind Farm Gp II Inc. and Nation Rise Wind Farm Limited Partnership (see note 6);

(ii) Relates to the receivements of the sales prices of Moray Offshore Windfarm (East) Limited, Moray West Holdings Limited, Moray Offshore Windfarm (West) Limited, EDP Produção Bioeléctrica, S.A., Éoliennes en Mer Dieppe - Le Tréport, S.A.S. e Éoliennes en Mer Îles d'Yeu et de Noirmoutier, SAS (see note 6);

(iii) Relates, essentially, to payments made for the acquisition of Centrais Elétricas de Santa Catarina, S.A. - Celesc, capital increase in São Manoel and Companhia Energética do Jari - CEJA and the acquisition of Investment Funds (see notes 20 and 25);

(iv) See Note 29;

(v) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in note 36).

* See details of Cash and cash equivalents in note 27 and the Consolidated and Company Reconciliation of Changes in the responsibilities of Financing activities in note 51 of the Financial Statements.

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Income Statements
for the periods ended at 31 December 2018 and 2017

Thousand Euros	Notes	2018	2017
Revenues from energy sales and services and other	7	3,675,039	2,706,749
Cost of energy sales and other	7	-3,502,579	-2,553,398
		172,460	153,351
Other income		18,455	37,216
Supplies and services	9	-161,194	-166,502
Personnel costs and employee benefits	10	-74,425	-73,509
Other expenses		-12,345	-11,682
Impairment losses on trade receivables and debtors		-142	-
		-229,651	-214,477
		-57,191	-61,126
Provisions	35	7,475	-2,131
Amortisation and impairment	12	-31,963	-23,022
		-81,679	-86,279
Financial income	13	1,296,027	2,093,354
Financial expenses	13	-562,246	-1,306,072
Profit before income tax		652,102	701,003
Income tax expense	14	86,484	64,424
Net profit for the period		**738,586**	**765,427**

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Statements of Comprehensive Income
for the periods ended at 31 December 2018 and 2017

Thousand Euros	2018	2017
Net profit for the period	738,586	765,427
Items that will never be reclassified to profit or loss (i)		
Actuarial gains/(losses)	-1,025	33
Tax effect from the actuarial gains/(losses)	249	-125
	-776	-92
Items that may be reclassified to profit or loss (i)		
Fair value reserve (cash flow hedge) (ii)	-9,158	-46,721
Tax effect from the fair value reserve (cash flow hedge) (ii)	2,060	14,308
Fair value reserve (financial assets)	-	-20,190
Tax effect from the fair value reserve (financial assets)	-	-2,741
	-7,098	-55,344
Other comprehensive income for the period (net of income tax)	-7,874	-55,436
Total comprehensive income for the period	730,712	709,991

(i) See Condensed Company Statement of Changes in Equity
(ii) See Note 30

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

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

Thousand Euros	Notes	2018	2017
Assets			
Property, plant and equipment	16	93,170	156,347
Intangible assets		78,662	12,311
Investments in subsidiaries	19	15,102,046	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		56,984	51,496
Deferred tax assets	22	92,659	78,258
Debtors and other assets from commercial activities		661	586
Other debtors and other assets	25	3,772,477	6,623,831
Total Non-Current Assets		19,198,198	18,883,941
Held to maturity financial investments		-	419,946
Debtors and other assets from commercial activities	24	653,404	609,630
Other debtors and other assets	25	2,424,019	2,907,222
Current tax assets	26	98,092	185,256
Cash and cash equivalents	27	484,603	1,138,760
Total Current Assets		3,660,118	5,260,814
Total Assets		22,858,316	24,144,755
Equity			
Share capital	28	3,656,538	3,656,538
Treasury stock	29	-56,315	-56,862
Share premium	28	503,923	503,923
Reserves and retained earnings	30	2,642,185	2,575,543
Net profit for the period		738,586	765,427
Total Equity		7,484,917	7,444,569
Liabilities			
Financial debt	33	10,014,872	5,785,760
Employee benefits	34	5,683	5,763
Provisions	35	1,808	8,902
Trade payables and other liabilities from commercial activities		2,278	2,048
Other liabilities and other payables	38	349,826	391,408
Total Non-Current Liabilities		10,374,467	6,193,881
Financial debt	33	2,795,609	7,702,537
Employee benefits	34	1,442	376
Provisions	35	1,172	1,553
Hydrological correction account	32	-	1,574
Trade payables and other liabilities from commercial activities	37	788,883	686,463
Other liabilities and other payables	38	1,293,180	2,094,629
Current tax liabilities	39	118,646	19,173
Total Current Liabilities		4,998,932	10,506,305
Total Liabilities		15,373,399	16,700,186
Total Equity and Liabilities		22,858,316	24,144,755

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statements of Changes in Equity for the periods ended as at 31 December 2018 and 2017

Thousand Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings (ii)	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	765,427	-	-	-	765,427	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-32,413	-	-	-	-	-32,413	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-22,931	-	-	-	-	-	-22,931	-
Actuarial gains / (losses) net of taxes	-92	-	-	-	-92	-	-	-
Total comprehensive income for the period	709,991	-	-	-	765,335	-32,413	-22,931	-
Dividends paid	-690,924	-	-	-	-690,924	-	-	-
Purchase and sale of treasury stock	-869	-	-	-	-	-	-	-869
Share-based payments	1,364	-	-	-	-76	-	-	1,440
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	738,586	-	-	-	738,586	-	-	-
Changes in the fair value reserve (cash flow hedge), net of taxes	-7,098	-	-	-	-	-7,098	-	-
Actuarial gains / (losses) net of taxes	-776	-	-	-	-776	-	-	-
Total comprehensive income for the period	730,712	-	-	-	737,810	-7,098	-	-
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 31 December 2018	**7,484,917**	**3,656,538**	**503,923**	**739,024**	**2,643,075**	**-1,328**	**-**	**-56,315**

(i) See note 28
(ii) See note 30
(iii) See note 29

LISBON, 11 MARCH 2019

THE CERTIFIED ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements as at and for the periods ended 31 December 2018 and 2017

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.

Activity in the energy sector in Portugal

Portugal - Electricity

The general basis of the organization and inner workings of the National Electrical System (SEN), as well as the general bases applicable i) to the exercise of the activities of generation, transportation, distribution, supplying of electricity and operator change logistics and ii) to the organization of the electricity markets is set in Decree-Law (DL) 29/2006 of 15 February 2006, in the version published in the DL 215-A/2012 of 8 October 2012, with the changes introduced by DL 42/2016, of 28 December 2016, and further developed by the DL 172/2006 of 23 August 2006, on the version republished by the DL 215-B/2012 of 8 October 2012, with the changes introduced by the DL 114/2017 of 29 December 2017.

These legal diplomas transpose to the Portuguese law, the principles of Directive 2009/72/CE, from the European Parliament and the Council of 13 July, which sets common rules for the internal electricity market and revokes the Directive 2003/54/CE, of the European Parliament and the Council, of 26 June.

The SEN integrates the activities of: i) generation, ii) transportation, iii) distribution, iv) supplying, v) organized markets operation, vi) operator change logistics and vii) other activities related with providing services related with the market integrated.

These activities, except generation, are under the regulation of the Energy Services Regulatory Entity (ERSE), whose purpose is to contribute to ensure the correct efficiency and rationality regarding objectivity, transparency, non-discrimination and competition, through the continuous supervision and oversight, integrated in the goal of fulfillment of the internal electricity market.

In what concerns the transportation, distribution and last resource supplying, the law sets the right to a fixed income, dictated by ERSE, as stipulated in the Tariff Regulations, that assures the economic-financial balance given the conditions of an efficient management.

Portugal - Electricity - Generation

Background

The generation activity engulfs generation in both the ordinary regime (PRO) and the special regime (PRE), being both regimes, subjected to the assignment of a generation license by the Portuguese Authority of Energy and Geology (DGEG).

The PRO regime incorporates the production that is not under a special regime, including all remunerated power plants under the PPAs (Power Purchase Agreement), CMEC (Contractual Stability Compensation) and Power Guarantee, being the energy produced sold in organized markets or through bilateral contracts.

On the other hand, PRE integrates: i) the production that is covered by special regimes such as the production of electricity through cogeneration and endogenous, renewable and non-renewable resources, micro production, mini-production and production without power injection in the network or, ii) the production that is made through endogenous, renewable and non-renewable resources, not subject to special legal regime. The energy produced under a special regime, if it is under guaranteed remuneration, is sold to the Supplier of Last Resort (CUR). Otherwise, it is sold to any trader or market aggregator, on organized markets or through the celebration of bilateral contracts.

In Portugal, EDP Group develops the activity of PRO and the activity of PRE through EDP Gestão da Produção, S.A. and EDP Renováveis Portugal, S.A., amongst other subsidiaries.

Highlights:

Transformation of PPAs into CMEC

The PPAs were created by the DL 182/95, of 27 July 1995, as long term contracts, signed between binded electricity generators and REN, which covered fixed and variable generation costs, assuring the electricity generators a low level of risk.

In 2004, as a result of the European Directives for the liberalization of the market and the construction of the Iberian Electricity Market (MIBEL), the PPAs could not be maintained. In this context, the DL 240/2004, of 27 December 2004, established the regime for the early termination of PPAs, based on the application of a mechanism to maintain the contractual equilibrium designated CMEC, which consisted on the right to receive a compensation by the electricity generators concerned.

The PPAs maintained by the EDP Group were transformed into CMEC with the entry into operation of MIBEL in 2007, being the CMECs consisting of i) an initial amount, that corresponds to the difference between the present value of the PPAs (calculated at the early end of the contract (2007), and the present value of expected market revenues, deducting the respective operating costs (estimated in 2007, to that year's values). The amount thus determined is paid in annuities from July 2007 to the end date of the longest underlying PPA (December 2027); ii) annual adjustments, that correspond to the annual revisability, calculated by the difference between the conditions underlying the initial amount and the values resulting from the valuation model (Valoragua), obtained from real data. These annual adjustments occurred during the first 10 years of the CMEC mechanism, ie between July 2007 and July 2017,; and iii) a final adjustment, which reviews the amount of compensation to be paid to the electricty generator by 2027 (the remaining PPA term with the longest duration), with a rational calculation similar to the initial amount but without any adjustments from July 2017 onwards.

Specifically, in 2007, the EDP Group maintained 27 PPAs ongoing for hydro power plants and 7 CAE for thermal power plants.

However, the EDP Group was the only entity with PPAs to transform it into CMEC, while the remaining entities maintained the PPAs in effect.

While within the scope of the PPAs, investment and availability were remunerated with full recognition of costs incurred in generation; in the CMEC the reasoning was to compensate the difference between what the plants would receive in the PPAs and what they receive in the free market in a context of efficient management.

In 2017, the European Commission issued a decision, following a complaint, to reiterate the CMEC's compliance with European legislation on State support.

System Services

In addition to operating in the daily, intraday and long-term market, generators can participate in the system services markets.

The system services are adjustments to solve deviations and technical constraints in real time, in order to respond to the needs of quality, reliability and security of the network, while always maintaining the supply-demand balance.

Remuneration Regime

The generation activity is remunerated by the energy produced, by the availability of the installed capacity and by the systems services:

	Regulated Remuneration	Remuneration in Market
Energy	- PPA - CMEC - Bonus rates for special regime production	- MIBEL - Bilateral contracts
Installed Capacity	- PPA - CMEC - Power guarantee	- Capacity auctions
System services	- Direct hiring	- System services market

Social Tariff

The DL138-A/2010, of 28 December, created a social tariff scheme financed by ordinary regime producers, including large hydro plants.

Social tariff consisted of the allocation to economically vulnerable customers of a discount on the network access tariff in an amount corresponding to a discount of 20% on the transitional tariffs of sale to end customers.

In 2011, a regime of extraordinary social support to the energy consumers (ASECE) was created, which consisted of an additional discount granted to economically vulnerable customers worth 13.8% of the value of the invoice, in this case, financed by the State, in order to neutralize the VAT increase from 6% to 23% for these customers.

In 2016, ASECE was incorporated into the social tariff, which was also financed by producers in ordinary regime and by large hydro plants, the scope of the eligibility criteria was extended to be beneficiary of the social tariff and its application became automatic.

Considering historical data, in 2016, the number of beneficiaries of the social tariff increased from around 80,000 to around 800,000 and the discount rose from 20% to 33.8%, a situation that has remained the same until nowadays.

Clawback

The DL 74/2013, of 4 June, introduced a regulatory mechanism to ensure the competitive balance in the wholesale electricity market in Portugal, which acts in the event of distortions resulting from extra-market events, through allocation, based on the impact registered on the price structure, of the allocation of the cost of general economic interest (CIEG) between consumers and producers of electricity - Clawback.

The electricity generators covered by this mechanism are ordinary regime producers and other producers that are not covered by the guaranteed remuneration scheme.

Clawback has the following essential characteristics:

- It aims to prevent extra market events, such as the existence of taxes existing in only one of the MIBEL countries, that may result in unjustified benefits for producers operating in other country;

- ERSE prepares at the end of each semester a study on the impact on the structure of average prices of electricity in the wholesale market in Portugal, of extra market events registered in the framework of the European Union;

- Based, in particular, on the results of the ERSE study, the terms of the allocation of CIEGs between producers and consumers will be determined.

  - Thus, in case of extra-market events in Spain, which do not correspond to parallel events occurring in Portugal and which, for this reason, benefit the national producers, this will imply a reduction of the profits to be recovered by the same producers for the application of variables of income of the electricity injected into the grid by the correspondent deduction from the CIEG each year in the global use of the system (UGS) tariff applicable to end customers and marketers;

  - The reverse should also occur, the existence of extramarket events in Portugal, without correspondence in parallel events that occurred in Spain, and which would therefore be detrimental to domestic producers, will have the consequence of not reducing the income to be recovered by the producers through of the application of billing variables to the electric energy injected into the grid.

Under DL 74/2013, Dispatch 11566-A/2015 of the Secretary of State for Energy, dated 3 October 2015, came:

a) Define the parameters for the calculation of the formula to be paid by each of the energy generators overed by DL 74/2013, for each MWh injected into the grid;

b) Set the amount to be paid by each of the energy generators covered by Clawback for each MWh injected into the grid at 6.5€, due to the result of the ERSE study mentioned;

c) To determine that the extraordinary contribution to the energy sector (CESE) and the Social Tariff are the extra market events registered in Portugal, i.e. that the value of the CESE and the Social Tariff should be considered in determining the value of the net unit Clawback.

Subsequently, Dispatch 7557-A/2017, of 25 August and 9371/2017, of 24 October, came to, i) to revoke the full contents of Dispatch 11566 -A/2015, of 3 October 2015; ii) declare the partial nullity regarding the consideration of the extra events CESE and Social Tariff in the determination of the value of the unitary Clawback net, and iii) request the ERSE to considerer in the calculation of the tariff UGS of the next year the recovery of the amounts allegedly unduly included in the previous years (2016 and 2017).

On the other hand, Dispatch 9955/2017, of 17 December, set the value to be paid by each of the electricity producers covered by Clawback for each MWh injected into the network at 4.75€.

Key Developments of 2018

Hydrological Correction Account

On 5 March, the Secretary of State for Energy published Dispatch 2224/2018, which determines the creation and composition of a Working Group, designed as "Working Group for the extinction of the hydrological correction account" - for EDP - energias de Portugal,S.A. financial statments, 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 22 June 2017.

Reserve remuneration regime for National Electricity System

On 27 January 2017, Ordinance 41/2017 established a new regime for the payment of the security reserve provided to the 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 regarding State support for the energy sector. On 3 April 2018, Order 93/2018 was published, which maintains the postponement of that auction.

CMEC Final adjustment

On 3 May 2018, EDP was informed (through letter from the DGEG) of the Dispatch of the Secretary of State for Energy (SSE) of 25 April 2018, which approved the value of the final adjustment as proposed by ERSE, in the amount of 154 million Euros.

Parliamentary Committee of Inquiry into the Payment of Excessive Income to Electricity Producers

Resolution 126/2018 from the National Assembly of 17 May established the Parliamentary Committee of Inquiry for the payment of excessive rent to electricity producers, under the contractual stability compensation (CMEC) or others, whose work, which will last for 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 that came from legislative changes and administrative acts carried out under CMEC and Power Purchase Agreements (PPA) by governments between 2004 and 2018;

c) The effect on the costs of the electricity system arising from other legislative changes, namely in Special Regime Production (PRE), in the extension of the subsidized tariff regime to wind power, in the rent of the hydro power plants or in capacity payments;

d) The conditions under which governmental decisions have been made, namely under possible studies and opinions of regulatory entities, like ERSE and the Competition Authority (AdC), or other acts and documents of other entities with regulatory attributions;

e) The existence of omission or major behavioural failure in the fulfilment of obligations of the energy services and of regulatory entities, including the legal attribution of ERSE to propose legislative changes;

f) The evaluation of implementation of the Extraordinary Contribution on the Energy Sector, since its inception to the present day;

g) The existence of favouring 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 the enrichment of administrative officials or political office holders with influence or power in the definition of incomes in the energy sector, with no visible cause.

Intraday Market

The Energy Services Regulatory Authority (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 the implementation of an intraday coupling process.

Over-equipment of wind farms

On 3 September, Ordinance 246/2018 of the Ministry of Economy, in line with Dispatch 7087/2017 of 14 August 2017 of the Secretary of State for Energy, determined the mandatory discussion with ERSE regarding the permission procedures for the over-equipment of wind farms and to define the decision criteria to be adopted.

Innovative Features

The Dispatch of the Secretary of State for Energy (SEE) of 29 August 2018, notified EDP Produção on 26 September 2018, regarding the financial impact of the "innovative features" under CMEC Cessation Agreements, determined that it should be proceeded in accordance with DGEG's decision, by stating that the decision's proposal to be submitted to the Secretary of State for Energy on the innovative features should be maintained regarding the "Procedures for calculating the actual availability coefficient", quantified in 285 million Euros, without clarifying which proposal is this.

In turn, the Dispatch of the Secretary of State for Energy of 4 October 2018 declared that "nullity of the calculations of the annual adjustments of the CMECs and, consequently, of their respective homologous acts, in part, and only in part, that pondered innovative features aspect, then identified on the factor relating to the availability of the plants in question".

As a result of these Dispatches, Directive 13/2018 of 15 December, which approved the tariffs and prices for electricity and other services to be in force in 2019, fixed the amounts for the return of the amounts of the partially declared non-revisable revisibilities to be considered as a portion of CMEC's success in the years 2019 to 2022.

On 31 December, the Law 71/2018, approving the State Budget for 2019, established that the Government will, by the end of the first quarter of 2019, review the Clawback mechanism, adapting it to the new MIBEL rules, with the objective of creating harmonized regulatory mechanisms that reinforce competition and protect consumers.

Exemption of the oil tax (ISP) and surcharge over CO2

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

Law 71/2018, of 31 December, approving the State Budget for 2019 confirms the application of a rate corresponding to 25% of the ISP rate and the CO2 surcharge rate in 2019 to the purchases of coal for the generation of electricity and electricity and heat (cogeneration), establishing, in the case of the addition of CO2, that the rate should be applied to a maximum amount of 5€/tCO2.

Portugal - Electricity - Transportation

Background

The transportation activity integrates the overall management of the system and is implemented under a public service concession, exclusively, through the exploitation of the National Transportation Network (RNT).

The RNT concession contract was awarded by the State to REN - Redes Energéticas Nacionais, SGPS, SA in 2007, for a period of 50 years.

Portugal - Electricity - Distribution

Background

The distribution activity includes the operation of the National Distribution Network (RND), which includes distribution networks in medium and high voltage, and the operation of distribution networks in low voltage, being exercised through concession contracts under a public service regime, exclusivily.

The concession contract for RND's exploration was concluded between the State and EDP Distribuição in 2009 for a period of 35 years.

The concession contracts for the operation of the low voltage electricity distribution networks were settled between the 278 Municipalities of mainland Portugal and EDP Distribuição on different dates, for a period of 20 years, renewed for equal periods until 2006, according to DL 344-B/82 of 1 September 1982 with the respective amendments, namely those introduced by DL 29/2006.

The concession contracts between the 278 Municipalities and EDP Distribuição will reach their end until 2026, the majority in 2021 and 2022.

In this context, Law 31/2017, of 31 May, came to predict the launch of the public tender for the award of new concession contracts synchronously, in 2019, to territorial areas defined by municipalities or municipal entities, under proposal from ERSE.

Regarding the remuneration of the distribution activity, it should be noted that in each year the company that carries it out must recover its operating costs and the remuneration of the investment made:

Permitted Revenue = Costs with capital (costs accepted) + Operating Costs net of other income, except amortizations (price cap) + Other income (costs accepted)

Key Developments of 2018

Concessions for Low Voltage Distribution

On 11 January, the Presidency of the Council of Ministers published the Resolution 5/2018, that approves ERSE's program regarding the procedures for the public tender for the allocation of concessions intended exclusively for the operation of municipal low-voltage electricity distribution networks.

Tariff and Prices

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

Directive 13/2018, of 15 December, approved tariffs and prices for electricity and other services to be in force in 2019, and is awaiting publication in the Official Gazette.

CESE

Law 71/2018, of 31 December, that approves the State Budget for 2019, reinforced the temporary nature of the extraordinary contribution on the energy sector (CESE), introduced by Law 83-C/2013, of 31 December, which approves the State Budget for 2014, as amended by DL 33/2015, of 27 April, in association with the reduction of the National Electric System's tariff debt.

On the other hand, Law 109-A/2018, of 7 December, established the allocation of a greater fraction of the CESE's revenue (2/3) to the reduction of the National Electric System's tariff debt than the result of the provisions of DL 55/2014 , of 9 April 2014, that established the Systemic Sustainability Fund for the Energy Sector (1/3).

Portugal - Electricity - Supply

Background

The commercialization activity is open to competition, being subject to prior registration.

Suppliers can freely buy and sell electricity and, in this sense, they have the right to access to the transmission and distribution networks, through the payment of regulated tariffs fixed by ERSE.

It is also legally consecrated, for the protection of consumers, a supplier of last resort, subject to the granting of a license, whose purpose is to serve as guarantor of the electricity supply to costumers, especially the most vulnerable, in terms of quality and continuity of service .

The last resort supplier applies the sales tariffs to final customers defined by ERSE, however, the law foresees them to expire in December 2020.

The commercialization activity is carried out by EDP Comercial, S.A and the activity of last resort supplier (CUR) is carried out by EDP Serviço Universal, SA - a company incorporated and totally owned by EDP Distribuição, S.A.

Key Developments of 2018

Extinguishing Regulated Tariffs

Ordinances 39/2017, of 26 January 2017 and 364-A/2017 of 4 December 2017 for electricity and Ordinance 144/2017 of 24 April 2017, for natural gas, extended for 3 years more the deadline for the extinction of regulated tariffs in these sectors, which is now 31 December 2020. On 30 August 2017, Law 105/2017established the electricity domestic costumers' right to choose the regulated tariff regime and eliminated aggravation factors in Low Tension (BTN) tariffs.

Ordinance 348/2017, of 14 November 2017 established a regime similar to the transitional or regulated tariffs regime 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.

Prices and Tariffs

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

Directive 13/2018, of 15 December, approved tariffs and prices for electricity and other services to be in force in 2019, and is awaiting publication in the Official Gazette.

Organized markets operation

Background

The activity of management of organized electricity markets is liberalised, being subject to approval, and is the responsibility of market operators.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements as at and for the periods ended 31 December 2018 and 2017

Logistic operations for the change of suppliers

Background

The activity of logistic operations for the change of suppliers includes the necessary functions to change the supplier by the final consumer, at his request, and has been exercised, provisionally and temporarily, by EDP Distribuição - Energia, S.A.

However, this activity was through DL 38/2017, of 31 March, attributed to ADENE, which now exercises it for both electricity and natural gas.

Portugal - Natural Gas

Background

The general bases for the organization and operation of the national natural gas system (SNGN), as well as the general bases i) applicable to the operation of reception, storage and regasification of liquefied natural gas (GGNL), underground storage and transportation of natural gas, distribution and sale of natural gas and ii) the organization of these markets are established in DL 30/2006, of 15 February, in the version corresponding to the republishing made by DL 230/2012, of 8 October, with the changes introduced by Law 42/2016, of 28 December, and developed by DL 140/2006 of 26 July, in the corresponding republication version made by DL 231/2012, of 8 October, with the changes introduced by Law 38/2017, of 29 December.

These legal diplomas transpose into Portuguese law Directive 2009/75/CE of the European Parliament and of the Council of 13 June 2009, on common rules for the internal market in natural gas and revoking Directive 2003/55/CE.

The national natural gas system (SNGN) includes the activities of (i) receiving, storing and regasifying LNG, (ii) underground storage of natural gas, (iii) natural gas transportation, (iv) natural gas distribution, (v) natural gas supply; (vi) operation of organized natural gas markets; and (vii) natural gas supplier's logistic change operation.

These activities are subject to the regulation of the Energy Services Regulatory Agency (ERSE), whose purpose is to ensure the efficiency and rationality of activities in objective, transparent, non-discriminatory and competitive terms, through its continuous supervision and monitoring, integrated the purpose of the internal market for natural gas.

For the activities of transportation, distribution and supplying of last resort, the law establishes the right to a remuneration fixed by ERSE, in accordance with the Tariff Regulation, that ensures the economic and financial balance under the conditions of an efficient management.

Portugal - Natural Gas - Supply

Background

The supply activity is liberalised, being subject to prior registration.

The suppliers can buy and sell natural gas without restrictions . To this end, and upon the payment of a regulated tariff, they have the right of access to GNL storage facilities and terminals and to transportation networks and distribution networks.

The sale of natural gas is subject to the transitional regime established for the gradual opening of the market.

For the protection of the customers, the last resort supplier is also subject to the attribution of license and public service obligations in the areas covered by the Public Natural Gas Network (RPGN).

This supplier is subject to the obligation of supply, guaranteeing, in the areas covered by the RPGN, to all customers who request it, the satisfaction of their needs, in compliance with the applicable legislation, namely the one related to customers protection.

The last resort supplier applies the sales tariffs to the final customers defined by ERSE, although the law foresees them to expire in December 2020.

The liberalised trading activity is carried out in the EDP Group by EDP Comercial, S.A. and the activity of last resort supplier (CUR) is carried out by EDP Gás Serviço Universal, S.A.

Key Developments of 2018

Industry Regulations

On 16 April 2018, 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 amends the Regulation of Commercial Relations in 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 disclosed in Law 114/2017, which approves the State Budget for 2018, for the social tariff framework:

a) on 21 June 2018, ERSE Regulation 385/2018 was published, which amends the Tariff Regulation (RT) of the natural gas sector;

b) on 22 June 2018, ERSE Regulation 387/2018 was published, which makes the second amendment to the Business Relations Regulation (RRC) of the natural gas sector.

Tariffs and Prices

Also on 22 June of 2018, ERSE Directive 9/2018 was published, which approves the rates and prices of natural gas for the year 2018-2019.

Gas - Portugal

Activity in the energy sector in Spain

Electricity - Spain

In Spain, EDP-España, S.A.U. (EDP-España) operates in the electricity and gas sectors. In the electricity sector generates, distributes and supplies electricity. Production is based essentially on traditional coal thermal power plants and, on a smaller scale, on hydroelectric and nuclear power plants.

Electric Sector Regulation

On 27 November 1997 the Electric Sector's Law 54/1997 was approved, which (i) implements the principles included in the Protocol signed on 11 December 1996 between the Ministry of Industry and the major electric power companies regarding greater liberalization and competition in the electricity sector and (ii) incorporates into Spanish law the provisions contained in Directive 96/92/EC on common rules for the internal electricity market. Additionally, on 6 July 2007 the Law 17/2007 of 4 July came into force, amending the Law 54/1997, to adapt it to the Directive 2003/54/EC of the European Council and Parliament of 26 June 2003 on common rules for the internal market of electricity. Law 54/1997 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles of the European Parliament and Council's Directive 2009/72/CE of 13 July that revokes the Directive 2003/54/CE. On 27 December 2013, was published in the Official State Gazette the Law (BOE) 24/2013 which replaces Law 54/1997 maintaining the principles established in previous legislation but with particular emphasis on economic and financial sustainability of the electricity sector.

Generation

Since 1 January 1998 electricity generation operates on a free market competition basis, which covers the purchase and sale of energy and other services related to the supply of electricity.

The market structure for electricity generation has been widened by Law 17/2007 of 4 July, in order to include the forward market and the intraday market, as well as technical issues, complementary services, deviations management and non-organised markets. The organisation and regulation of the market for electric power generation is defined by Royal Decree 2019/1997 of 26 December, and its implementing standards.

Electricity is paid at the system's marginal price plus a component for the adjustment services necessary to ensure an adequate supply. Additionally, the Order ITC/2794/2007 of 27 September 2007, which revised the electricity tariffs from 1 October 2007, replaced the concept of "power availability" remuneration of electricity generation by the concept of "capacity payments" stated in article 14.5 of the Law 24/2013, which sets a remuneration of the availability service - for the procurement of capacity in the medium term developed on the Order ITC/3127/2011 - and the incentive to invest in long-term capacity.

The set-up of new generation units is liberalised, subject to obtaining the necessary permits.

Producers have the right to use primary energy sources in their generation units as deemed most appropriate, with the applicable environmental restrictions. As at 1 October 2010, the Royal Decree Law 1221/2010 was approved (which changed the Royal Decree Law 134/2010 of 12 February 2010) that establishes the procedure for guarantee supply restrictions, as a protective measure to promote the consumption of local coal. As at 23 December of the same year entered into force the Royal Decree Law 14/2010, which obliges the producers to pay for the use of the transmission and distribution grids. On 27 January 2012, the promulgation of the Law 1/2012, temporarily suspended the new facilities' right to benefit from the specific remuneration regime of the facilities which use renewable energy sources, waste or cogeneration (applicable to the facilities that, since 28 January 2012, do not fulfil the administrative requirements referred in this standard). From 1 January 2013, the amounts of the premiums applicable to the remuneration of all facilities of the special regime were also eliminated, leaving only the tariff option or market price (Royal Decree-Law 2/2013).

The Royal Decree-Law 9/2013 and the Law 24/2013, change the remuneration scheme for facilities that use cogeneration, renewable energy sources and waste (former special regime) and, in addition of the price market sale, can be charged a specific fee to cover the costs not recovered in the market, calculated based on the efficient company criteria. This scheme does not exceed the minimum necessary to cover the costs that allow equal competition between facilities and other technologies on the market generating a return, before tax, equal to the rate of the 10-year Spanish state bonds, plus a spread. This spread, since July 2013, is 300 basis points. The above mentioned Royal Decree-Law was developed in: (i) the Royal Decree 413/2014, which replaced the previous rules governing the remuneration model used mainly contained in Royal Decree 661/2007; (ii) the Order IET/1045/2014, approving the remuneration parameters applicable to the plants which are using renewable energy sources, waste or cogeneration; and (iii) Order ETU/555/2017 of 15 June, which establishes the new remuneration parameters for the standard installations for the purine treatment and reduction approved in Order IET/1045/2015 and updates them for the period 2017/2019.

Transmission

Red Eléctrica de España, S.A. performs the activities of Transmission Manager and System Operator, being responsible for its technical management, to ensure the continuity of supply and efficient management of the generation and transmission systems. The responsibility for the economic management of the system is guaranteed by OMI - Polo Español, S.A.

The entities and qualified consumers have free access to the transmission and supply grids, setting out a system of "tariffs" for traffic. The remuneration for the transmission and distribution activities is set by the regulatory entity.

The Royal Decree 325/2008 of 29 February, established a new fee regime applicable to electricity transportation facilities, that entered into service from 1 January 2009. However, since the adoption of the Royal Decree 9/2013, the retribution will be calculated based on the Spanish Government ten year bond yield, plus 200 basis points. These assumptions were developed in Royal Decree 1047/2013 (repealing the Royal Decree 325/2008), which was amended by Royal Decree 1073/2015 of 27 November and developed by Order IET/2659/2015 of 11 December, which approved, among others, the reference unit values for the calculation of the remuneration of transmission facilities of energy.

According to the Law 24/2013 the transmission activity is performed by a single entity. There is also a distinction made between the primary transmission system (facilities superior or equal to 380 kV with international networks and with extra-peninsular and insular systems) and the secondary transmission system (facilities superior or equal to 220 kV other than primary transmission systems and the facilities below 220kV with transmission functions).

Distribution

Law 54/1997 established that the remuneration for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the electricity distribution activity and modified the system of "Acometidas" (system that regulates the installation that connects the distribution grid to the point of delivery of energy to the customers). This remuneration system is based on investments and increased demand of each distributor. On 1 April 2012, came into force the Royal Decree 13/2012, amending the remuneration criteria of the distribution activity related to the assets in use that are not amortised, taking as basis for their financial retribution their net amount. Additionally, the return on assets in use in the year t shall be initiated at 1 January t+2. However, since the adoption of the Royal Decree 9/2013, the distribution activity remuneration will be calculated based on the Spanish Government ten year bond yield, plus 100 basis points. during the second quarter of 2013 and 200 b.p. from 2014 forward. These principles were embodied in the new Law 24/2013 and developed in Royal Decree 1048/2013, repealing the Royal Decree 222/2008.

The application of the new methodology adopted in the Royal Decree 1048/2013 was conditioned by the approval of the standard facilities list and unit investment values and operation and maintenance, which occurred with the publication of the Order IET/2660/2015 of 11 December.

On 10 June 2016, the Spanish Government has published the Ministerial Order IET/980/2016, that has set the final compensation amount from EDP España's electricity distribution business for 2016. In addition, new regulation has set the regulatory average remaining life of EDP España's existing assets as at 31 December 2014 at 25.13 years. Consequently, EDP España evaluated the accounting criteria of the regulated activity, starting to recognise income according to the amortisation pace of its assets, considering the limit of 25.13 years.

The BOE 223/2017 published on 15 September 2017 opened the hearing process of the Order of the Minister of Energy, Tourism and Digital Agenda, introducing a "lesividad" declaration procedure for the public interest Order IET/980/2016, which established the remuneration for the electricity distribution companies until 2016. The allegation of injury to the public interest comes from the fact that this Order does not consider the penalty or reduction of the remuneration per client that was established under the Royal Decree 1048/2013 article 13 for failures in energy meters readings and measuring instruments, as well as different criteria for calculating the residual value of the assets depending on the dimension of the distribution company.

Supply

Law 54/1997 established a progressive liberalisation of electricity supply and the introduction of supply activities to enable customers to progressively choose their suppliers and liberalising the supply market from 1 January 2003. Additionally, since 1 July 2009, distributors can no longer act as suppliers (sell electricity) acting strictly as grid operators. Law 24/2013 determines that certain consumers are entitled to be provided with voluntary prices for small consumers and last resort tariffs for reference traders. The reference traders are determined according to the criteria established in Royal Decree 216/2014.

Ordinance TEC / 1366/2018, of 20 December 2018, establish tariffs for electricity access for 2019.

Electricity Tariffs Regime

The electrical system costs are described in Article 13.3 of Law 24/2013. These costs will be financed through the revenue from the electrical system, including access fees (which are intended to cover the remuneration of the transmission and distribution), charges for the payment of the cost of other items that are not covered by other income, may be compensated for any financial mechanism legally established, including the state budget.

Access fees, equal in all the Spanish territory, must be determined with the methodologies defined by the National Markets and Competence Commission (CNMC) considering the costs of the system as defined in the Law 24/2013. Charges applicable to consumers and producers are determined by calculation methods adopted by the Government and CNMC that will serve to cover certain costs of the system, without prejudice of what is in force for the access fees of the transport and distribution networks.

Temporarily, and while these methodologies are not approved, fees and charges are defined by the Ministry of Industry, Energy and Tourism.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to the liberalised market. However, the Royal Decree 485/2009 of 3 April, provided that the consumers of low-tension, with contract capacity not exceeding 10 kW, were eligible for last resort tariff (TUR), which determines the maximum price of supply. These tariffs will be applicable by the suppliers of last resort (CUR), where EDP Comercializadora Último Recurso, S.A. is included.

Law 24/2013 replaces the concept of "TUR" by "voluntary price for the small consumer" and the concept of "CUR" by "reference supplier", leaving the term "TUR" reserved for reducing the rate to be applied to vulnerable consumers or rate disincentive for consumers who are temporarily without supplier. The Royal Decree 216/2014 sets out the methodology for the calculation of the voluntary price for small consumer and their legal framework of contracting, already updated by the Real Decree 469/2016 of 18 November.

Vulnerable Consumers

The previous legislation on social allowance, which imposes its financing on vertically integrated companies, was overruled by a verdict of the Supreme Court of 24 October 2016. As a consequence of the judicial decision, on 25 December 2016 entered into force the Royal Decree-Law 7/2016, of 23 December, which regulates a new financing mechanism for the cost of social allowance and other measures to protect vulnerable electricity consumers, modifying Law 24/2013.

Royal Decree 897/2017 and Order ETU/943/2017, both of 6 October, proceeded to the regulatory development of the measures adopted by Royal Decree-Law 7/2016. The application of the new social allowance is now based on an income criteria and certain personal circumstances (large family, disability, pensioners with minimal retirement, victims of gender violence or victims of terrorism), which will determine the discount applicable to the electricity bill as vulnerable consumer or consumer at risk of social exclusion. The new financing of social allowance will be assumed by the parent companies of the groups of companies that carry out the activity of electricity sale or by the companies that do so if they are not part of any corporate group and in proportion to the customers to whom they supply electricity.

On 28 September and 22 December 2017, the Ministry of Energy published the Orders ETU/929/2017 and ETU/1282/2017, respectively, which determine the refund by the Spanish State of the amount that the electricity companies contributed to the financing of the social tariff between 2014 and 2016.

Gas - Spain

Law 34/1998, approved on 7 October and amended by Law 12/2007 of 2 July identifies the following operators in the context of the supply of natural gas by pipeline:

- Gas transport companies, owners of facilities for regasification of liquefied natural gas, transport or storage of natural gas. After the publication of Royal Decree 13/2012, companies that hold the equipment from the main grid of transport must operate and manage their own grids or hand over their management to an independent operator, in the cases referred by legislation;

- Distribution companies, owners of distribution facilities, whose function is to distribute natural gas by pipeline, as well as to build, maintain and operate such facilities in order to bring natural gas to the consumption points;

- Suppliers, companies that have access to the facilities owned by third parties, which purchase natural gas for sale to consumers or other suppliers for the purpose of international exchanges;

- Final consumers, who purchase natural gas for own consumption and direct consumers in the market, who have direct access to third party facilities.

The Royal Decree 6/2000 of 23 June, also creates the figure of Technical Manager of the System, which is responsible for the technical management of the basic gas and secondary transmission grids, attributed to ENAGÁS, S.A.

Law 34/1998 of the hydrocarbons sector was amended by Law 8/2015 of 21 May, with the aim of creating an organised gas market and providing greater flexibility and lower costs for traders in the management of security minimum stocks.

The system of provisioning and supplying based on tariffs for natural gas distribution companies expired on 1 July 2008. Since then, new last resort tariffs have been set, that can benefit consumers who are covered by the regulation (from July 2009 defined as those consuming less than 50,000 kWh/year), and which will be implemented by the suppliers that, in accordance with Article 82 of Law 34/1998, have an obligation as suppliers of last resort. EDP Comercializadora Último Recurso, S.A. is one of the trading companies designated by the Ministry.

For suppliers of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (EDP Comercializadora de Último Recurso, S.A. currently covers suppliers obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff (TUR) became the only tariff from 1 January 2010 on, denying to suppliers of last resort the application of discounts over customers with TUR.

On 4 July 2014, the Spanish Government approved the Royal Decree-Law 8/2014, subsequently amended by Law 18/2014, of 15 October. Thus, urgent measures were approved for growth, competitiveness and efficiency in the energy sector, in accordance with european directives. For the gas sector, the objective of this reform is to design an economical stable system, minimizing costs to consumers and eliminating the structural tariff deficit.

The main measures are: i) creation of a National Energy Efficiency Fund, for which the gas and electricity suppliers companies and petroleum products traders will have to make mandatory contributions until 2020. This fund will also be provided with resources from EU funds (FEDER) and other resources allocated by the state budget; ii) definition of the mechanism of gas deficit recovery generated until 31 December 2014 for a period of 15 years and the deficit generated from 1 January 2015 for a period of 5 years; iii) aligning remuneration of regulated activities with the demand trends; iv) elimination of the distribution remuneration update based on price and review of the compensation units; and v) cut in the remuneration of regulated activities since 5 June 2014. The parameters of the remuneration of the regasification, storage, transportation and distribution of natural gas activities will be determined by regulatory periods of 6 years, subject to adjustments every 3 years.

Law 2/2015 of 30 March, on the indexation of the Spanish economy, aims to establish a new index system, in order to monetary values of regulated prices do not be amended as a result of price index or formulas, affecting the determination of price updates related to the hire of meters, royalties, and periodic inspections. Until the approval of the Royal-Decree that will detail how these updates will be revised, the reference prices as the industrial index price and the consumer index price will be zero.

Law 8/2015 of 21 May, which among other modifies the Law 34/1998 of 7 October, liberalize the periodic inspection service in the hydrocarbon sector, that until now was performed exclusively by the distributor, considers the connections of transport-distribution as distribution' assets and enables the Corporation of Strategic Reserves of Oil Products (CORES) to constitute strategic reserves of natural gas and promote the development of the organised market. These aspects are regulated in more detail in Royal Decree 984/2015 of 30 October.

Additionally, Royal Decree 984/2015 amends the Royal Decree 949/2001 in relation to third party access regime to the natural gas system facilities allowing independent procurement of inputs and outputs for the transmission and distribution system that allows users to change the gas introduced without any restriction, which is essential for the development of the organized market of natural gas.

The regulation of the natural gas organised market is complete with the Resolution of 4 December 2015, of the Secretary of State for Energy, approving: (i) the market rules that determine the technical and economic management of the organized market; (ii) the accession agreement that the agents have to subscribe to operate in the market; and (iii) the resolutions relating to the operation of the market, as well by the resolution of the State Secretary of 23 December 2015, that developed the procedure for operation gas acquisition, and two other resolution of 2 August, which approved the management rules of the gas system guarantee and the structure access to the installations of the Spanish gas system.

Order ETU/1977/2016, of 23 December, established the tariffs and revenues associated with access to the gas sector installations by third parties and the remuneration of regulated activities for 2017, maintaining in general the current values.

Upon the sale of Naturgás Energia in 2017, EDP Group is no longer present in natural gas distribution sector in Spain.

Activity in the energy sector in Brazil

Electricity

In Brazil, the EDP Group generates, distributes, transmits and supplies electric energy through its subsidiary EDP Energias do Brasil, S.A. (EDP Energias do Brasil).

In early 90s, the Brazilian electricity sector has undergone major structural changes, having migrated from a monopoly run by the State to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the liberalised system.

Regulated System

The Regulated Contracting Environment is for the sale of electricity between generators, energy importers or retailers, selling energy to distributors who in turn, acquire energy to ensure supply to consumers in the regulated system.

Since 2004, the main form of contracting by a distributor concessionaire is through the realization of public auctions regulated by National Electricity Agency (ANEEL). The rules of these auctions are designed so that the winner is the one with the lowest price.

The distribution companies must estimate the amount of electricity to contract in auctions and they are obliged to purchase 100% of their needs respecting the condition that, market increases must be met by energy from new ventures, contracted 3 years (Auction A-3) or 5 years (Auction A-5) in advance. Failure to comply with the supply of energy to its markets may result in severe fines.

Liberalised system

In the liberalised market, electricity is traded among production concessionaires, independent power producers, auto-producers, supply agents and free consumers. In this market, the contractual conditions, such as price, duration and amount of the contract are traded freely and negotiated between the parties (Decree No. 5,163/04). Free consumers can return to the regulated system under certain conditions.

Regulatory Changes

The Federal Government has defined changes in the electric sector through "MP". The "MP" 577, published on 31 August 2012, addresses the termination of public service concessions of electricity and the temporary service, and the intervention for the suitability of the public service of electricity. This measure results in the Law 12,767 of 27 December 2012.

Several significant changes in regulation regarding the electric sector occurred during 2012, such as the "MP" 579/2012, in which the Federal Government presented measures to reduce electric energy bill to the consumer. The expected average reduction for Brazil amounted to 20.2% due to government actions: Concession Renewals (13%) and changes of Sector charges (7%). This measure results in the Law 12,783 of 11 January 2013.

Regarding concessions renewal, the generation concessionaires in which contracts expire between 2015 and 2017 may antecipate the renewal of their concessions and shall make available their physical energy guarantee for the quotas system to be distributed proportionally to the market share of each distributor, affecting the energy acquisition contracts. The transmission concessionaires in which contracts expire between 2015 and 2017 may renew their concessions and, considering that the assets bounded to the electricity transmission service are totally depreciated, only the operation and maintenance costs will be considered for the annual allowed revenues calculation.

Some concessions attributed to distribution companies have been anticipated, so they had to enter into a new contract. Others, including EDP São Paulo and EDP Espírito Santo, regardless of the maturity of the contracts, may join the amendment proposed by ANEEL, using the methodology that is being evaluated in the Public Hearing 58/2016. This amendment brings changes in the calculation of portions A and B, namely: i) calculation of portion B shall be determined by the market of the test-year and by the tariff prevailing in the last tariff process, ceasing to be obtained by the difference between the verified revenue and portion A; ii) unrecoverable revenues, demand surplus, exceeding demand and other income are now part of Portion A; iii) ONS becomes part of portion B; iv) DIT losses will be allocated to the technical losses; and v) neutral energy and transportation.

The hydro concessions held by EDP Group - Energias do Brasil have been granted after February 1995, corresponding to the date of the entry into force of Law 8,987, thus they are not covered by the regulatory changes introduced. Still, these changes will influence the rules that will be applied on the renewal of these concessions in the future, in the following conditions:

- Each hydro plant should be remunerated by a tariff calculated by the ANEEL;

- Power selling (Physic guarantees) defined through production quotas dedicated exclusively to the regulated sector, that is to the distributors; and

- Compliance with the quality service standards determined by ANEEL.

On 24 January 2013, ANEEL approved the Extraordinary Tariff Review - RTE specific for the adjustment of energy costs, transmission costs and sectorial charges, from all energy distributors. Thus, the unmanageable costs and supply tariffs will be reduced, with no impact in the distributors margin. These effects were noticeable by consumers, from the end of January 2013.

On 23 January 2013, it was published the "MP" 605, whose objective was to increase the scope of application of the resources of the CDE (Energy Development Account), which began promoting resources to cover the discounts applied to the tariffs and involuntary exposure of distributors resulting from the non-adherence to the extension of part of the generation concessions. This measure amended the Law 10,438/2002 which established the application of CDE resources.

The Decree 7,891, of 23 January 2013, established more options for the implementation of CDE resources, which can be used to compensate the discount on the electricity tariffs established by law, such as the social tariff of low income, rural, water, sewage and sanitation, among others. Thus, the difference in the revenue due to the discounts no longer will be reimbursed through the tariffs of other consumers. This decree was amended on 7 March 2013, by the Decree 9,745, which increased the costs that can be incurred with funds from the Energy Development Account - CDE.

Eletrobrás, the managing company of the sector funds, among them the CDE, is responsible for monthly transferring to the distribution utilities of the costs related to: generation allocated under the Energy Relocation Mechanism - ERM (Hydrological Risk Quotas); replacement amount not covered by quotas (Involuntary Exposure) and the additional cost of the thermal power plants activation outside the order of merit (ESS - Energy Security), occurred from January to December 2013 and the annual amounts approved by ANEEL to cover, entirely or partially, the positive balances in "Conta de Compensação de Variação de Valores de Itens da Parcela A - CVA", arising from the cost of purchasing electricity and Ancillary Services Charge - ESS.

Following the tariff readjustment process of EDP Espírito Santo, on 30 July 2013, Resolution 1,576/13 approved the amount of 90,670 thousand Reais. For EDP São Paulo this process occurred on 23 October 2013 and Resolution 1,641/13 approved the amount of 237,874 thousand Reais. These values were transferred by Eletrobrás, as a lump sum to cover the positive balances of CVAs corresponding to the acquisition of electricity and the ESS, as established in Decree 7,891, with redaction of the Decree 7,945.

On 12 February 2014, ANEEL, after examining the administrative appeal filed by EDP Espírito Santo, reviewed by the Order 287/2014, the Regulatory Remuneration Base (BRR) part of the 6th Periodic Tariff Review, incorporating 32 million Reais to the Gross BRR and 24 million Reais to the Net BRR. The amount was incorporated into the tariff and the values that were not received in 2013 were adjusted by the SELIC (overnight rate of the Sistema Especial de Liquidação e de Custódia) and added as financial component in the tariff adjustment of 2014.

On 7 March 2014, the Decree 8,203/2014 was published, which authorizes the transfer of funds from CDE to pay the exposure costs to the spot market in the Electricity Trading Chamber - CCEE in January 2014. The amount of 1.2 billion Reais were allocated to Brazilian distribution companies, according to ANEEL's calculations published in Order 515/2014.

On 13 March 2014, the Ministries of Mines and Energy (MME) and Treasury announced the following measures to support the national electricity sector: (i) Establishment of Centralized Account (Account-ACR), managed by the CCEE (Electricity Trading Chamber) with the aim of preserving the consumer tariff volatility, besides relieving distributors cash flow for 2014 expenses; (ii) 4 billion Reais of additional Financial Contribution from the National Treasury in the Energy Development Account (CDE); and (iii) performance of Existing Energy Auction of the Year "A", with energy delivery in 2014, expected to be held in April and supply starting from 1 May 2014.

These measures were implemented by Decree 8,221/2014, of 2 April 2014 related with the cover of the extra costs for 2014, with retroactive effects to February, which defines the financing method and the subsequent effect on electricity tariffs. This is a non-refundable contribution cost.

On 25 April 2014, CCEE signed contracts with some banks to finance 11.2 billion Reais for the ACR-Account to cover the disbursements of the electricity distributors with exposure to the spot market and the energy power stations dispatch. The Energy Development Account - CDE was incharge for the funds for the loan payment, present in the energy tariffs and the reimbursement was made starting on November 2015. The ACR-Account resources obtained through bank loans sold out in April 2014. Therefore, in August 2014 a new loan of 6.5 billion Reais was approved. EDP Espírito Santo received 596 million Reais until November, related with the months of February to October 2014, while, for the same period EDP São Paulo received 309 million Reais. The value of the Account-ACR was insufficient to cover the November and December deficit, forcing ANEEL to defer payment for 2015. In March 2015, CCEE signed a new loan of 3.4 billion Reais. Thus, EDP Espírito Santo and EDP São Paulo received 104.2 million Reais and 64.4 million Reais, respectively, to cover the deficits of November and December 2014. The amounts received by the ACR-Account to cover the 2014 deficit were considered in the energy tariffs from the 2015 ordinary tariff processes.

The existing energy auction, called Auction "A", held on 30 April 2014, for the purchase of electricity from existing generation projects secured the contracting of approximately 2,046 MW of hydroelectric and thermal power plants of natural gas and biomass. The power supply starts in 1 May 2014 until 31 December 2019. Auction "A" aimed to meet the immediate need for energy contracting by distribution due to involuntary exposure as well as reduce the impact on tariff adjustments.

Following the tariff readjustment process of EDP Espírito Santo, which occurred on 6 August 2014, Resolution 1,768/14 approved an index of 26.54% which 19.61% is from economic adjustment and 6.93% from the financial components adjustment. For EDP São Paulo the tariff adjustment process took place on 22 October 2014, and was approved by Resolution 1,809/14 an index of 22.34% rate, being 15.05% the economic adjustment and 7.29% the financial components adjustment.

Through Normative Resolution 613/2014 of May of 2014, ANEEL establishes the criteria for the allocation of the exceeding funds of the Reserve Energy Account - CONER, which has been allocated to distributors in order to reduce the tariff deficit.

From January 2015, entered into force the Flags Tariff System. This system signals to consumers the real costs of electricity generation, and consists on three flags: green, yellow and red. The green flag indicates that the cost of energy production is lower and, therefore no changes are applied to the energy tariffs. The yellow and red flags represent the increase in energy production cost, and is added an additional amount to the energy tariff. Only consumers classified as low income residential subcategory will have discount on the additional amount applied by the yellow and red flags. On a monthly basis, the operating system conditions are reassessed by the National Electric System Operator - ONS, which defines the best strategy for power generation over demand.

On 4 February 2015, the Tariff Flag Resource Account was established, through the Decree 8,401. Distributors should collect the proceeds from the application of this system to this account, managed by the CCEE. Proceeds are allocated to cover the costs that are not included in the distribution tariff, such as: Energy Security of the Ancillary Service Charge - ESS, thermal dispatch, Itaipu hydrological risk and quotas, exposure to spot market and the Power Reserve Account - CONER surplus.

ANEEL should approve on a monthly basis, the transfers to the distribution companies. Any costs not covered by revenue will be considered in the next tariff process.

On 27 February 2015, through Ratifying Resolution 1,859, ANEEL established the new criteria for the additional tariff and the operation of the Flags Tariff System:

a) Green Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is less than the amount of 200 R$/MWh;

b) Yellow Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than 200 R$/MWh and lower than the maximum value of the Differences Settlement Price - PLD, at the time at 388.48 R$/MWh. For the period of 1 January to 1 March 2015, the consumption proportional increase is 1.5 R$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 2.5 R$ per 100 KWh;

c) Red Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than the maximum value of the PLD. For the period from 1 January to 1 March 2015, the consumption proportional increase is 3 R$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 5.5 R$ per 100 KWh. After 1 September 2015, as determined by ANEEL Ratifying Resolution 1,945 of 28 August 2015, occured the approval of the red flag amount redution to 4,5 R$ per 100 KWh.

At the same time, ANEEL accepted the request of Extraordinary Tariff Review - RTE from the distributors and defined the applicable methodology. The results of the RTEs Dealers of Electricity Distribution were approved, through the Resolution 1,858. For EDP São Paulo the application of new tariffs, from 2 March, resulted in an average increase in its customers of 25.12% and for EDP Espírito Santo the effect was 26.83%.

As at 26 January 2016, ANEEL approved the division of the red flag in two price levels, into force from 1 February. The first level will have a value of 3 R$ per 100 kWh consumed and will be used when the CVU of the most expensive plant to be dispatched is between 422.56 R$/MWh and 610 R$/MWh; the second level will continue to be 4.50 R$ per 100 kWh consumed and will be used when the CVU of the most expensive plant to be dispatched exceeds 610 R$/MWh.

As at 26 October 2017, ANEEL approved the increase the second level of the red flag at 5 R$ per 100 kWh consumed. The yellow flag decrease to 1 R$ per 100 kWh. The first level of the red flag remained unchange.

On 28 April 2015, through the Normative Resolution 660, ANEEL approved changes in the methodology applicable to the Periodic Tariff Review processes for distributors valid for the processes performed from 6 May 2015. The changes occurred on the following aspects: (i) general procedures; (ii) operating costs; (iii) X factor (productivity gains); (iv) non-technical losses; (v) unrecoverable revenues and (vi) other income, among with:

a) Extinction of the tariff cycle concept, starting to be used methodologies and parameters prevailing at the time of the tariff review. The update of the parameters will occur in periods of 2/4 years while the updating of the methodologies in periods of 4/8 years;

b) The weighted average cost of capital (WACC) increased from 7.5% to 8.09% (after taxes). The points considered in the update were: (i) standardisation of series; (ii) use of average credit risk of companies in the debt capital of third parties; and (iii) recalculation of the cost of capital every 3 years, with methodology review in every 6 years;

c) Remuneration for the risk associated with investment operations carried out with third-party funds (subsidies);

d) For the definition of efficient operating costs, were considered the "quality index" and "losses";

e) To define the level of non-technical losses, it was included the variable "low-income" and the database updated based on 3 statistical models;

f) The level of unrecoverable revenues (%) shall be calculated based on past 60 months of non-compliance of the reference distributors;

g) The percentage share of other revenue has been changed to 30% in the following services: (i) efficiency of energy consumption; (ii) qualified cogeneration facility; and (iii) data communication services. For the other services the share percentage was set at 60%; and

h) The calculation of the X Factor now regards commercial quality.

These changes, which represent an increase in future income, will only impact the tariff review of EDP São Paulo, that occured at 23 October 2015, and EDP Espírito Santo, that occured at 7 August 2016.

On 4 August 2015, ANEEL approves the Annual Tariff Adjustment of EDP Espírito Santo, through Resolution 1,928. The rates were increased on average by 2.04% and 1.68% for high voltage consumers and 2.29% for low voltage consumers.

On 20 October 2015, ANEEL approved the result of the 4th Periodic Tariff Review of EDP São Paulo. The average effect for consumers was 16.14%, being 17.09% for high voltage consumers and 15.37% for low voltage consumers. The portion B, designed to cover the costs of the electricity distribution business, was set at 823 million Reais, which deducted from the Other Revenue sharing results in 791 million Reais. For 2016 to 2019, the annual Productivity component (Pd) of factor X was set at 1.14%, while the transition component (T) of the same factor X was set at -0.23%. Technical losses were set at 4.59% and non-technical losses were fixed in a downward trajectory that starts at 9.83% in 2016 and ends at 8.45% in 2019.

On 23 November 2015, ANEEL approved, through Normative Resolution 686/2015, changes to the tariff revision methodology on Regulatory Remuneration Base (BRR). The main changes are the following: (i) the exchange of BRR monetary adjustment index, from IGP-M (General Market Price Index), from FGV (Getulio Vargas Foundation), to the IPCA (Price Index Broad consumer), from IBGE (Brazilian Institute of Geography and Statistics); (ii) the assessment of hand labor costs and smaller components of investment through pre-approved regulatory values by type of equipment; and (iii) update of tariff transfer of systems, vehicles, and rentals.

On 28 March 2016, was published Normative Resolution No. 703, of 15 March 2016, through which ANEEL changed some regulatory procedures affecting the calculation of sectorial assets and liabilities relating to: (i) Variation Compensation Account of the A items amounts (CVA)"; (ii) Energy over contracting and Short Term Market Exposure (MCP); (iii) Other financial components; and (iv) Limits of the Power Purchase Costs Transfer.

The main changes with impact for the distribution companies are: (i) "glosa" calculation of the outstanding balance for power purchase CVA; (ii) exclusion of hydrological risk for the composition of contracts price in the "glosa" calculation, except for availability contracts; (iii) use of the carrying amounts of energy contracts and spot market performance for the calculation of the outstanding balance of the power purchase CVA and for the Ancillary Service Charge (ESS) and the Reserve Energy Charge (EER); and (iv) calculation of the spot market results through specific financial component.

On 7 August 2016, ANEEL approved the result of the 7th Periodic Tariff Review of EDP Espírito Santo. The average effect for consumers was -2.80% and -6.18% for high voltage consumers and -0.67% for low voltage consumers. Portion B, designed to cover the costs of the electricity distribution activities was set at 862 million Reais, which deducted from Other shared revenues results in 846 million Reais. From 2017 to 2019, the annual Productivity component (Pd) of factor X was set at 1.15%, while the transition component (T) of the same factor X has become zero. Technical losses were set at 7.14% under the injected energy and non-technical losses were fixed at 11.45% for low voltage.

On 19 September 2016, ANEEL approved, through Normative Resolution 733/2016, the conditions for the application of a new tariff, the White Tariff.

The White Tariff is a new option that indicates to consumers the variation of the energy value according to the day and time of consumption. This tariff is offered to low voltage consumers, known as group B. With this rate, the consumer will be able to pay different amounts depending on the time and day of the week.

On weekdays, the value of the White Tariff varies depending on three periods: peak, intermediate and off-peak. The peak, intermediate and off-peak periods are approved by ANEEL in the periodic revisions of each distributor. To adhere to the White Tariff, consumers need to formalize their choice with their distributor. Who does not opt for this system, will continue to be charged according with the Conventional Tariffs.

The adherence to this new system can be made since January 2018, as follows: (i) immediately for new connections and for consumers with average annual consumption exceeding 500 kWh/month; (ii) up to 12 months for consumers with average annual consumption exceeding 250 kWh/month; and (iii) up to 24 months for the remaining consumers. Consumers may return to the Conventional Tariff.

The MP 735/16, converted in Law 13,360 published on 18 November 2016, restructures the management of the sector funds: Energy Development Account - CDE, Global Reversion Reserve - RGR and Fuel Consumption Account - CCC, whose values today are approximately of 20 billion Reais, transferring this management from Eletrobrás to the Electric Energy Trading Chamber - CCEE, until 1 May 2017.

This Law indicates a reduction of the sector charges to determine that the Granting Authority shall submit a Structural Reduction Expenditure Plan for CDE until 31 December 2017 and also limits the fuel reimbursement for the Northern Region distributors to 3.5 billion Reais until 2017, which are subject to budgetary and financial availability. From 2030, the cost distribution of the CDE between concessionaires and licensees will be proportional to their markets. The transition between the current allocation, which overloads the regions S/SE/MW, and the markets' proportional allocation, will happen between 2017 and 2030. Additionally, it creates favourable conditions for the transfer of the shareholder's control of concessions, simplifying the bidding process and the terms of the payment to the Union. Finally, it authorizes the transfer of the Union debts to Itaipu for the end-consumers tariffs and it revokes the possibility of concessions extension for companies whose start of operations has been postponed, even if it recognizes the exclusion of the company's responsibility.

In Order 2,777, of 18 October 2016, ANEEL granted the litigation review of the non-technical losses of EDP São Paulo by altering the values corresponding to the measured market, adding to it the consumption related to occurrences of fixed invoices and irregularities. So, a financial component, in distributor favour, of 2 million Reais was considered in the readjustment to be applied from 23 October 2016.

In the Normative Resolution 2,158, of 18 October 2016, ANEEL approved the 2016 Annual Tariff Adjustment of EDP São Paulo. The tariffs were readjusted by -23.53%, corresponding to the average tariff effect that will be perceived by consumers as of 23 October 2016.

Nowadays, the Brazilian electricity sector is in discussion about the redefinition of the sectorial regulatory model. These initiatives, have been discussed by segments of the electricity industry and some associations, materialised in two law projects currently in progress in the national congress.

Among the changes debated, the main ones are: the opening of the liberalised market; the assessement of the supply growth; the separation of "lastro" and energy; and the revision of the sectorial subsidies.

Thus, the Ministry of Mines and Energy published the public consultation (CP 33/17) proposing significant reforms to the sectorial model, namely: self-production; opening of the liberalised market; changes in the contracting obligation; reduction of transmission and production costs; connection between price and operation; separation of "lastro" and energy; involuntary over contracting; distribution tariffs; subsidies to stimulated sources (biomass, solar, wind and small hydropower); rationalisation of discounts; risk and rationalisation of contracts; transmission compensation; quotas' withdraw and privatisation; convergence of the CDE; extension of power plants up to 50MW; hydrological risk; and installment payments of outstanding debts.

EDP Brasil conducted in-depth studies and simulations on the various topics, assisted by the consultant Bain & CO in order to actively contribute to CP 33/17.

After the contribution period, Decree 9158/17 was published, which changes the rules for the extension of power plants up to 50 MW, in line with what was proposed in the public consultation. Thus, power plants between 5 and 50 MW, under a concession or authorisation regime, may be extended, upon discretion of the granting authority, for a period of 30 years through the payment of public property use. In addition to this payment, the extension is subject to the payment of the financial compensation for the use of water resources - CFURH, which reverts to the municipalities affected by the power plant, the reversal of the assets at the end of the period and the waiver of pre-existing rights.

The MP 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 Eletrobras Group in the National Privatisation Plan, since the measure has the force of law. The hopped solution to the recent judicialization of the electricity sector that already involves 6 billion Brazilian Reais in amounts not paid in the liberalised market, related to the deficit of generation of hydroelectric energy (GSF) was not under this MP. This MP pointed to a hydrological risk solution in the Free Contracting Environment (ACL), addressed the Eletrobras privatization, the increased costs with subsidies and charges (CCC/CDE, the increase in Social tariff regime and the "Light for All" Program) and the increase of the energy price for the continuity of Angra 3. The fear of political effects of these tariff impacts contributed to the loss of parliamentary support for MP 814/2017, which was revoked in June 2018.

On 09 February 2018, the Ministry of Mines and Energy (MME) published a proposal for a Decree-Law regarding the Modernisation and Opening of the liberalised market of Electric Energy that resulted from the discussions and contributions sent under Public Consultation 033 - Enhancement of the Legal Framework of the Electric Sector. The purpose of this Decree-Law is to improve 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, anticipating the methodology review from 2020 to 2019. On the same date, ANEEL approved the new efficiencies to be applied in the definition of regulatory operational costs. EDP São Paulo maintained its efficiency level at 82% and EDP Espirito Santo increased its efficiency from 72% to 82%. The distributors' overall efficiency increased from 76% to 79%. ANEEL accepted the request to consider labour sentences and dismantling costs. Regarding the operational cost of the test year and civil sentences, ANEEL chose to postpone the discussion for the methodological review in 2019.

The Government's Law 10322/2018 permits 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 27 April 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).

On 28 December 2018, the Brazilian Government approved Decree 9.642, which gradually eliminates subsidies included in the electricity tariffs at a rate of 20% per year for 5 years. The subsidies targeted for reduction are those related to the discount for the rural, irrigation/aquaculture and water/sewage/sanitation consumers. The decree also ends with the commutativity of discounts for the beneficiaries of the rural and irrigation/aquaculture classes.

On 29 December 2018, Ordinance 514 was published, which decreases the power limits for contracting electric energy from consumers in the liberalised market. From 1 July 2019 consumers with power of 2,500 kW or more will be able to purchase energy on the open market and from 1 January 2020 the possibility will also include the power of 2,000 kW.

Generation

The generation market is based predominantly on the existence of Power Purchase Agreements (PPA) between generators and distributors, with tenders to supply long-term demand, the adjustment of medium and short term and daily market for deviations, or spot market.

Electricity generation in Brazil relies mostly on hydroelectric technology. Power generation plants are the object of concession, permit or registration, according to the type of plant, the power capacity to be installed and the destination of the energy. Depending on the destination of energy, power generation plants can be classified as:

- Generation companies, producing electricity for public service distribution;

- Independent producers (which assume the risk of the sale of electricity with distributors or directly with free consumers);

- Auto-producers (energy generation for own consumption, the excess of which can be sold through an authorisation).

The capacity payments of a generation plant defined by the Ministry of Mines and Energy and set out in the concession agreement or authorization act, correspond to the maximum amount of energy that can be used for commercialization through contracts, in accordance with Decree 5,163 of 2004.

An unfavourable hydrological scenario could damage revenues and the results of hydroelectric production due to the lack of capacity to produce the necessary energy in order to fulfill the contractual obligations.

The systemic production deficit, by national hydroelectric plants related to the Energy Reallocation Mechanism (MRE), cause the reduction of capacity of all hydropower plants in the country, through the factor known as Generation Scaling Factor - GSF. This decrease compels those companies to buy energy in the free market to comply with the agreements with the consequent of a negative exposure in the spot market.

On 18 August 2015, the Federal Government published the MP 688 (converted into Law 13,203 at 8 December 2015) on the renegotiation of the production hydrological risk, in order to allow the hydrological risk renegotiation by hydroelectric producers participating in the MRE. The regulation of the renegotiation hydrological risk was carried out by ANEEL, through Normative Resolution REN 684 on 11 December 2015, with retroactive application to January 2015, the access to this system requires regulatory approval.

For producers operating in the regulated system (ACR), it is planned the transfer the of GSF losses for the Tariff Flag account upon a payment of a premium risk. Thus, producers will be reimbursed for losses from 2015 GSF through the exemption from the premium risk from January 2016 until the full compensation of the 2015 losses as ANEEL approval.

For producers operating in the liberalised system (ACL), will also be subject to a premium risk payment, due to the acquisition of the system backup power. The compensation of losses from the 2015 GSF will be made by the extension of the concession contract of the production company that adhere to the agreement in ACL. From 2016 the renegotiation does not exempt the producer of the GSF cost, allows only the mitigation of part of the hydrological risk through the purchase of new energy which will be available in the electrical system.

On 18 December 2015, the companies Lajeado, Investco, Pantanal and the jointly controlled company ECE Participações (Jari) filed the request for the renegotiation of the hydrological risk approval in the regulated system to ANEEL, with effect from 1 January 2015. EDP Brasil failed the renegotiation of the hydrological risk in the liberalised system. Also note that on 29 January 2016, the orders have been published that approved the renegotiation of the hydrological risk in the regulated system for other plants that were upon evaluation of EDP Brasil, namely, Santa Fé and Energest (regarding with Mascarenhas hydro plant). Enerpeixe and part of the energy related to Mascarenhas hydro plant did not had their requests approved for the energy acquired in the Energy Auction A-1. For these cases, Energest and Enerpeixe appealed against the ANEEL decision of 29 March 2016 on Macarenhas, denying the request. On 17 May, ANEEL denied the administrative appeal of Enerpeixe.

On 23 September 2016, Empresa de Energia Cachoeira Caldeirão and ECE Participações filed the request for the renegotiation of the hydrological risk in the regulated system to ANEEL for approval, with effect from 1 January 2017. For the last one, the request was for the average of the additional 20 MW sold in the 15th New Energy Auction. During November and December 2016, the order that approved the renegotiation of the hydrological risk of the power plants was published, in the requested terms, as well as the renegotiation terms, which formalised the adhesion of the producer to the hydrological risk renegotiation.

Ordinance 178 of the MME reviewed the physical guarantees of the hydropower plants of Lajeado and Mascarenhas, which changed from 386 MW to 370 MW and from 139 MW to 135 MW, respectively.

In 6 January 2018, physical guarantee of UHE Santo Antônio do Jarí was increased to 222 MW.

Normative Resolution 7017 of 15 May 2018 allowed the change in the installed capacity of Swiss Hydroelectric Plant from 33,900 kW to 35,337

On 21 June 2018, Decree No. 4915 was published with the following changes: (i) MME's competences were transferred to ANEEL: the definition in the bidding document and the reimbursement by the winner of the bid for costs incurred in studies or projects of hydroelectric projects above 50 MW were approved and; (ii) the definition of the optimal use of the above 50 MW projects to be tendered.

On 19 July 2018, Normative Resolution 822/2018 was published, which establishes the Complementary Dispatch for the Maintenance of the Operational Power Reserve, valid as of 1 October 2018. This Ancillary Service is defined as the dispatch of generating units of thermoelectric plants that are centrally controlled, to preserve the operational power reserve in the hydroelectric plants that participate in the Automatic Generation Control in any subsystem. This dispatch will be determined by the National Electric System Operator (ONS), which will define the systematics of price offer, a week earlier, limited to 130% of the latest value of the Unit Variable Cost (CVU), to minimize the cost operating system.

On 23 August 2018, Normative Resolution 827/2018 was published, which regulates the new formula for penalty for failure to supply fuel to thermoelectric plants with centralized dispatch. The main change is that ANEEL started to pass on the fine to the CVU. The penalty will be determined by the ratio between the total or partial unavailability of the plant due to the lack of fuel and the percentage that will be applied to the penalty. This percentage will be multiplied by the CVU and by an amount of Non-Supplementary Energy that will be calculated by the ONS, thus reaching the value of the penalty.

Distribution

The public service concession arrangements for electricity distribution are allocated by tender and establish rules regarding price, regularity, continuity, safety, timeliness and quality of services and supplies provided to consumers and users. These arrangements also define penalties for possible irregularities.

With the publication of the Decree 8,461, of 2 June 2015, the extension of the electricity distribution concessions encompassed in the Law 12,783, of 11 January 2013, may be extended for thirty years, once met the following criteria: (i) relative efficiency to the service quality; (ii) economic and financial management efficiency; (iii) operating and economic rationality; and (iv) moderate tariffs.

The distribution concessions held by EDP - Energias do Brasil, which were granted after February 1995, date of entry into force of Law 8,987, are not covered by the regulatory changes. Still, these changes are likely to influence the rules that will be applied in the renewal of these concessions.

In most states, mainly in the North and Northeast, the concession area corresponds to the state boundaries. However, mainly in São Paulo and Rio Grande do Sul, the concessions for distribution may cover areas smaller than the state itself. In some cases, the concession area is extended beyond the geographical limits of the state where the distribution company is located.

The distribution activity operates in a fully regulated environment, with tariffs determined in the context of incentive regulation ("price cap") with a remuneration on the basis of the assets used in the distribution energy service (BRR). The tariff also includes a portion to cover the operating costs established from a standard company, the reference company (with costs that would be charged by an efficient operator at the concession area). The regulatory EBITDA has two parts: (i) regulatory depreciation of BRR assets and (ii) return on capital prudently invested multiplied by the regulatory WACC. Finally, the tariffs also consider the costs of acquiring energy, hiring the use of transmission and sector-based charges as costs to be included in the tariff. The tariff portion that includes the regulatory remuneration, the depreciation charge and the value of the operating costs is called portion B. The costs of buying energy, hiring of basic network and charges, set up the portion A of the tariffs as set out in the concession contracts for distribution companies.

Tariffs are adjusted annually based on changes in portion A costs and in the monetary correction of portion B costs, by the Market prices index (IGPM), discounted of productivity gains (factor X). The adjustment index is calculated in such a way to pass the non-controlling cost variations of the portion A and the corrected portion B. Periodically (on average every 4 years), a Periodic Tariff Review occurs, generating the recalculation of all costs, the definition of a new BRR and a new reference company, capturing productivity gains occurred in the period between revisions. At the beginning of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs. On 25 November 2014, ANEEL made addendums to the concession contracts with brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities and, as a consequence, to qualify them to be recognised in the financial statements. After the addendums, it was considered that the conditions are met to recognise regulatory assets/liabilities as assets and liabilities. Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement with ANEEL.

The Decree 8,828/2016 of 4 August 2016, eliminated the obligation of contracting the installed capacity of the plants that correspond to the maximum load demand ("Lastro de potência") and the penalties associated with their eventual failure. In addition, it removed the limitation of transfer costs to the tariff, when it needs to recontract energy, which volume is less than 96% of the Replacement Amount, for cases when there is an excess of contracts on the supply load measured in year A-1 (Existing Energy). The exclusion of the transfer limit on over contracting situations will bring more flexibility to the distributors, making them able to mitigate - in a very limited way though - the effects of reducing the existing volume of energy in their portfolios.

Additionally, the withdrawal of the mandatory "monômia" tariff for low voltage consumers, allowed the proposal of implementation of the "binômia"(energy and demand) tariff, seeking to encourage the efficient use of the distribution' networks and ensure the expansion and the sustainability of the incentive program for renewable energy and localized production.

As one of the mitigation measures for the problem of the electricity overcontracting felt by the most distributors throughout 2016, ANEEL published some normative resolutions. Normative Resolution 711/2016 allowed distributors, in agreement with the production agents: to reduce, postpone or cancel energy trading agreements in the ACR (CCEARs). There is a charge or receipt of bonuses by the distributor for 3 years, depending on the contract price, in relation to the average purchase price of the distributor.

In addition, there was a large number of customers that went to the ACL market, especially due to the high costs of thermoelectric generation that occurred between 2014 and 2015, with a significant impact on the over-contracting of the distributors. In this context, Normative Resolution 726/2016 was published, which made it possible the contracts devolution when the customers are in new energy trading agreements in the ACR.

Normative Resolution 727/2016, in turn, and within the package of measures adopted by ANEEL regarding overcontracting, has improved the use of the New Energy Deficits and Deficit Compensation Mechanism (MCSD), with the possibility of contractual reduction by producers. The reductions will occur from the most expensive contract to the cheapest, without mechanism of charges and bonuses.

With the publication of Normative Resolution 728/2016 in June 2016, the regulation of the phenomena of Voltage Imbalance, Harmonic Distortions, Voltage Fluctuations and Short-Term Voltage Variations were reviewed, with the addition of obligations that will allow the improvement of quality of the product supplied by the distributors, such as the definition of limits and reference values for the indicators, the obligation of quality studies for the energy distribution network access.

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements as at and for the periods ended 31 December 2018 and 2017

In 2016, ANEEL initiated a new methodology for the supervision of electricity distribution services, focused on preventive actions, using analytical intelligence and evidence-based inspection techniques in a context of Responsive Regulation. The objective is the development of Improvement Plans, which will be monitored by the regulator.

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

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

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

In May 2017, ANEEL published Normative Resolution 768/2017 (amending Normative Resolution 414/2010), to improve the classification criteria for consumer units, namely the alteration of the registry of public services and public lighting, requiring the segregation of measurement when the public service has more than one activity designated for the same consumer unit.

With the publication of Normative Resolution 759/2017 in February, ANEEL established procedures and requirements for the Invoice Measurement System. The main change is the possibility of using measurement in the secondary of the transformer of the consumer unit, which implies the need for a meter with an algorithm to compensate the losses related to transformation.

With the publication of REN 775 in June 2017, ANEEL amended Regulatory Resolution 414/2010 and Module 7.1 of the Tariff Regulation Procedures - PRORET, introducing Module 11 - Information on the Electricity Invoicing of Distribution Procedures – "PRODIST" . "PRODIST" establishes the procedures that must be observed in the issuance and presentation of electric energy invoices, defining the information that must be included in the electric energy invoices and the relevant aspects on how this information is presented. In addition, it deals with the provision of supplementary information related to the invoicing, the option for the electronic invoice and the option for the invoice summary. PRODIST entered into force on 10 July 2017.

On 30 June 2017, ANEEL established the new Tariffs for Use of the Transmission System - TUST of the National Interconnected System for the period from 1 July 2017 to 30 June 2018, through Resolution 2259/2017.

As at 1 August 2017, ANEEL approved a +9.34% annual tariff readjustment index for EDP Espírito Santo, for the period from 7 August 2017 to 6 August 2018.

Parcel B was readjusted by -2.52%, considering an IGP-M of -1.33% and an X-Factor of 1.20%, which will be shared between "Pd" (productivity gains) of 1.15%, "T" (trajectory to adequacy of operational costs) of 0.00% and "Q" (incentives to quality) of 0.05%. Furthermore, it is worth to mention the impact of the new tariff for the use of transmission system, set forth through ANNEL's resolution 2259/2017, whose incorporation in transmission costs to be collected in the next 12 months explains an increase of 6.68% average effect perceived by consumers.

On October 2017, the Brazilian electricity regulator, ANEEL, approved a 24.37% increase of annual tariff readjustment index for EDP São Paulo, for the period from 23 October 2017 to 22 October 2018.

Parcel B was readjusted by -2.68%, considering an IGP-M of -1.45% and an X-Factor of 1.23%, which is composed by "Pd" (productivity gains) of 1.14%, "T" (trajectory to adequacy of operational costs) of -0.24% and "Q" (incentives to quality) of 0.33%. Furthermore, it is worth mentioning the impact of the new tariff for the use of transmission system, set forth through ANNEL's resolution nr. 2259/2017, which incorporation in transmission costs determined a 10.70% effect on the average tariff increase perceived by consumers. Worth also noting the 14% effect on average tariff related with deviations on previous period costs, mostly related with the unfavourable hydro scenario and consequent impact on energy costs.

On 8 November 2017, ANEEL regulated through Normative Resolution 787, the evaluation of the quality of corporate governance systems to be applied to the electric power distributors. The regulation complies the guidelines for the strengthening of corporate governance in distribution in accordance with the provisions of Decree 8461/2015 and Clause Eight of the concession contracts, and as recommended by the Federal Court of Auditors. This rule, based on an incentive regulation, establishes parameters for the topics of transparency, senior management structure, property relations, internal control and regulatory compliance, resulting in the classification of distributors in high, medium or insufficient level of governance according to adherence to the best practices stated in the regulation.

On 23 November 2017, ANEEL published the Resolution 791/2017, approving sub-module 2.9 of the Tariff Regulation Procedures - PRORET. The publication consists of the admissibility of requests for Extraordinary Tariff Revision - RTE of the concessionaires of electricity distribution.

On 12 December 2017, ANEEL published the Resolution 796/2017, approving version 1.3 of Sub-module 4.4 and version 1.1 of Sub-module 4.4A of Tariff Regulation Procedures - PRORET, which deals with the remaining financial components.

On 19 December 2017, ANEEL approved Normative Resolution 797/2017 explaining the procedures for the sharing of infrastructure of Concessionaires and Permit Holders of Electricity with agents of the same sector, as well as with agents of the Telecommunications, Petroleum, and Gas, with Direct or Indirect Public Administration and with other interested parties. With this publication, Resolution 581/2002 was revoked.

On 22 December 2017, Normative Resolution 794 was published amending Normative Resolution 414 of 9 September 2010, which approves the revision of Modules 1 and 8 of the Procedures for the Distribution of Electricity in the National Electrical System - PRODIST and revokes REN 574/2013. With the publication of the resolution, a specific section was included in PRODIST to establish procedures for the quality of complaint handling, including a methodology for defining the limits for the years following the publication of the resolution. With the publication of the trajectory of the indicators of the distributors EDP São Paulo, the limits will be: i) 25 in 2018; (ii) 24 in 2019; (iii) 21 in 2020; (iv) 17 in 2021; and v) 12 in 2022. For EDP Espírito Santo, the limits will be: i) 23 in 2018; (ii) 23 in 2019; (iii) 21 in 2020; iv) 17 in 2021; and v) 13 in 2022. In addition, Submodules 5.1 and 5.2 of the Tariff Regulation Procedures (PRORET), which regulate the Fuel Consumption Account and the Energy Development Account (CDE) were approved, as provided for in Decree No. 9.022/2017.

On 27 December 2017, ANEEL published Normative Resolution 799/2017, which establishes criteria and procedures in the event of errors identification in the process of formation of the Settlement Price of Differences - PLD and repeals Normative Resolution 568/2013. In case of error identification in the PLD formation process, the National Electric System Operator - ONS and the Electric Energy Trading Chamber - CCEE shall correct it in the operative week following its identification.

The ONS, with the CCEE support, should implement, up to 180 (one hundred and eighty) days from the publication of this resolution, a virtual platform related to the Monthly Operational Program - PMO and its revisions. The CCEE should hold monthly meetings with the agents to address the adequacy of data, procedures and results of the program chain.

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 considering the hydrological risk thresholds defined according to the known operational history of the National Interconnected System (SIN). From 2019, the rule for the tariff coverage treatment will be revaluated based on the hydrological calendar, in April, which is the end of the rainy period. The metric will consider the definition of hydrological risk cost, where there is an indirect relationship between the depth of the hydro generation deficit (GSF) and the short-term price of electricity (PLD). The composition of these two variables causes the proposed amounts to approximate the costs incurred. The yellow flag remains R$1 per 100 kWh consumed and fractions. The red flag on level 1 is R$3 per 100 kWh and, on level 2, is R$5 per 100 kWh.

On 15 May 2018, ANEEL approved the Normative Resolution that restructures the Manual of Accounting for 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 Superintendence of Economic and Financial Supervision (SFF) will be in charge of the topics or chapters of the MCSE with minimal impact in the management of accounting instructions and operating techniques, among others.

On 5 June 2018, Law 13673 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 819, on 19 June 2018, allowing any interested party to carry out electric vehicle recharging activities, including for commercial exploitation at freely negotiated prices. It also regulates the criteria for the supply of energy in units of consumption that contain recharging stations for electric vehicles.

On 17 July 2018, ANEEL approved Normative Resolution 821, introducing the exemption of the CDE payment by low-income consumers and the default interest of 1% on the payment delay to the Energy Development Account (CDE), Fuel Consumption Account (CCC) and Global Reversion Reserve (RGR).

On 17 July 2018, ANEEL approved Normative Resolution 824, which redefines the mechanism for the sale of surplus and its tariff impact.

On 7 August 2018, ANEEL approved the Annual Tariff Adjustment of EDP Espírito Santo. Regarding the current tariff, the average effect to be perceived by consumers will be +15.87%, +14.99% for consumer units served in high and medium tension and +16.30% for those served in low tension. Portion B (portion managed by the distributor) was 862 million Reis.

Normative Resolution 826 of 15 August 2018 changed the criteria for the transfer of resources invoiced by the distributor to the Flags Account, prioritizing the destination of resources for the concession itself.

On 4 September 2018, ANEEL approved the revision of CDE's annual budget for 2018, through Resolution 2446. For EDP São Paulo, the new quota for 2018 is 525,316,121 Reais and for EDP Espírito Santo it is 294,974,684 Reais (http://www2.aneel.gov.br/cedoc/reh20182446ti.pdf).

On 16 October 2018, ANEEL approved the Annual Tariff Adjustment of EDP São Paulo. Regarding the current tariff, the average effect to be passed on to consumers will be +16.12%, being +17.84% for high and medium tension consumption and +15.13% for low tension consumption. Portion B (portion managed by the distributor) was 961 million Reais.

In Normative Resolution 829, dated 24 October 2018, ANEEL decided to use CONER's extra balance to improve the deficit balance of the distributors' accounts, in particular the flags account.

Normative Resolution 835 of 19 December 2018 improved and adjusted the criteria for the grouping of distribution concessions.

Normative Resolution 833, dated 19 December 2018, detailed the procedure for the calculation and settlement of the Surplus Selling Mechanism from Normative Resolution 824/2018.

The budget of the Energy Development Account - CDE for the year 2019 was established by ANEEL through Normative Resolution 840, of 26 December 2018.

Supply

The electricity suppliers that do not own electric assets, are authorised to act exclusively in the free market (ACL), selling or buying energy in quantity, conditions and prices freely negotiated. The commercialization of energy with a distributor is only possible through participation in the "Auction set by the distributors", with the negotiation of contracts, for a maximum of two years, and commencement of energy delivery within a period not exceeding two years.

Public Domain Assets

In Brazil, fixed assets used in the distribution and the supply activities are bound to these services and cannot be removed, sold, transferred or mortgaged without the prior and express consent of the regulator (ANEEL).

Transmission

The concession of the public electricity transmission service is delegated by the Granting Authority through bids and formalized through concession agreements. The remuneration for the public transmission service is denominated Annual Revenue Allowance (RAP), and it is achieved in the transmission auction itself and paid to the transmitters as they start operating.

The RAP is adjusted annually and is reviewed every four or five years, under the terms of the concession agreements. ANEEL can still calculate an additional amount to the RAP in order to remunerate the new installations through an Authorizing Resolution, whenever there is a need for reinforcements and / or improvements indicated in studies.

The revenues of the transmission companies are the result of the payment of a designated tariff TUST - Tariff of Use of the Transmission System - by users of the Basic Network of the National Interconnected System: generators, distributors, free and potentially free consumers, and suppliers importing and exporting energy.

The electricity transmission concessionaires have the quality of the service evaluated through indicators associated with the availability of the transmission system, defined by Normative Resolution 729 of 2016. These indicators are characterized as: (i) Variable Portion - PV, portion to be deducted from the transmitter's revenue due to the non-provision of the service and; (ii) additional to the RAP, a value to be added to the annual remuneration of the transmitter that presents excellent performance, with resources coming exclusively from the Variable Portion, deducted from the transmitters.

The public electricity transmission service of the National Interconnected System (SIN) includes the facilities of the Basic Network - RB and Basic Border Network - RBF. Normative Resolution 67/2004 establishes criteria for the structure of the Basic Network of the National Interconnected System and defines that the RB consists in the SIN installations with a tension level equal to or greater than 230 kV, while the RBF is made up of the transforming units of SIN power with an upper tension equal to or greater than 230 kV and a lower tension of less than 230 kVA.

Normative Resolution 68/2004 establishes the procedures for access and implementation of reinforcements in the Other Transmission Facilities - DITs.

Decree 5,597 of 26 November 2005, which regulated the criteria for access to the Basic Network, was subsequently regulated by Normative Resolution 722, dated 31 May 2017, which established criteria for access to the Basic Network.

On 28 May 2018, Normative Resolution 815 was published to amend Resolutions 67 and 68, both of 2004 and 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.

Through Normative Resolution 831 of 30 October 30 2018, ANEEL changed the parameters for the calculation of the price limit for new auctions.

Normative Resolution 454/2011 establishes the criteria and conditions for the commercial operation and incorporation into the National Interconnected System (SIN), the increases and reinforcements in transmission facilities. REN defines that for the initiation of the tests, it is necessary to issue the Release Term for Test and for commercial entry, the Partial Release Terms - TLP or the Definitive Release Term - TLD, by ONS. The TLP indicates that there may be restrictions of its own or even third party impediment restrictions; however, it guarantees the right to receive remuneration. REN also establishes the receipt of 90% of the RAP part if the transmission facilities start commercial operation with their own non-impeding restrictions.

Normative Resolution 841/2018 will enter into force as of 1 July 2019 and will revoke REN 454/2011. The new REN creates the Revenue Release Term - TLR, which, in the case of installations capable of operating with third party impeding restrictions, will receive 100% of the RAP and will maintain the receipt of 90% of the RAP portion for the TLPs if the restrictions for more than 12 months, the transmitter will receive 80% of the RAP portion. The new REN creates the Revenue Release Term - TLR, which for the cases of facilities capable of operating with third party impediments, receives 100% of the RAP and maintains the receipt of 90% of the RAP portion for the TLPs if the for more than 12 months.

On 23 December 2018, EDP Transmissão started the commercial operation of its facilities, the Linhares - São Mateus 2 230kV Transmission Line, with 113 km of extension and the São Mateus 2 Substation, in the State of Espírito Santo. The beginning of commercial operation occurred twenty months prior to the date established in the Concession Agreement, an unprecedented event in the Brazilian electricity sector.

Activity in the renewable energy sector

In December 2007 the EDP Group incorporated EDP Renováveis, S.L. in Spain so as to concentrate the Group's subsidiaries in the renewable energies sector. On 18 March 2008, EDP Renováveis was converted into a public limited company.

On 4 June 2008, a share capital increase of EDP Renováveis was made through an Initial Public Offering (IPO) of 196,024,306 shares. This share capital increase was not subscribed by the EDP Group, resulting in a dilution of the interest held in EDP Renováveis from 100% to 77.53%. The share capital increase amounted to 1,566,726 thousand Euros, of which 980,121 thousand Euros relates to the capital increase and 586,605 thousand Euros relates to the share premium.

On 3 August 2017, in the context of the General and Voluntary Public Tender Offer for the acquisition of shares representative of the share capital of EDP Renováveis, S.A. that was concluded on the third quarter of 2017, EDP - Energias de Portugal, S.A. total investment was 296,376 thousand Euros with added transaction costs in the amount of 3,244 thousand Euros. As a result of this transation, EDP - Energias de Portugal, S.A. holds 720,191,372 shares in EDP Renováveis, S.A., increasing its interest in the company from 77.5% to 82.6%.

Electricity

Generation

As at December 2018, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital of EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energias del Ocidente, S.L.), EDP Renewables North America, LLC. (EDPR NA, previous designated as Horizon Wind Energy, LLC.) and EDP Renováveis Brasil, S.A., operating respectively in Europe, in the United States of America and in Brazil.

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and United Kingdom. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, EDP Renewables España, EDP Renewables France, EDP Renewables Belgium, EDP Renewables Polska, EDP Renewables Romania, EDP Renewables Italia and EDPR UK Limited. As at 31 December 2018, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

In July 2007 the EDP Group acquired from Goldman Sachs, 100% of the share capital of EDPR NA, which develops, manages and operates wind farms in the United States of America. EDPR NA holds a series of wind farms in operation and a pipeline of projects under development for the construction of wind farms.

Regulatory framework for the activities in Spain

On 12 July 2013 the Spanish Council of Ministers approved a comprehensive reform of the energy sector. This energy reform was afterwards implemented by means of a new "Energy Sector Act", a Decree-Law, eight Royal Decrees and three Ministerial Orders.

As a part or this Energy Reform, Royal Decree-Law 9/2013 was approved in July 2013. The purpose of this Royal Decree-Law was to adopt a series of measures to ensure the sustainability of the electricity system. Prior to Royal Decree-Law 9/2013, renewable generators benefited from a feed-in tariff regime in which renewable electricity could be sold at a regulated feed-in tariff or at the Spanish wholesale market price plus a variable premium.

According to the 2013 regulatory framework, renewable energy facilities are entitled to sell the electricity they generate into the Spanish wholesale market and, during their respective regulatory lives, receive additional payments per installed MW from the Spanish electricity system through the "Comisión Nacional de los Mercados y la Competencia (CNMC)" body. This regulatory system is intended to allow each standard wind farm to achieve a pre-tax rate of return (fixed at 7,398% until 2019 YE) over its regulatory life. This reasonable return was determined by reference to the 10-year Spanish government bond plus a spread of 300 basis points.

Regarding the wind sector, Decree Law 413/2014 confirmed that wind farms in operation in 2003 (or before) would not receive any further incentive, while the incentive for the rest of the wind farms would be calculated in order to reach the 7.398% return before taxes. More than 1,300 possible types of renewables installation ("standard facilities") are included in the Decree Law, 23 of them corresponding to wind farms of more than 5 MW classified by the year of first operation (from 1994 to 2016).

In October 2015, the Government approved Royal Decree 947/2015 and a Ministerial Order aimed at allowing the installation of new renewable capacity through competitive tenders.

On 14 January 2016, the first auction of renewables' capacity was held. The auction was designed to provide a similar remuneration scheme that the one that applies to current installations (RD 413/2014). Following this framework, auction participants were requested to bid on the "initial investment" (CAPEX) parameter which would then, by being plugged in the formula set by RD 413/2014 determine the "RINV" (investment premium) that would eventually be awarded.

Developers were bidding to build 500 MW of wind energy and 200 MW of biomass plants. The auction was very competitive, around 5 times oversubscribed for onshore wind. EDPR was awarded 93 MW of wind energy.

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

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

In 17 May 2017, the "Operador do Mercado Ibérico - Pólo Espanhol" (OMIE) held a tender for the allocation of 3 GW of new renewable capacity. The tender had around 9 GW of competing capacity. 2,979 MW of the 3 GW auctioned were allocated to wind projects.

Following the outcome of this tender, the Spanish government decided to launch one additional tender for a maximum of 3 GW. The new tender held place on 26 July 2017 and was open exclusively to wind and solar PV technologies. The rules governing the new tender was the same as the ones for the tender held on 17 May, except for the maximum possible discount to the standard CAPEX which would be 87.08% for wind and 69.88% for solar PV.

Additionally, the royal decree ruling the tender (RD 650/2017) included the possibility to increase the allocated capacity to all capacity bidding the same discount, provided it would not create an overcost to the system. Following this, all the capacity which offered the maximum allowed discount was awarded (no tiebreaker rule was triggered). Overall, 5,037 MW were awarded, with solar power producers being the biggest winners with 3,909 MW compared to 1,120 MW for wind.

On 8 October 2018, Spanish Minister of Energy and environmental transition introduced several measures to limit the basis of electricity cost for new consumers giving a new step towards the long-term energy transition targeted by the Socialist Party. The implemented measures include the suspension of the 7% generation tax for a 6-month period, the facilitation of self-consumption and the administrative extension until March 2019 of the connection rights for the renewable plants awarded in last year´s auctions.

On 28 December the Ministry for the Ecological Transition announced the commencement of the approval process of a Draft Project Law aimed at setting the new regulated returns to be applicable to the different regulated activities in the Spanish Electricity sector for the second regulatory period, 2020-2025. The Draft Project Law proposes that the regulated return (so-called TRF) for 2020-2025 be set at 7.09% for renewables (coincident with the proposal released by the CNMC on 2 November 2018). However, the Draft Project Law foresees that the regulated rate to those renewables facilities that were entitled to receive a premium prior to the entry into force of Royal Decree-Law 9/2013 cannot be modified until 2031 "in order to guarantee a stable remuneration framework": current 7.389% will not change for those assets during the next two regulatory periods. The Draft Project Law has been now disclosed in the Ministry website and it still needs to be processed and approved.

Regulatory framework for the activities in Portugal

The Portuguese legal provisions applicable to the generation of power from renewable sources are currently established by Decree-Law 189/88 dated 27 May, (subsequently amended by Decree-Law 168/99 of 18 May, Decree-Law 312/2001 of 10 December and Decree-Law 339-C/2001 of 29 December). Also relevant is Decree-Law 33-A/2005, of 16 February 2005 ("DL 33-A/2005"), which establishes the feed-in tariff remuneration applicable to energy produced by renewable sources.

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013 that maintains the legal stability of the current feed-in tariff contracts (following Decree-Law 33-A/2005) and protects the value of the investments made by wind energy producers. However, this Decree Law granted the possibility to adhere to voluntary changes of the existing feed-in tariff. Indeed, wind generators could extend the support scheme (generally 5 or 7 years) in exchange of upfront payments or discounts on existing tariffs. EDPR chose a 7 year extension of the tariff defined as the average market price of previous twelve months, with a floor of 74€/MWh and a cap of 98€/MWh (values updated with inflation from 2021 onwards) in exchange for yearly payments from 2013 to 2020.

The Environment and Energy Ministry published, on 24 June, the Decree Law 94/2014 that allows the increase of installed capacity of wind farms up to 20%. The additional production generated from the capacity increase will have a fixed remuneration of 60 €/MWh, whilst the remaining production is remunerated at the previous tariff.

In 1 August 2017, the Portuguese Government approved Order 7087/2017 that determines the procedures for authorisation process for new equipments (SE). In particular, the Government introduced a new requirement for the authorisation: the obligation for the Direção Geral de Energia e Geologia (DGEG) to consult ERSE, which will have to assess its impact on the electricity system. Therefore, a new SE will only be authorised it does not have a negative impact on the electricity system.

Regulatory framework for the activities in Romania

In 30 March 2017, the government finally approved the emergency ordinance to amend the renewable law 220/2008. As expected, the Green Certificate (GC) scheme was extended until 2031 (GC will remain valid until March 2032). The Ordinance also confirmed the GC floor would remain fixed at 29.4€ and GC cap will lose indexation and reduced to a level of 35€. Regarding wind energy, the ordinance approves the extension of the GC recovery from 2018 to 2025, while solar PV's GC postponement is extended until the end of 2024 (the recovery will take place from 2025 to 2030).

Following the approval of EGO 24/2017 in March, the energy regulator (ANRE) issued the Order 27/2017 establishing the mandatory quota of estimated green certificates for the period April-December 2017. This new quota is based on a new methodology, which establishes the number of GCs estimated to be issued, instead of a percentage of clean energy. The number of GC for the April-December period was defined to 11,233,667 GCs.

ANRE issued the Order 77/2017 approving the regulation on organisation and functioning of the Green Certificates (GC) market. The Order allows the trade of GCs in two different markets: (i) a centralised anonymous GC market (operational as of 1 September 2017) that comprises platforms for GCs trading (spot and forward transactions) organised by Romanian Electricity and Gas Market Operator (OPCOM), allowing participants to the GCs market to submit firm GCs sale or purchase offers with respect to quantity and price, without revealing their identity to the other participants to the trading sessions; and (ii) a centralised market for electricity from renewable energy sources benefiting from the GCs scheme (not yet operational): market platform to trade bundled GC and electricity of renewable energy sources. The electricity price will be determined competitively by the market mechanisms, while the price of the GCs associated to the sold quantity of electricity will be equal to the closing price for the last trading session on the centralised anonymous GCs market. In both markets, the transactions have a limit of 10,000 GCs per day.

On 26 June 2018 EGO 24/2017 concluded the process of co-validation within Romanian Parliament with the approval of 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 at a maximum of 11.1€/MWh; (iii) the removal of the Green Certificates (GC) loss from positive unbalances; (iv) the pro-rata allocation of GCs sold in the centralized platforms when the supply exceeds demand; and (v) modifications in the postponement of solar photo voltaic (PV) GCs.

Regulatory framework for the activities in the United States of America

The United States federal government and various state governments have been implementing policies to promote the growth of renewable energy, particularly wind power. The main federal renewable energy incentive program is the Production Tax Credit (PTC), which was created by the US Congress as part of 1992 EPACT. Additionally, several states have passed legislation, mainly in the form of renewable portfolio standards (RPS), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

American Recovery and Reinvestment Act of 2009 includes a number of energy measures related to tax and policy provisions to benefit the development of wind energy generation, namely (i) a three year extension of the PTC until 2012 and (ii) an option to elect a 30% Investment Tax Credit (ITC) that could replace the PTC through the duration of the extension. This ITC allows the companies to receive 30% of the cash invested in projects placed in service or with the beginning of construction in 2009 and 2010. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and includes an one year of ITC extension, which allow the companies to receive 30% of the cash invested in projects with beginning of construction until December 2011 as long as placed in service until December 2012.

On 1 January 2013, the US Congress approved "The American Taxpayer Relief Act" that includes an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set 31 December 2013 as the new expiration date of these benefits and changed the qualification criteria (projects will only qualify as long as they are under construction by year-end 2013). The legislation also includes a depreciation bonus on new equipment placed in service which allows the depreciation of a higher percentage of the cost of the project (less 50% of the Investment Tax Credit) in the year that it is placed in service. This bonus depreciation was 100% in 2011 and 50% for 2012.

On 16 December 2014, the US Congress approved the "Tax Increase Prevention Act of 2014" that included an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set a new expiration date of 31 December 2014 and kept the qualification criteria (projects can qualify as long as they are under construction by year-end 2014).

On 15 December 2015, the US Congress approved the "Consolidated Appropriations Act of 2016" that included an extension of the PTC for wind energy, as well as the possibility of a 30% Investment Tax Credit instead of the PTC. Developers had until the end of 2016 to start construction of new wind farms to qualify for 10 years of production tax credits at the full level. Congress introduced a phase out for projects that start construction after 2016 and before 2020. These projects will still qualify for production tax credits, but at reduced levels. The levels are 80% for projects starting construction in 2017; 60% in 2018; and 40% in 2019. Developers of projects that start construction before 2020 may choose to claim 30% investment tax credits instead of production tax credits, subject to a similar phase out. The phase out reduces the value of the 30% investment tax credit to 24% in 2017; 18% in 2018; and 12% in 2019. Neither production tax credits nor investment tax credits are allowed for wind projects that start construction in 2020 or later.

The aforementioned "Consolidated Appropriations Act, 2016" also extended the Investment Tax Credit (ITC) for solar projects. Solar projects that are under construction by the end of 2019 will now qualify for the 30% ITC. The credit is reduced to 26% for projects starting construction in 2020 and to 22% for projects starting construction in 2021. The credit drops to a permanent 10% level for projects that begin construction in 2022 or later or that begin construction before 2022, but are placed in service in 2024 or later. Projects must be placed in service by the end of 2023 to qualify for a credit above 10%.

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.

Additionally, on 5 May 2016, the US Internal Revenue Service issued guidance that wind farms have 4 years from their start of construction to be placed in service and qualify for the PTC. As a result, projects that start construction prior to year-end 2019 and are placed in service prior to year-end 2023 will be eligible for the PTC. The IRS ruling also includes a provision that allows developers to secure the PTC if 5% of a project's capital components by US dollar value are safe harbored in a given year and construction is complete within 4 years. Thus, if a developer safe harbors 5% of project Capex in 2016, will be qualified for 100% of the PTC if the construction is concluded until 2020.

With the election of Donald Trump as President of the United States, which together with the Republican Party, gained control of both Houses of Congress, a change in the governing philosophy is expected. In the first 100 days of his term, the President has issued an Executive Order directing the EPA to revert the Clean Power Plan, removed it and replaced it with a new one, eliminate the moratorium on coal in Federal lands, regulations on methane emissions and hydraulic fracturing and eliminated guidance which has incorporated climate change and the "social costs of carbon" into federal projects. On 1 June 2017, President Trump announced that the U.S. would withdraw from The Paris Agreement, an international accord to combat climate change. The ultimate impact of these changes on renewable demand is not yet clear for several reasons: most of these changes will be contested in court; States regulators decide on the energy mix at State level; the most important energy players are already implementing the main elements of the Clean Power Plan; and the Executive Order does not impact ITC/PTC, which is the main development driver for the US renewable energy market.

By the end of 2017, the two most relevant events currently being considered are reforming the US Tax Code and contemplating a Federal plan to promote investment in infrastructures.

The two chambers of Congress then proceeded to pass different versions of the tax reform bill that were then analysed together. On 22 December 2017, President Trump signed the final project for the tax reform law. The law made numerous changes to the U.S. tax code including some that may impact demand and financing for renewable energy. Among these are the Base Erosion Anti-Abuse Tax (BEAT) provision, which seeks to prevent multinational companies from engaging in "earnings stripping", the practice of lowering a company's U.S. tax liability by deducting interest from payments made from a foreign parent company to its U.S. subsidiary. The BEAT provision allows companies to offset up to 80% of BEAT tax payments with energy tax credits such as the PTC and ITC. Because companies are not allowed to offset the entirety of BEAT tax payments with energy tax credits, the provision may negatively impact the tax equity financing market, a key finance driver for renewable energy. The final law also reduced the corporate tax rate from 35% to 21%. This could also decrease the size of the market for tax equity financing. With regards to other new policy initiatives, White House officials have expressed a desire to introduce an infrastructure plan to be passed by Congress. While details of this plan are currently unclear, increased investment in Infrastructure could change the demand for renewables or change the value of production from existing facilities.

On 8 January 2018, the Federal Energy Regulatory Commission (FERC) rejected a proposal from the Department of Energy to subsidise 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 small number of wind turbines imported from China. A 25% tariff on steel imports and a 10% tariff on aluminium 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 January 2024 – as follows: (i) before 1 January 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 harbours 5% of project Capex in 2019, the project will be qualified for a 30% ITC if the construction is concluded before 1 January 2024. Similarly, if a developer safe harbours 5% of project Capex in 2021, the project will be qualified for a 22% ITC if the construction is concluded before 1 January 2024.

On 9 February 2016, the US Supreme Court suspended 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 speculating that a replacement rule will be proposed at the same time. On 21 August 2018, the EPA proposed the Affordable Clean Energy (ACE) rule to replace the CPP to establish emissions guidelines for states to develop plans to address greenhouse gas emissions from existing coal-fired plants. The rule would allow states full discretion to set heat-rate improvements (HRI) for unit-specific emissions standards. The HRIs may be overstated, since they appear to be based on potential improvements at inefficient plants that have already retired; i.e. the existing fleet may have already applied "Best system of emission reduction" (BSER) measures and therefore do not have room for improvement.

On 3 January 2019, the 116th United States Congress convened with a Republican-majority Senate and a Democratic-majority House of Representatives. In the prior Congress, Republicans held majorities in both the Senate and the House of Representatives. With this change, a shift in governing philosophy is expected. Democratic representatives have informally proposed a range of potential legislative actions having to do with climate change. One of these proposals is a "Green New Deal" which features a 100% United States RPS standard (renewable portfolio standard). Such a standard, if implemented, would increase demand for renewable electricity in the U.S.

Regulatory framework for the activities in Poland

On 19 February 2016 the PiS MPs party proposed a draft law on wind investments covering localization, realizations and operation of wind farms, the so-called Wind Turbine Investment Act. After a long approval process in which the renewable sector succeeded in introducing some amendments to the original draft the law was finally approved and published in the Polish Official Gazette in June 2016. The main measures of this new law include minimum distance restrictions for new wind farms and increased real estate tax burden.

On the other hand, and following the delay of implementation of the RES Act Chapter 4 introduced in late December 2015, PiS' government has introduced to Polish parliament a more comprehensive amendment proposal to the RES Act in early May 2016. After having gone through Poland's parliamentary appreciation process the amendments were finally approved and published in late June, in line with the intentions to have the Chapter 4 in force since 1 July 2016. While keeping the core of the new auction system introduced by the new 2015 RES Act these new amendments have also introduced some modifications (namely introducing technology baskets for future tenders and improving the treatment of biomass, biogas and cofiring technologies).

In October 2016 the Polish Government published the Ordinance detailing the amount and value of energy to be auctioned in 2016. Wind energy was not included among the technologies allowed to participate (except for facilities below 1 MW). The auction was held in 30 December 2016.

On 23 November 2016, the Polish Government disclosed a draft ordinance detailing the amount and value of energy planned to be auctioned in 2017. The draft highlights that baseload renewables (dedicated biomass and biogas) remain key to the government as they will be allocated around 50% of the total 2017's auction budget. The new draft proposes the budget to be allocated to the pot in which new onshore wind could compete. This amount could amount up to 150 MW. It is also likely that wind and PV will compete for the same budget.

During the first semester of 2017, the substitution fee was 300.03 PLN. However, with the entry into force of the amendment proposed by the Polisk Government in the third quarter of 2017 the substitution fee changed to 125% of the average market price of the green certificate from the previous year capped at 300 PLN. Given the current low prices of GCs, this rule is expected to involve a even higher price reduction.

Together with the reduction of the substituion fee, the accompanying note of the amendment proposal includes a proposal to set up (and increase) the GC's quotas up to 2020: 17.5% in 2018, 18.5% in 2019; and 19.5% in 2020. However, this specific proposal is not included in the official text of the proposal that has been approved.

On 13 December 2017, the EU Commission (through the Directorate-General for Competition) approved the Polish support scheme for renewables and therefore confirmed that the scheme is in line with the 2014 European State Aid Guidelines.

On 29 June 2018, Polish Parliament (Sejm and Senate) approved a set of amendments to the Wind Turbine Investment Act, amendments which were published in Polish Official Gazette on 30 June. The approved amendments envisaged a return to the initial taxable base of the Real Estate Tax as of January 2018. The amendments 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.

On 2 October 2018, the Energy Regulatory Office published a call for the first auction in Poland in which wind onshore and solar PV with capacity above 1MW can participate to get a 15 year CfD.

Regulatory framework for the activities in France

On 15 April 2016, the French council of State published a decision ordering the government to start recovering the interests that the feed-in tariff received from 2008 to 2014 would have generated. This decision was based on the grounds that the French Government failed to notify the European Commission of the Ministerial Order approving the feed-in tariff.

A Contract-for-difference (CfD) scheme replacing the feed-in tariff scheme was released in December 2016 for wind farms having requested a PPA in 2016. According to the decree, the strike price would be equal to the value of the current feed-in tariff (similar tenure, indexation and adjustment after year 10), plus a management fee to compensate balancing costs (2.8 €/MWh). The market reference price will be the production weighted average pool price, using a representative production profile of the wind industry in France. The settlement would be done on a monthly basis.

The French Government also disclosed a draft decree for the 2017 CfDs for wind farms below 6 wind turbines. According to the draft, the CfD tenure will be extended to 20 years (instead of 15 years), being the strike price 72€/MWh (plus the management fee). The draft also includes a limitation of the amount of energy to be remunerated under the CfD strike price. Larger wind farms will be awarded CfDs through competitive tenders.

Additionally, on 24 April 2016 the French Government enacted the so-called "Programmation pluriannuelle des Investissements" (PPI) which objective is to set different renewables' capacity targets by technology, in order to achieve the objectives of the "Loi de Transition Énergétique" (decree-law meant to define the long term energetic and climate politic in France, official aproved in August 2015). The PPI provides short-term (2018) and medium-term (2023) renewables' capacity targets and also includes a provisional timetable of the next renewable tenders to be launched between 2016 and 2019.

The French government published on 10 May, the decree for the 2017 Contract-for-Difference (CfD) for wind farms below 6 wind turbines and maximum 3 MW per turbine. These projects will be exempt from tendering.

The regulator has also disclosed the tender rules for onshore wind farms (of more than 7 wind turbines or with over 3 MW per wind turbine) for the period from November 2017 to June 2020. The rules foresee the allocation of 3 GW of wind capacity in six successive 500 MW rounds every 6 months during the next 3 years. The rules also include a calendar with the dates in which the tenders are expected to take place and the first tender was in November 2017.

Together with the disclosure of the results of the second onshore wind tender the French government and regulator introduced some changes to the tender rules including a downward revision of the maximum strike price as well as small changes to the calendar and quotas of remaining tenders to be held up to 2020.

2. Accounting Policies

a) 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 periods ended 31 December 2018 and 2017 and EDP S.A.'s Executive Board of Directors approved them on 11 March 2019, after that they are subject to General Meeting approval. 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 35/2005 of 17 February, with changes updated by the Decree-law 158/2009 of 13 July and the Decree-law 98/2015 of 2 June, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company financial statements for the years ended 31 December 2018 and 2017 were prepared in accordance with IFRS as adopted by the E.U. and effective during 2018.

As described in note 3, the Group adopted in the preparation of individual and consolidated financial statements as at 31 December 2018, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2018. The adoption of IFRS 9 - Financial Instruments (and the related amendments to IFRS 7 - Financial Instruments: Disclosures) and IFRS 15 - Revenue from contracts with customers by EDP Group led to several changes in the Group accounting policies, models and procedures, as well as in disclosures. The accounting policies used by the Group in preparing the consolidated financial statements described in this note were adopted in accordance. 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.

The financial statements have been prepared on a going concern basis and under the historical cost convention, modified by the application of the fair value accounting to derivative financial instruments, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and, in 2017, available-for-sale investments, except those for which fair value is not available. Assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the hedged risk. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell. Liabilities for defined benefit plans are recognised at the present value of the obligation net of plan assets fair value.

In accordance with IFRS 3 - Business Combinations, if the initial purchase price allocation of assets, liabilities and contingent liabilities acquired is identified as provisional, in the subsequent 12 months after the business combination transaction, the legal acquirer should make the final allocation of the purchase price related to the fair value of the assets, liabilities and contingent acquired. These adjustments with impact on the amount of goodwill determined and booked in previous periods, originates a restatement of the comparative information, which are reflected on the Statement of financial position, with effect from the date of the business combinations transactions liabilities.

The preparation of financial statements in conformity with IFRS requires the Executive Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant, are presented in note 4 - Critical accounting estimates and judgments in preparing the financial statements.

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated and company financial statements, except for the adoption of IFRS 9 and IFRS 15. As at 1 January 2018, as provided by these Standards, the Group has applied the modified retrospective approach without restatement of the comparative information (see note 3).

b) Basis of consolidation

The accompanying consolidated financial statements reflect the assets, liabilities and results of EDP, S.A. and its subsidiaries (Group or EDP Group) and the equity and results attributable to the Group, through the investments in associates and jointly controlled entities.

As from 1 January 2010 onwards, the EDP Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in accounting policies resulting from the application of IFRS 3 (revised) were applied prospectively.

Controlled entities

Investments in subsidiaries where the EDP Group has control are fully consolidated from the date the Group assumes control over their financial and operating activities and/or over their assets and liabilities until the moment that control ceases to exist.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of the percentage of voting rights held.

Until 31 December 2009, when the accumulated losses of a subsidiary attributable to non-controlling interests exceed the non-controlling interests in its equity, the excess was attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary were recognised as profits of the Group until the losses attributable to the non-controlling interests previously recognised by the Group have been recovered. As from 1 January 2010, the due proportion of accumulated losses are attributed to non-controlling interests, implying that the Group can recognise negative non-controlling interests.

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any investee previously held is booked against the income statement when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement, as well as any gain or loss resulting from the disposal.

Jointly controlled entities

EDP Group classifies an arrangement as a joint arrangement when the jointly control is contractually established. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. After determining the existence of joint control, the Group classifies joint arrangements into two types - joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets and obligations for the liabilities relating to the arrangement, so the assets and liabilities (and related revenues and expenses) in relation to its interest in the arrangement are recognised and measured in accordance with relevant IFRSs applicable.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement, so these investments are included in the consolidated financial statements under the equity method.

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The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of joint ventures, included under the equity method. When the Group's share of losses exceeds its interest in a jointly controlled entity, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation to cover such losses on behalf of that entity.

Entities over which the Group has significant influence

Investments in associates are included in the consolidated financial statements under the equity method from the date the Group acquires significant influence to the date it ceases. Associates are entities over which the Group has significant influence, but not control, over its financial and operating policies.

The existence of significant influence by the Group is usually evidenced by one or more of the following:
- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel; and
- Provision of essential technical information.

The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of associates, included under the equity method. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation to cover such losses on behalf of the associate.

Accounting for investments in subsidiaries and associates in the company's financial statements

Investments in subsidiaries and associates not classified as held for sale or not included in a disposal group which is classified as held for sale are accounted for at cost in the company's financial statements, and are subject to periodic impairment tests, whenever indication exists that certain financial investment may be impaired.

Goodwill

Following the transition to International Financial Reporting Standards (IFRS) on 1 January 2004 and as permitted under IFRS 1 - First-time Adoption of International Financial Reporting Standards, the EDP Group decided to maintain the goodwill resulting from business combinations that occurred prior to the transition date, calculated in accordance with the Group's previous accounting policies.

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December 2009.

As from 1 January 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), total positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

As from 1 January 2010 onwards, the EDP Group has the possibility to book non-controlling interests at fair value or at cost, implying that the full amount of goodwill can be booked in the financial statements, including the portion attributable to the non-controlling interests, against non-controlling interests, if the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the period when the business combination occurs.

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless of the existence of any impairment triggers. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against goodwill. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

Purchases of non-controlling interests and dilution

Until 31 December 2009, in the acquisition of non-controlling interests, the difference between the fair value of the non-controlling interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The difference between the non-controlling interests acquired and the fair value of the liability, was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability were recognised as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Until 31 December 2009, when an interest in a subsidiary was disposed, without a loss of control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurs when the percentage of interest in a subsidiary decreases without any sale of interest in that subsidiary, for example, if the Group does not participate proportionally in the share capital increase of that subsidiary. Until 31 December 2009, the Group recognised the gains or losses resulting from a dilution of the interest in a subsidiary following a sale or capital increase, in the income statement.

As from 1 January 2010 onwards, in an acquisitions (dilutions) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the consideration paid, is accounted against reserves. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, are recorded as a liability for the fair value of the amount payable, against non-controlling interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding).

Investments in foreign operations

The financial statements of the foreign subsidiaries and associates of the Group are prepared using their functional currency, defined as the currency of the primary economic environment in which they operate. In the consolidation process, the assets and liabilities of foreign subsidiaries are translated into Euros at the official exchange rate at the balance sheet date.

Regarding the investments in foreign operations that are consolidated using the full consolidation method and equity method, the exchange differences between the amount of equity expressed in Euros at the beginning of the period and the amount translated at the official exchange rates at the end of the period, on a consolidated basis, are booked against reserves.

Foreign currency goodwill arising on the acquisition of these investments is remeasured at the official exchange rate at the balance sheet date directly against reserves.

The income and expenses of foreign subsidiaries are translated into Euros at the approximate exchange rates at the dates of the transactions. Exchange differences from the translation into Euros of the net profit for the period, arising from the differences between the rates used in the income statement and those prevailing at the balance sheet date are recognised in reserves.

On disposal of a foreign subsidiary, the related exchange differences previously recognised in reserves, are accounted for in the income statement.

Balances and transactions eliminated on consolidation

Inter-company balances and transactions, including any unrealised gains and losses on transactions between Group companies, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising on transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Business combinations achieved in stages

In a business combination achieved in stages, on the date of obtaining control, the excess of the aggregate of (i) the consideration transferred, (ii) the amount of any non-controlling interest recognized in the acquiree and (iii) the fair value of the previously held equity interest in the acquired business; over the net of amounts of the identifiable assets acquired and liabilities assumed, is recognised as goodwill.

If applicable, the negative difference, after evaluating the consideration transferred, of the amount of any non-controlling interest recognised in the acquiree and the fair value of the previously held equity interest in the acquired business; over the net value of the identifiable assets acquired and liabilities assumed, is recognised in the income statement. The Group recognises the difference between the fair value of the previously held equity interest in the acquired business and the carrying value in consolidated results in Other income. Additionally, the Group reclassifies the deferred amounts in other comprehensive income relating to the previously held equity interest to the income statement or consolidated reserves, according to their nature.

c) Foreign currency transactions

Foreign currency transactions are translated at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into Euros at the exchange rates at the balance sheet date. These exchange differences arising on translation are recognised in the income statement as financial results.

Foreign currency non-monetary assets and liabilities accounted for at historical cost are translated using the exchange rates at the dates of the transactions. Foreign currency non-monetary assets and liabilities stated at fair value are translated into Euros at the exchange rates at the dates the fair value was determined.

d) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised on the trade date at fair value. Subsequently, the fair value of derivative financial instruments is remeasured on a regular basis, being the gains or losses on re-measurement recognised directly in the income statement, except for derivatives designated as cash flow hedging instruments. Recognition, in the income statement, of the resulting gains and losses on re-measurement of hedging derivatives depends on the hedge model used.

The fair value of derivative financial instruments corresponds to their market value, if available, or to quotes indicated by external entities through the use of valuation techniques accepted by the market, which are compared in each date of report to fair values available in common financial information platforms.

Hedge accounting

The Group uses financial instruments to hedge interest rate risk, exchange rate risk and price risk resulting from its operational and financing activities. Derivatives not qualified for hedge accounting under IAS 39 are accounted for as trading instruments.

As permited by IFRS 9, the EDP Group decided to continue to apply the hedge accounting requirements of IAS 39 in 2018, instead of the requirements of IFRS 9.

Hedging derivatives are recorded at fair value, being the gains and losses recognised in accordance with the hedge accounting model applied by the Group. Hedge relationship exists when:

(i) At the inception of the hedge there is formal documentation of the hedge;
(ii) The hedge is expected to be highly effective;
(iii) The effectiveness of the hedge can be reliably measured;
(iv) The hedge is revalued on an on-going basis and is considered to be highly effective throughout the reporting period;
(v) The forecast transaction being hedged must be highly probable and must be exposed to changes in cash flows that could ultimately affect profit or loss.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets and liabilities or group of hedged assets and liabilities that are attributable to the hedged risk. When the hedging relationship ceases to comply with the requirements for hedge accounting, the accumulated gains or losses concerning the fair value of the risk being hedged are amortised over the residual period to maturity of the hedged item.

Cash flow hedge

Changes in the fair value of derivatives qualified as cash flow hedges are recognised in reserves.

The cumulative gains or losses recognised in reserves are reclassified to the income statement when the hedged item affects the income statement.

When a hedging relation of a future transaction is discontinued, the changes in the fair value of derivative recognised in reserves remain recognised in reserves until the future hedged transaction occurs. When the future transaction is no longer expected to occur, the cumulative gains or losses recognised in reserves are recorded immediately in the income statement.

Net investment hedge

The net investment hedge model is applied on a consolidated basis to investments in subsidiaries in foreign currencies. This model allows that the exchange differences recognised in the exchange differences consolidated reserves to be offset by the foreign exchange differences in foreign currency loans or currency derivatives contracted. The ineffective portion of the hedging relationship is recognised in the income statement.

The accumulated foreign exchange gains and losses regarding the net investment and the related hedging instrument recognised in equity are transferred to the income statement when the foreign entity is sold, as part of the gain or loss resulting from the disposal.

Effectiveness

For an hedge relationship to be classified as such, in accordance with IAS 39, its effectiveness must be demonstrated. Therefore, the Group performs prospective tests at the inception date of the hedge and prospective and retrospective tests in each balance sheet date, in order to demonstrate its effectiveness, showing that any adjustments to the fair value of the hedged item attributable to the risk being hedged are offset by adjustments to the fair value of the hedging instrument. Any ineffectiveness is recognised in the income statement when it occurs.

e) Debtors and Other 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. As from 1 January 2018 onwards, EDP Group classifies its financial assets, at the initial recognition, in accordance with the aforementioned requirements introduced by IFRS 9, on the following categories:

Financial assets at amortised cost

A financial asset is measured at amortised cost if: (i) it is held within a business model whose objective is to hold assets in order 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 recognised at fair value and subsequently measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Loans and trade receivables are generally held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest, thus they meet the criteria for amortised cost measurement under IFRS 9.

Assets measured at fair value through other comprehensive income (FVOCI)

A financial asset is measured at fair value through other comprehensive income if (i) the objective of the business model is achieved by both 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 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 recognised in other comprehensive income is reclassified to profit or loss.

Assets measured at fair value through profit or loss (FVTPL)

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").

Changes in the business model assessment over time

Financial assets are not reclassified subsequent to their initial recognition. However, if the Company changes its business model for managing financial assets, it will classify newly originated or newly purchased financial assets under the new business model, but will keep the classification of existing assets under the previous business model.

Recognition and derecognition of financial assets

Purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell these financial assets.

Financial assets are derecognised when: (i) the Group contractual rights to receive their future cash flows have expired, (ii) the Group has transferred substantially the risks and rewards of ownership, or (iii) although retaining some, but not substantially all the risks and rewards of ownership, the Group has transferred control over the assets.

Impairment

Until 31 December 2017, EDP Group performed an assessment of impairment based on whether there was objective evidence of impairment as established in IAS 39, including any impairment resulting in an adverse effect on estimated future cash flows of the financial asset or group of financial assets and when it can be reliably measured. For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in the income statement up to the amount of the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised. In the case of equity instruments, if there was objective evidence of impairment on available-for-sale investments, the cumulative potential loss recognised in fair values reserves, corresponding to the difference between the acquisition cost and the fair value at the balance sheet date, less any impairment loss previously recognised, is transferred to the income statement. For these instruments, impairment losses cannot be reversed and any subsequent event that results in a fair value increase is recognised in equity under fair value reserves.

As from 1 January 2018 onwards, 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. Thus, a loss event will no longer need to occur before the recognition of an impairment allowance. This model is the basis for the recognition of impairment losses on held financial assets that are measured at amortised cost or at fair value through other comprehensive income (which includes cash and cash equivalents, trade receivables, loans and debt securities).

The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If the credit risk on a financial asset does not increase significantly since its initial recognition, EDP Group measures the loss allowance for that financial asset at an amount equal to 12-month expected credit losses. If the credit risk increases significantly since its initial recognition, EDP Group measures the loss allowance for that financial asset at an amount equal to lifetime expected credit losses.

Regardless of the above, a significant increase in credit risk is presumed if there is an objective evidence that the financial asset is impaired, including if there is observable data that comes to the attention of the holder of the asset about the following loss events, among others: significant financial difficulty of the issuer or obligor; restructuring of an amount due to the Group in terms that it would not consider otherwise; a breach of contract, such as a default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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, as previously provided by IAS 39, including the treatment of interest revenue. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in profit or loss, if the decrease can be related objectively to an event occurring after the impairment loss was recognised.

Trade receivables, including contract assets

EDP Group applies the simplified approach and record lifetime expected losses on all trade receivables and contract assets, including those with a significant financing component. The estimated ECL are calculated based on actual credit loss experience over a period that, per business and type of customers, is considered statistically relevant and representative of the specific characteristics of the underlying credit risk. When applicable, EDP Group estimated the ECL rates separately for corporates and individuals.

Considering the particularities of each business, exposures are segmented based on common credit risk characteristics such as credit risk grade, geographic region and/or industry - for corporates; and type of product purchased - for individuals, as applicable. Actual credit loss experience is adjusted by scalar factors to reflect differences between economic conditions during the period over which historical data was collect, current conditions and EDP Group's view of economic conditions over the expected lives of the receivables.

Other receivables and financial assets

For receivable assets related to regulatory assets, loans, financial entities and State carried at amortised cost and FVOCI, EDP Group performes an analysis based on the general approach. On making its assessment, the company has to make assumptions about risk of default and expected loss rates, which requires judgement. The inputs used for risk assessment and for calculation of the loss allowances for financial assets includes: (i) credit ratings (as far as available) from external credit rating companies such as Standard and Poors, Moody's and Fitch; (ii) significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower; (iii) public market data, namely on probabilities of default and loss given default expectations; and (iv) macroeconomic information (such as market interest rates or growth rates).

f) Trade payables and other liabilities from commercial activities

An instrument is classified as a financial liability when there is a contractual obligation for the issuer to liquidate capital and/or interests, through delivering cash or other financial asset, regardless of its legal form. Financial liabilities are recognised at the issuance date (trade date): (i) initially at fair value less transaction costs; and (ii) subsequently at amortised cost, using the effective interest method. All financial liabilities are booked at amortised cost, with the exception of the financial liabilities hedged at fair value hedge, which are stated at fair value on risk component that is being hedged.

Derecognition

EDP Group derecognises a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability, or a part of it, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

g) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or other financial asset to another entity, regardless of its legal form, and there is a residual interest in the assets of an entity after deducting all its liabilities.

Costs directly attributable to the issuance of equity instruments are recognised in equity, as a deduction to the amount issued. Amounts paid or received relating to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Distributions related to equity instruments are deducted from equity, as dividends, when declared.

Preference shares issued by the Group are considered as an equity instrument when there is no contractual obligation to redeem the shares and dividends are paid at the discretion of the Group. Preference shares issued by subsidiaries, classified as equity instruments and held by third parties, are recognised as non-controlling interests.

Equity instruments at fair value

Under IFRS 9, all the equity instruments should be measured at fair value, once the category "Assets available for sale" as referred by IAS 39 cease to exist. As provided by IFRS 9, EDP Group classify the equity instruments that are held for trading 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.

h) Property, plant and equipment

Property, plant and equipment is stated at acquisition cost less accumulated depreciation and impairment losses. On transition to IFRS, on 1 January 2004, the Group decided to consider as deemed cost the revalued amount of Property, plant and equipment in accordance with the Group's previous accounting policy, which was comparable in general terms to the depreciated cost determined in accordance with IFRS.

Subsequent costs are recognised as property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group. Repair and maintenance costs are charged in the income statement as incurred, according to the accrual principle.

The Group carries out impairment tests whenever events or circumstances may indicate that the book value of an asset exceeds its recoverable amount, being any impairment recognised in the income statement.

The recoverable amount is the higher of fair value less costs to sell and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Land is not depreciated. Depreciation of tangible assets is calculated on a straight-line basis over their estimated useful lives, as follows:

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
- Hydroelectric generation	30 to 75
- Thermoelectric generation	25 to 45
- Renewable generation	30 to 35
- Electricity distribution	10 to 40
- Other plant and machinery	4 to 25
Transport equipment	4 to 25
Office equipment and tools	2 to 16
Other property, plant and equipment	3 to 50

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change in the expected economic benefits flowing from the assets occurs as well as when the technical use planned for the assets differs from previous estimates. Changes occurring in the depreciation charge for the year are accounted prospectively.

Capitalisation of borrowing costs and other directly attributable costs

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of these assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of interest costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on those assets. The capitalisation rate corresponds to the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. The capitalisation of borrowing costs begins when expenditure for the assets is being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Other expenses directly attributable to the acquisition and construction of the assets, such as cost of consumed materials and personnel costs, are also capitalised as part of the cost of the assets.

Investment government grants

Investment government grants are initially booked as Trade payables and other liabilities from commercial activities - Non Current only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for expenses incurred are booked in the income statement on a linear basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in the income statement over the related assets useful life.

Transfers of assets from customers

Until 31 December 2017, EDP Group adopted IFRIC 18 for thetranfers of assets from customers concession, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life. IFRIC 18 was applicable for agreements in which the Group received from a customer an item of Property, plant, and equipment that it must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy.

As from 1 January 2018 onwards, 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.

i) Intangible assets

The Group's intangible assets are booked at acquisition cost less accumulated amortisation and impairment losses.

The Group performs impairment tests whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, being any impairment recognised in the income statement. The recoverable amount is the higher of fair value less costs to sell and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Acquisition and development of software

The costs of purchasing software and the costs incurred by the Group to implement it are capitalised and amortised on a straight-line basis over the expected useful life of the asset.

Costs incurred by the Group directly related to the development of software, that are expected to generate economic benefits beyond one year, are recognised as intangible assets. Such costs include employee costs directly associated to the project and are amortised on a straight-line basis over its estimated useful life.

Software maintenance costs are charged to the income statement when incurred.

Concession rights on distribution of electricity

The concession rights on distribution of electricity in Brazil are recorded as intangible assets and amortised on a straight-line basis over the concessions period, not exceeding 30 years.

Concession rights to use the public hydric domain

Portuguese concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which currently does not exceed 47 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever these compensations are paid and for all the Group subsidiaries.

The accounting policy related to intangible assets assigned to concessions in the scope of IFRIC 12 is described in z), Group concession activities.

Industrial property and other rights

Industrial property and other rights are amortised on a straight-line basis over the estimated useful life of the assets, which does not exceed 6 years.

j) Leases

The Group classifies its lease transactions as finance leases or operating leases based on the substance of the transaction rather than its legal form. A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

Lease payments made by the Group under operating lease contracts are recognised as an expense in the period to which they relate, on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Finance leases

Finance leases are recognised by the lessee, at the inception of the lease, as assets and liabilities at the fair value of the leased assets which is equivalent to the present value of the future lease payments. Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Lessors record assets held under finance leases as leased capital, by the net amount invested in the lease. Lease payments include the financial income and the amortisation of the outstanding principal. Financial results recognised reflect a constant periodic rate of return on the outstanding net balance of the lessor.

Determining whether an Arrangement contains a Lease

Following the issuance by International Financial Reporting Interpretations Committee (IFRIC) of IFRIC 4 - Determining whether an arrangement contains a lease, applicable from 1 January 2006, arrangements including transactions that, although do not take the form of a lease, convey the right to use an asset in return for a payment, are recognised as leases, provided that, in substance, they comply with the requirements defined in the interpretation.

k) Investment property

The Group classifies as investment property, property held for capital appreciation and/or for rental purposes.

Investment property is recognised initially at acquisition or production cost, including directly attributable transaction costs, and is subsequently measured at cost less accumulated depreciation and any impairment losses.

Subsequent expenditures on investment property are only added to the cost of the asset when it is probable that additional future economic benefits will arise when compared to initial recognition.

Investment property is amortised on a straight-line basis over the estimated useful life of the assets (between 8 and 50 years).

l) Inventories

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

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

CO2 Licenses held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

m) Employee benefits

Pensions

Some EDP Group companies grant post-employment benefits to employees under defined benefit and defined contribution plans, namely pension plans that grant complementary retirement benefits for age and early retirement pensions.

Defined benefit plans

In Portugal, the defined benefit plan is assured by (i) a closed pension fund managed by an external entity, covering responsibilities with benefits that are complementary to those provided under the Social Security System (namely retirement and early retirement pensions); and (ii) by a complementary specific provision, recognised in the statement of financial position. Benefits are generally determined and assigned through the combination of one or more factors, such as age, years of service and the relevant base retribution (pensionable salary).

In Brazil, EDP São Paulo and EDP Espírito Santo have defined benefit plans managed by a closed complementary welfare entity, external to EDP Group, covering responsibilities associated with retirement and early retirement pensions, according to factors such as age, years of service and the relevant base retribution.

The Group's pension liability for each plan is calculated by independent experts annually, for each plan, at the balance sheet date, using the projected unit credit method. The discount rate used in the calculation is determined based on market interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and that have similar maturity to the related pension liability.

Actuarial gains and losses presented in consolidated statement of comprehensive income comprises: (i) the actuarial gains and losses resulting from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments; (ii) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

The increase in past service costs arising from early retirements (retirements before the normal retirement age) or plan amendments is recognised in the income statement when incurred.

The Group recognises as operational results, in the income statement, current and past service costs. Net interest on the net defined benefit liability (asset) is recognised in financial results.

The assets of the plan comply with the recognition criteria established by IFRIC 14 - IAS 19 and the minimum funding requirements established by law or by contract.

Defined contribution plans

In Portugal, Spain and Brazil, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan. These contributions represent a percentage of the fixed and variable remuneration of the employees included in this plan and are accounted for as cost for the period in which they are due.

Other benefits granted

Medical benefits

Some EDP Group companies provide medical benefits under which employees and immediate eligible family members have favourable conditions in medical assistance and health care services, namely:
- Concerning EDP Group companies in Portugal, through the provision of medical assistance that is complementary to the one provided under the National Health System, provided using infrastructures owned and managed internally;
- Concerning EDP Group companies in Brazil, through the share of costs in eligible medical and heath expenses, in an external agreed network.

The medical benefits plans are classified as defined benefit plans.

In Portugal, the medical benefit and death benefits plan is assured by (i) a closed fund managed by an external entity, created in December 2016, and (ii) a complementary specific provision, recognised in EDP Group company's statement of financial position.

In Brazil, the liability is being covered by provisions booked in EDP Group company's statement of financial position.

Measurement and recognition of the medical benefits liabilities are similar to the defined benefit pension plans liabilities, explained above.

Other benefits

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, survival benefits, life insurance, antiquity and retirement benefits, power tariff discounts, among others.

Benefits included in each Plan for Portugal and Brazil are detailed in EDP's Collective Labor Agreement, published in the Labor Bulletin of 8 October 2014 and in the website of the Plan management entity Enerprev (www.enerprev.com.br), respectively.

n) Provisions

Provisions are recognised when: (i) the Group has a present legal, or constructive obligation; (ii) it is probable that settlement will be required in the future; and (iii) a reliable estimate of the obligation can be made.

Provisions for dismantling and decommissioning in electric power plants

The Group accounts for provisions for dismantling and decommissioning of assets when there is a legal, contractual or constructive obligation at the end of the assets' useful life. Therefore, such provisions have been booked for the electric power plants to cover the cost of restoring the location and land to their original condition. The provisions are calculated at the present amount of the expected future liability and are accounted for as part of the cost of the related property, plant and equipment being depreciated on a straight-line basis over the useful life of those assets.

Decommissioning and dismantling provisions are remeasured on an annual basis based on the best estimate of the settlement amount. The unwinding of the discount at each balance sheet date is charged to the income statement.

o) Recognition of revenue from contracts with customers

Until 31 December 2017, revenue was recognised when: (i) the significant risks and rewards of ownership were transferred to the buyer; (ii) the entity retained neither continuing managerial involvement to the extent usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue could be reliably measured; (iv) it was probable that the economic benefits associated with the transaction will flow to the entity; and (v) the costs incurred or to be incurred in respect of the transaction could be reliably measured.

As from 1 January 2018 onwards, EDP Group recognises revenue in accordance with the core principle introduced by IFRS 15. Thus, the Group recognises revenue to depict the transfer of control 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 these 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.

Revenue in EDP Group arises essentially from electricity generation and distribution and energy (electricity and gas) supply activities.

Revenue related to the **sale of energy and access tariffs** to energy distribution network is measured at fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after elimination of intra-group sales.

Regarding the **electricity generation**, the transfer of control occurs when the energy is generated and injected into the transport/distribution grids. The electricity generated is sold under free market conditions or through the establishment of medium/long term power purchase agreements.

The **energy distribution** is a regulated activity, which is remunerated through tariffs set by each country Regulatory Body (ERSE in Portugal, CNE in Spain and ANEEL in Brazil). In Portugal and Spain, revenue arises mainly from the sale of access tariffs, as well as from the recovery, from the commercialisation entities, of the costs related to the global management activity of the system. In Brazil, revenue results from the electricity sales to final consumers, in the regulated market, based on the tariffs determined by ANEEL, which are included the use of the distribution and transport system tariff, among other components. In Portugal and Brazil, these activities are subject to public service concession arrangements (see z)).

The **energy supply** is carried out in regulated and non-regulated markets. In non-regulated market, revenue is recognised based on commercial agreements. In regulated market, revenue is recognised according to the tariffs determined by each country Regulatory Body.

For contracts with customers in which the sale of energy and access tariffs are generally expected to be the only performance obligation, EDP Group recognises the revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue recognition includes two components: (i) energy sales already invoiced, based on actual consumption readings and/or in estimated consumption based on the historical data of each consumer; and (ii) estimates of energy supplied and not yet invoiced (energy into energy meter). Differences between estimated and actual amounts are recorded in subsequent periods.

Additionally, it should be noted that, in energy distribution and supply activities, there is a tariff adjustment mechanism through which gains or losses of a certain year are recognised in the period to which they relate and recovered in the future years tariffs – Tariff Adjustments (see w)).

EDP Group recognises the revenue related with **services rendered** over time in accordance with IFRS 15, given that the customer simultaneously receives and consumes the benefits provided by the Group.

EDP Group also sells products and services 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.

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Contract liabilities

As provided by IFRS 15, EDP Group presents a contract liability if the Group has an obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract assets

As provided by IFRS 15, EDP Group presents a contract asset if is a right to consideration that is conditional on something other than the passage of time. This is common when the Group has transferred goods or services to a customer usually before invoicing and the payment is due, excluding any amounts presented as a Trade receivables (unconditional rights to consideration).

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 to the application of IFRS 15, EDP Group recognised these costs as expenses as they were incurred. In accordance with IFRS 15, the Group recognises 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 these 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.

p) Financial results

As from 1 January 2018 onwards, 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 these assets. Nonetheless, financial results include the changes in fair value of certain assets identified by EDP Group as held for trading and consequently measured at fair value through profit or loss.

Financial results include interest costs on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, realised gains and losses, as well as gains and losses on financial instruments and changes in the fair value of hedged risks, when applicable.

Interest is recognised in the income statement on an accrual basis. Dividend income is recognised on the date the right to receive is established.

q) Income tax

Income tax recognised in the income statement includes current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity.

Deferred taxes arising from the revaluation of assets measured at fair value through other comprehensive income and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

Current tax is the tax expected to be paid on the taxable income for the period, using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the balance sheet liability method, considering temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, using the tax rates enacted or substantively enacted at the balance sheet date for each jurisdiction and that are expected to be applied when the temporary differences are reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries, to the extent that these will probably not be reversed in the future. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes.

The Group offsets, as established in IAS 12, the deferred tax assets and liabilities if, and only if:
(i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods in which deferred tax liabilities or assets are expected to be settled or recovered.

When accounting for interest and penalties related to income taxes, EDP Group considers whether a particular amount payable or receivable is, in its nature, a taxable income and, if so, applies IAS 12 to this amount. Otherwise, IAS 37 is applied.

r) Earnings per share

Basic earnings per share are calculated by dividing the consolidated and the company net profit attributable to the equity holders of EDP, S.A. by the weighted average number of ordinary shares outstanding during the period, excluding the average number of shares held by the Group and by EDP, S.A., respectively.

For the diluted earnings per share calculation, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares, such as convertible debt and stock options granted to employees. The dilution effect corresponds to a decrease in earnings per share resulting from the assumption that the convertible instruments are converted or the options granted are exercised.

s) Share based payments

The stock options remuneration program enables the Group's employees to acquire parent company shares. The exercise price of the options is calculated based on the listed price of the shares at the grant date.

The fair value of the options granted, determined at the grant date, is recognised in the income statement against equity during the vesting period, based on their market value calculated at the grant date.

In case the option is exercised, the Group acquires shares in the market to grant them to employees.

Shareholders of EDP Brasil structured and implemented a Share based Compensation Policy, which began in June 2016. The referred policy comprises two types of programs to be granted to certain employees (incentive and retention programs), being the eligible beneficiaries and assignment requirements subject to the conditions established.

t) Non-current assets held for sale and discontinued operations

Non-current assets or groups of non-current assets held for sale (groups of assets and related liabilities that include at least one non-current asset) are classified as held for sale when their carrying amounts will be recovered mainly through sale, the assets or groups of assets are available for immediate sale and its sale is highly probable.

The Group also classifies as non-current assets held for sale, non-current assets or groups of assets acquired exclusively for its subsequent resale, that are available for immediate sale and its sale is highly probable.

Prior to their classification as held for sale, the measurement of all non-current assets and all assets and liabilities included in a disposal group, is adjusted in accordance with the applicable IFRS standards. Subsequently, these assets or disposal groups are measured at the lowest between their carrying amount and fair value less costs to sell.

u) Cash and cash equivalents

Cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and specific demand deposits in relation to institutional partnerships that are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in USA.

v) Operating segments

The Group presents the operating segments based on internal management information.

In accordance with IFRS 8, an operating segment is a Group component:
(i) that engages in business activities from which it may earn revenues and incur expenses;
(ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance;
(iii) for which discrete financial information is available.

w) Tariff adjustments

Classification and measurement of regulatory assets, which qualify as financial assets in EDP Group's financial statements, will follow 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 (bilateral contracts 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.

In regulated activities, the regulator establishes, through the tariff adjustment mechanism, the criteria to recognise gains or losses of one period in future periods. The tariff adjustments accounted for in the EDP Group financial statements represent the difference between the amounts invoiced by Portuguese regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on actual costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity and gas tariffs charged to customers in subsequent periods.

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators of the electric sector to recover the tariff adjustments under a regime identical to the one used for the tariff deficits. Consequently, EDP Group booked under the income statement caption Revenues from energy sales and services and other - Electricity and network access, the effects resulting from the recognition of tariff adjustments, against Debtors and other assets from commercial activities. According to the referred Decree-Law, the tariff adjustments determined annually, will be recovered by the regulated operators even in case of insolvency or cease of operations. ERSE is the entity responsible to establish the method to ensure that the entity entitled to these rights continues to recover the tariff adjustments until its complete payment. The Decree-Law also allows the transfer of the right to receive the tariff adjustment to third parties, in whole or in part, through future electricity tariffs.

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

x) CO2 Licenses and greenhouse gas emissions

The Group holds CO2 Licenses in order to deal with gas emissions resulting from its operational activity and Licenses for trading. The CO2 and gas emissions Licenses held for its own use are booked as intangible assets at the acquisition cost. CO2 licenses consumption is recorded in accordance with the weighted average price of the CO2 and gas emissions Licenses held for consumption in that year.

The Licenses held by the Group for trading purposes are booked under Inventories, as referred in l).

y) Statement of Cash Flow

The Statement of Cash Flow is presented under the direct method, by which gross cash flows from operating, financing and investing activities are disclosed.

The Group classifies cash flows related to interest and dividends paid as financing activities and interest and dividends received as investing activities.

z) Group concession activities in the scope of IFRIC 12

The International Financial Reporting Committee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date. In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. IFRIC 12, was applied prospectively since it was impracticable to apply it retrospectively.

IFRIC 12 is applicable to public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of certain infrastructure as well as the price for such services and also controls any significant residual interest in the infrastructure.

According to IFRIC 12, the infrastructures allocated to concessions are not recognised by the operator as tangible fixed assets or as financial leases, as the operator does not control the assets. These infrastructures are recognised according to one of the following accounting models, depending on the type of remuneration commitment of the operator assumed by the grantor within the terms of the contract:

Financial Asset Model

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless of the level of use of the infrastructure within the concession and results in a financial asset recognition, booked at amortised cost.

Intangible Asset Model

This model is applicable when the operator, within the concession, is remunerated on the basis of the level of use of the infrastructure (demand risk) and results in an intangible asset recognition.

Mixed Model

This model is applicable when the concession includes simultaneously guaranteed remuneration and remuneration based on the level of use of the infrastructure within the concession.

Intangible assets within concessions are amortised over their respective useful lives during the concession period.

The Group carries out impairment tests to the intangible assets within concessions whenever events or circumstances may indicate that the book value of an asset exceeds its recoverable amount, being any impairment recognised in the income statement.

Grants received from customers related to assets within concessions are delivered to the Group on a definitive basis, and, therefore, are not reimbursable. These grants are deducted from the value of the assets allocated to each concession.

The concession contracts that currently exist in EDP Group are mainly based in the Intangible Asset Model, namely in the electricity special regime production concessions (PRE) in Portugal and in the Mixed Model, namely in the electricity distribution concessions in Portugal and in Brazil.

IFRIC 12 - Concessions has been amended as a result of the adoption of IFRS 15, thus EDP Group has transferred from the caption Intangible assets to the caption Debtors and other assets from commercial activities - Non current, the amounts related to the assets under construction for the electricity distribution concessions in Portugal and in Brazil, since they qualify as contractual assets (see note 17).

aa) Institutional partnerships in USA

The Group has entered in several partnerships with institutional investors in the United States, through operating agreements with limited liability companies that apportion the cash flows generated by the wind farms between the investors and the Company and allocates the tax benefits, which include Production Tax Credits (PTCs), Investment Tax Credits (ITC) and accelerated depreciation, largely to the investor.

The institutional investors purchase their minority partnership interests for an upfront cash payment with an agreed targeted internal rate of return over the period that the tax credits are generated. This anticipated return is computed based on the total anticipated benefit that the institutional investors will receive and includes the value of PTC's / ITC's, allocated taxable income or loss and cash distributions received.

The control and management of these wind farms are a responsibility of EDPR Group and they are fully consolidated in these financial statements.

The financial instruments held by the institutional investors issued by the partnerships represent compound financial instruments as they contain characteristics of both financial liabilities and equity. The Group has determined that at the funding dates, the fair values of the original proceeds is equal to the fair values of the liabilities at that time and no value was assigned to the equity component. Subsequently, these liabilities are measured at amortized cost.

This liability is reduced by the value of tax benefits provided and cash distributions made to the institutional investors during the contracted period. The value of the tax benefits delivered, primarily accelerated depreciation and ITC are recognised as Income from institutional partnerships on a pro-rata basis over the useful life of the underlying projects (see note 8). The value of the PTC's delivered are recorded as generated. This liability is increased by an interest accrual that is based on the outstanding liability balance and the targeted internal rate of return agreed.

After the flip date, the institutional investor retains a non-significant interest for the duration of the structure. This non-controlling interest is entitled to distributions ranging from 2.5% to 6% and taxable income allocations ranging from 5% to 17%. EDPR NA has an option to purchase the institutional investor's residual interest at fair market value during a defined period following the flip date. Post flip non-controlling interests is the portion of equity that is ascribed to the institutional investor in the institutional equity partnership at flip date. This amount is reclassified from the total equity attributable to the Parent to non-controlling interests caption in the period in which the flip date takes place.

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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, on 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 five aspects of the accounting for financial instruments: recognition, classification and measurement, impairment of financial assets, hedge accounting and derecognition.

  EDP Group has adopted the new standard on the required effective date and has not restated comparative information, as provided by IFRS 9. As permitted by IFRS 9, the EDP Group decided to continue to apply the hedge accounting requirements of IAS 39 in 2018, instead of the requirements of IFRS 9. Despite this, EDP Group has performed an assessment during this year and will change its accounting policy. Accordingly, EDP Group has decided to apply prospectively the hedge accounting requirements of IFRS 9 for annual periods beginning on or after 1 January 2019. EDP Group expects no impacts in the tests to be perform to demonstrate its effectiveness resulting from applying prospectively the hedge accounting requirements of IFRS 9 as from 1 January 2019. As at 31 December 2018, EDP Group expects no significant impacts on its statement of financial position and equity, resulting from the adoption of the hedge accounting requirements of IFRS 9.

  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 Consolidated Statements of Financial Position, presented below.

- **IFRS 15 - Revenue from 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 Customers, 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.

  The new standard presents the principles that shall be applied by an entity in order to provide more useful information to users of financial statements about the nature, amount, term and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of control 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 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.

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EDP Group has analysed 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 Consolidated Statements of Financial Position presented below.

- **Summary of the impacts of the adoption of IFRS 9 and IFRS 15 in Consolidated Statement of Financial Position on 01 January 2018**

Thousand Euros		01-Jan-18	Impact of IFRS 9 adoption	Impact of IFRS 15 adoption	31-Dec-17
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	-	-	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 payables 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
Financial debt		1,448,129	-	-	1,448,129
Employee benefits		323,891	-	-	323,891
Provisions		26,058	-	-	26,058
Hydrological correction account		1,574	-	-	1,574
Trade payables and other liabilities from commercial activities		3,498,131	-	-	3,498,131
Other liabilities and other payables		284,140	-	-	284,140
Current tax liabilities		563,456	-	-	563,456
Liabilities held for sale		114,681	-	-	114,681
Total Current Liabilities		6,260,060	-	-	6,260,060
Total Liabilities		28,665,789	863	70,137	28,594,789
Total Equity and Liabilities		42,064,555	-34,891	24,397	42,075,049

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 in the positive amount of 22,146 thousand Euros and the negative amount of 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 positive amount of 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 24).
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 o).
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 24).

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 25).

vi) In the scope of IFRS 9, EDP Group has reclassified 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 adoption 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 (see note 35).

ix) As at 1 January 2018, the caption Trade payables 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 o).

The following tables summarise the impacts of adopting IFRS 15 on the Group's statement of financial position as at 31 December 2018 and its income statement for the year then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 31 December 2018.

- **Impacts in Consolidated Statement of Financial Position as at 31 December 2018**

Thousand Euros		31.12.2018 As reported	IFRS 15 Adjustments - Opening Balance	IFRS 15 Adjustments 2018	31.12.2018 Without IFRS 15 adoption
Assets					
Deferred tax assets		1,152,195	-6,563	-2,424	1,143,208
Debtors and other assets from commercial activities	a)	2,522,640	-17,834	17,520	2,522,326
Others		37,952,126	-	-	37,952,126
Total Assets		41,626,961	-24,397	15,096	41,617,660
Equity					
Reserves and retained earnings	b)	4,350,938	45,623	-	4,396,561
Consolidated net profit attributable to equity holders of EDP		519,189	-	11,435	530,624
Non-controlling Interests		3,932,150	117	-	3,932,267
Others		4,098,050	-	-	4,098,050
Total Equity		12,900,327	45,740	11,435	12,957,502
Liabilities					
Provisions Non-Current	c)	982,515	17,625	7,583	1,007,723
Deferred tax liabilities		574,701	6,104	-357	580,448
Trade payables and other liabilities from commercial activities	d)	1,356,245	-93,866	-3,565	1,258,814
Others		25,813,173	-	-	25,813,173
Total Liabilities		28,726,634	-70,137	3,661	28,660,158
Total Equity and Liabilities		41,626,961	-24,397	15,096	41,617,660

As above presented, the impacts are split between the amounts considered at the transition date and the amounts that would be registered if the EDP Group had not apply IFRS 15 in its financial statements at 31 December 2018. The major impacts presented as IFRS 15 Adjustments 2018 are the following:

a) The caption Debtors and other assets from commercial activities – Non Current includes 21,046 thousand Euros related to the income receivable that do not meet the requirements for revenue recognition under IFRS 15, for being variable consideration, and -3,526 thousand Euros related to the recognition of a set of incremental costs to obtain a contract, which are eligible for capitalization under IFRS 15, and the corresponding amortisation recognised.

b) The impacts related to the year 2018 are detailed below by caption of EDP Consolidated Income Statement.

c) The caption Provisions includes 7,583 thousand Euros related to liabilities over assets recognised under IAS 18, that no longer qualify as assets due to IFRS 15's adoption.

d) The caption Trade payables and other liabilities from commercial activities – Non Current includes -5,165 thousand Euros related to income previously recognised under IFRIC 18 - Transfer of Assets from Customers, which do not meet the principles to be classified as income as envisaged in IFRS 15, since the performance obligation has not yet been met, and 1,600 thousand Euros related to other income receivable that do not meet the requirements for revenue recognition under IFRS 15, for being variable consideration.

- **Impacts in Consolidated Income Statement as at 31 December 2018**

Thousand Euros	31.12.2018 As reported	IFRS 15 Adjustments	31.12.2018 Without IFRS 15 adoption
Revenues from energy sales and services and other	15,278,085	9,696	15,287,781
Cost of energy sales and other	-10,178,903	5,165	-10,173,738
Other income	562,677	-	562,677
Supplies and services	-956,961	-21,884	-978,845
Amortisation and impairment	-1,444,812	20,435	-1,424,377
Income tax expense	-165,011	-1,977	-166,988
Others	-2,218,994	-	-2,218,994
Net profit for the period	876,081	11,435	887,516

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

Thousand Euros	01-jan-18	Impact of IFRS 9 adoption	Impact of IFRS 15 adoption	31-dec-17
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	-	-	51,496
Deferred tax assets	78,258	-	-	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	-	-	609,630
Other debtors and other assets	3,327,168	419,946	-	2,907,222
Current tax assets	185,256	-	-	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	-	-	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 payables 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	-	-	7,702,537
Employee benefits	376	-	-	376
Provisions	1,553	-	-	1,553
Hydrological correction account	1,574	-	-	1,574
Trade payables 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 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**

  IFRS 16 - Leases has been issued by International Accounting Standards Board (IASB) in January 2016 and endorsed by the EU on 31 October 2017, and is effective as of 1 January 2019.

  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. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee is required to apply IFRS 16 to its leases using either the full retrospective approach or the modified retrospective approach (which entails no restatement of its prior-period financial information). A lessee applies the elected transition approach consistently to all leases in which it is a lessee. The most significant impact will be the recognition of right of use (ROU) assets and lease liabilities for the operating leases, unless the lease term is 12 months or less, or the lease is for a low-value asset. Lessor accounting remains similar to the current standard, IAS 17.

  With the adoption of IFRS 16, the Group will recognise a right-of-use asset (ROU asset) and a lease liability if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: i) the contract involves the use of an identified asset; ii) the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and iii) the Group has the right to direct the use of the asset.

  EDP Group will adopt the new standard on the required effective date in accordance with the modified retrospective transition approach, without restatement of comparative information.

  On initial application of IFRS 16 to leases previously classified as operating leases, EDP Group will recognise a right of use (ROU) asset and a lease liability, which corresponds to the payments of that lease contracts discounted using EDP Group's incremental borrowing rate for each portfolio of leases, as at 1 January 2019. As provided by the standard, EDP Group has elected to measure the ROU asset at the amount of the lease liability on adoption (adjusted for any prepaid amount or accrued lease expenses).

  During 2018, EDP Group has performed a detailed assessment of the impact on all the aspects of IFRS 16. This assessment is based on currently available information and may be subject to changes due to clarifications about identified divergence in practice in the industry, related mainly with the contracts for the use of the land where wind farms are located. Therefore the adoption impacts are subject to change until the presentation of the first financial statements that include the date of initial application.

  EDP Group has carried out an inventory of the existing lease contracts, in order to access qualitative and quantitative impacts on the adoption of the Standard. Accordingly, EDP Group will recognise new assets and liabilities for its operating leases mainly of land where wind farms are located, real state, vehicles and other leased assets. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for the right-of-use assets and an interest expense on lease liabilities.

  In the context of the initial application of IFRS 16, EDP Group estimates an increase in Property, plant and equipment and in Lease liabilities of 760,000 thousand Euros on consolidated statement of financial position at 1 January 2019. As the asset is depreciated over the asset's useful life, which in most cases corresponds to the lease term, and the lease payments are broken down into interest and repayment of the liability, the operating results are expected to increase. The change in presentation of operating lease expenses will also result in a corresponding increase in cash flows operating activities and a decline in cash flows from financing activities.

  Considering the divergence in interpretations of IFRS 16 about the exclusive, or non-exclusive, right to use lands rented for wind farms, since those lands contractually could be available for different purposes, such as agriculture and livestock, EDP Group is reanalysing all lease contracts and intends to conclude, in line with the industry practice.

  During 2018, EDP, S.A. has made an assessment in order to identify the impacts of the application of the IFRS 16's requirements. The Company has estimated an impact of 65,000 thousand Euros regarding the adoption of this standard, related to its operating leases of land where are located Lisbon and Porto headquarters' buildings.

The standards, amendments and interpretations issued but not yet effective for the Group (whose effective application date has not yet occurred or, despite their effective dates of application, they have not yet been endorsed by the UE) for which no significant impact is expected, 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;
- Amendments to References to the Conceptual Framework in IFRS;
- IFRS 3 (Amended) - Definition of a business; and
- IAS 1 (Amended) and IAS 8 (Amended) - Definition of material.

Regarding the new interpretation to IAS 12 – Income tax, IFRIC 23, the Group has reassessed all the pending litigations or disputes with tax authorities regarding income tax, and no changes in the estimates made previously by management are expected to be adjusted as at January 1, 2019. All the others amendments to IFRS were not assessed as having impact on Group's financial statements, and IFRS 17 does not apply to Group's core activities.

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 main accounting estimates and judgements used in applying the accounting policies are discussed in this note in order to improve the understanding of how its application affects the Group's reported results and disclosures. A broader description of the accounting policies employed by the Group is disclosed in note 2 - Accounting policies.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Group, the reported results could differ if a different treatment was chosen. The Executive Board of Directors believes that the choices made are appropriate and that the financial statements present fairly the Group operations in all material respects.

Financial asset related with infrastructure concession contracts in Portugal

The caption "Amounts receivable from concessions - IFRIC 12", refers to the financial assets receivable by EDP Group companies that operate infrastructures under concession contracts, and arises from the unconditional right to receive this amount regardless of the utilisation level of the infrastructures covered by the concession. In these companies is included EDP Distribuição as the National Distribution Network's (RND) concessionaire, which comprises the medium and high voltage network (MT and HT), and low voltage distribution networks (LT), being these concessions exercised exclusively through public service concession contracts.

The RND's operation, which is part of the high and medium tension network (HT and MT), is carried out through a public service concessions' attribution, by the Portuguese State. On the other hand, the right to distribute low voltage electricity is attributed to the Portuguese mainland municipalities. The legislation that establishes the basis of each concession sets up that the ownership or possession of the goods assigned to these concessions revert to the concessionaires at the end of their respective concessions. They also establish that in return for the assets returned to grantors, whether State or municipalities, compensation corresponding to the assets' book value assigned to the concession, net of amortisations, financial contributions and non-refundable subsidies will be paid. Therefore, the assets' estimated residual value at the end of each concession constitutes a financial asset, and the remaining fair value component of the concession assets is an intangible asset to be amortised over its useful life. Hence, the end date of each concession is one of the main assumptions for the financial assets' and intangible assets' estimation.

As mentioned in note 1, in May 2017 Law 31/2017 was approved, which lays down the principles and general rules concerning the organisation of public tendering procedures for the awarding, by contract, of the municipal LT concessions' operation in the Portuguese mainland. This Law foresees the simultaneous launch, in 2019, of public tender procedures for all municipalities that do not opt for direct management of the electricity distribution activity, as well as to all municipalities whose current concession contracts reach their end before 2019, and do not opt for direct management. In these cases, both parts shall enter into a written agreement extending the term of their respective concessions until the new concession contracts enter into force. The awarding decisions will be taken by municipalities or by the territorial area's intermunicipal entity attached to the referred proceedings.

Thus, it is expected that this legislation and the concessions renewal proceedings will have a significant impact on EDP Distribuição's estimate of financial and intangible assets, namely through the concessions' termination anticipation, that currently extend beyond 2019. However, at this date it is not possible to predict the end date of the concession contracts currently in force, as the process is still in an initial phase, by doing studies and legislation. With reference to 31 December 2018, financial assets and intangible assets were estimated based on the end dates of each of the contracts currently in force, and do not consider any changes arising from the already mentioned legislation. The use of different assumptions and estimates could result in different amounts of financial and intangible assets, with the consequential impact in the Statement of Financial Position.

Measurement criteria of the concession financial receivables under IFRIC 12 in Brazil

In 2012, the Provisional Measure 579/12 was published in Brazil, meanwhile converted into Law 12,783/13, which determines the amount of the indemnisation payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indemnisation amount (financial asset IFRIC 12) of EDP São Paulo and EDP Espírito Santo, booked under IFRIC 12 terms. The indemnisation amount variation is booked against Revenues from energy sales and services and other. This amount corresponds to the difference between the new replacement value versus the historical cost.

Impairment

Impairment of long term assets and Goodwill

Impairment tests are performed whenever there is a trigger that the recoverable amount of property, plant, equipment and intangible assets is less than the corresponding net book value of the assets.

On an annual basis, the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The investments in subsidiaries, on a company basis, and in associates are reviewed when circumstances indicate the existence of impairment.

Considering the uncertainties regarding the recoverable amount of property, plant and equipment, intangible assets and goodwill as they are based on the best information available, changes in the assumptions could result in changes on the determination of the amount of impairment and, consequently, in results.

Impairment of receivables

Impairment losses related to doubtful debts are estimated by EDP based on the estimated recoverable amounts, the date of default, debt write offs and other factors. Certain circumstances and facts may change the estimated impairment losses of doubtful debts, namely changes in the economic environment, sector trends, client's credit risk and increases in the rate of defaults. Changes in the estimates and judgement could change the impairment test results, thereby affecting results (see note 2 e)).

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.

Useful lives of generation assets - Hydro independent generator in Brazil

The hydro generation assets in Brazil for independent generators are amortised during their estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements. This includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by ANEEL, the respective contractual residual indemnification values at the end of each concession period, as well as related technical and legal opinions. The remaining period of amortisation and the indemnification values at the end of the concessions may be influenced by changes in the regulatory legal framework in Brazil.

Tariff adjustments

Portugal

Tariff adjustments in Portugal represent the difference between costs and income of the National Electricity and Gas System, estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the System established at the end of each period. The tariff adjustments assets or liabilities are recovered or returned through electricity tariffs to customers in subsequent periods.

Decree-Law 237-B/2006 of 19 December, and Decree-Law 165/2008 of 21 August, recognised an unconditional right of the operators of the electricity sector to recover the tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations. Additionally, the legislation allows the transfer to third parties of the right to receive tariff adjustments. Therefore, under this legislation, regulated companies may provide to third parties, in whole or in part, the right to receive the tariff adjustments through the electricity and gas tariffs. In accordance with the accounting policy in force, the EDP Group books under the caption Revenues from energy sales and services and other - Electricity and network access, the effects of the recognition of tariff adjustments in the electricity sector, against Debtors and other assets from commercial activities and Trade payables and other liabilities from commercial activities.

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

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Spain

Royal Decree Law 6/2009, published on 7 May 2009, established, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electricity sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013 access tariffs would be sufficient to cover the cost of regulated activities, without the creation of an "ex-ante" tariff deficit and, in order to ease this gradual elimination, Royal Decree Law 6/2009 also provided for the passage of some costs included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO2 costs in market prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs associated with the management and treatment of radioactive waste from nuclear power plants and fuels consumed. However, Royal Decree Law 29/2012, endorsed on 28 December, abolished the regulatory requirement mentioned in paragraph (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

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

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

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

Brazil

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

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

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

Revenue recognition

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

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

Income taxes

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

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

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

Pensions and other employee benefits

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

Provisions for dismantling and decommissioning of power generation units

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

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

Entities included in the consolidation perimeter

In order to determine which entities must be included in the consolidation perimeter, EDP Group evaluates whether it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee ("de facto" control).

This evaluation requires judgement, assumptions and estimates in order to conclude whether the Group is in fact exposed to the variability of returns and has the ability to affect those returns through its control over the investee.

Other assumptions and estimates could lead to a different consolidation perimeter of the Group, with direct impact on the consolidated financial statements.

Business combination

Under IFRS 3 (Business Combination) in a business combination, the acquirer shall recognise and measure in the consolidated financial statements the assets acquired and liabilities assumed at fair value at the acquisition date. The difference between the purchase price and the fair value of the assets and liabilities acquired leads to the recognition of goodwill or a gain from a purchase at a low price (bargain purchase).

The fair value determination of the assets acquired and liabilities assumed is carried out internally or by independent external evaluators, using the discounted cash flows method, using the replacement cost or other fair value determination techniques, which rely on the use of assumptions and estimates including macroeconomic indicators such as inflation rates, interest rates, exchange rates, discount rates, sale and purchase prices of energy, cost of raw materials, production estimates and business projections. Consequently, the determination of the fair value and goodwill or gain from a purchase at a low price is subject to numerous estimates and judgments and therefore changes in assumptions could result in different impacts on results.

Fair value measurement of contingent consideration

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. This 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 extinction and in accordance with the applicable legislation, a contractual stability compensation (CMEC) was granted to EDP Group. This mechanism includes three types of compensation: initial compensation, annual compensation (or revisibility) and final adjustment.

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Initial Compensation

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

Contractual stability compensation – annual revisibility mechanism

During period I (2007/2017) of the contractual stability compensation mechanism, there was 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 with respect to the revenues from the ancillary 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, and were contested by EDP Produção:

a) As regards the approval of the 2011 and 2012 revisibilities, the fact that it did not consider the costs incurred with the social tariff in the calculation of the revisibilities; and

b) As regards the approval of the 2014 revisibility, the fact that it did not take into account in the calculation of the revisibility the costs incurred with the social tariff and CESE.

Regarding the annual revisibilities of 2015 to 2017, it is awaited approval, even though, by letter of 21 April 2017 from ERSE, the transfer to EDP Produção of the annual revisability of 2015 has been authorised.

CMEC Final Adjustment

The CMEC's Final Adjustment is calculated in accordance with number 7 of article 3rd and Annex IV of Decree-Law 240/2004, of 27 December. 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 2017, 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 of 256.5 million Euros against deferred income, based on Decrew-Law 240/2004 and on the document done jointly by EDP and REN and the legal opinions obtained on this subject.

On 3 May 2018, EDP was notified (through a DGEG's letter from 25 April 2018) that the CMEC final adjustment had been officially approved, according to ERSE's proposal, in the amount of 154 million Euros. EDP reflected this reality in its financial statements as of 31 December 2018, recognising a provision by the difference in the final adjustment amounts already recognised in the Group's revenues.

Considering that the administrative act contained in the Dispatch of approval of the SSE of 25 April 2018 lacks technical, economic and legal basis, and that, in particular, it does not apply the calculation methodology contained in Decree-Law 240/2004 and which would lead to the determination of an amount close to the one determined by the technical group, on 3 September 2018, EDP Produção has legally contested it.

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.

Pursuant to Decree-Law no. 74/2013 and its regulations, in order to restore such balance, the power plants operating on a market regime is situated in Portugal, which were not covered by the PPA or CMEC regime, should pay an amount per MWh produced.

The amount payable 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. Consequently, 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 the Dispatch 9371/2017, of 24 October, partially nulled of Dispatch 11566-A/2015, of 3 October 2018 from the SSE, is declared, 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 Produção 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, which 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. Consequently, in the Group's understanding, Dispatch 9371/2017 and 9955/2017 have completely distorted the clawback mechanism, having filed its legal action in January 2018.

In the Financial statements as at 31 December 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, Ordinance 9371/2017 from 24 October and Dispatch 9955/2017, from 17 November. It is important to notice that this mechanism is not applicable to power plants still operating under CMEC regime.

On 5 October 2018, the Spanish legislature, by the sixth and seventh additional lines on Article 21 of Royal Decree-Law 15/2018, suspended the 7% tax on electricity generation approved in 2012 for a period of six months, from the beginning of October 2018 to the end of March 2019. This tax suspension correspond to the suspension of the off-market event verified within the European Union, which is considered in the clawback calculation.

Following the temporary suspension of the tax on electricity production in Spain:
- Order 895/2019 of 23 January, establishing the suspension of the "Clawback" was approved for a period of 6 months as from 1 October 2018;
- The Tariff and Price Document for 2019, published on 17 December 2018, estimates a Clawback value of € 4.18 / MWh, to be applied after the end of the suspension period (more specifically from 6 April 2019);
- ERSE has informed EDP Produção that any clawback invoicing relating to the referred suspension period should be deleted or canceled;
- The State Budget Law for 2019 provided that "the Government shall, by the end of the first quarter of 2019, review the regulatory mechanism designed to ensure the balance of competition in the wholesale electricity market in Portugal, provided for under DL 74/2013, of 4 June, adapting it to the new rules of the Iberian Electricity Market, with the aim of creating harmonized regulatory mechanisms that reinforce competition and protect consumers".

Ancillary Services

On 10 June 2017, following Dispatch 10840/2016 about 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 ancillary 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 Secretary of State for Energy 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 ancillary services market of the power plants which benefited from this mechanism between 2009 and 2014. The DGEG requested EDP Produção to produce a statment at the Hearing of the Stakeholders.

On 20 September 2017, EDP Produção produced a set of observations to this request 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 2018, 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 ancillary 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 31 December 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 ancillary 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 31 December 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 assess all means available to protect the best interests of EDP and its shareholders.

Also, about ancillary services, it should be noted that on 3 September 2018, the Portuguese Competition Authority (AdC) notified EDP Produção with Statement of Objections, under which EDP Produção is accused of abuse of a dominant position in the secondary regulation band market (a part of the ancillary services market). AdC claims that EDP Produção has deliberately limited the participation of CMEC plants in the secondary regulation market between 2009 and 2013, benefitting its non-CMEC power plants. The alleged benefit, in detriment of consumers, would be twofold: receiving higher compensation under CMEC annual adjustment regime; profiting from higher market prices in said market. AdC estimates that the alleged practice of EDP Produção has generated damages to the national electricity system and to consumers of around 140 million Euros. AdC points out that the adoption of a Statement of Objections does not determine the result of the investigation, which began in September. On 28 November 2018, EDP Produção was given the opportunity to exercise its right to be heard and defend itself in relation to the alleged unlawful act and to the penalties in which it may incur.

Innovative Features

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 "innovative features" introduced in CMEC regime regardind PPA, 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 (285 million Euros) and the above mentioned ancillary services (72.9 million Euros).

On 26 September 2018, EDP Produção was notified of the Order of the SEE of 29 August, which considers as an "innovative aspect" the topic "procedures for calculating the verified availability coefficient", quantified at 285 million Euros. This Order refers to the alleged lack of legal forecast of availability tests of CMEC plants. Considering that the Order in question lacks technical, economic and legal basis, on 8 October EDP Produção has submitted an administrative appeal.

Subsequently, EDP Produção received a letter from ERSE dated 12 November 2018 and became aware of the Order of the SEE of 4 October, which, following the Order of 29 August, declared the annulment of the annual adjustments in the part in which they considered the alleged "innovative aspect" concerning the procedures for calculating the coefficient of availability. In the Tariff and Price Document for 2019, ERSE considered the refund of an amount of 90 M € for a portion of the 285 million Euros referred to, expecting that the remaining portion will be paid for a number of years that allow the CMEC to have zero tariff impact by including the 86.5 million Euros in the tariffs of 2020, 86.5 million Euros in tariffs of 2021 and 21.9 million Euros in 2022.

Without having received any response to the gracious complain filed on 1 February 2019, EDP Produção challenged in court the Orders of 29 August and 4 October and the Tariff and Price Document for 2019.

Although the EDP Group considers that there were no innovative features weighted in CMEC adjustments, this aspect was reflected in these financial statements as of 31 December 2018, by recognising a provision of 285 million Euros.

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, its investments and from the volatility of commodity prices, resulting in interest and exchange rate exposures as well as commodity market prices exposures. The status and evolution of the financial markets are analysed on an on-going basis in accordance with the Group's risk management policy. Derivative financial instruments are used to minimise potential adverse effects, resulting from interest rate, 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 to 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 Group operates in different geographies, therefore becoming exposed to exchange rate risk in US Dollar (USD), Brazilian Real (BRL), Romanian Leu (RON), Polish Zloty (PLN), Canadian Dollar (CAD) and Pound Sterling (GBP). Currently, the exposure to USD/EUR, PLN/EUR, RON/EUR, CAD/EUR and GBP/EUR exchange rate risk results essentially from investments of EDP Group in wind parks (and solar) in the USA, Poland, Romania, Canada and United Kingdom, respectively. The exposure to BRL/EUR exchange rate risk results essentially from investments of EDP Group in EDP Brasil SA and EDP Renováveis Brasil. 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 policy implemented by the EDP Group consists of undertaking derivative financial instruments to hedge exchange rate risk with similar terms 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 assessed.

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.

Sensitivity analysis - exchange rate

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the EUR/USD exchange rate, as at 31 December 2018 and 2017, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

	Dec 2018			
	Profit or loss		Equity	
Thousand Euros	+10%	-10%	+10%	-10%
USD	62,728	-76,668	-123,197	150,574
	62,728	-76,668	-123,197	150,574

	Dec 2017			
	Profit or loss		Equity	
Thousand Euros	+10%	-10%	+10%	-10%
USD	10,535	-12,876	-14,214	17,373
	10,535	-12,876	-14,214	17,373

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.

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 changes in fair value of the hedging instrument and 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 10 years. The Group's Financial Departments undertake sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. As at 31 December 2018, after the hedging effect of the derivatives 56% of the Group's liabilities are at fixed rate.

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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 31 December 2018 and 2017 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

	Dec 2018			
	Profit or loss		Equity	
Thousand Euros	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-14,052	14,052	-	-
Unhedged debt	-7,354	7,354	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	6,202	-7,544
Trading derivatives (accounting perspective)	-2,222	1,406	-	-
	-23,628	22,812	6,202	-7,544

	Dec 2017			
	Profit or loss		Equity	
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	-13,664	13,664	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	10,607	-12,361
Trading derivatives (accounting perspective)	-105	-4,754	-	-
	-28,590	23,731	10,607	-12,361

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 Brazilian market.

Brazil - Sensitivity analysis - exchange rate

The Brazilian subsidiaries are solely exposed to the USD/BRL exchange rate, 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 31 December 2018 and 2017, in the amount of:

	Dec 2018	
Thousand Euros	+ 25%	- 25%
Financial instruments - assets	6,957	-6,957
Financial instruments - liabilities	-60,614	66,225
Derivative financial instruments	-225	298
	-53,882	59,566

	Dec 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
	-77,490	78,052

Counterparty credit risk management

EDP Group's policy (see note 2 e)) 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.

The amount receivable from customers is mainly generated by operations in Portugal, Spain and Brazil, with a diversified customer base, both geographically and in terms of segments (business clients, private and public sector) and size (Supply companies, Business to Business (B2B) and Business to Consumer (B2C)). EDP is present in 16 countries and has more than 9.8 million customers in the electricity sector and 1.6 million customers in the gas sector, and usually the contractual relationship with the counterparty tends to be long-lasting.

The maximum exposure to customer credit risk by counterparty type is detailed as follows:

Thousand Euros	Dec 2018	Dec 2017
Corporate and private sector:		
Supply companies	102,418	99,284
B2B	482,338	670,483
B2C	356,421	408,901
Other	107,818	122,249
	1,048,995	1,300,917
Public sector:		
Debt with payment agreement	41,280	53,420
Debt without payment agreement	170,551	131,916
	211,831	185,336
	1,260,826	1,486,253

Trade receivables by geographical market for the Group EDP, is as follows:

	Dec 2018					
Thousand Euros	Portugal	Spain	Brazil	USA	Other	Group
Corporate and private sector	446,708	116,806	447,513	10,662	32,312	1,054,001
Public sector	135,623	12,988	57,120	-	1,094	206,825
	582,331	129,794	504,633	10,662	33,406	1,260,826

	Dec 2017					
Thousand Euros	Portugal	Spain	Brazil	USA	Other	Group
Corporate and private sector	546,871	211,438	496,392	14,076	32,140	1,300,917
Public sector	90,656	37,503	56,541	-	636	185,336
	637,527	248,941	552,933	14,076	32,776	1,486,253

The amounts receivable from supply companies are concentrated mainly in Portugal, Brazil and EDP Renováveis Group, as follows:

- In Portugal, these counterparties present a significantly reduced days sales outstanding, about 20 days, and these entities are subject to the sector regulation that establishes collaterals to reduce credit risk. The collateral provided is updated based on the average of the last quarter monthly sales, which reinforces a low risk profile;

- In Brazil, it refers mainly to: (i) the amounts from sale of electricity to wholesale dealers and supply companies, (ii) accounts receivable relating to energy traded in the Electric Energy Trading Chamber - CCEE; and (iii) charges for the electricity network access;

- In EDPR EU, main customers are operators and distributors in the energy market of their respective countries. Credit risk is not significant due to the limited days sales outstanding and to the quality of its debtors. Counterparty risk comes from the countries that have renewable energy incentives, and is usually seen as a regulatory risk;

- In EDPR NA, main customers are regulated utilities and regional market agents in the USA. As it occurs in Europe, credit risk is not significant due to the limited days sales outstanding and to the quality of the debtors. However, the exposure to customers in long term contracts also arises from the mark-to-market of these contracts. This exposure is managed by a detailed assessment of the counterparty before signing any long term agreement and by a requirement of collaterals depending on the exposure and on the rating.

Regarding the remaining receivables from companies and individual customers, resulting from the current activity of EDP Group, the credit risk is essentially the result of customers defaults, whose exposure is limited to the supply made until the possible date of supply disruption. A 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.

Amounts receivable from public sector customers include amounts receivable from renegotiated debt with payment agreements, which, as the counterparty is a public entity and has already recognised the debt through payment protocols, present a lower risk. These amounts also include debt without payment agreements arising from the normal power supply activity similar to that described for the corporate and individual sector.

Regarding the ageing, as at 31 December 2017, Trade receivables is as follow:

Thousand Euros	Dec 2017
Past due but not impaired trade receivables:	
Less than 3 months	318,938
Between 3 to 6 months	30,045
Between 6 to 12 months	9,995
More than 12 months	14,810
	373,788
Impaired trade receivables	367,838
Not past due and not impaired trade receivables	1,112,465
	1,854,091

Past due but not impaired trade receivables include debt with payment agreements.

The age of trade receivables that are past due but not impaired may vary significantly depending on the type of customer (Corporate and private sector or public sector).

In accordance with accounting policies - note 2 e), impairment losses are determined using the simplified approach precluded in IFRS 9, based on life time expected losses.

Regarding third-party receivables generated by the Group's day-to-day business, the credit risk arises essentially from customers default, whose 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 customers and of Contract assets related to energy sales net of the impairment losses recognised. The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exist that have not been recognised as such and provided for.

As at 31 December 2018, in accordance with the methodology for determining impairment losses on amounts receivable from the electric sector, no impairment loss has been booked. The risk levels for amounts receivable from the electric sector have been considered to be the same as the country risk levels for Brazil, Portugal and Spain, which have high credit ratings.

The maximum exposure to credit risk of Contract assets related to energy sales and Amounts receivable from the electric sector is as follows:

Thousand Euros	Dec 2018	Dec 2017
Contract assets related to energy sales:		
Contract assets receivable from energy sales contracts	1,218,307	1,015,112
	1,218,307	1,015,112
Amounts receivable from the electric sector:		
Amounts receivable from tariff adjustments - Electricity	335,156	947,435
Amounts receivable relating to CMEC	832,424	1,024,762
Amounts receivable from concessions - IFRIC 12	935,237	1,290,348
	2,102,817	3,262,545
	3,321,124	4,277,657

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 33).

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.

Energy management activity 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	Dec 2018	Dec 2017
Risk factor		
Trading	40,000	3,800
Coal	23,000	52,000
Gas	9,000	12,000
CO2	43,000	19,000
Electricity	90,000	39,000
Hydrological	414,000	153,000
Diversification effect	-237,000	-146,000
	382,000	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:

	Dec 2018	Dec 2017
Credit risk rating (S&P)		
AAA to AA-	0.16%	-
A+ to A-	34.87%	63.68%
BBB+ to BBB-	61.12%	31.54%
BB+ to B-	0.87%	0.93%
No rating assigned	2.98%	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 risk management process of the entity.

Additionally, management describes this aspect of its strategic objectives, policies and processes to manage risks, including the financial risks, in the chapters:
02 Strategic Approach
2.2.2 Strategic Guidelines Compliance - Continue Financial Deleveraging; and
2.3 Risk Management: Key Risks - Financial; Risk Appetite - Financial.
04 Corporate Governance
53 The main types of economic, financial and legal risk - Financial risks.

The Group's goal in managing capital 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 2018, the following changes occurred in the EDP Group consolidation perimeter:

Companies acquired:

- EDP Renewables Italia Holding, S.r.L. acquired 100% of the company Breva Wind S.r.L. in the first quarter of 2018, and 100% of the company Sarve, S.r.l. in the third quarter of 2018. These operations were classified as asset purchases, out of scope of IFRS 3 – Business Combinations, due to the substance of these transactions, the type of assets acquired and the very early stage of the projects.
- EDP Renováveis Brasil, S.A. acquired 100% of the companies Central Eólica Aventura III, S.A., Central Eólica Aventura IV, S.A., Central Eólica Aventura V, S.A., Central Eólica SRMN I, S.A., Central Eólica SRMN II, S.A., Central Eólica SRMN III, S.A. and Central Eólica SRMN IV, S.A. in the first quarter of 2018, 100% of the companies Central Eólica SRMN V, S.A., Central Eólica Monte Verde I, S.A., Central Eólica Monte Verde II, S.A., Central Eólica Monte Verde III, S.A., Central Eólica Monte Verde IV, S.A. and Central Eólica Monte Verde V, S.A. in the third quarter of 2018, and 100% of the companies Central Solar Pereira Barreto I, Ltda., Central Solar Pereira Barreto II, Ltda., Central Solar Pereira Barreto III, Ltda., Central Solar Pereira Barreto IV, Ltda. and Central Solar Pereira Barreto V, Ltda. in the fourth quarter of 2018. These operations were classified as asset purchases, out of scope of IFRS 3 – Business Combinations, due to the substance of these transactions, 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. In 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 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. During the fourth quarter of 2018, EDP Energias do Brasil, S.A. acquired additional preferred shares issued by Celesc. The Group now holds 3,945,820 preferred shares, plus 5,140,868 ordinary shares, which together represent 23,56% of Celesc´s share capital.

  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:

Thousands of Reais	
Amount paid (14.46% of participation)	244,004
Amount paid (5.16% of participation)	53,730
Amount paid (3.94% of participation)	63,653
Total paid	361,387
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
Fair value of the net assets of Celesc on 31/12/2018	2,010,402
Fair value of the net assets acquired (3.94%)	79,120
Cost of acquisition	-10,982
Net gain on the acquisition	78,880
Net gain on the acquisition in thousand Euros (see note 13)	18,314

- 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 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 EDPR France Holding, S.A.S., of 100% of the companies La Plaine de Nouaille, S.A.S., Le Chemin de la Corvée, S.A.S., Le Chemin de Saint Druon, S.A.S., Parc Éolien des 7 Domaines, S.A.S. and Parc Éolien de la Côte du Cerisat, S.A.S. in the third quarter of 2018, was classified as an asset purchase out of scope of IFRS 3 – Business Combinations due to the substance of the transaction, the type of assets acquired and the very early stage of the projects.

- EDP Renováveis Brasil, S.A. acquired 100% of the share capital of the companies Aventura Holding, S.A. and SRMN Holding, S.A. in the third quarter of 2018 and 100% of share capital of the companies Central Eólica Jerusalém I, S.A., Central Eólica Jerusalém II, S.A., Central Eólica Jerusalém III, S.A., Central Eólica Jerusalém IV, S.A., Central Eólica Jerusalém V, S.A., Central Eólica Jerusalém VI, S.A., in the fourth quarter of 2018.
- EDP Renováveis, S.A. acquired 20.19% of the share capital of the company Solar Works! B.V., in the third quarter of 2018.
- EDP Renewables Polska, Sp. z o.o. acquired 100% of the company Rampton, Sp. z o.o. in the fourth quarter of 2018.
- EDPR Offshore North America LLC acquired 50% of the company Mayflower Wind Energy LLC in the fourth quarter of 2018.
- The EDP CleanTech FCR Fund acquired 33.3% of the share capital of WPVT, S.A. in the fourth quarter of 2018.

Sale of companies with loss of control:

- In the third quarter of 2018, Moray Offshore Renewable Power Limited sold to Delphis Holdings Limited 33% of its direct and indirect interests in the following companies:
  - Moray West Holdings Limited;
  - Moray Offshore Windfarm (West) Limited.

  In accordance with the Shareholders Agreement and other relevant contracts, it has been established a shared control of the Company which led to a loss of control over the company and its consolidation by the equity method. This disposal with loss of control genetared a gain on a consolidated basis of 314 thousand Euros, which was recorded in the income statement.
- In the fourth quarter of 2018, EDPR Wind Ventures XIX, LLC concluded the sale to Quatro Wind AquisitionCo LLC of 80% of its direct financial interest in 2018 Vento XIX LLC and indirect interests in Meadow Lake Wind Farm VI LLC and Prairie Queen Wind Farm LLC by 58,608 thousand Euros the equivalent to 69,219 thousand US Dollars (which corresponds to a sale price of 230,000 thousand US Dollars, plus the fair value of contigent prices identified in the operation of 27,296 thousand US Dollars (see note 25 and 38) and deducted from assumed liabilities of 188,077 thousand US Dollars (see note 37)).
  In accordance with the Shareholders Agreement and other relevant contracts, it has been established a shared control of the Companies which led to a loss of control over the companies and their consolidation by the equity method. This disposal with loss of control generated a gain on a consolidated basis of 108,976 thousand Euros, which was recorded in the income statement (see note 8).
- In the fourth quarter of 2018, EDP Renewables Canada LP Ltd concluded the sale to Axium Quatro NR Wind Limited Partnership of 75% of its direct and indirect interests in the following companies: Nation Rise Wind Farm Gp II Inc. and Nation Rise Wind Farm Limited Partnership by 6,340 thousand Euros the equivalent to 9,696 thousand Canadian Dollars (which corresponds to a sale price of 47,813 thousand Canadian Dollars, less the fair value of contigent prices identified in the operation of 36,991 Canadian Dollars (see note 25 and 38), deducted from assumed liabilities of 1,005 thousand Canadian Dollars (see note 37) and transaction costs in the amount of 121 thousand Canadian Dollars).
  In accordance with the Shareholders Agreement and other relevant contracts, it has been established a shared control of the Companies which led to a loss of control over the companies and their consolidation by the equity method.

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.
- Sãvida - Medicina Apoiada, S.A. liquidated SCS - Serviços Complementares de Saúde, S.A.
- EDP Energias do Brasil, S.A. sold 51% of Costa Rica Energética, Ltda. by 10,130 thousand Euros and generated a gain of 5,447 thousand Euros (see note 8).
- EDP Renewables Italia Holding, S.r.L. liquidated the Italian companies Laterza Wind, S.R.L. and Castellaneta Wind, S.R.L..
- EDP Renovables España S.L. sold 100% stake in the companies Parque Eólico La Estancia, S.L. and Parque Eólico Cañete, S.L, which had been incorporated in the beginning of the year.
- EDP - Gestão de Produção de Energia, S.A. sold the 100% financial interests in the companies EDP Small Hydro, S.A. and Pebble Hydro - Consultoria, Investimento e Serviços, Lda. for 79,611 thousand Euros (which corresponds to a sale price of 80,826 thousand Euros deducted from transaction costs in the amount of 1,215 thousand Euros), generated a gain of 1,542 thousand Euros.
- EDP - Energias de Portugal, S.A., EDP Gestão Produção Energia, S.A. and EDP Imobiliária e Participações, S.A. sold the 50% equity interest in EDP Produção Bioeléctrica, S.A., for 40,838 thousand Euros (which corresponds to a sale price of 55,569 deducted from loans in the amount of 14,731 thousand Euros of loans), generated a gain of 23,886 thousand Euros (see note 13).
- EDP Energias do Brasil, S.A. sold 100% of its financial interest in Santa-Fé Energia, S.A. for 63,632 thousand Euros the equivalent to 274,076 thousand Reais (which corresponds to a sale price of 275,731 thousand Reais deducted of transaction costs in the amount of 1,655 thousand Reais) and generated a gain of 26,469 thousand Euros (see note 8).
- EDP Energias do Brasil, S.A. sold 100% of its financial interest in EDP Pequenas Centrais Hidroelectricas S.A. for 74,822 thousand Euros the equivalent to 322,271 thousand Reais (which corresponds to a sale price of 325,030 thousand Reais deducted of transaction costs in the amount of 2,759 thousand Reais) and generated a gain of 50,433 thousand Euros (see note 8).

Companies merged:

- EDP Renewables Canada LP Holdings, Ltd. was merged into EDP Renewables Canada Ltd.
- The following companies were merged into EDPR PT - Promoção e Operação, S.A.:
  - Gravitangle - Fotovoltaica Unipessoal, Lda;
  - Stirlingpower, Unip. Lda.
- The following companies were merged into EDPR Villa Galla, S.R.L.:
  - Villa Castelli Wind, S.R.L.;
  - Pietragalla Eolico, S.R.L.

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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.;
- EDP Energie France;
- EDP Energia Polska;
- EDP Renewables Canada Management Services Ltd;
- EDP Renewables Sask SE GP Ltd *;
- EDP Renewables Sask SE Limited Partnership;
- EDP Renewables SH II Project GP Ltd *;
- EDP Renewables SH II Project LP *;
- EDP Ventures Brasil S.A.;
- EDPR Wind Ventures XIX LLC *;
- EDPR Wind Ventures XVIII LLC;
- Halbrite Solar Park GP Ltd *;
- Halbrite Solar Park LP *;
- Headwaters Wind Farm III LLC *;
- Helena Harbor Solar Park LLC *;
- Kennedy Wind Farm GP Ltd *;
- Kennedy Wind Farm LP;
- Leprechaun Solar Park LLC *;
- Lobolly Hill Solar Park LLC *;
- Loki Solar Park LLC *;
- Loma de la Gloria Solar Park LLC *;
- Loyal Wind Farm LLC *;
- Marathon Wind Farm LLC *;
- Meadow Lake Wind Farm VIII LLC *;
- Moray East Holdings Limited;
- Moray West Holdings Limited;
- Nation Rise Wind Farm GP II Inc.;
- Parque Eólico Valdelugo, S.L.;
- Prospector Solar Park LLC *;
- Quatro Limited Partnership;
- Quilt Block Wind Farm II LLC *;
- Rye Patch Solar Park 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 31 December 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 Pounds (which corresponds to a sale price of 35,766 thousand Pounds deducted from 17,751 thousand Pounds of loans and transaction costs in the amount of 198 thousand Pounds) generated a gain of 14,688 thousand Euros in the first quarter of 2018 (see note 13). Additionally, Moray Offshore Renewable Power Limited sold an additional 13,4% of the equity consolidated company Moray East Holdings Limited (new holder of the company Moray Offshore Windfarm (East) Limited) to Diamond Generation Europe Limited in the fourth quarter of 2018 by 12,864 thousand Euros the equivalent of 11,381 thousand Pounds (which corresponds to a sale price of 54,031 thousand Pounds deducted from 41,961 thousand Pounds of loans and transaction costs in the amount of 689 thousand Pounds) generating a gain of 9,176 thousand Euros (see note 13).
- In the second quarter of 2018, EDP Renewables SGPS, S.A. has acquired 60% of shareholding in Windplus S.A., in which it previously held 19.4% and had significant influence, being therefore consolidated by the equity method. In accordance with the new Shareholders Agreement, it has been concluded that the company would be jointly controlled, so its consolidation method has not changed. Subsequently, in the fourth quarter of 2018, EDP Renewables, SGPS, S.A completed the sale of 25% shareholding in the company Windplus S.A. to Engie Services International, S.A. After this transaction, was established the shared control of the company in accordance with the Shareholders Agreement, thus maintaining the method of consolidation by the equity method.
- Due to a corporate reorganisation that led to a new Shareholders Agreement, EDP Inovação, S.A. now holds 29.54% of the share capital of Vertequip, Equipamentos e Trabalhos Verticais, Lda. According to the new Shareholders Agreement, EDP Inovação has now significant influence in the company, what led to its consolidation by the equity method.

- According to the sale agreement celebrated in 2018 between CTG and EDPR, Moray Offshore Renewable Power Limited sold 10% of the equity consolidated company Moray East Holdings Limited to China Three Gorges (UK) Limited in the fourth quarter of 2018 by 2,736 thousand Euros the equivalent of 2,421 thousand Pounds (which corresponds to a sale price of 37,564 thousand Pounds deducted from 35,143 thousand Pounds of loans) (see note 43).
- EDP Renewables Europe S.L. sold 13,5% of the equity consolidated company Éoliennes en Mer Dieppe - Le Tréport, S.A.S. to SRPT SAS by 39,077 thousand Euros (which corresponds to a sale price of 27,599 thousand Euros, plus the fair value of contigent prices identified in the operation of 16,408 thousand Euros (see note 25) and deducted from 3,700 thousand Euros of loans and transaction costs in the amount of 1,230 thousand Euros) generated a gain of 35,210 thousand Euros (see note 13).
- EDP Renewables Europe S.L. sold 13,5% of the equity consolidated company Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S. to SRPN SAS by 32,408 thousand Euros (which corresponds to a sale price of 15,053 thousand Euros, plus the fair value of contigent prices identified in the operation of 20,143 thousand Euros (see note 25) and deducted from 2,020 thousand Euros of loans and transaction costs in the amount of 768 thousand Euros) generated a gain of 27,885 thousand Euros (see note 13).

The companies included in the consolidation perimeter of EDP Group as at 31 December 2018 and 2017 are disclosed in Annex I.

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	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Electricity and network access	13,732,751	14,328,626	2,846,718	2,417,206
Gas and network access	701,529	831,090	-	33,159
Sales of CO2 Licenses	-	-	670,171	92,656
Revenue from assets assigned to concessions	438,920	422,801	-	-
Other	404,885	163,470	158,150	163,728
	15,278,085	15,745,987	3,675,039	2,706,749

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

	Dec 2018					
Thousand Euros	Portugal	Spain	Brazil	USA	Other	Group
Electricity and network access	7,106,232	2,856,408	2,942,162	553,137	274,812	13,732,751
Gas and network access	150,487	551,042	-	-	-	701,529
Revenue from assets assigned to concessions	196,559	-	242,361	-	-	438,920
Other	279,506	47,052	77,186	-	1,141	404,885
	7,732,784	3,454,502	3,261,709	553,137	275,953	15,278,085

	Dec 2017					
Thousand Euros	Portugal	Spain	Brazil	USA	Other	Group
Electricity and network access	7,197,552	2,991,007	3,228,983	580,646	330,438	14,328,626
Gas and network access	234,001	597,089	-	-	-	831,090
Revenue from assets assigned to concessions	255,745	-	167,056	-	-	422,801
Other	44,436	32,163	86,203	-	668	163,470
	7,731,734	3,620,259	3,482,242	580,646	331,106	15,745,987

The caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 754,648 thousand Euros (revenue in 31 December 2017: 1,427,303 thousand Euros) regarding tariff adjustments of the period (see notes 24 and 37). This caption also includes a net revenue of 61,515 thousand Euros (31 December 2017: net profit of 22,637 thousand Euros) related to recognition of tariff adjustments for the period in Brazil (see notes 24 and 37).

Additionally, the caption Electricity and network access includes, on a consolidated basis, a positive amount of 62,192 thousand Euros (31 December 2017: positive amount of 177,582 thousand Euros) related to the contractual stability compensation (CMEC) as a result of the power purchase agreements (PPA) termination, including a income of 1,015 thousand Euros related to the CMEC final adjustment (31 December 2017: positive amount of 37,727 thousand Euros), 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 1,147,717 thousand Euros (31 December 2017: 949,144 thousand Euros) related with energy sales under the purchase and sale agreement of evolutive energy between EDP, S.A. and EDP Comercial.

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The breakdown of Revenues from energy sales and services and other by segment, are as follows (see note 50 - Operating Segments).

	Dec 2018					
	Reported Operating Segments				Other Segm /	
Thousand Euros	Iberia	EDP R	EDP Brasil	Total	Adjustm	Group
Electricity and network access	9,877,786	974,902	2,891,008	13,743,696	-10,946	13,732,750
Gas and network access	701,529	-	-	701,529		701,529
Revenue from assets assigned to concessions	196,559	-	242,361	438,920		438,920
Other	324,032	3,421	77,185	404,638	248	404,886
	11,099,906	978,323	3,210,554	15,288,783	-10,698	15,278,085

	Dec 2017					
	Operating Segments				Other Segm /	
Thousand Euros	Iberia	EDP R	EDP Brasil	Total	Adjustm	Group
Electricity and network access	9,795,452	1,354,455	3,178,030	14,327,937	689	14,328,626
Gas and network access	831,090	-	-	831,090	-	831,090
Revenue from assets assigned to concessions	255,745	-	167,056	422,801	-	422,801
Other	74,649	2,365	86,203	163,217	253	163,470
	10,956,936	1,356,820	3,431,289	15,745,045	942	15,745,987

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	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Cost of electricity	7,732,715	7,990,062	2,838,289	2,427,577
Cost of gas	885,988	885,523	-	-
Expenditure with assets assigned to concessions	421,911	422,801	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	581,994	661,539	-	-
Gas	36,264	115,338	-	33,159
CO2 Licenses	346,269	108,137	664,278	92,656
Own work capitalised	-2,391	-93,037	-	-
Other	176,153	264,546	12	6
	1,138,289	1,056,523	664,290	125,821
	10,178,903	10,354,909	3,502,579	2,553,398

Cost of electricity includes, on a company basis, costs of 1,464,385 thousand Euros (31 December 2017: 1,207,504 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. The revenue and the expenditure with the acquisition of these assets are as follows:

	Group	
Thousand Euros	Dec 2018	Dec 2017
Revenue from assets assigned to concessions	438,920	422,801
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-335,770	-329,866
Personnel costs capitalised (see note 10)	-76,924	-84,820
Capitalised borrowing costs (see note 13)	-9,217	-8,115
	-421,911	-422,801

Revenue from assets assigned to concessions include 348.522 thousand Euros (see note 17) relative to electricity distribution concessions in Portugal and in Brasil resulting from the aplication of the mixed model. Additionaly, it also includes the revenue related to the asset to be received by EDP Group under the transmission concessions in Brazil (see note 24).

The main varations on the captions Revenues and cost of Energy Sales and Services and Other are described in the Chapter 3 - Performance mainly in 3.1 - Group's financial analysis and 3.4 - Business area analysis.

The Directive 13/2018, of 15 December, on tariffs to be in force in 2019, clarified the performance of EDP Distribuição in the purchase and sale of access to the transmission network (CVART). Therefore, as EDP Distribuição is only an agent in this activity, as of 15 December 2018, the amounts associated are recorded at net value, with an expected reduction of approximately 1,000 million Euros in Revenues and Cost of Energy Sales for 2019, with no effects on profit or loss for the period.

8. Other Income

Other income, for the Group, are as follows:

Thousand Euros	Group	
	Dec 2018	Dec 2017
Income arising from institutional partnerships - EDPR NA (see note 36)	185,171	225,568
Gains on disposals - electricity and gas business assets	193,159	619,699
Gains from contractual indemnities and insurance companies	19,404	17,711
Other	164,943	174,021
	562,677	1,036,999

Income arising from institutional partnerships - EDPR NA relates to income arising from production and investment tax credits (PTC/ITC), mostly from accelerated tax depreciation, regarding Vento I to XVIII, Sol I, Sol II and Blue Canyon I projects, in wind farms and solar plants in USA (see note 36).

As at 31 December 2018, the caption Gains on disposals - electricity and gas business assets is essentially related with: (i) the gain on the sale of 80% of the financial investment in 2018 Vento XIX LLC, fully owned by EDPR, in the amount of 108,976 thousand Euros; (ii) the gain on the sale of 100% of Pequenas Centrais Hidroelétricas S.A. and Santa Fé Energia S.A, in the amount of 50,433 thousand Euros and 26,469 thousand Euros, respectively; (iii) and the gain on the sale of 51% of Costa Rica Energética, Ltda., in the amount of 5,447 thousand Euros (see note 6).

As at 31 December 2017, the caption Gains on disposals - electricity and gas business assets was essentially related with: (i) the gain on the sale of 100% of Naturgás Energía Distribución, S.A.U. to a Consortium comprising institutional investors in the amount of 590,873 thousand Euros; and (ii) the gain on the sale of 23.3% of Moray Offshore Windfarm (East) Limited to Engie in the amount of 28,548 thousand Euros, which include a gain with the shares held revaluation of 18,666 thousand Euros.

The caption Other includes gains on the reinsurance activity, recovery of doubtful debts, gains in the adjustment of contingent prices of sale operations and gains on the sale of property, plant and equipment.

In the third quarter of 2017, the Lisbon headquarters building was used as an in-kind contribution to the Medical and Death Subsidy Fund. The transaction price, which is the best estimate of the building and land fair values, is greater than its carrying amount, generating a gain of 30,773 thousand Euros, on a Group basis, and 19,118 thousand Euros, on a Company basis (as the land was originally from EDP Distribuição, its carrying amount was lower on a consolidated basis than it was on an individual basis, as there was a gain in the sale from EDP Distribuição to EDP S.A.). Subsequently to this transaction, EDP celebrated a lease contract for a period of 25 years (see notes 16 and 38). These gains are included in the caption Other.

9. Supplies and Services

Supplies and services are as follows:

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Consumables and communications	41,586	50,610	7,968	8,312
Rents and leases	131,275	128,746	49,689	46,846
Maintenance and repairs	388,318	391,452	36,244	35,183
Specialised works:				
- Commercial activity	153,698	175,425	655	601
- IT services, legal and advisory fees	55,463	50,408	7,807	9,801
- Other services	47,576	50,948	24,890	25,087
Provided personnel	-	-	8,072	11,932
Other supplies and services	139,045	142,944	25,869	28,740
	956,961	990,533	161,194	166,502

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10. Personnel Costs and Employee Benefits

Personnel costs and employee benefits are as follows:

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Personnel costs				
Board of Directors remuneration	16,250	16,403	6,897	6,518
Employees' remuneration	471,650	491,730	37,809	35,369
Social charges on remuneration	115,174	121,095	9,741	8,982
Performance, assiduity and seniority bonus	80,224	87,069	13,889	16,387
Other costs	25,004	25,646	301	342
Own work capitalised:				
- Assigned to concessions (see note 7)	-76,924	-84,820	-	-
- Other (see note 16)	-60,468	-59,391	-4	-
	570,910	597,732	68,633	67,598
Employee benefits				
Pension plans costs	28,886	30,814	3,211	3,645
Medical plans costs and other benefits (see note 34)	5,591	7,718	234	366
Pension plans past service cost (Curtailment/Plan amendments)	17,579	17,426	-	-
Other benefits plans past service cost (Curtailment/Plan amendments)	676	770	-	-
Other	27,898	26,373	2,347	1,900
	80,630	83,101	5,792	5,911
	651,540	680,833	74,425	73,509

Pension plans costs include 13,612 thousand Euros (31 December 2017: 15,308 thousand Euros) related to defined benefit plans (see note 34) and 15,274 thousand Euros (31 December 2017: 15,506 thousand Euros) related with defined contribution plans.

As at 31 December 2018, Past service cost (Curtailment/Plan amendments) is essentially related to the increase in liabilities under the permanent employees reduction program that covered 204 portuguese employees, from which 56 were considered as a curtailment since weren´t met the pre-retirement conditions foreseen in the ACT of 2014 (see note 34).

During 2018, EDP Group distributed treasury stocks to employees (464,358 shares) totalling 1,393 thousand Euros.

The breakdown by management positions and category of professional staff is as follows:

	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Executive Board of Directors	9	8	9	8
Senior management	709	750	97	91
Managers	754	766	24	30
Specialists	4,369	4,092	381	382
Support, Operational and Administrative Technicians	5,790	6,041	87	87
	11,631	11,657	598	598

11. Other Expenses and Impairment losses on trade receivables and debtors

Other Expenses and Impairment losses on trade receivables and debtors are as follows:

Thousand Euros	Group	
	Dec 2018	Dec 2017
Other Expenses		
Concession rents paid to local authorities and others	283,024	279,279
Direct and indirect taxes	293,504	326,242
Irrecoverable debts	12,058	25,640
Trade receivables (see note 24)	-	19,692
Debtors (see note 24)	-	-3,341
Donations	21,655	20,563
Write-off of tangible assets - EDP Renováveis Group	9,147	5,864
Losses on disposals - gas business assets in Portugal	-	16,370
Other	95,991	76,453
	715,379	766,762
Impairment losses		
- Trade receivables (see note 24)	19,450	-
- Debtors (see note 24)	1,400	-
	20,850	-

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 the tax of 7% over electricity generation in Spain since 1 January 2013, following the publication of Law 15/2012 of 27 December. The decrease with respect to the previous year results mainly from the entry into force of the Spanish Royal Decree 15/2018, which suspended this tax for a period of six months, being this period from October 2018 to March 2019 (see note 4).

In 2018, the EDPR Group proceeded to the write-off of assets under construction, which mainly refer to 8,914 thousand Euros related to the abandonment of ongoing projects in EDPR NA (31 December 2017: 335 thousand Euros).

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	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Depreciation/impairment of Property, plant and equipment (see note 16)	1,083,264	1,316,557	27,667	21,404
Amortisation/impairment of Intangible assets (see note 17)	363,282	386,361	1,726	995
	1,446,546	1,702,918	29,393	22,399
Amortisation/impairment of Investment property	1,894	567	2,570	1,068
	1,448,440	1,703,485	31,963	23,467
Compensation of depreciation				
Partially-funded property, plant and equipment (see note 37)	-24,063	-27,826	-	-445
Amortisation of Incremental costs of obtaining contracts with customers	20,435	-	-	-
	1,444,812	1,675,659	31,963	23,022

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

With IFRS 15's adoption, incremental costs of obtaining contracts with customers are recognised as an asset, as the entity expects to recover these costs over the respective contracts, and amortised over a period of 6 to 8 years, in accordance with accounting policy (see notes 2 o), 3 and 24).

The Group has booked an impairment loss in the polish Property, plant and equipment in the amount of 3,437 thousand Euros (see note 16) that result from the recoverability assessment of a wind project in Poland.

In addition, considering also recent regulatory changes in Portugal occurred in 2017 related to energy generation activities, with the elimination of the exemption of the oil tax (ISP) to carbon and the surcharge over CO2 from 2018 onwards, as well as the unfavorable revision of other costs, namely CO2 costs, EDP Group has reviewed its future estimates for production assets.

The above-mentioned impairment tests led to an impairment loss of 13,460 thousand Euros in Sines carbon thermoelectric plant in Portugal, and 3,560 thousand Euros in Soto 3 carbon thermoelectric plant in Spain.

In the scope of impairment tests on these assets, sensitivity analyzes were performed on key variables, namely discount rates. Given the sensitivity of Sines and Soto 3 coal thermoelectric power plants to assumptions' changes, a sensitivity analysis of +0.5% in discount rate would determine an additional impairment loss of around 2 million Euros in Sines and of around 1 million Euros in Soto 3.

13. Financial Income and Expenses

Financial income and expenses are as follows:

	Group		Company	
Thousand Euros	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Financial income	456,245	439,636	1,296,027	2,093,354
Financial expenses	-1,010,390	-1,248,089	-562,246	-1,306,072
	-554,145	-808,453	733,781	787,282

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

Thousand Euros	Group	
	Dec 2018	Dec 2017
Interest income from bank deposits and other investments	33,901	55,376
Interest from derivative financial instruments	8,644	18,300
Interest income on tariff deficit:		
- Portugal - Electricity (see notes 24 and 37)	9,695	-9,172
- Brazil - Electricity (see notes 24 and 37)	3,831	4,077
Capitalised borrowing costs:		
- Assigned to concessions (see note 7)	9,217	8,115
- Other (see note 16)	24,547	25,182
Interest expense on financial debt	-633,653	-745,314
Bonds buyback	-34,485	-19,145
Other interest	13,774	4,700
Derivative financial instruments	24,942	-28,199
Foreign exchange	-29,873	-7,214
CMEC:		
- Interest on the initial CMEC	39,616	29,845
- Financial effect considered in the calculation	12,333	13,124
- Unwinding	-15,617	-13,756
Gains on the sale of financial investments	115,490	29,192
Gains on the sale of the electricity tariff deficit - Portugal (see note 24)	8,425	24,986
Impairment of available-for-sale investments	-	-1,041
Net interest on the net pensions plan liability (see note 34)	-11,117	-11,642
Net interest on the medical liabilities and other benefits (see note 34)	-28,036	-33,025
Unwinding of discounted liabilities	-125,943	-128,857
Equity Instruments at Fair Value through Profit or Loss (see note 21)	2,582	-
Other financial results	17,582	-23,985
Financial income/(expenses)	-554,145	-808,453

The caption Gains on the sale of financial investments includes the impact of the following operations performed by EDP Group during 2018: (i) sale of 20% of share capital and shareholder loans in Moray Offshore Windfarm (East) Limited to Diamond Generation Europe Limited (DGE), which generated a gain of 14,688 thousand Euros (see note 6); (ii) sale of 13.4% in Moray East Holdings Limited to DGE, which generated a gain of 9,175 thousand Euros (see note 6); (iii) sale of the equity stake in EDP Produção Bioeléctrica, S.A., which generated a gain of 23,886 thousand Euros (see note 6); (iv) sale of its equity stake in offshore wind projects Yeu-Noirmoutier and Dieppe-Le Tréport, which generated a gain of 63,095 thousand Euros (see note 6).

Capitalised borrowing costs includes the interest capitalised in assets under construction according to Group accounting policy (see note 2 h)). Regarding the rate applicable to borrowing costs related with tangible/intangible assets under construction that is used in the determination of the amount of borrowing costs eligible for capitalisation (see notes 16 and 17), it varies depending on the country and currency, since EDP Group incorporates in its scope of consolidation (see Annex I) a significant number of subsidiaries in several geographies with different currencies. Therefore, for the most representative geographies, the weighted average funding rates, in use in 2018, ranged from 2.35% e 2.40% in Portugal, from 4.1% to 7.0% in Spain, from 0.9% to 8.3% in the United States of America and from 6.56% to 9.46% in Brazil, depending on related assets under construction and related financing.

The Unwinding of discounted liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 6,143 thousand Euros (31 December 2017: 5,976 thousand Euros) (see note 35); (ii) the implied financial return in institutional partnership in USA of 80,684 thousand Euros (31 December 2017: 88,561 thousand Euros) (see note 36); and (iii) the financial expenses related to the discount of the liability associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe of 21,467 thousand Euros (31 December 2017: 16,741 thousand Euros).

During 2018, EDP Energias do Brasil, S.A. acquired 23.56% 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 18,314 thousand Euros (see note 6). This amount is included in "Other financial results".

The Derivative financial instruments caption includes income and expenses related with financial assets and liabilities measured and fair value through profit and loss, while the remaining captions of financial income and expenses are registed at amortised cost, based on the effective interest rate method.

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

Thousand Euros	Company	
	Dec 2018	Dec 2017
Interest income from loans to subsidiaries and related parties (see note 43)	152,195	345,933
Interest from derivative financial instruments	20,727	41,373
Interest expense on financial debt	-305,981	-440,752
Derivative financial instruments	-16,775	18,870
Income from equity investments (see note 43)	818,342	835,400
Gains on the sale of financial investments	-	20,271
Other financial results	65,273	-33,813
Financial income/(expenses)	733,781	787,282

The caption Other financial results includes 24,060 thousand Euros related to nominal interests from bonds issued by EDP Finance B.V., repurchased by EDP S.A. in 2016, 2017 and 2018 (see notes 25 and 43). The effective interest of these instruments amounts to 10,345 thousand Euros (includes the recognition of premium and transaction costs associated with the buyback transaction by the effective interest rate method).

14. Income Tax

The following note includes an analysis on the reconciliation between the theoretical and the effective income tax rate applicable at an individual level and at the level of the EDP Group, on a consolidated basis. In general terms, this analysis aims to quantify the impact of the income tax, recognised in the income statement, which includes both current and deferred tax.

As the EDP Group prepares and discloses its financial statements in accordance with IFRS, an alignment between the accounting of income tax expense or income and the corresponding cash flow is not mandatory. Accordingly, this analysis does not represent the income tax paid or received by the EDP Group for the correspondent reporting period.

The overall tax contribution borne by the EDP Group (which includes comments on the contributions paid to the respective states where the Group operates), as well as other relevant information (such as EDP Group's tax footprint, specific taxation over energy sector and measures to control and manage adverse tax exposures), are disclosed on the annual Sustainability Report, available on EDP website (www.edp.com).

The general principles concerning EDP Group's mission and tax policy are also addressed in the same report. This document also describes the key principles with respect to transfer pricing policy applicable to the EDP Group, under which the Group's policy is to abide within the international rules, guidelines and best practises applicable in the various geographies where it operates.

It should be noted that, as a multinational group, the EDP Group fully complies with the annual obligation of communication and report, which results from the transposition to the Portuguese domestic Law of the disposals of Action 13 of the Base Erosion and Profit Shifting (named Country-by-Country Reporting), as a part of a set of measures adopted by OECED and G20 countries to enhance transparency for tax administrations. Furthermore, this obligation is fulfilled in Portugal by the parent company, within the deadlines foreseen by law.

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:

	Dec 2018	Dec 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%

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.

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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 (see note 1), 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.

Changes in the law with relevance to EDP Group in 2018

In Portugal, according to the State Budget Law for 2018 (Law 114/2017, of 29 of December), which entered into force on 1 January 2018, the maximum state surcharge ("derrama estadual"), applicable to companies in which the tax basis is 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 beggining 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 is as follows:

	Group		Company	
Thousand Euros	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Current tax	-245,613	-178,419	88,626	34,185
Deferred tax	145,947	168,115	-2,142	30,239
	-99,666	-10,304	86,484	64,424

Reconciliation between the theoretical and the effective income tax expense

The effective income tax rate is as follows:

	Group		Company	
Thousand Euros	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Profit before tax	1,041,092	1,520,985	652,102	701,003
Income tax expense	-99,666	-10,304	86,484	64,424
Effective income tax rate	9.6%	0.7%	-13.3%	-9.2%

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 2018, is as follows:

Thousand Euros	Dec 2018
Profit before income tax and CESE	1,041,092
Theoretical income tax rate *	29.5%
Theoretical income tax expense	307,122
Different tax rates (includes state surcharge) and CIT rate changes	15,778
Tax losses and tax credits	-75,227
Dividends	-28,533
Tax benefits	-26,488
Differences between accounting and fiscal provisions/depreciations	22,551
Accounting/fiscal differences on the recognition/derecognition of assets	-95,469
Taxable differences attributable to non-controlling interests (USA)	-18,169
Other adjustments and changes in estimates	-1,899
Effective income tax expense as per the Consolidated Income Statement	99,666

* 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 2017, is as follows:

Thousand Euros	Dec 2017
Profit before income tax and CESE	1,520,985
Theoretical income tax rate *	29.5%
Theoretical income tax expense	448,691
Different tax rates (includes state surcharge)	-50,875
Tax losses and tax credits	-23,866
Dividends	-13,636
Tax benefits	-31,920
Differences between accounting and fiscal provisions/depreciations	-52,372
Accounting/fiscal differences on the recognition/derecognition of assets	-240,398
Taxable differences attributable to non-controlling interests (USA)	-37,855
Other adjustments and changes in estimates	12,535
Effective income tax expense as per the Consolidated Income Statement	10,304

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

The caption Different tax rates (includes state surcharge) mainly refer to: (i) the difference between the tax rates applicable in the countries in which the EDP Group operates as compared to the tax rate used as reference for the theoretical income tax expense calculation; and (ii) the effect of the CIT rate change over taxable and deductible temporary differences of EDPR NA due to the aforementioned US tax reform. The caption Taxable differences attributable to non-controlling interests (USA) include the effect inherent in the attribution of taxable income to non-controllable interests in EDPR Group in the USA, as determined by the tax legislation of that geography.

As at 31 December 2018, the caption Accounting/fiscal differences on the recognition/derecognition of assets mainly includes, essentially, the impacts inherent to transactions of electricity and gas business assets in the several geographies in which the Group operates as a result of its

In 2017, the caption Accounting/fiscal differences on the recognition/derecognition of assets mainly includes the impacts inherent to: (i) 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; and (ii) the non-taxation of the gain on the disposal of the gas distribution business in the same geography, according to the applicable tax law.

The reconciliation between the theoretical and the effective income tax expense for the Company, in 2018, is as follows:

Thousand Euros	Dec 2018
Profit before income tax	652,102
Nominal income tax rate (*)	22.5%
Theoretical income tax expense	146,723
Tax losses and tax credits	-46,078
Dividends	-184,127
Other adjustments and changes in estimates	-3,002
Effective income tax expense as per the Company Income Statement	-86,484

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

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

Thousand Euros	Dec 2017
Profit before income tax	701,003
Nominal income tax rate (*)	29.5%
Theoretical income tax expense	206,796
Tax losses and tax credits	-17,075
Dividends	-245,500
Differences between accounting and fiscal provisions/depreciations	-13,835
Accounting/fiscal temporary differences on the recognition / derecognition of assets	-10,796
Other adjustments and changes in estimates	15,986
Effective income tax expense as per the Company Income Statement	-64,424

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

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15. Extraordinary Contribution to the Energy Sector (CESE)

Law 83-C/2013, 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, transportation or distribution of electricity; (ii) transportation, distribution, storage or wholesale supply of natural gas; and (iii) refining, treatment, storage, transportation, 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) property, plant and equipment; (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 the annual utilization of installed capacity is lower than 1,500 hours.

Regarding the current law in 2018, same exemptions are also foreseen, namely to the assets of wind generation, mini-hydric power plants, and power plants with licenses granted on a public tender and land belonging to the public domain.

The CESE scheme has been extended for the years 2015, 2016, 2017 and 2018 by 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.

EDP Group has paid this contribution for 2014, 2015 and 2016 in an global amount of 250.8 million Euros and has contested the legal basis and the constitutionality of this measure. Regarding 2017 and 2018, and due to the revenues collected by the Portuguese Government were not assigned for the purposes underlying its creation, the EDP Group decided, in a first stage, not to proceed to its payment. However, due to the commitments assumed by the Government - and formalized in the State Budget Law for 2019, in order to recognize the temporary nature of the CESE associated with the evolution of the tariff deficit of the National Electricity System, as well as the allocation of the respective revenues to the sector, on 19 December 2018 EDP Group decided to amend its practice. On that date, EDP Group has paid an amount around 135 million Euros corresponding to CESE for 2017 (negative amount of 69.246 thousand Euros) and 2018 (negative amount of 65.345 thousand Euros), with the associated default interest, maintaining the legal challenge to this tax.

16. Property, Plant and Equipment

This caption is as follows:

	Group		Company	
Thousand Euros	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Cost				
Land and natural resources	90,996	94,961	4,581	7,863
Buildings and other constructions	484,282	500,052	94,672	80,488
Plant and machinery:				
- Hydroelectric generation	10,589,186	10,742,276	254	254
- Thermoelectric generation	8,453,937	8,700,510	-	-
- Renewable generation	18,423,748	17,026,048	-	-
- Electricity distribution	1,619,918	1,602,404	-	-
- Other plant and machinery	39,172	34,865	196	196
Other	484,536	1,004,888	82,840	172,712
Assets under construction	1,252,074	1,373,994	10,255	37,647
	41,437,849	41,079,998	192,798	299,160
Accumulated depreciation and impairment losses				
Depreciation charge of the period (see note 12)	-1,037,184	-1,067,814	-20,650	-21,404
Accumulated depreciation in previous periods	-17,293,876	-16,921,858	-70,461	-116,627
Impairment losses of the period (see note 12)	-46,080	-248,743	-7,017	-
Impairment losses in previous periods	-353,198	-110,968	-1,500	-4,782
	-18,730,338	-18,349,383	-99,628	-142,813
Carrying amount	22,707,511	22,730,615	93,170	156,347

The movements in Property, plant and equipment, for the Group, for the period ended 31 December 2018, are as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 31 December
Cost							
Land and natural resources	94,961	637	-3,284	-	-3,982	2,664	90,996
Buildings and other constructions	500,052	-51	-770	3,450	-26,680	8,281	484,282
Plant and machinery	38,106,103	33,719	-284,724	1,402,414	158,800	-290,351	39,125,961
Other	1,004,888	25,339	-12,404	71,050	2,204	-606,541	484,536
Assets under construction	1,373,994	1,596,997	-11,567	-1,476,914	2,892	-233,328	1,252,074
	41,079,998	1,656,641	-312,749	-	133,234	-1,119,275	41,437,849

Thousand Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 31 December
Accumulated depreciation and impairment losses							
Land and natural resources	4,032	-750	-3,282	-	-	3,929	3,929
Buildings and other constructions	156,354	14,623	-496	-	-7,022	7,315	170,774
Plant and machinery	17,378,628	979,269	-278,801	-	48,938	-34,766	18,093,268
Other	746,078	78,168	-11,453	-	2,028	-430,992	383,829
Assets under construction	64,291	11,954	-	-	-1,127	3,420	78,538
	18,349,383	1,083,264	-294,032	-	42,817	-451,094	18,730,338

Assets under construction are as follows:

Thousand Euros	Dec 2018	Dec 2017
Wind and solar farms in North America	521,361	513,269
Wind and solar farms in Europe	367,247	321,080
Hydric Portugal	196,206	195,873
Other assets under construction	167,260	343,772
	1,252,074	1,373,994

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

Thousand Euros	Dec 2018	Dec 2017
Subcontracts and other materials	1,453,240	1,401,856
Purchase price allocation	104,812	12,319
Dismantling and decommissioning costs (see note 35)	12,937	16,080
Personnel costs (see note 10)	60,468	59,391
Borrowing costs (see note 13)	24,547	25,182
	1,656,004	1,514,828

Additions include the investment in wind and solar farms 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, Caniçada and Ribeiradio-Ermida) and improvements and repairs in thermoelectric power plants (Lares, Ribatejo e Sines).

Disposals/Write-offs include essentially 215,502 thousand Euros in cost and accumulated amortisations related to the write-off of two groups of Setúbal thermoelectric power plant and 8,914 thousand Euros related to the abandonment of ongoing projects in EDPR North America (see note 11).

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

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.

The caption Perimeter Variations/Regularisations mainly includes: (i) a decrease amounting to 300,097 thousand Euros related to the loss of control of the Vento XIX portfolio due to the sale of 80% of shareholding in the portfolio (see note 6); (ii) a decrease amounting to 11,179 thousand Euros related to the loss of control of the Nation Rise project due to the sale of 75% shareholding in the project (see note 6); (iii) a decrease amounting to 73,565 thousand Euros related to the sale of 100% of financial interest in Santa-Fé Energia, S.A. and EDP Pequenas Centrais Hidroelectricas S.A. (see note 16); (iv) a decrease amounting to 5,055 thousand Euros related to the loss of control of the Moray West Offshore project as a consequence of the sale of 33% of the project (see note 6); finally, the remaining variation refers to a more detailed study carried out by the Group in 2018, which resulted in the transfer of certain items of Property, Plant and Equipment to Intangible Assets (see note 17).

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Charge/Impairment losses includes impairment in termoelectric plants Soto 3 and Sines as well as in wind farms in Poland (see note 12).

As at 31 December 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 15,361 thousand Euros (31 December 2017: 16,764 thousand Euros).

The movements in Property, plant and equipment, for the Group, for the period ended 31 December 2017 are as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 31 December
Cost							
Land and natural resources	105,153	2,949	-2,616	-1,329	-8,770	-426	94,961
Buildings and other constructions	565,919	57,611	-94,518	18,256	-41,468	-5,748	500,052
Plant and machinery	38,414,997	48,983	-34,409	2,007,686	-1,504,005	-827,149	38,106,103
Other	969,856	25,289	-65,426	99,526	-7,958	-16,399	1,004,888
Assets under construction	2,338,676	1,382,945	-20,066	-2,136,748	-94,613	-96,200	1,373,994
	42,394,601	1,517,777	-217,035	-12,609	-1,656,814	-945,922	41,079,998

Thousand Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 31 December
Accumulated depreciation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	158,589	21,316	-6,578	-1,175	-11,428	-4,370	156,354
Plant and machinery	17,273,834	1,191,257	-44,265	-3,571	-365,293	-673,334	17,378,628
Other	764,410	67,715	-65,037	-361	-6,277	-14,372	746,078
Assets under construction	-	36,269	-	-	696	27,326	64,291
	18,200,865	1,316,557	-115,880	-5,107	-382,302	-664,750	18,349,383

Additions include the investment in wind farms by the subgroups EDPR NA and EDPR EU, namelly the allocation of the acquisition cost of the American companies Hog Creek Wind Project, LLC, Cameron Solar, LLC, Estill Solar I, LLC and Hampton Solar, II LLC amounting to 34,068 thousand Euros and the French company Parc Éolien de Paudy, S.A.S. amounting to 3,543 thousand Euros due to the nature of the transactions, the type of assets and the initial stage of completion of the projects acquired.

Transfers refer mainly to the entry into operation of the Venda Nova III power enhancement and the power plant in Foz Tua in the amount of 427,483 thousand Euros and 506,283 thousand Euros, respectively, as well as wind and solar farms that become operational in the United States of America and wind farms that become operational in Brazil, France and Italy. Additionally, this caption includes the transfer of assets classified as assets held for sale of 5,070 thousand Euros and the transfer of land and building to investment property of 2,432 thousand Euros.

Perimeter Variations/Regularisations includes the impact of the acquisition of control of Eólica de Coahuila, S.A. de C.V. (327,558 thousand Euros) and Tébar Eólica, S.A. (9,813 thousand Euros); the sale of gas distribution assets in Spain and the loss of control of electricity assets in United Kingdom (Moray) by the net amount of 512,099 thousand Euros (cost in the amount of 1,197,412 thousand Euros and accumulated amortisation and impairment losses in the amount of 685,313 thousand Euros) and 86,272 thousand Euros (cost in the amount of 88,655 thousand Euros and accumulated amortisation and impairment losses in the amount of 2,383 thousand Euros), respectively (see note 8).

Charge/Impairment losses includes 238,204 thousand Euros related with impairment in termoelectric plants Soto 3 and Sines as well as in wind farms in Poland.

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

As at 31 December 2018, Property, plant and equipment financed through lease contracts, for the Group, amounts to 12,044 thousand Euros (31 December 2017: 15,238 thousand Euros), with accumulated depreciation of 6,931 thousand Euros (31 December 2017: 7,453 thousand Euros) and the respective future lease payments amount to 4,618 thousand Euros (31 December 2017: 7,144 thousand Euros). Property, plant and equipment financed by lease contracts is detailed as follows:

	Dec 2018			Dec 2017		
Thousand Euros	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	2,336	41	2,377	3,140	81	3,221
Between one and three years	2,199	22	2,221	3,513	51	3,564
Between three and five years	20	-	20	357	2	359
	4,555	63	4,618	7,010	134	7,144

During 2018, the costs incurred with these assets amounted to 712 thousand Euros and are booked the income statement under Supplies and services.

The movements in Property, plant and equipment, for the Company, for the period ended 31 December 2018 are as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regulari-sations	Balance at 31 December
Cost						
Land and natural resources	7,863	3	-3,285	-	-	4,581
Buildings and other constructions	80,488	15	-649	1,353	13,465	94,672
Other	173,162	6,489	-972	15,423	-110,812	83,290
Assets under construction	37,647	34,584	-	-16,776	-45,200	10,255
	299,160	41,091	-4,906	-	-142,547	192,798

Thousand Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Regulari-sations	Balance at 31 December
Accumulated depreciation and impairment losses						
Land and natural resources	4,032	-750	-3,282	-	-	-
Buildings and other constructions	15,090	1,961	-375	-	14,143	30,819
Other	123,691	17,939	-799	-	-80,539	60,292
Assets under construction	-	8,517	-	-	-	8,517
	142,813	27,667	-4,456	-	-66,396	99,628

A more detailed study carried out by the Group in 2018 resulted in the transfer of certain items of Property, Plant and Equipment to Intangible Assets. We can see the impact of this transfer in the regularizations column.

The movements in Property, plant and equipment, for the Company, for the period ended 31 December 2017 are as follows:

Thousand Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regulari-sations	Balance at 31 December
Cost						
Land and natural resources	21,388	-	-13,525	-	-	7,863
Buildings and other constructions	112,966	55,247	-94,149	6,422	2	80,488
Other	174,610	9,343	-14,299	3,508	-	173,162
Assets under construction	25,013	22,620	-	-9,930	-56	37,647
	333,977	87,210	-121,973	-	-54	299,160

Thousand Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Regulari-sations	Balance at 31 December
Accumulated amortisation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	18,127	3,312	-6,349	-	-	15,090
Other	119,859	18,092	-14,260	-	-	123,691
	142,018	21,404	-20,609	-	-	142,813

Disposals/Write-offs include 101,082 thousand Euros regarding the Lisbon headquarters, which was given as an in-kind contribution to the EDP Medical and Death Subsidy Fund. Subsequently, was celebrated a lease contract for a period of 25 years with the EDP Medical and Death Subsidy Fund.

As at 31 December 2018, for the Company, Property, plant and equipment financed by lease contracts amounts to 2,911 thousand Euros (31 December 2017: 4,246 thousand Euros), with accumulated depreciation of 1,800 thousand Euros (31 December 2017: 2,060 thousand Euros) and the respective future lease payments amount to 955 thousand Euros (31 December 2017: 1,830 thousand Euros). Property, plant and equipment financed by lease contracts is detailed as follows:

	Dec 2018			Dec 2017		
Thousand Euros	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	545	9	554	830	20	850
Between one and three years	437	4	441	900	13	913
Between three and five years	-	-	-	67	-	67
	982	13	995	1,797	33	1,830

During 2018, the costs incurred related to these assets amount to 165 thousand Euros and are booked in the income statement under Supplies and services.

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17. Intangible Assets

This caption is as follows:

Thousand Euros	Group	
	Dec 2018	Dec 2017
Cost		
Concession rights	12,996,364	13,408,547
CO2 Licenses	197,273	110,887
Other intangibles	906,544	311,679
Intangible assets in progress	469,372	495,562
	14,569,553	14,326,675
Accumulated amortisation and impairment losses		
Amortisation of concession rights of the period (see note 12)	-359,246	-377,303
Amortisation of other intangibles of the period (see note 12)	-4,036	-7,661
Accumulated amortisation in previous periods	-9,442,698	-9,167,294
Impairment losses of the period	-	-1,397
Impairment losses in previous periods	-27,043	-25,660
	-9,833,023	-9,579,315
Carrying amount	4,736,530	4,747,360

The concession rights over the electricity distribution networks in Brazil, namely in EDP São Paulo Distribuição de Energia S.A. and in 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 generation 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 31 December 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 31 December
Cost							
Concession rights:							
- Distribution and generation Brazil	1,034,556	-	-	-	-36,063	9,249	1,007,742
- Hydric Portugal	1,418,592	-	-	295	-	-	1,418,887
CO2 licenses	110,887	282,450	-196,064	-	-	-	197,273
Assigned to concessions (IFRIC 12):							
- Intangible assets	10,955,399	36,749	-400,451	140,726	-167,538	4,850	10,569,735
- Intangible assets in progress	153,516	311,773	1,274	-458,747	-6,765	-1,051	-
Other intangibles	311,679	19,429	-120	777	691	574,088	906,544
Other intangible in progress	342,046	12,498	-7,918	-1,072	-1,286	125,104	469,372
	14,326,675	662,899	-603,279	-318,021	-210,961	712,240	14,569,553

Thousand Euros	Balance at 1 January	Charge/ Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 31 December
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	640,294	37,278	-	-	-14,886	-1,151	661,535
- Hydric Portugal	391,225	39,416	-	-	-	-	430,641
Assigned to concessions (IFRIC 12)	8,468,604	282,552	-390,775	-	-125,465	96	8,235,012
Other intangibles	79,192	4,036	-11	-	-749	423,367	505,835
	9,579,315	363,282	-390,786	-	-141,100	422,312	9,833,023

The assets allocated to concession contracts (IFRIC 12) currently in force in EDP Group fall within the Intangible Asset Model, for the electricity special regime production concessions (PRE) in Portugal and within the Mixed Model, for the electricity distribution concessions in Portugal and in Brazil, as referred in the Group's accounting policies (see note 2 z)).

Additions of CO2 Licenses includes 50,901 thousand Euros refers to CO2 Licenses granted free of charge to EDP Group power plants operating in Portugal and Spain and 231,549 thousand Euros of licences purchased in the market for own consumption. The Disposals/Write-offs of CO2 licences correspond, essentially, to the licences consumed during 2017 and which were delivered to regulatory authorities.

Disposals/Write-offs of intangible assets assigned to concessions (IFRIC 12) include essentially 368,654 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 125,985 thousand Euros related to increases of the financial assets under IFRIC 12, transfered to Debtors and other assets from commercial activities (see note 24). Additionally, as a result of the amendment to IFRIC 12 - Concessions for the adoption of IFRS 15 by the Group, the amount of 192,036 thousand Euros related to assets under construction assigned to concessions, which qualify as the new category of contractual assets, was reclassified to the caption Debtors and other assets from commercial activities - Non-Current (see note 24).

A more detailed study carried out by the Group in 2018, has resulted in the transfer of certain items of Property, Plant and Equipment to Intangible Assets. We can see the impact of this transfer in the regularizations column.

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

The movements in Intangible assets during the period ended 31 December 2017, 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 31 December
Cost							
Concession rights:							
- Distribution and generation Brazil	1,091,484	-	-	-4,762	-52,166	-	1,034,556
- Hydric Portugal	1,419,798	-	-	-1,206	-	-	1,418,592
CO2 Licenses	98,598	75,391	-93,363	30,261	-	-	110,887
Assigned to concessions (IFRIC 12):							
- Intangible assets	11,486,121	193	-296,870	11,036	-246,609	1,528	10,955,399
- Intangible assets in progress	157,909	399,245	1,042	-391,535	-12,681	-464	153,516
Other intangibles	293,163	3,281	-467	2,640	-20,012	33,074	311,679
Other intangible in progress	442,329	10,823	-15,776	-92,774	-1,997	-559	342,046
	14,989,402	488,933	-405,434	-446,340	-333,465	33,579	14,326,675

Thousand Euros	Balance at 1 January	Charge/ Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 31 December
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	628,329	35,516	-	-2,742	-20,809	-	640,294
- Hydric Portugal	387,556	43,275	-	-39,606	-	-	391,225
Assigned to concessions (IFRIC 12):	8,772,073	298,511	-287,274	-130,944	-183,767	5	8,468,604
Other intangibles	72,900	9,059	-14,287	-	-3,916	15,436	79,192
	9,860,858	386,361	-301,561	-173,292	-208,492	15,441	9,579,315

Additions of CO2 Licenses includes 11,727 thousand Euros refers to CO2 Licenses granted free of charge to EDP Group plants operating in Portugal and Spain and 63,664 thousand Euros of licences purchased in the market for own consumption. The Disposals/Write-offs of CO2 licences correspond, essentially, to the licences consumed during 2016 and which were delivered to regulatory authorities. Additionally, the transfer amount refers to CO2 licenses held for trading transferred to be used in the generation process.

Disposals/Write-offs of intangible assets assigned to concessions (IFRIC 12) include essentially 208,841 thousand Euros in cost and accumulated amortisations related to extraordinary write-offs since the maximum technical useful life has been exceeded.

The caption Other intangibles in progress includes the concession rights of hydric projects in Portugal namely Fridão, in the amount of 287,343 thousand Euros. The amount of 90,066 thousand Euros related with Foz Tua hydro project was transfered from Other intangible assets in progress to Concession Rights in 2017.

Transfers refer to the net transfers of intangible assets in progress assigned to concessions of 184,157 thousand Euros related to increases of the financial assets under IFRIC 12, transfered to Debtors and other assets from commercial activities. Additionally, this caption includes the transfer of electricity generation assets in Brazil and Portugal classified as assets held for sale in the net amount of 2,020 thousand Euros and 109,046 thousand Euros, respectively, and of intangible assets assigned to concessions under IFRIC 12 to investment property in the net amount of 8,087 thousand Euros.

Perimeter variations/Regularisations include the sale of gas distribution assets in Spain by the net amount of 38,419 thousand Euros (see note 8).

The caption Other intangibles includes 98,317 thousand Euros related to wind generation licenses of EDPR NA subgroup and 106,551 thousand Euros related with deferred green certificates in Romania.

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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:

Thousand Euros	Group	
	Dec 2018	Dec 2017
EDP España Group	884,574	884,574
EDP Renováveis Group	1,325,850	1,295,515
EDP Brasil Group	34,150	45,644
Other	6,887	6,935
	2,251,461	2,232,668

The movements in Goodwill, during the period ended 31 December 2018, are analysed as follows:

Thousand Euros	Balance at 1 January	Increases	Decreases / Regulariz.	Impairment	Exchange differences	Balance at 31 December
EDP España Group	884,574	-	-	-	-	884,574
EDP Renováveis Group	1,295,515	-	-	-	30,335	1,325,850
EDP Brasil Group	45,644	-	-10,604	-	-890	34,150
Other	6,935	-	-48	-	-	6,887
	2,232,668	-	-10,652	-	29,445	2,251,461

The movements in Goodwill, during the period ended 31 December 2017, are as follows:

Thousand Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 31 December
EDP España Group	1,940,712	-	-1,056,138	-	-	884,574
EDP Renováveis Group	1,384,780	-	-221	-	-89,044	1,295,515
EDP Brasil Group	48,842	-	-250	-	-2,948	45,644
Other	40,518	-	-33,583	-	-	6,935
	3,414,852	-	-1,090,192	-	-91,992	2,232,668

EDP España Group

The goodwill held in EDP España Group is as follows:

Thousand Euros	EDP España Group	
	Dec 2018	Dec 2017
Liberalised activities	592,487	592,487
Regulated networks	292,087	292,087
	884,574	884,574

The decrease in goodwill in EDP España Group that occured in 2017 in the amount of 1,056,138 thousand Euros was due to the sale of the financial investment in Naturgas Energía Distribución S.A.U.

EDP Renováveis Group

The goodwill held in EDP Renováveis Group is as follows:

Thousand Euros	EDP Renováveis Group	
	Dec 2018	Dec 2017
Goodwill in EDPR Europe Group	635,161	635,376
Goodwill in EDPR North America Group	689,799	659,144
Other	890	995
	1,325,850	1,295,515

EDPR Europe Subgroup

There are no significant movements during 2018 and 2017 except those related to exchange differences.

EDPR North America Subgroup

The goodwill movement in EDPR North America relates with the appreciation of the US Dollar against the Euro.

EDP Brasil Group

During the last quarter of 2017, goodwill related to the company Costa Rica Energética, Ltda, in the amount of 250 thousand Euros, was reclassified to non-current assets held for sale and the sale was concluded in the third quarter of 2018 (see note 6).

Others

During the last quarter of 2017, goodwill related to the company Pebble Hydro - Consultoria, Investimento e Serviços, Lda, in the amount of 33,583 thousand Euros, was reclassified to non-current assets held for sale and the sale was concluded in the last quarter of 2018 (see note 6).

Goodwill impairment test analysis – EDP Group

The recoverable amount of the goodwill in subsidiaries is assessed annually, as at 30 September, independently of the existence of any indicators of impairment. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks. Any impairment losses are recognized in the income statement for the period.

The EDP Group is composed by a significant number of subsidiaries in several locations, as mentioned in its consolidation perimeter. Therefore, the impairment tests at subgroup level are carried out for each cash generating unit (CGU) identified in each country where the EDP Group develops its activities, namely:

- EDP Espanã - Distribution, Generation & Supply of electricity;
- EDPR Europe – Renewable generation;
- EDPR North America and EDPR Brasil - Renewable generation;
- EDP Brasil - Generation, Distribution and Supply of electricity.

At EDP Group level, these cash generating units are subsequently aggregated by business units, ensuring however that goodwill impairment analysis does not exceed a business segment.

For the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of the main investments by each cash generating unit, being presented by aggregation in each business units after the impairment tests carried out at each subgroup/cash generating unit.

Goodwill impairment test analysis – EDP España Group

The discount rates after taxes used by EDP España Group in the impairment test analysis range between 3.7% and 4.8% (2017: between 3.9% and 4.8% respectively).

Regarding to generation business, the evaluation of the assets (power plants) considers a portfolio logic based in the future cash flow projection of the remaining useful life. In the electricity distribution business the cash flow projection period considers the perpetuity of the business as assets are operating under a license with no foreseen end date. For the retail segment a perpetuity of the business was also considered.

The main assumptions on which impairment tests are based are as follows:

- In the generation business, the estimated energy produced by the power plants considers the best estimate of future market demand and total installed capacity;

- Prices of electricity, gas and coal were defined considering the market expectations regarding future price curves and considering the regulation in force and the best expectation for the future. For gas and coal prices were also used the contracted prices for future long term purchases, namely the acquisition contracts for gas;

- Investment costs: the best available estimates of the future investments were used in order to guarantee a regular use of existing assets, as well as the estimates that resulted from legislative changes;

- Operating costs: operating costs were projected consistent with the company's historical experience and internal models;

- In the regulated business, the distribution of electricity, we used the most recent proposal from CNMC regarding allowed returns, considering the regulated mechanisms for the annual remuneration updates. In generation, the elimination of generation taxes has occured in the last quarter of 2018 and capacity payments have been considered from 2020 onwards;

- The projections for the generation and electricity distribution businesses are based on the long-term estimates of the various assumptions used in the analysis;

- The long-term projections for the electricity supply business were extrapolated through a Margin/EBITDA estimate which changes with the inflation rate;

- Discount rate: the discount rates used reflect EDP Group's best estimate regarding the specific risks associated to each CGU.

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The Group has performed a series of sensitivity analyses to the results of impairment tests in respect to the discount rates. The sensitivity analysis results show that an increase of 50 bps on the discount rate do not result in any impairment indicators in goodwill.

Goodwill impairment test analysis – EDP Renováveis Group

The future cash flows projection used is based in the useful life of the assets (at the end of December 2017 EDPR Group has changed the useful life of the renewable assets from 25 to 30 years (see note 3)) which is consistent with the current depreciation method. This projection also incorporates the long-term energy sale contracts in place and long-term estimates of energy prices, for the assets with market exposure.

The main assumptions used for the impairment tests are as follows:

- Power produced: net capacity factors used for each CGU utilize the wind studies carried out, which takes into account the long-term predictability of wind output and that wind generation is supported in nearly all countries by regulatory mechanisms that allow for production and priority dispatching whenever weather conditions permit;

- Electricity remuneration: regulated or contracted remuneration has been applied where available, as for the CGUs that benefit from regulated remuneration or that have signed contracts to sell their output during all or part of their useful life; where this is not available, prices were derived using price curves projected by the company based on its experience, internal models and using external data references;

- New capacity: tests were based on the best information available on the wind farms expected to be built in coming years, adjusted by probability of success and by the growth prospects of the company based on the Business Plan Targets, its historical growth and market size projections. The tests considered the contracted and expected prices to buy turbines from various suppliers;

- Operating costs: established contracts for land leases and maintenance agreements were used. Other operating costs were projected consistent with the company's experience and internal models;

- Terminal value: considered as a 15% of the initial investment in each wind farm, considering inflation; and

- Discount rate: the discount rates used are post-tax, reflect EDPR Group's best estimate of the risks specific to each CGU and range as follows:

	2018	2017
Europe	3.3% - 6.4%	3.2% - 6.2%
North America	5.1% - 6.6%	4.5% - 6.5%
Brazil	9.9%	9.6%

Impairment tests were performed taking into account the regulation changes in each country, disclosed in note 1.

A series of sensitivity analysis were performed on the results of impairment tests namely in some of the key variables, such as:

- 5% reduction of Merchant Prices used in the base case. This sensitivity analyses performed for this assumption independently would not suppose any impairment for the goodwill allocated to each country;

- 50 basis points increase of the discount rate used in base case. This sensitivity analyses performed for this assumption independently would not suppose any impairment for the goodwill allocated to each country.

Goodwill impairment test analysis – EDP Brasil Group

For EDP Brasil Group, cash flows' projections include the assumption of the extension of concession contracts in generation and distribution businesses. These cashflows are estimated by considering production and consumption volumes, installed capacity, tariff evolution prospects in the different markets and power purchase agreements.

The discount rates used reflect the specific risks for each activities and range between 9.2% to 10.4% for the different business of the Group (2017: between 9.0% and 10.1%).

The terminal value of the distribution business corresponds to the present value of the assets at the end of the concession period (Regulatory Asset Base). In the supply business, it is considered the perpetuity of the business.

A sensitivity analysis increasing 50 basis points in the discount rate used has not determined the existence of impairment indicators for goodwill and concession rights.

For generation companies, the sensitivity analysis has been performed to 50 basis points increase over the discount rate used in base case. This sensitivity analysis has not determined any existence of impairment in goodwill or concession rights.

For distribution companies, the sensitivity analysis has also been performed to 50 basis points increase over the discount rate used in the base case. This sensitivity analysis have not determined any existence of impairment in goodwill and concession rights.

19. Investments in Subsidiaries (Company Basis)

This caption is as follows:

Thousand Euros	Company	
	Dec 2018	Dec 2017
Acquisition cost	16,118,120	12,518,576
Effect of equity method (transition to IFRS)	-785,593	-785,593
Equity investments in subsidiaries	15,332,527	11,732,983
Impairment losses on equity investments in subsidiaries	-230,481	-231,281
	15,102,046	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:

Thousand Euros	Company	
	Dec 2018	Dec 2017
	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.	1,686,158	1,686,145
EDP Servicios Financieros España, S.A.U.	482,695	482,695
EDP Comercial - Comercialização de Energia, S.A.	299,091	299,073
EDP International Investments and Services, S.L.	281,854	281,854
Other	336,449	336,448
	15,102,046	11,501,702

In the context of impairment tests carried out at EDP Group, the financial investments held by EDP, S.A. in subsidiaries are reviewed, based on the higher of the value in use and the fair value less costs related to the sale. The main assumptions considered in the valuation models of the main financial holdings in Portugal of EDP, S.A. (EDP Produção, EDP Distribuição and EDP Comercial) are as follows:

- The discount rates used reflect the best estimate regarding the specific risks associated to each subsidiary activity within a range between 3.8% and 5.0% (2017: between 4.2% and 5.3%);

- In regulated business, officially approved asset remuneration was used, considering the regulated mechanisms for the annual remuneration updates, the concession renewals expectation and the best CAPEX and regulatory framework evolution estimates;

- The estimates for the prices of electricity, brent, gas, coal and CO2 licenses were defined considering the market expectations regarding future price curves and the application of curve prices internal models considering the regulation in force and the best estimate of its future evolution. For gas and coal prices were also used the contracted prices for future long term purchases, namely the acquisition contracts for gas. Assets from generation business were evaluated from a portfolio perspective and an individual analysis of recoverability, based on the market share development estimate.

- The long-term projections for the electricity supply business were extrapolated through a Margin/EBITDA estimate which changes with the inflation rate;

- In generation business, estimates were based on an average hydrologic year over the projection period for hydro plants, estimated demand evolution, market share projections and current installed and under construction capacity, as well as the best estimate for decommissioning plants in the projection period. Additionally, it was considerer other system costs such as: ISP and the surcharge over CO2, CESE until 2020, social tariff and other income (namely capacity payments);

- Operating costs considered were based on extrapolations of current operating costs (knowledge acquired in each activity).

Sensitivity analysis were performed, such as a 50 basis points increase in the discount rate did not determined the existence of evidence of impairment in EDP S.A.'s financial investments.

The assumptions used in the valuation models of EDP S.A.'s financial holdings in other geographies, as well as the respective sensitivity analyses are described in note 18.

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 thousand Euros and share premium increase in the amount of 3,213,597 thousand Euros, of EDP Gestão de Produção de Energia, S.A.

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20. Investments in Joint Ventures and Associates

This caption is as follows:

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Investments in joint ventures	805,381	781,327	2	6,597
Investments in associates	146,232	61,755	-	-
	951,613	843,082	2	6,597

As at 31 December 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 11,084 thousand Euros (31 December 2017: 9,154 thousand Euros).

The movement in Investments in joint ventures and associates, for the Group, is as follows:

Thousand Euros	Group	
	Dec 2018	Dec 2017
Balance as at 1 January	843,082	820,565
Acquisitions/Entries	174,914	20,605
Increases/Decreases of share capital	7,119	148,977
Disposals	-16,954	-31,835
Share of profit in joint ventures and associates	10,858	11,521
Dividends	-26,015	-29,865
Exchange differences	-39,676	-97,458
Cash flow hedging reserve	-17,543	-
Other	15,828	572
Balance as at 31 December	951,613	843,082

The movement in Investments in joint ventures is mainly explained by: (i) the sale of the investment in EDP Produção Bioeléctrica, S.A. 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 6); (ii) the positive impact of 48,707 thousands Euros due to the sale of 80% of the financial investment of 2018 Vento XIX LLC, which began to be treated as a joint venture (see note 6); and (iii) the positive impact of 10,468 thousands Euros due to the sale of 75% of the financial investment of Nation Rise Wind Farm GP Inc., which began to be treated as a joint venture (see note 6).

The movement in Investments in associates is mainly explained by difference between the acquisition price and the variation of equity method of Centrais Elétricas de Santa Catarina, S.A. - Celesc in the amount of 111,990 thousand Euros (see note 6).

In 2017, the movement in Investments in joint ventures and associates is mainly explained by: (i) the capital increase in Empresa de Energia São Manoel, S.A. in the amount of 64,731 thousand Euros; (ii) the capital increase in Companhia Energética do Jari, S.A. in the amount of 17,921 thousand Euros; (iii) the capital increase in Empresa de Energia Cachoeira Caldeirão, S.A. no valor de 14,009 thousand Euros; (iv) the capital increase in Hydro Global Investment Limited in the amount of 34,754 thousand Euros; (v) the positive impact of 20,370 thousands Euros due to the sale of 23.3% of the financial investment of Moray Offshore Renewable Power Limited, which began to be treated as a joint venture and the decrese of 13,987 thousand Euros regarding the 53.4% of the financial investment to be sold in 2018; and (vi) by the negative impact of 14,367 thousands Euros due to the gain of control of Eólica de Coahuila, S.A. de C.V., which began to be fully consolidated.

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The following table resumes the companies' financial information of joint ventures whose investment is included under the equity method in the Group consolidated accounts, as at 31 December 2018:

Thousand Euros	Grupo Jari	Energia Cachoeira Caldeirão	Energia São Manoel	Flat Rock Windpower II	Flat Rock Windpower	Hydro Global Investment
Companies' financial information of joint ventures						
Non-Current Assets	389,451	310,332	862,799	97,703	240,383	141,796
Current Assets	21,872	27,984	29,982	2,358	7,537	88,680
Cash and cash equivalents	7,701	13,363	10,158	1,906	5,576	88,272
Total Equity	185,976	141,645	433,518	96,826	239,426	68,906
Long term Financial debt	134,088	169,667	402,905	-	-	121,732
Non-Current Liabilities	194,054	176,865	419,898	1,462	3,870	148,616
Short term Financial debt	12,308	10,713	23,783	-	-	-
Current Liabilities	31,293	19,806	39,365	1,773	4,624	12,954
Revenues	59,816	35,951	73,201	4,820	12,541	-
Property plant and equipment and intangibles amortization/impairment	-12,060	-10,605	-29,278	-5,097	-13,359	-86
Other financial expenses	-17,005	-18,865	-46,007	-24	-53	-19,223
Income tax expense	-1,320	1,609	11,527	-	-	770
Net profit for the period	9,677	-3,135	-22,400	-5,618	-14,388	-3,160
Amounts proportionally attributed to EDP Group						
Net assets	132,320	71,176	144,509	48,413	132,198	34,462
Goodwill	-	-	-	-	-	-
Dividends paid	850	-	-	-	7,200	-

Thousand Euros	Compañía Eólica Aragonesa	CIDE HC Energía	Grupo EDP Asia	Moray Offshore East	Portfolio Vento XIX	Outras
Companies' financial information of joint ventures						
Non-Current Assets	120,245	2,311	109,650	534,988	300,878	217,196
Current Assets	6,203	46,947	2	87,152	27,812	61,455
Cash and cash equivalents	4,106	1,273	2	62,826	25,150	21,174
Total Equity	106,064	14,573	107,872	-73,943	-7,107	98,313
Long term Financial debt	-	-	-	412,546	-	23,405
Non-Current Liabilities	17,483	4,359	-	587,743	170,949	126,348
Short term Financial debt	-	-	-	294	95	6,555
Current Liabilities	2,901	30,326	1,780	108,340	164,848	53,989
Revenues	19,451	258,638	-	-	1,277	45,502
Property plant and equipment and intangibles amortization/impairment	-11,922	-66	-	-	-	-3,707
Other financial expenses	-138	-572	-	-3,666	-	-572
Income tax expense	1,057	-1,145	-1,724	-	-	-714
Net profit for the period	1,922	2,896	19,737	-1,331	1	3,376
Amounts proportionally attributed to EDP Group						
Net assets	48,408	7,209	91,179	-	48,643	46,864
Goodwill	39,558	-	-	-	-	2,668
Dividends paid	5,288	-	7,231	-	-	1,501

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The following table resumes the companies' financial information of joint ventures whose investment is included under the equity method in the Group consolidated accounts, as at 31 December 2017:

Thousand Euros	Jari Group	Energia Cachoeira Caldeirão	Energia São Manoel	Flat Rock Windpower II	Flat Rock Windpower
Companies' financial information of joint ventures					
Non-Current Assets	449,117	355,769	895,741	98,446	242,890
Current Assets	17,790	23,646	48,301	898	2,278
Cash and cash equivalents	5,601	10,176	28,773	684	1,264
Total Equity	181,209	161,100	489,575	97,708	241,088
Long term Financial debt	162,144	193,712	338,946	-	-
Non-Current Liabilities	230,252	198,973	355,136	1,372	3,642
Short term Financial debt	43,641	9,410	86,004	-	-
Current Liabilities	55,446	19,342	99,331	264	438
Revenues	66,004	36,438	687	4,050	10,813
Property plant and equipment and intangibles amortization/impairment	-15,397	-13,452	-1,957	-5,499	-14,057
Other financial expenses	-26,470	-22,769	-3,304	-25	-56
Income tax expense	-2,769	3,529	1,480	-	-
Net profit for the period	5,532	-7,035	-2,874	-6,305	-17,354
Amounts proportionally attributed to EDP Group					
Net assets	136,293	80,960	163,195	48,854	131,873
Goodwill	-	-	-	-	-
Dividends paid	489	-	-	-	14,143

Thousand Euros	EDP Asia Group	Compañía Eólica Aragonesa	Bioeléctrica Group	CIDE HC Energía	Hydro Global Investment	Other
Companies' financial information of joint ventures						
Non-Current Assets	98,003	123,215	123,848	1,741	56,284	146,288
Current Assets	1	7,773	19,863	50,009	91,526	26,958
Cash and cash equivalents	1	4,652	13,145	1,277	81,943	9,943
Total Equity	98,004	105,890	32,321	11,177	68,063	22,996
Long term Financial debt	-	-	43,242	-	79,213	17,728
Non-Current Liabilities	-	20,753	57,223	3,955	79,213	35,836
Short term Financial debt	-	-	9,694	-	141	5,704
Current Liabilities	-	4,345	54,167	36,618	534	114,414
Revenues	-	21,283	48,468	246,789	-	40,565
Property plant and equipment and intangibles amortization/impairment	-	-14,444	-9,250	-62	-74	-3,628
Other financial expenses	-	-145	-872	-422	-2,145	-770
Income tax expense	-	1,489	-1,622	-412	669	-1,488
Net profit for the period	21,281	618	4,987	8,367	-1,108	-369
Amounts proportionally attributed to EDP Group						
Net assets	89,727	52,734	16,158	5,573	34,041	21,919
Goodwill	-	39,558	-	-	-	2,668
Dividends paid	7,380	5,000	-	-	-	-

The following table resumes the companies' financial information of associates whose investment is included in the Group consolidated accounts under the equity method, as at 31 December 2018:

Thousand Euros	Mabe Brasil	Celesc	Parque Eólico Belmonte	Parque Eólico Madero	Principle Power Inc.	Other
Companies' financial information of associates						
Non-Current Assets	2,402	448,022	19,417	50,083	18,858	54,283
Current Assets	17,744	8,594	5,462	18,548	9,448	28,138
Total Equity	-3,536	452,386	6,798	30,757	18,571	42,083
Non-Current Liabilities	20,691	1,491	12,182	5,258	3,811	30,809
Current Liabilities	2,991	2,739	5,900	32,616	5,924	9,530
Revenues	220	-	3,870	11,565	3,714	38,881
Net profit for the period	-1,664	42,323	925	3,527	-3,012	8,157
Amounts proportionally attributed to EDP Group						
Net assets	-	106,573	3,758	12,918	2,827	20,156
Goodwill	-	-	1,726	-	967	8,391
Dividends paid	-	-	-	-	-	3,945

Other include companies with financial statements as of 31 December 2018, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2018, since the accounts as at 31 December 2018 were not timely approved.

The following table resumes the companies' financial information of associates whose investment is included in the Group consolidated accounts under the equity method, as at 31 December 2017:

Thousand Euros	Mabe Brasil	Les Eoliennes en Mer Noirmoutier	Parque Eólico Belmonte	Parque Eólico Madero	Principle Power Inc.	Other
Companies' financial information of associates						
Non-Current Assets	2,351	35,748	20,258	50,596	12,401	99,844
Current Assets	19,864	10,726	3,823	12,304	4,576	46,385
Total Equity	-2,152	33,823	5,873	27,230	10,409	67,360
Non-Current Liabilities	20,809	5,500	13,338	1,825	4,134	48,163
Current Liabilities	3,558	7,151	4,870	33,845	2,434	30,706
Revenues	-1,153	-	4,112	10,896	841	48,101
Net profit for the period	-1,970	-648	1,283	3,224	-4,281	6,212
Amounts proportionally attributed to EDP Group						
Net assets	-	14,544	3,482	11,437	3,341	28,951
Goodwill	-	-	1,726	-	924	6,504
Dividends paid	-	-	-	-	-	2,853

Other include companies with financial statements as of 31 December 2017, with the exception of companies that have no activity or are in liquidation process, and Portsines whose financial statements are for the period ended 30 November 2017, since the accounts as at 31 December 2017 were not timely approved.

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As at 31 December 2018, the significant companies' financial information of joint ventures and associates presents the following reconciliation of net assets proportionally attributed to EDP Group:

Thousand Euros	Equity	% EM	Fair Value Adjustments	Goodwill	Other	Net Assets
Companhia Energética do JARI	185,976	50.00%	39,332	-	-	132,320
Empresa de Energia Cachoeira Caldeirão S.A.	141,645	50.00%	353	-	-	71,176
Empresa de Energia São Manoel S.A.	433,518	33.33%	-	-	-	144,509
Flat Rock Windpower II LLC	96,826	50.00%	-	-	-	48,413
Flat Rock Windpower LLC	239,426	50.00%	-	-	12,485	132,198
Hydro Global Investment, Ltda	68,906	50.00%	-	-	9	34,462
Compañía Eólica Aragonesa, S.A.	106,064	50.00%	-4,624	-	-	48,408
CIDE HC Energía, S.A.	14,573	50.00%	-	-	-78	7,209
EDP ASIA - Investimento e Consultadoria, Lda	107,872	50.00%	37,243			91,179
Moray Offshore East	-73,943	33.30%	19,611	-	5,012	-
Portfolio Vento XIX	-7,107	20.00%	50,064	-	-	48,643
Mabe Construções e Administração Projetos, Lda	-3,536	50.00%	-	-	1,768	-
Centrais Elétricas de Santa Catarina, S.A. - Celesc	452,386	23.56%	-	-	-	106,573
Parque Eólico de Belmonte, S.A.	6,798	29.90%	-	1,726	-	3,758
Parque Eólico Sierra del Madero S.A.	30,757	42.00%	-	-	-	12,918
Principle Power, Inc.	18,571	21.39%	-	967	-2,113	2,827

As at 31 December 2017, the significant companies' financial information of joint ventures and associates presents the following reconciliation of net assets proportionally attributed to EDP Group:

Thousand Euros	Equity	% EM	Fair Value Adjustments	Goodwill	Other	Net Assets
Companhia Energética do Jari	181,209	50.00%	45,688	-	-	136,293
Empresa de Energia Cachoeira Caldeirão S.A.	161,100	50.00%	410	-	-	80,960
Empresa de Energia São Manoel S.A.	489,575	33.33%	-	-	-	163,195
Flat Rock Windpower II LLC	97,708	50.00%	-	-	-	48,854
Flat Rock Windpower LLC	241,088	50.00%	-	-	11,329	131,873
EDP ASIA - Investimento e Consultadoria, Lda	98,004	50.00%	40,725	-	-	89,727
Compañía Eólica Aragonesa, S.A.	105,890	50.00%	-211	-	-	52,734
EDP Produção Bioeléctrica, S.A.	32,321	50.00%	-	-	-3	16,158
CIDE HC Energía, S.A.	11,177	50.00%	-	-	-16	5,573
Hydro Global Investment, Ltda	68,063	50.00%	-	-	10	34,041
Mabe Construções e Administração Projetos, Lda	-2,152	50.00%	-	-	1,076	-
Les Eoliennes en Mer Iles d'Yeu Noirmountier, SAS	33,823	43.00%	-	-	-	14,544
Parque Eólico de Belmonte, S.A.	5,873	29.90%	-	1,726	-	3,482
Parque Eólico Sierra del Madero S.A.	27,230	42.00%	-	-	-	11,437
Principle Power, Inc.	10,409	22.72%	-	924	53	3,341

Operating and real guarantees granted by joint ventures, included in the Group consolidated accounts under the equity method, are disclosed as follows:

Thousand Euros	Dec 2018	Dec 2017
Operating guarantees		
Companhia Energética do Jari	222	293
Empresa de Energia Cachoeira Caldeirão S.A.	156	186
Empresa de Energia São Manoel S.A.	18	8,427
	396	8,906
Real guarantees	-	-

The commitments relating to short and medium-long term financial debt, future lease payments under operating leases and other purchase obligations of joint ventures included in the Group consolidated accounts under the equity method, as at 31 December 2018 and 2017, are disclosed by maturity as follows:

	Dec 2018				
	Capital outstanding by maturity				
Thousand Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (inc. falling due interest)	744,576	51,728	102,078	203,434	387,336
Finance lease commitments	718	152	211	197	158
Operating lease commitments	545	244	280	15	6
Purchase obligations	48,177	15,400	11,286	2,809	18,682
Other long term commitments	128,777	111,801	16,976	-	-
	922,793	179,325	130,831	206,455	406,182

	Dec 2017				
	Capital outstanding by maturity				
Thousand Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (inc. falling due interest)	663,274	89,744	103,166	95,991	374,373
Finance lease commitments	938	219	263	199	257
Operating lease commitments	26,271	11,408	2,962	2,393	9,508
Purchase obligations	541,398	187,738	56,349	39,758	257,553
	1,231,881	289,109	162,740	138,341	641,691

The summarised financial information for subsidiaries with material non-controlling interests, namely EDP Brasil and EDP Renováveis, as at 31 December 2018, are disclosed in note 50 and in the Annex I.

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 25).

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

	Available-for-sale financial assets	Equity Instruments at Fair Value		
Thousand Euros		Through OCI	Through PL	Total
Available-for-sale financial assets at 31 December 2017	124,016	-	-	-
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 PL (see note 21.2)	-27,707	-	27,707	27,707
Reclassification of Financial Assets for Other Assets at amortised Cost (see note 25)	-19	-	-	-
Equity Instruments at Fair Value at 1 January 2018	-	96,290	27,707	123,997

As at 31 December 2018, this caption is analysed as follows:

	Group		Company	
Thousand Euros	Dec 2018	1 Jan 2018	Dec 2018	1 Jan 2018
Equity Instruments at Fair Value through OCI (see note 21.1)	93,287	96,290	1,537	1,537
Equity Instruments at Fair Value through PL (see note 21.2)	31,860	27,707	-	-
	125,147	123,997	1,537	1,537

Under IFRS 13 (note 44), 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 31 December 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 classified 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, Zephyr had an increase of 5,000 thousand Euros and a decrease of 4,289 thousand Euros, as well as a decrease in its fair value, that was booked against fair value reserves, in the amount of 3,749 thousand Euros (see note 30).

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

Thousand Euros	Balance at 1 Jan	Acquisitions	Disposals	Change in fair value	Other variations	Balance at 31 Dec
Zephyr Fund (Energia RE portfolio)	77,573	5,000	-4,289	-3,749	-	74,535
Other	18,717	697	-940	129	149	18,752
	96,290	5,697	-5,229	-3,620	149	93,287

As at 31 December 2018, the fair value reserve attributable to the Group is as follows:

Thousand Euros	Dec 2018
Zephyr Fund (Energia RE portfolio)	6,453
Other	5,538
	11,991

21.2 Equity Instruments at Fair Value through Profit or Loss (PL)

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 PL.

Regarding Feedzai - Consultadoria e Inovação Tecnológica, S.A., it fair value in the amount of 15,526 thousand Euros was determined according to the last transation sales of the society EQ/sales amounting to 6,3x. The sensitivity analysis considering a reduction or a 0,5x increase of the multiple, determines a fair value of 14,3 million Euros and 16,8 million Euros, respectively.

During 2018 a increase in the fair value in the amount of 2,582 thousand Euros was booked against Profit or Loss (see note 13 and 44).

Thousand Euros	Balance at 1 Jan	Acquisitions	Disposals	Change in fair value	Other variations	Balance at 31 Dec
EDA - Electricidade dos Açores, S.A.	13,045	-	-	621	-	13,666
Feedzai - Consultadoria e Inovação Tecnológica, S.A.	13,565	-	-	1,961	-	15,526
Others	1,097	1,571	-	-	-	2,668
	27,707	1,571	-	2,582	-	31,860

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:

Thousand Euros	Net Deferred tax assets		Net Deferred tax liabilities	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Europe				
Tax losses and tax credits	306,105	210,836	-	-
Provisions for social benefits, bad debts and other risks	573,115	489,823	16,165	17,282
Financial instruments	106,187	41,233	17,185	7,143
Property plant and equipment	200,330	170,786	176,604	173,932
Reinvested gains	-	-	3,213	3,213
Financial and equity instruments at fair value	357	565	3,993	3,902
Tariff adjustments and tariff deficit	39,906	69,788	80,337	251,679
Allocation of fair value to assets and liabilities acquired	24,761	33,684	441,278	403,663
Fiscal revaluations	464,233	500,667	70,138	74,564
Deferred income relating to CMEC	-	-	198,055	185,631
Other temporary differences	16,713	33,478	83,427	56,722
Assets/liabilities compensation of deferred taxes	-718,007	-909,068	-718,007	-909,068
	1,013,700	641,792	372,388	268,663
Brazil				
Tax losses and tax credits	98,304	124,719	-	-
Provisions for social benefits, bad debts and other risks	120,969	126,860	-	-
Allocation of fair value to assets and liabilities acquired	-	-	127,458	133,108
Use of public property	24,068	25,842	7,499	8,869
Fair value of financial assets	-	-	35,506	34,717
Other temporary differences	3,804	4,461	34,658	37,820
Assets/liabilities compensation of deferred taxes	-109,702	-115,740	-109,702	-115,740
	137,443	166,142	95,419	98,774
United States of America and Canada				
Tax losses and tax credits	579,121	553,644	-	-
Property, plant and equipment	3,436	3,200	253,529	253,080
Allocation of fair value to assets and liabilities acquired	-	-	129,306	112,716
Gains from institutional partnerships in USA wind farms	-	-	336,895	291,041
Other temporary differences	31,276	2,909	-55	1,424
Assets/liabilities compensation of deferred taxes	-612,781	-559,166	-612,781	-559,166
	1,052	587	106,894	99,095
	1,152,195	808,521	574,701	466,532

As referred under accounting policies, note 2 q), the compensation between deferred tax assets and liabilities is performed at each subsidiary, and therefore the consolidated financial statements reflect in its assets the total of the deferred tax of subsidiaries that have deferred tax assets and in its liabilities the total of the deferred tax of subsidiaries that have deferred tax liabilities.

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:

Thousand Euros	Net Deferred tax assets		Net Deferred tax liabilities	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Tax losses and tax credits	89,383	75,681	-	-
Provisions for social benefits, bad debts and other risks	6,945	6,432	-	-
Financial instruments	21,431	15	21,042	1,687
Financial and equity instruments at fair value	-	834	-	-
Allocation of fair value to assets and liabilities acquired	-	-	3,546	-
Property, plant and equipment	4,322	4,188	-	-
Fiscal revaluations	-	-	199	205
Other temporary differences	3,083	3,074	7,718	10,074
Assets/liabilities compensation of deferred taxes	-32,505	-11,966	-32,505	-11,966
	92,659	78,258	-	-

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The deferred tax movement, for the Group and for the Company, in 2018 and 2017 is as follows:

Thousand Euros	Deferred taxes Group		Deferred taxes Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Balance at 31 December 2017	341,989	182,011	78,258	45,115
Adjustments due to IFRS 9 and IFRS 15 adoption (see note 3)	27,387	-	-	-
Balance at 1 January 2018	369,376	182,011	78,258	45,115
Charges to the profit and loss account	145,947	168,115	-2,142	30,239
Charges against reserves	77,367	64,465	2,309	11,442
Exchange differences and other variations	-15,196	-72,602	14,234	-8,538
Balance at 31 December 2018	577,494	341,989	92,659	78,258

At 31 December 2017, the caption Exchange differences and other variations mainly includes the variation due to the above mentioned derecognition of deferred tax amounts related to the disposal of the gas distribution business in Spain.

Taxes recorded against reserves are as follows:

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Deferred tax				
Financial instruments and fair value	43,661	40,446	2,060	14,308
Transactions with non-controlling interests	12,684	-	-	-
Actuarial gains and losses	19,242	27,415	249	-125
Changes in fair value of financial assets held for sale	1,780	-3,396	-	-2,741
	77,367	64,465	2,309	11,442

The Group tax losses carried forward are analysed as follows:

Thousand Euros	Group	
	Dec 2018	Dec 2017
Expiry date:		
2018	-	2,808
2019	6,585	11,547
2020	15,151	13,108
2021	50,102	61,713
2022	21,698	21,202
2023	36,394	31,907
2024 to 2038	2,275,234	2,184,184
Without expiry date	1,374,629	1,273,121
	3,779,793	3,599,590

Of the total of EDP Group's tax losses available to carry forward as at 31 December 2018, the amount of 476.257 thousand Euros does not have deferred tax asset, in accordance with the applicable accounting standards since, at the present date, there is still not sufficient visibility about the future period in which such tax losses will be used.

23. Inventories

This caption is as follows:

Thousand Euros	Group	
	Dec 2018	Dec 2017
Merchandise	48,194	21,982
Finished, intermediate products and sub-products	38,910	37,738
Raw and subsidiary materials and consumables (coal and other fuels)	132,428	100,276
Nuclear fuel	16,159	16,700
CO2 licenses (see note 45)	-	-
Other	106,346	89,079
	342,037	265,775

The caption CO2 Licenses, includes licenses held for trading, measured at the lower of acquisition cost and net realisable value, which corresponds to the market quote, as described in accounting policy 2 x).

24. Debtors and Other Assets from Commercial Activities

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

Thousand Euros	Group	
	Dec 2018	Dec 2017
Assets measured at amortised cost:		
Amounts receivable from tariff adjustments - Electricity - Portugal	7,691	521,062
Amounts receivable from tariff adjustments - Electricity - Brazil	27,551	49,999
Amounts receivable relating to CMEC	647,667	806,014
Amounts receivable from concessions - IFRIC 12	882,087	1,229,370
Accrued income relating to energy sales activity	-	8,105
Other assets measured at amortised cost	35,585	87,068
Impairment losses on other assets measured at amortised cost	-2,895	-3,182
	1,597,686	2,698,436
Trade receivables at amortised cost:		
Trade receivables	116,479	141,517
Impairment losses on trade receivables	-52,629	-61,929
	63,850	79,588
Assets measured at fair value through other comprehensive income:		
Amounts receivable from tariff adjustments - Electricity - Portugal	9,743	-
Assets measured at fair value through profit or loss:		
Amounts receivable from concessions - IFRIC 12	519,544	-
Contract assets:		
Contract assets receivable from energy sales contracts	2,093	-
Incremental costs of obtaining contracts with customers	66,850	-
Contract assets receivable from concessions - IFRIC 12 (see note 17)	192,036	-
	260,979	-
Other assets:		
Other assets out of scope of IFRS 9	70,838	61,355
	2,522,640	2,839,379

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

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Assets measured at amortised cost:				
Amounts receivable from tariff adjustments - Electricity - Portugal	204,626	348,990	-	-
Amounts receivable from tariff adjustments - Electricity - Brazil	82,392	27,384	-	-
Receivables relating to other goods and services	30,864	18,328	25,081	24,516
Amounts receivable relating to CMEC	184,757	218,748	-	-
Amounts receivable from concessions - IFRIC 12	53,150	60,978	-	-
Accrued income relating to energy sales activity	-	1,007,007	-	226,500
Other assets measured at amortised cost	141,708	187,446	129,927	61,039
Impairment losses on other assets measured at amortised cost	-5,897	-12,416	-153	-788
	691,600	1,856,465	154,855	311,267
Trade receivables at amortised cost:				
Trade receivables	1,497,576	1,712,574	190,047	306,651
Impairment losses on trade receivables	-304,237	-305,909	-306	-9,699
	1,193,339	1,406,665	189,741	296,952
Assets measured at fair value through other comprehensive income:				
Amounts receivable from tariff adjustments - Electricity - Portugal	3,153	-	-	-
Contract assets:				
Contract assets receivable from energy sales contracts	1,219,851	-	307,087	-
Other assets:				
Other assets out of scope of IFRS 9	59,536	62,600	1,721	1,411
	3,167,479	3,325,730	653,404	609,630

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

Thousand Euros	Non-Current	Current
Balance as at 31 December 2017	521,062	348,990
Impact of the tariff deficit measured at fair value through other comprehensive income (adoption of IFRS 9 - see note 3)	-2,727	5,466
Balance as at 1 January 2018	518,335	354,456
Receipts through the electricity tariff	-	-197,581
Partial sale of 2017 overcosts for the special regime generators	-	-391,691
Partial sale of 2018 overcosts for the special regime generators	-	-871,497
Tariff adjustment of 2017	-	-1,251
Tariff adjustment of the period	-	886,325
Fair value of the tariff deficit measured at fair value through other comprehensive income (see note 30)	2,727	-5,466
Interest income (see note 13)	-	10,221
Transfer to/from tariff adjustment payable (see note 37)	39,085	-118,450
Transfer from Non-Current to Current	-542,713	542,713
Balance as at 31 December 2018	17,434	207,779

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 31 December 2018, the caption Debtors and other assets from commercial activities includes the amount of 9,743 thousand Euros as non-current and the amount of 3,153 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 44).

During the first quarter of 2018, EDP Serviço Universal, S.A. (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 overcosts related to the acquisition of electricity from special regime generators (including the adjustments from 2015 to 2017). In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and respective 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 Serviço Universal, S.A. (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 overcosts 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 respective interest. The sale price amounted to 650 million Euros and generated a gain net of transaction costs of 1,204 thousand Euros (see note 13).

During the last quarter of 2018, EDP Serviço Universal, S.A. (EDP SU) sold, in eight independent operations, a portion of the 2017 tariff deficit in the amount of 144,571 thousand Euros and a portion of the 2018 tariff deficit in the amount of 230,429 thousand Euros. The 2017 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2017 overcosts related to the acquisition of electricity from special regime generators (including the adjustments from 2015 to 2017). The 2018 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2018 overcosts 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 384,074 thousand Euros and generated a gain net of transaction costs of 4,630 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 31 December 2018:

Thousand Euros	Deficit	Tariff adj.	Sales	Total
Year:				
2015	9,631	-	-	9,631
2016	15,213	-	-	15,213
2017	391,691	225,202	-391,691	225,202
2018	884,394	-37,730	-871,497	-24,833
	1,300,929	187,472	-1,263,188	225,213

As at 31 December 2018, in accordance with the methodology for determining impairment losses on amounts receivable from regulatory assets (see note 2 e)), no impairment loss related to the amounts included in the captions Amounts receivable from tariff adjustments - Electricity, Amounts receivable relating to CMEC and Amounts receivable from concessions was recognised.

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments recognised in EDP São Paulo - Distribuição de Energia S.A. and EDP Espírito Santo - Distribuição de Energia S.A. in the accumulated amount, as at 31 December 2018, of 74,099 thousand Euros (31 December 2017: 52,807 thousand Euros) and 35,844 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 152,963 thousand Euros (see note 7), transfer to tariff adjustment payable of 7,418 thousand Euros (see note 37), amounts received through the electricity tariff of 121,424 thousand Euros, unwinding in the amount of 17,937 thousand Euros (see note 13) and the exchange differences due to depreciation of Brazilian Real against Euro with a negative impact of 9,498 thousand Euros.

The caption Amounts receivable relating to CMEC amounts to 832,424 thousand Euros, and includes 647,667 thousand Euros as non-current and 184,757 thousand Euros as current. The amount receivable relating to CMEC includes 441,454 thousand Euros as non-current and 44,735 thousand Euros as current, which correspond to the initial CMEC granted to EDP Produção (833,467 thousand Euros), deducted from the annuities for the years 2007 to 2017, and 206,213 thousand Euros as non-current and 43,526 thousand Euros as current, relating with the final adjustment recognised in accordance with the result achieved by the EDP/REN working group. The remaining 96,496 thousand Euros as current correspond to the amounts receivable 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 1,454,781 thousand Euros relates to the financial asset to be received by the EDP Group regarding the electricity distribution concessions in Portugal and Brazil, resulting from the application of the mixed model, and the asset related to electricity transmission concessions in Brazil. The variation of the period includes: (i) the effect of the depreciation of Brazilian Real against Euro in the amount of 57,688 thousand Euros; (ii) transfers from intangible assets assigned to concessions in the amount of 125,985 thousand Euros (see note 17); (iii) the re-measurement of IFRIC 12 indemnity amount in Brazil concessions of 13,567 thousand Euros; and (iv) the increase of brazilian transmission companies investment in the amount of 73,389 thousand Euros.

The movements in Impairment losses on other assets measured at amortised cost are as follows:

Thousand Euros	Group		Company	
	Non-current	Current	Non-current	Current
Balance as at 31 December 2016	3,229	21,410	-	1,000
Charge of the period	-	460	-	12
Reversal of impairment losses	-1	-3,800	-	-224
Charge-off	-	-5,172	-	-
Exchange differences	-46	-547	-	-
Perimeter variations/Other regularisations	-	65	-	-
Balance as at 31 December 2017	3,182	12,416	-	788
Impact of IFRS 9 adoption (see note 3)	-	924	-	-
Balance as at 1 January 2018	3,182	13,340	-	788
Charge of the period	-	2,965	-	7
Reversal of impairment losses	-264	-1,301	-	-68
Charge-off	-	-1,314	-	-574
Exchange differences	-23	-286	-	-
Perimeter variations/Other regularisations	-	-7,507	-	-
Balance as at 31 December 2018	2,895	5,897	-	153

The geographical market Trade receivables' breakdown and the credit risk analysis are disclosed in note 5, under the Counterparty credit risk management.

As at 31 December 2018 and 2017, on a company basis, trade receivables are from Portugal geographical market.

The movements in Impairment losses on trade receivables are as follows:

Thousand Euros	Group		Company	
	Non-current	Current	Non-current	Current
Balance as at 31 December 2016	64,956	329,212	-	9,935
Charge of the period	257	108,418	-	13
Reversal of impairment losses	-2,552	-86,431	-	-249
Charge-off	-	-39,102	-	-
Exchange differences	-732	-8,503	-	-
Perimeter variations/Other regularisations	-	2,315	-	-
Balance as at 31 December 2017	61,929	305,909	-	9,699
Impact of IFRS 9 adoption (see note 3)	-	52,289	-	-56
Balance as at 1 January 2018	61,929	358,198	-	9,643
Charge of the period	1,080	91,484	-	215
Reversal of impairment losses	-4,447	-68,667	-	-12
Charge-off	-5,456	-64,528	-	-9,540
Exchange differences	-535	-6,406	-	-
Perimeter variations/Other regularisations	58	-5,844	-	-
Balance as at 31 December 2018	52,629	304,237	-	306

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The caption Contract assets receivable from energy sales contracts 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. The impairment losses on Trade receivables includes impairment losses related to Contract assets receivable from energy sales contracts.

Contract assets receivable from energy sales contracts - Current include contract assets relating to energy delivered and not yet invoiced, amounts receivable from REN regarding the CMEC Revisibility of 2016 and 2017 which are awaiting approval, and accruals from UNGE's energy management business.

With the adoption of IFRS 15, on 1 January 2018, the caption of Contract assets - 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 31 December 2018, the caption Incremental costs of obtaining contracts, in the amount of 66,850 thousand Euros, includes the costs identified in the transition as at 1 January 2018 and capitalised costs of 2018, which are amortised under IFRS 15 (see note 12).

25. Other Debtors and Other Assets

Other debtors and other assets are as follows:

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Debtors and other assets - Non-Current				
Assets measured at amortised cost:				
Loans to subsidiaries	-	-	2,951,030	6,432,068
Loans to related parties	42,973	10,018	90	90
Guarantees rendered to third parties	64,162	51,041	-	-
Other financial assets at amortised cost (i)	46,244	-	560,358	-
Assets measured at fair value through profit or loss:				
Derivative financial instruments (see note 41)	191,923	163,874	260,931	191,610
Contingent price	170,953	154,979	-	-
Other assets:				
Excess of the pension fund financing (see note 34)	59,840	58,952	68	63
Other assets out of scope of IFRS 9	53,525	79,908	-	-
	629,620	518,772	3,772,477	6,623,831
Debtors and other assets - Current				
Assets measured at amortised cost:				
Loans to subsidiaries	-	-	748,855	1,573,553
Dividends attributed by subsidiaries	-	-	-	50,001
Loans to related parties	20,738	89,735	-	11,290
Receivables from the State and concessors	28,655	30,012	-	-
Deposits to third parties	77,580	24,606	45,198	6,727
Subsidiary companies	-	-	190,042	53,627
Group's financial system (see note 43)	-	-	675,997	688,078
Other financial assets at amortised cost (i)	16,457	-	460,956	-
Assets measured at fair value through profit or loss:				
Derivative financial instruments (see note 41)	96,517	129,350	302,971	523,931
Other financial investments measured at fair value	39,258	-	-	-
Contingent price	290,900	-	-	-
Other assets:				
Other assets out of scope of IFRS 9	24,703	30,925	-	15
	594,808	304,628	2,424,019	2,907,222
	1,224,428	823,400	6,196,496	9,531,053

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 1,580,629 thousand Euros (31 December 2017: 4,875,717 thousand Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 1,808,458 thousand Euros (31 December 2017: 1,921,941 thousand Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 43). 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 47).

For the Loans to subsidiaries, EDP, S.A. performs an analysis to evaluate impairment based on the general approach. The company uses several inputs on making its assessment of the credit risk related to these assets, such as the analysis of the historical posible delays and/or impairment losses indications, rating companies (when applicable) and market and macroeconomic informations that may change the probability of default and the expectation of delays in the receivable amounts. According to the analysis performed, as per 31 December 2018 there are no expected credit losses accounted for related to loans with subsidiaries.

Loans to related parties - Non-Current and Current at a consolidated basis, mainly includes loans granted to Parque Eólico Sierra del Madero, S.A., Eoliennes en Mer Dieppe - Le Tréport, S.A.S. and Eoliennes en Mer Iles d'Yeu et de Noirmoutier, S.A.S. Following the disposal, the loans granted to EDP Produção Bioeléctrica, S.A., were received (see notes 6 and 40). During the third quarter of 2018, the loans granted to Empresa de Energia São Manoel S.A. were liquidated.

At 31 December of 2017, Derivative financial instruments – Current, for the Company, included 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 US Dollars issued by EDP Finance B.V. and granted to EDP – Energias de Portugal – Sociedade Anónima, Sucursal en España. 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 did the total repayment of the liabilities hedged, corresponding to a notional of 2,000 million US Dollars (see note 38). 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 Contingent prices - Non Current refers, mainly, to the to the partial receipt of 45,970 thousand Euros and to an increase of the fair value in an amount of 18,316 thousand Euros of the contingent price related to the Naturgás sale, registered in 2017, and to the recognition of the fair value of contingent prices related to the sale of 13,5% of the companies Eoliennes en Mer Dieppe - Le Tréport, S.A.S. e Eoliennes en Mer Iles d'Yeu et de Noirmoutier, S.A.S. in an amount of 36,551 thousand Euros (see Note 6).

The variation in the caption Contingent prices - Current refers to the recognition of the fair value of contingent prices related to the sale of 80% of the company 2018 Vento XIX LLC and its subsidiaries in an amount of 181,016 thousand Euros (206,400 thousand US Dollars) and to the sale of 75% of the companies Nation Rise Wind Farm Gp II Inc. e Nation Rise Wind Farm Limited Partnership in an amount of 109,884 thousand Euros (171,474 thousand Canadian Dollars) (see Note 6).

(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, on 1 January 2018, these securities, in the amount of 37,544 thousand Euros, were classified as financial assets measured at amortised cost and included under Other debtors and other assets (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.

Under 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 31 December 2018, the amortised cost of these Notes corresponds to 346 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 31 December 2018, the amortised cost of these Notes corresponds to 193 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 31 December 2018, the amortised cost of these Notes corresponds to 2,286 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. As at 31 December 2018, the amortised cost of the Notes corresponds to 25,250 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 1,204 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. As at 31 December 2018, the amortised cost of the Notes corresponds to 34,607 thousand Euros.

On a Company basis, this caption, in the amount of 1,021,314 thousand Euros (560,358 in Non-Current and 460,956 thousand Euros in Current), corresponds to the amortised cost of the securities issued by EDP Finance B.V. reacquired in a market operation 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 US 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 US 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. On 11 December 2018, EDP, S.A. has bought an amount of 499,998 thousand Euros of nominal debt, related to a couple of bonds issued by EDP Finance B.V. in a market operation, in the total amount of 541,751 thousand Euros. This amount includes a premium paid over the nominal debt of 33,705 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	Acquired in Currency '000
EDP Finance B.V.	14 Apr 2019	EUR	2.63%	650,000	98,809
EDP Finance B.V.	1 Oct 2019	USD	4.90%	1,000,000	363,462
EDP Finance B.V.	15 Jan 2020	USD	4.13%	750,000	167,076
EDP Finance B.V.	29 Jun 2020	EUR	4.13%	300,000	66,628
EDP Finance B.V.	14 Sep 2020	EUR	4.88%	750,000	287,778
EDP Finance B.V.	20 Jan 2021	EUR	4.13%	600,000	46,783
					1,030,536

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

As at 31 December 2018, these investments' fair value amounts to 1,006,402 thousand Euros (31 December 2017: 863,930 thousand Euros).

On a consolidated basis, this operation represents a debt extinction, so the premium paid and the respective transaction costs are recognised as costs (see note 13).

26. Tax Assets

Current tax assets are as follows:

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Income tax	239,465	364,731	90,092	177,984
Value added tax (VAT)	78,580	83,415	7,123	6,395
Special taxes Brazil	85,420	130,977	-	-
Other taxes	4,320	2,170	877	877
	407,785	581,293	98,092	185,256

The detail of this item is analysed as follows:

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Non-Current	53,728	60,793	-	-
Current	354,057	520,500	98,092	185,256
	407,785	581,293	98,092	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 December 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 11196/05 and Normative Instruction RFB 658/06.

Following these operations, the companies recognised tax receivables totaling 161,741 thousand Euros (718,779 thousand Brazilian Reais) and tax payables totaling 115,868 thousand euros (514,917 thousand Brazilian Reais) (see note 39).

As at 31 December 2018, the captions Income tax and Special taxes Brazil include the amount of 48,396 thousand Euros (215,074 thousand Brazilian Reais), corresponding to the recognised asset of 161,741 thousand Euros net of compensations.

27. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Cash	258	217	33	14
Bank deposits				
Current deposits	1,167,042	781,853	334,570	348,746
Term deposits	552,982	1,516,533	-	675,000
Specific demand deposits in relation to institutional partnerships	82,923	101,474	-	-
	1,802,947	2,399,860	334,570	1,023,746
Operations pending cash settlement				
Current deposits	-	-	150,000	115,000
	1,803,205	2,400,077	484,603	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 36), under the Group accounting policy.

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As at 31 December 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 (see note 2 f)). This caption of 150,000 thousand Euros (31 December 2017: 115,000 thousand Euros) refers to commercial paper issued on 28 December 2018, acquired by EDP Finance B.V., which settlement date occurred on 2 January 2019.

28. 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 privatisation 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 these last two 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.

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 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%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
BlackRock, Inc.	182,733,180	5.00%	5.00%
Mubadala Investment Company	115,236,553	3.15%	3.15%
Paul Elliott Singer	89,650,554	2.45%	2.55%
Millennium BCP Group and Pension Fund	88,989,949	2.43%	2.43%
State Street Corporation	87,703,470	2.40%	2.40%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
Norges Bank	81,100,067	2.22%	2.22%
EDP (Treasury Stock)	21,771,966	0.60%	
Remaining Shareholders	1,523,570,754	41.66%	
	3,656,537,715	**100.00%**	

This breakdown should be read together with note 46 – Relevant or subsequent events, where the changes occurred in the shareholder structure after 31 December 2018 are disclosed.

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 31 December	3,656,538	503,923

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

	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Net profit attributable to the equity holders of EDP (in Euros)	519,189,303	1,113,168,602	738,586,257	765,427,037
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	519,189,303	1,113,168,602	738,586,257	765,427,037
Weighted average number of ordinary shares outstanding	3,634,649,659	3,634,756,353	3,636,162,660	3,636,269,353
Weighted average number of diluted ordinary shares outstanding	3,634,649,659	3,634,756,353	3,636,162,660	3,636,269,353
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.14	0.31		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.14	0.31		
Basic earnings per share from continuing operations (in Euros)	0.14	0.31		
Diluted earnings per share from continuing operations (in Euros)	0.14	0.31		

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. Basic earnings per share and diluted earnings per share are equal because there are no dilution factors.

The average number of shares was determined as follows:

	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 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	-21,888,056	-21,781,362	-20,375,055	-20,268,362
Average number and diluted average number of shares during the period	3,634,649,659	3,634,756,353	3,636,162,660	3,636,269,353

29. Treasury Stock

This caption is as follows:

	Group		Company	
	Dec 2018	Dec 2017	Dec 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)	3.049	2.885	3.049	2.885
Market value of EDP, S.A.'s treasury stock (thousand Euros)	66,383	63,200	61,770	58,835

Shares' transactions occurred between 1 January and 31 December 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)	3.541	-
Lowest market price (in Euros)	2.640	-
Average market price (in Euros)	3.158	-

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.

30. Reserves and Retained Earnings

This caption is as follows:

	Group		Company	
Thousand Euros	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Legal reserve	739,024	739,024	739,024	739,024
Fair value reserve (cash flow hedge) (see note 41)	-285,739	-103,578	-1,662	7,496
Tax effect of fair value reserve (cash flow hedge) (see note 41)	72,424	27,436	334	-1,726
Fair value reserve (financial assets)	12,026	36,649	-	-
Tax effect of fair value reserve (financial assets)	-1,739	-5,394	-	-
Exchange differences arising on consolidation	-483,410	-361,956	-	-
Treasury stock reserve (EDP, S.A.)	56,315	56,862	56,315	56,862
Other reserves and retained earnings	4,242,037	3,946,222	1,848,174	1,773,887
	4,350,938	4,335,265	2,642,185	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 fair value through 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 (PL) (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 24).

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

Thousand Euros	Fair value reserve
Fair value reserve - Available for sale investments at 31 December 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 1 January 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	347
Negative changes in fair value	-5,323
Transfer of reserves from assets sold to profit or loss	-1,349
Balance as at 31 December 2018	12,026

Changes in fair value reserve attributable to the EDP Group during the period ended 31 December 2018 are as follows:

Thousand Euros	Increases	Decreases	Profit or loss
Zephyr Fund (Energia RE portfolio) (see note 21)	-	-3,749	-
EDP Serviço Universal, S.A. tariff deficit (see note 24)	-	-1,421	-1,318
Other (see note 21)	347	-153	-31
	347	-5,323	-1,349

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:

		Exchange rates at Dec 2018		Exchange rates at Dec 2017	
Currency		Closing	Average	Closing	Average
US Dollar	USD	1.145	1.181	1.199	1.129
Brazilian Real	BRL	4.444	4.307	3.973	3.605
Macao Pataca	MOP	9.237	9.537	9.653	9.063
Canadian Dollar	CAD	1.561	1.529	1.504	1.465
Polish Zloty	PLN	4.301	4.261	4.177	4.258
Romanian Leu	RON	4.664	4.654	4.659	4.569
Pound Sterling	GBP	0.895	0.885	0.887	0.877
South African Rand	ZAR	16.459	15.615	14.805	15.047
Mexican Peso	MXN	22.492	22.709	23.661	21.330
Chinese Yuan	CNY	7.875	7.808	7.804	7.628

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324º 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 2 May 2018.

31. Non-Controlling Interests

This caption is as follows:

Thousand Euros	Group	
	Dec 2018	Dec 2017
Non-controlling interests in income statement	356,892	328,266
Non-controlling interests in equity and reserves	3,575,257	3,606,056
	3,932,149	3,934,322

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

Thousand Euros	Group	
	Dec 2018	Dec 2017
EDP Renováveis Group	2,738,878	2,653,911
EDP Brasil Group	1,225,164	1,308,065
Other	-31,893	-27,654
	3,932,149	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 209,680 thousand Euros; (ii) a negative impact of 71,566 thousand Euros related to dividends attributable to non-controlling interests; (iii) a positive impact of 31,710 thousand Euros resulting from exchange differences; (iv) a negative impact of 76,084 thousand Euros resulting from share capital increases/decreases and other acquisitions/sales without change of control; and (v) a negative impact of 8,577 thousand Euros resulting from changes in fair value reserve, cash flow hedge (net of taxes).

The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 151,147 thousand Euros of profits attributable to non-controlling interests; (ii) a decrease of 112,193 thousand Euros resulting from exchange differences; (iii) a negative impact of 125,286 thousand Euros related to dividends attributable to non-controlling interests; (iv) a negative impact of 4,251 thousand Euros resulting from impacts related with adoption of IFRS 9 and IFRS 15; (v) a negative impact of 2,004 thousand Euros resulting from the sale of Costa Rica Energética, Ltda (see note 6); and (vi) a positive impact of 5,743 thousand Euros from recognised actuarial losses (net of taxes).

32. Hydrological Account

The movements in the Hydrological account are as follows:

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

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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 did 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.

Having fulfilled the established by ERSE, on 31 December 2018 the balance of the Hydrological Account is zero.

33. Financial Debt

This caption is as follows:

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Debt and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	225,704	288,137	225,704	288,137
- EDP Finance B.V.	381,030	1,942,285	-	-
- EDP Brasil Group	331,722	454,786	-	-
- EDP Renováveis Group	767,821	825,927	-	-
	1,706,277	3,511,135	225,704	288,137
Non-convertible bond loans:				
- EDP, S.A.	-	-	8,850,000	4,350,000
- EDP Finance B.V.	9,724,157	10,000,982	-	-
- EDP Brasil Group	969,699	679,445	-	-
	10,693,856	10,680,427	8,850,000	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.	200,000	408,455	200,000	408,455
- EDP Brasil Group	45,005	32,722	-	-
	245,005	441,177	200,000	408,455
Other loans	13,890	16,923	-	-
	13,398,196	15,388,830	10,014,872	5,785,760
Accrued interest	5,195	1,249	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	58,999	79,557	-	-
Total Debt and Borrowings	13,462,390	15,469,636	10,014,872	5,785,760
Collateral Deposits - Non-current *	-25,466	-34,874	-	-
	13,436,924	15,434,762	10,014,872	5,785,760

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Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	64,973	64,984	64,973	76,433
- EDP Finance B.V.	-	29,990	-	-
- EDP Brasil Group	126,592	110,779	-	-
- EDP Renováveis Group	113,705	166,101	-	-
- Other	2,325	20	-	-
	307,595	371,874	64,973	76,433
Non-convertible bond loans:				
- EDP, S.A.	-	50,000	-	4,550,000
- EDP Finance B.V.	1,272,547	549,035	-	-
- EDP Brasil Group	117,385	205,561	-	-
	1,389,932	804,596	-	4,550,000
Commercial paper:				
- EDP, S.A.	218,341	6,000	2,658,341	2,961,519
- EDP Brasil Group	49,505	-	-	-
- EDP Finance B.V	400,000	-	-	-
	667,846	6,000	2,658,341	2,961,519
Other loans	2,544	3,836	-	-
	2,367,917	1,186,306	2,723,314	7,587,952
Accrued interest	252,952	260,116	72,295	114,585
Other liabilities:				
- Fair value of the issued debt hedged risk	1,640	1,707	-	-
Total Debt and Borrowings	2,622,509	1,448,129	2,795,609	7,702,537
Collateral Deposits - Current *	-167,425	-10,381	-	-
	2,455,084	1,437,748	2,795,609	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 amount of 200,000 thousand Euros and 200,000 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 2 additional years, subject to the authorisation of the creditors.

In June 2018, EDP issued debt securities under its "Debt Issuance Program (MTN)" of 750 million Euros maturing in January 2026.

In October 2018, EDP issued debt securities under its "Debt Issuance Program (MTN)" of 600 million Euros maturing in October 2025, which was the first Green bond issued in Portugal.

In December 2018, EDP S.A. concluded a "Tender Offer" over the issues "2.650% NOTES DUE APRIL 15, 2019", "4.125% NOTES DUE JUNE 29, 2020", "4.8750% NOTES DUE SEPTEMBER 14, 2020" and "4.125% NOTES DUE JANUARY 20, 2021" limited to a total value of 500 million Euros. As a result of the offer, EDP S.A. acquired 98,909 thousand Euros of the "2.650% NOTES DUE APRIL 15, 2019", 66,628 thousand Euros of "4.1250% NOTES DUE JUNE 29, 2020", 287,778 thousand Euros of "4.875% NOTES DUE SEPTEMBER 14, 2020" and 46,783 thousand Euros of the "4.125% NOTES DUE JANUARY 20, 2021" (see note 25).

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The nominal value of outstanding Bond loans placed with external counterparties, as at 31 December 2018, is as follows:

Issuer	Issue date	Interest rate	Type of hedge	Conditions / Redemption	Nominal Value in Million Currency	Thousand Euros	
						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
Issued under the Euro Medium 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)(ii)	Jun-05	Fixed rate EUR 4.125%	n.a.	Jun-20	233 EUR	233,372	-
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	91,327	-
EDP Finance B.V.(ii)	Sep-09	Fixed rate USD 4.90%	Net Investment	Oct-19	637 USD	555,928	-
EDP Finance B.V.(i)(ii)	Sep-13	Fixed rate EUR 4.875%	Fair Value	Sep-20	462 EUR	462,222	-
EDP Finance B.V.(ii)	Nov-13	Fixed rate EUR 4.125%	n.a.	Jan-21	553 EUR	553,217	-
EDP Finance B.V.	Jan-14	Fixed rate USD 5.25%	Net Investment	Jan-21	750 USD	655,022	-
EDP Finance B.V.(i)(ii)	Apr-14	Fixed rate EUR 2.625%	Fair Value	Apr-19	551 EUR	551,191	-
EDP Finance B.V.	Jun-14	Variable rate (iii)	Net Investment	Jun-19	100 USD	87,336	-
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	509,104	-
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	873,362	-
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	-
EDP Finance B.V.	Oct/18	Fixed rate EUR 1.875%	n.a.	Oct/25	600 EUR	600,000	-
						11,035,752	-

(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.

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Issuer	Issue date	Interest rate	Type of hedge	Conditions / Redemption	Nominal Value in Million Currency	Thousand Euros	
						Group	Company
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market							
Lajeado Energia	Nov-13	CDI + 1.20%	n.a.	Nov-19	150 BRL	33,760	-
EDP São Paulo	Apr-14	CDI + 1.39%	n.a.	Apr-19	36 BRL	8,101	-
EDP Espírito Santo	Aug-14	CDI + 1.50%	n.a.	Aug-20	141 BRL	31,827	-
Energias do Brasil	Sep-15	IPCA + 8.3201%	n.a.	Sep-21	210 BRL	47,174	-
Energias do Brasil	Sep-15	IPCA + 8.2608%	n.a.	Sep-24	56 BRL	12,605	-
Energias do Brasil	Apr-16	IPCA + 8.3479%	n.a.	Apr-22	277 BRL	62,404	-
Energest	Apr-16	CDI + 2.265%	n.a.	Apr-20	32 BRL	7,291	-
Enerpeixe	Nov-16	114.50% * CDI	n.a.	Nov-19	175 BRL	39,379	-
Pecém	Dec-16	CDI + 2.95%	n.a.	Nov-21	330 BRL	74,257	-
EDP São Paulo	Apr-17	108.75% * CDI	n.a.	Apr-22	150 BRL	33,753	-
EDP Espírito Santo	Apr-17	108.75% * CDI	n.a.	Apr-22	190 BRL	42,754	-
Enerpeixe	Nov-17	116.00% * CDI	n.a.	Dec-22	320 BRL	72,007	-
EDP São Paulo	Dec-17	107.50% * CDI	n.a.	Jan-21	100 BRL	22,502	-
EDP Espírito Santo	Dec-17	107.50% * CDI	n.a.	Jan-21	120 BRL	27,003	-
Lajeado Energia	Dec-17	109.00% * CDI	n.a.	Dec-20	100 BRL	22,502	-
Lajeado Energia	Dec-17	113.70% * CDI	n.a.	Dec-22	200 BRL	45,005	-
EDP São Paulo	Jan-18	107.50% * CDI	n.a.	Jan-21	100 BRL	22,502	-
EDP Espírito Santo	Jan-18	107.50% * CDI	n.a.	Jan-21	100 BRL	22,502	-
EDP Transmissão	May-18	IPCA + 7.0267%	n.a.	May/33	118 BRL	26,521	-
EDP Espírito Santo	Aug-18	IPCA + 5.91%	n.a.	Jul/25	191 BRL	43,023	-
EDP São Paulo	Aug-18	IPCA + 5.91%	n.a.	Aug/25	262 BRL	58,874	-
EDP Transmissão	Oct-18	IPCA + 6.72%	n.a.	Oct/28	1200 BRL	270,027	-
Lajeado Energia	Nov-18	109.25% * CDI	n.a.	Oct/22	100 BRL	22,502	-
Enerpeixe	Dec-18	112.48% * CDI	n.a.	Nov/23	255 BRL	57,381	-
						1,105,656	-
						12,891,408	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 (see note 42). As at 31 December 2018 and 31 December 2017 these loans amounted to 891,475 thousand Euros and 1,249,771 thousand Euros, respectively.

EDP Group has several credit facilities it uses for liquidity management. EDP Group has short-term credit facilities of 226 million Euros, and a RCF of 75 million Euros, both indexed to Euribor for the agreed period of use with spread conditions agreed in advance, with a firm underwriting commitment, which as at 31 December 2018 were totally available. EDP Group also has a Commercial Paper program of 50 million Euros with guaranteed placement, which as at 31 December 2018 was totally available. EDP Group has a medium term RCF of 3,300 million Euros, maturing in 2023, with firm underwritting commitment and totally available at 31 December 2018. The Group also has a RCF of 2,240 million Euros, with a firm underwriting commitment and maturing in 2023, which as at 31 December 2018 are available in 2,010 million Euros.

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As at 31 December 2018, future debt and interest payments, by type of loan and currency, are as follows:

Thousand Euros	Dec 2019	Dec 2020	Dec 2021	Dec 2022	Dec 2023	Following years	Total
Bank loans:							
Euro	117,541	97,158	89,216	241,297	125,886	148,490	819,588
Brazilian Real	151,126	79,717	76,947	73,171	64,049	251,632	696,642
US Dollar	12,495	12,175	12,368	12,115	191,889	156,700	397,742
Other	36,931	11,151	12,236	12,651	12,929	27,147	113,045
	318,093	200,201	190,767	339,234	394,753	583,969	2,027,017
Bond loans:							
Euro	695,522	708,048	550,518	1,194,152	1,303,905	3,999,963	8,452,108
Brazilian Real	131,878	195,549	222,048	110,867	107,390	335,676	1,103,408
US Dollar	769,031	507,961	651,697	-	-	866,913	2,795,602
	1,596,431	1,411,558	1,424,263	1,305,019	1,411,295	5,202,552	12,351,118
Hybrid Bond:							
Euro	32,140	-	-	-	-	739,168	771,308
	32,140	-	-	-	-	739,168	771,308
Commercial paper:							
Euro	400,070	-	200,000	-	-	-	600,070
Brazilian Real	49,505	45,723	-	-	-	-	95,228
US Dollar	222,539	-	-	-	-	-	222,539
	672,114	45,723	200,000	-	-	-	917,837
Other loans:							
Euro	1,335	109	64	-	-	-	1,508
Brazilian Real	2,396	705	383	-	-	12,627	16,111
	3,731	814	447	-	-	12,627	17,619
	2,622,509	1,658,296	1,815,477	1,644,253	1,806,048	6,538,316	16,084,899

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

Thousand Euros	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022	Following 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:

	Dec 2018		Dec 2017	
Thousand Euros	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Non-Current	13,462,390	14,046,767	15,469,636	16,747,971
Debt and borrowings - Current	2,622,509	2,646,263	1,448,129	1,094,003
	16,084,899	16,693,030	16,917,765	17,841,974

In accordance with the Group's accounting policies as described in note 2 d) and f), the financial liabilities whose risks are being hedged by derivative financial instruments and that comply with hedge accounting requirements of IAS 39, are accounted at fair value. Other financial liabilities are booked at amortised cost (see note 5).

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

34. Employee Benefits

Employee benefits are as follows:

	Group		Company	
Thousand Euros	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Provisions for social liabilities and benefits	759,376	763,249	5,225	4,137
Provisions for medical liabilities and other benefits	647,926	759,004	1,900	2,002
	1,407,302	1,522,253	7,125	6,139

This caption is as follows:

	Group		Company	
Thousand Euros	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Non-Current	1,099,049	1,198,362	5,683	5,763
Current	308,253	323,891	1,442	376
	1,407,302	1,522,253	7,125	6,139

As at 31 December 2018, Provisions for social liabilities and benefits relate to retirement pension defined benefit plans.

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

	Group	
Thousand Euros	Dec 2018	Dec 2017
Balance at the beginning of the period	763,249	815,264
Charge for the period	24,729	26,950
Past service cost (Curtailment/Plan amendments)	17,579	17,426
Actuarial (gains)/losses	98,411	43,724
Charge-off	-144,479	-140,808
Surplus/(Deficit) pension funding (see note 25)	888	1,367
Transfers, reclassifications and exchange differences	-1,001	-674
Balance at the end of the period	759,376	763,249

The breakdown of actuarial gains and losses is as follows:

	Group	
Thousand Euros	Dec 2018	Dec 2017
Actuarial gains and losses arising from:		
- changes in financial assumptions	-28,368	64,255
- experience adjustments	97,665	39,927
Actuarial gains and losses arising from return on plan assets	29,385	-70,322
Actuarial gains and losses of asset ceiling	-271	9,864
	98,411	43,724

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

	Group	
Thousand Euros	Dec 2018	Dec 2017
Balance at the beginning of the period	759,004	911,581
Charge for the period	33,627	40,743
Past service cost (Curtailment/Plan amendments)	676	770
Actuarial (gains)/losses	-32,980	22,650
Charge-off	-22,951	-24,144
Fund contributions	-69,006	-163,888
Transfers, reclassifications and exchange differences	-20,444	-28,708
Balance at the end of the period	647,926	759,004

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The breakdown of actuarial gains and losses is as follows:

Thousand Euros	Group	
	Dec 2018	Dec 2017
Actuarial gains and losses arising from:		
- changes in financial assumptions	-8,341	28,001
- experience adjustments	-36,508	3,017
Actuarial gains and losses arising from return on plan assets	11,869	-8,368
	-32,980	22,650

In accordance with accounting policies - note 2 m), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefits plans. The impact in reserves at 31 December 2004 amounted to 1,162,000 thousand Euros. In the following periods, actuarial gains and losses were recognised directly in reserves. As at 31 December 2018 losses of 65,431 thousand Euros (31 December 2017: losses of 66,374 thousand Euros).

During 2018, under the employees' reduction program, EDP Group entered into early retirement and anticipation of retirement agreements with 56 portuguese employees that cease their services in 2018 and 2019. This increase in liabilities with employee benefits was measured and recognised in the income statement in the amount of 18,255 thousand Euros (see note 10).

The weighted average duration of the defined benefit liabilities in Portugal is 11 years.

Following the decision and implementation of the autonomisation of the Medical Plan and Death Subsidy Plan in Portugal, EDP Group has made contributions of 69,006 thousand Euros in 2018 ((31 December 2017: 163,888 thousand Euros). In the following years, until the end of 2027, the Group estimates to make additional contributions in the approximate total amount of 314,470 thousand Euros, in line with the financing plan approved by Insurance and Pension Funds Supervisory Authority (ASF).

Employee benefit plans

Some EDP Group companies grant post-retirement benefits to employees, under defined benefit and defined contribution plans, namely pension plans that pay retirement complements of age, disability and surviving pensions, as well as early retirement pensions. In some cases healthcare is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

The following is a summary of the nature of the plans and the companies covered, as well as financial and economic data of the plans:

I. Defined benefit pension plans

The EDP Group companies in Portugal resulting from the EDP spin-off in 1994 have a social benefits plan funded by a closed Pension Fund, complemented by a specific provision. The EDP Pension Fund is managed by an external entity as well as the management of its assets is subcontracted to external asset management entities.

This Pension Fund covers the liability for retirement pension complementary benefits for age. The responsibilities for early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

In Spain, following the revision of the collective labour agreement ("Convénio Colectivo") signed in December 2007, EDP España Group companies implemented an early retirement program.

EDP São Paulo in Brazil has two defined benefit plans managed by a closed complementary welfare entity, sponsored by companies of EDP Brasil Group, in order to manage a set of benefit plans for employees and ex-employees of the company:

- Bandeirante (BD) plan in force up to 31 March 1998, a Balanced Benefit Plan that grants Balanced Proportional Supplementary Benefits (BSPS) in the form of an annuity payable to participants enrolled until 31 March 1998, of an amount defined in proportion to accumulated past service up to that date, based on compliance with the regulatory granting requirements. The company is fully liable to fund this plan;

- BD plan in force after 31 March 1998, grants an annuity in proportion to the accumulated past services after 31 March 1998, on the basis of 70% of the average actual monthly wage for the last 36 months in service. In the event of death or disability caused by a labour accident, the benefits incorporate all the past service (including that accumulated up to 31 March 1998), and not only past service accumulated after 31 March 1998. The Company and the participants are equally responsible for funding the Plan.

EDP Espírito Santo, EDP São Paulo and Energest have Defined Benefit Plans that grant complementary pensions for retirement and early retirement.

In the pension plans in Portugal, and according with the Pension Funds regulation, the surplus amount of the assets fund, under certain conditions, can be reimbursed to the company.

In the pension plans in Brazil, the surplus amount of the assets fund generally can not be reimbursed to the company, since there are very strict rules on the amount that can be recovered, therefore the asset amount to be recognised is greatly reduced.

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The number of participants covered by the pension plans and similar obligations was as follows:

	2018			2017		
	Portugal	Spain	Brazil	Portugal	Spain	Brazil
Number of participants:						
Retirees and pensioners	17,974	1,242	1,790	17,831	1,451	1,807
Active workers	3,468	1,456	820	4,088	1,315	919
	21,442	2,698	2,610	21,919	2,766	2,726

The following financial and actuarial assumptions were used to calculate the liability of the EDP Group pension plans and similar obligations:

	Dec 2018				
	Portugal	Spain	Brazil		
			EDP São Paulo	EDP Espírito Santo	Energest
Assumptions					
Discount rate	1.75%	1.75%	9.83%	9.83%	9.83%
Salary increase rate	1.50% until 2020 // 1.75% after 2021	2.50%	5.40%	5.40%	5.40%
Pension increase rate	1.50%	0.50%	4.52%	4.52%	4.52%
Social Security salary appreciation	2019 - 1.40% // after 2019 - 1.50%	não aplicável	4.52%	4.52%	4.52%
Inflation rate	1.50%	2.00%	4.52%	4.52%	4.52%
Mortality table	Born< 1950 -- TV99/01 (+1) // Born>= 1950 -- TV99/01	PERM/F-2000P	AT-2000	AT-2000	AT-2000
Disability table	50%EKV 80	not applicable	Muller	Muller	Muller / TASA 1927
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

	Dec 2017				
	Portugal	Spain	Brazil		
			EDP São Paulo	EDP Espírito Santo	Energest
Assumptions					
Discount rate	1.70%	1.50%	10.34%	10.34%	10.34%
Salary increase rate	1.60% until 2019 // 1.85% after 2020	2.50%	5.14%	5.14%	5.14%
Pension increase rate	1.60%	0.50%	4.65%	4.65%	4.65%
Social Security salary appreciation	2018 - 1.00% // after 2018 - 1.50%	not applicable	4.65%	4.65%	4.65%
Inflation rate	1.60%	1.50%	4.65%	4.65%	4.65%
Mortality table	Born< 1950 -- TV99/01 (+1) // Born>= 1950 -- TV99/01	PERM/F-2000P	AT-2000	AT-2000	AT-2000 / RP 2000 Generational
Disability table	50%EKV 80	not applicable	Muller	Muller	Muller / Wyatt 1985
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

(a) 45% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).

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The assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2018.

The liability for retirement pensions and related coverage for the Group is as follows:

	Dec 2018			
Thousand Euros	Portugal	Spain	Brazil	Group
Liability at the end of the period	1,436,616	98,481	249,424	1,784,521
Plan assets at the end of the period	-849,606	-	-286,975	-1,136,581
Surplus/(Deficit) pension funding (see note 25)	59,840	-	-	59,840
Asset ceiling	-	-	51,596	51,596
Provision at the end of the period	646,850	98,481	14,045	759,376

	Dec 2017			
Thousand Euros	Portugal	Spain	Brazil	Group
Liability at the end of the period	1,541,225	89,208	252,458	1,882,891
Plan assets at the end of the period	-933,337	-	-303,454	-1,236,791
Surplus/(Deficit) pension funding (see note 25)	58,952	-	-	58,952
Asset ceiling	-	-	58,197	58,197
Provision at the end of the period	666,840	89,208	7,201	763,249

The caption Asset ceiling refers to the unrecognised assets in the respective accounting periods. The reconciliation between the opening balance and the closing balance is as follows:

	Group	
Thousand Euros	Dec 2018	Dec 2017
Asset ceiling at the beginning of the period	58,197	56,905
Effect of changes in restricted net assets of benefits to the asset ceiling	-335	9,864
Exchange differences	-6,266	-8,572
Asset ceiling at the end of the period	51,596	58,197

The evolution of the present value of the plan liability and fair value of the plan assets of the related Funds is as follows:

Thousand Euros	2018	2017	2016	2015	2014
Liability at the end of the period	1,784,521	1,882,891	1,948,791	1,979,411	2,162,044
Plan assets at the end of the period	-1,136,581	-1,236,791	-1,248,017	-1,182,979	-1,271,247
Surplus / (Deficit) pension funding	59,840	58,952	57,585	58,724	-
Asset ceiling	51,596	58,197	56,905	27,113	36,344
Provision at the end of the period	759,376	763,249	815,264	882,269	927,141

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Pension Funds are as follows:

Thousand Euros	2018	2017	2016	2015	2014
Experience adjustments for the Plan liabilities	-91,575	-55,281	-51,686	-16,902	11,260
Experience adjustments for the Plan assets	-37,567	64,044	-2,061	16,025	34,347

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Pension Funds are as follows:

Thousand Euros	2018	2017	2016	2015	2014
Experience adjustments for the Plan liabilities	-6,090	15,354	-8,941	-2,271	-11,923
Experience adjustments for the Plan assets	8,182	6,278	30,772	-9,465	5,524

The past service liability of the pension plans for the Group is as follows:

	Dec 2018			
Thousand Euros	Portugal	Spain	Brazil	Group
Liability at the beginning of the period	1,541,225	89,208	252,458	1,882,891
Current service cost	7,234	6,905	-527	13,612
Net interest on the pensions plan liability	24,691	1,146	23,235	49,072
Benefits paid	-193,517	-10,763	-15,878	-220,158
Past service cost (Curtailment/Plan amendments)	17,579	-	-	17,579
Actuarial losses and gains	39,382	11,984	17,400	68,766
Exchange differences	-	-	-27,511	-27,511
Other	22	1	247	270
Liability at the end of the period	1,436,616	98,481	249,424	1,784,521

Thousand Euros	Dec 2017			
	Portugal	Spain	Brazil	Group
Liability at the beginning of the period	1,586,902	87,815	274,074	1,948,791
Current service cost	8,810	7,228	-730	15,308
Net interest on the pensions plan liability	25,528	1,350	30,049	56,927
Benefits paid	-192,306	-9,249	-19,115	-220,670
Past service cost (Curtailment/Plan amendments)	17,426	-	-	17,426
Actuarial losses and gains	94,865	3,074	6,243	104,182
Exchange differences	-	-	-39,032	-39,032
Other	-	-1,010	969	-41
Liability at the end of the period	1,541,225	89,208	252,458	1,882,891

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

Thousand Euros	Dec 2018			
	Portugal	Spain	Brazil	Group
Current service cost (see note 10)	7,234	6,905	-527	13,612
Past service cost (Curtailment/Plan amendments) (see note 10)	17,579	-	-	17,579
Operational component	24,813	6,905	-527	31,191
Net interest on the net pensions plan liability	9,381	1,146	590	11,117
Financial component (see note 13)	9,381	1,146	590	11,117
	34,194	8,051	63	42,308

Thousand Euros	Dec 2017			
	Portugal	Spain	Brazil	Group
Current service cost (see note 10)	8,810	7,228	-730	15,308
Past service cost (Curtailment/Plan amendments) (see note 10)	17,426	-	-	17,426
Operational component	26,236	7,228	-730	32,734
Net interest on the net pensions plan liability	10,487	1,350	-195	11,642
Financial component (see note 13)	10,487	1,350	-195	11,642
	36,723	8,578	-925	44,376

The evolution of the consolidated assets of the Pension Funds is as follows:

Thousand Euros	Dec 2018			
	Portugal	Spain	Brazil	Group
Assets value at the beginning of the period	933,337	-	303,454	1,236,791
Group contribution	-	-	1,144	1,144
Plan participants contributions	-	-	588	588
Benefits paid	-61,468	-	-15,943	-77,411
Interest on the pensions plan assets	15,310	-	22,645	37,955
Actuarial gains/(losses)	-37,573	-	7,593	-29,980
Exchange differences	-	-	-32,668	-32,668
Other variations	-	-	162	162
Assets value at the end of the period	849,606	-	286,975	1,136,581

The actuarial gains/losses in Brazil include the negative amount of 335 thousand Euros (1,439 thousand Reais) related to actuarial gains and losses of the asset ceiling not recognised in reserves (31 December 2017: positive in 9,864 thousand Euros).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 51,596 thousand Euros (229,294 thousand Reais). As at 31 December 2017, the asset ceiling amounted to 58,197 thousand Euros (230,718 thousand Reais).

Thousand Euros	Dec 2017			
	Portugal	Spain	Brazil	Group
Assets value at the beginning of the period	917,393	-	330,624	1,248,017
Group contribution	-	-	1,421	1,421
Plan participants contributions	-	-	923	923
Benefits paid	-63,141	-	-19,065	-82,206
Interest on the pensions plan assets	15,041	-	30,244	45,285
Actuarial gains/(losses)	64,044	-	6,278	70,322
Exchange differences	-	-	-46,971	-46,971
Assets value at the end of the period	933,337	-	303,454	1,236,791

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Assumptions regarding the discount rate

The discount rates used for the EDP Group pension plan were selected based on an analysis of the rates of return available on the date for the high quality corporate bonds. Bonds with maturities and ratings considered appropriate were selected considering the amount and the periods that the benefits are expected to be paid.

As at 31 December 2018 the amount of future benefits expected to be paid, related to the activity in Portugal, Spain and Brazil, is as follows:

	Portugal			Spain	Brazil		
Years	Pensions	Medical plan and other benefits	Total	Other Benefits	Pensions	Medical Plans and Other Benefits	Total
2019	196,295	36,601	232,896	9,616	16,000	9,246	25,246
2020	178,903	35,117	214,020	8,987	16,672	9,900	26,572
2021	159,500	34,600	194,100	9,099	17,564	10,683	28,247
2022	136,262	34,542	170,804	9,214	18,370	11,526	29,896
2023	116,204	34,620	150,824	9,333	19,167	12,295	31,462
2024	96,948	34,568	131,516	9,456			
2025	81,694	34,597	116,291	9,584			
2026	69,632	34,251	103,883	9,715	109,207	74,700	183,907
2027	60,296	33,770	94,066	9,850			
2028	53,045	33,506	86,551	9,989			

In 2018, the pensions paid by the funds in Portugal amounted 61,468 thousand Euros (31 December 2017: 63,141 thousand Euros), in Spain amounted to 10,763 thousand Euros (31 December 2017: 9,249 thousand Euros) and in Brazil amounted to 15,943 thousand Euros (31 December 2017: 19,065 thousand Euros). The contributions made to the Pension funds in Brazil amounted to 1,144 thousand Euros (31 December 2017: 1,421 thousand Euros), which were fully paid in cash.

The Pension Plans in Portugal and in Brazil are subject to several risks, in which are included the risk of changes in market rates (which impacts the discount rate and the fixed rate of return rate on assets), the risk of changes on the expected lifetime of plan participants, the risk of changes on the pension increase rate and the risk of changes on the social security pension increase, to which are made the following sensitivity analysis for the liabilities at the end of the period:

	Portugal		Brazil	
Thousand Euros	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	-47,806	51,520	12,968	-13,983
Pension increase (0.5% movement)	316,976	-135,610	-	-
Social Security Pension increase (0.5% movement)	-89,864	201,173	-	-
Mortality (increase of 1 year in expected lifetime of plan participants)	43,020		-3,613	

The solvency level of the fund for the financing of pension plan liabilities in Portugal may vary not only from the risks described above, but also from the performance of the different classes of assets that comprise it. Considering the nature of the defined benefit of the plan and despite the fund's low risk profile (mostly composed of fixed income assets), the joint materialization of adverse risks (including those above referred) may lead to the need for additional contributions to the fund.

II. Defined Contribution Pension Plan

EDPR Europe and EDP España, EDP São Paulo in Brazil and several subsidiaries in Portugal, have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type

The EDP Group companies in Portugal resulting from the EDP spin-off in 1994 have a Medical Care and Death Subsidy Plans partially funded by a closed Pension Fund, complemented by a specific provision. The responsibilities regarding the remaining defined benefit plans are fully covered by a provision.

In Brazil, EDP Espírito Santo, Energest and Investco also have Medical and other benefits plans for retired employees which are also fully covered by provisions.

In addition, EDP Group grants other benefits, supporting charges arising from responsibilities for disability benefit's complements, survival benefits, life insurance, antiquity and retirement benefits, power and gas tariff discounts, among others.

The actuarial assumptions used to calculate the liability for Medical Care Plans and other benefits are as follows:

	Dec 2018		Dec 2017	
	Portugal	Brazil	Portugal	Brazil
Assumptions				
Discount rate	1.75%	9.83%	1.70%	10.34%
Annual increase rate of medical service costs	1.50%	10.79% (e)	1.80%	10.92% (b)
Estimated administrative expenses per beneficiary per year (Euros)	209 €/year (d)	not applicable	306€/year (c)	not applicable
Mortality	Born<1950 -- TV99/01 (+1) // Born>=1950 -- TV99/01	RP-2000 Combined Healthy	Born<1950 -- TV99/01 (+1) // Born>=1950 -- TV99/01	RP-2000 Geracional
Disability table	50%EKV 80	Wyatt 85 Class 1	50%EKV 80	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(a)	not applicable	(a)	not applicable

(a) 45% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 37 years of service with at least 61 years of age or 40 years of service at any age).
(b) 10.92% in the first year, decreasing to 6.74% in 10 years.
(c) With 8% of reduction for the next two years, and increase of 1.6% after that date.
(d) Decrease of 10% for 2020, decrease of 2.3% for 2021 and an increase after that date.
(e) 10.79% in the first year, decreasing to 6.61% in 10 years.

The number of participants covered by the Medical care and other benefits plans is as follows:

	Dec 2018		Dec 2017	
	Portugal	Brazil	Portugal	Brazil
Number of participants				
Retirees and pensioners	17,962	1,366	17,815	1,276
Active workers	5,903	747	6,232	607
	23,865	2,113	24,047	1,883

The liability for medical care and other benefits and related coverage for the Group is as follows:

	Dec 2018		
Thousand Euros	Portugal	Brazil	Group
Provision for medical care and other benefits			
Liability at the end of the period	763,959	159,921	923,880
Plan assets at the end of the period	-275,954	-	-275,954
Provision at the end of the period	488,005	159,921	647,926

	Dec 2017		
Thousand Euros	Portugal	Brazil	Group
Provision for medical care and other benefits			
Liability at the end of the period	796,501	197,772	994,273
Plan assets at the end of the period	-235,269	-	-235,269
Provision at the end of the period	561,232	197,772	759,004

The evolution of the present value of the liability for Medical care and other benefits for the Group is as follows:

Thousand Euros	2018	2017	2016	2015	2014
Provision for medical care and other benefits					
Liability at the end of the period	923,880	994,273	993,506	940,046	949,982
Plan assets at the end of the period	-275,954	-235,269	-81,925	-	-
Provision at the end of the period	647,926	759,004	911,581	940,046	949,982

The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Portugal Medical Care Liabilities are as follows:

Thousand Euros	2018	2017	2016	2015	2014
Experience adjustments for the Medical Plan liabilities	-1,265	-452	-5,816	1,087	5,828
Experience adjustments for the Plan assets	-11,869	8,368	-8	-	-

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The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Brazil Medical Care Liabilities are as follows:

Thousand Euros	2018	2017	2016	2015	2014
Experience adjustments for the Medical Plan liabilities	37,773	-2,565	-6,245	-24,833	44,054

The change of the consolidated past service liability for medical care and other benefits for the Group is as follows:

	Dec 2018			Dec 2017		
Thousand Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Liability at the beginning of the period	796,501	197,772	994,273	809,319	184,187	993,506
Current service cost	4,765	826	5,591	6,884	834	7,718
Net interest on the net medical liabilities and other benefits	13,327	18,507	31,834	13,585	20,643	34,228
Benefits paid	-33,827	-9,377	-43,204	-34,117	-10,142	-44,259
Past service cost (Curtailment/ Plan amendments)	676	-	676	770	-	770
Actuarial gains and losses	-17,483	-27,366	-44,849	48	30,970	31,018
Exchange differences	-	-20,428	-20,428	-	-29,102	-29,102
Other and "mútua"	-	-13	-13	12	382	394
Liability at end of the period	763,959	159,921	923,880	796,501	197,772	994,273
Provision at end of the period	763,959	159,921	923,880	796,501	197,772	994,273

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

	Dec 2018			Dec 2017		
Thousand Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost (see note 10)	4,765	826	5,591	6,884	834	7,718
Past service cost (Curtailment/Plan amendments) (see note 10)	676	-	676	770	-	770
Operational component	5,441	826	6,267	7,654	834	8,488
Net interest on the net medical liabilities and other benefits	9,529	18,507	28,036	12,382	20,643	33,025
Financial component (see note 13)	9,529	18,507	28,036	12,382	20,643	33,025
Net cost for the period	14,970	19,333	34,303	20,036	21,477	41,513

The evolution of the consolidated assets of the Medical care and Death subsidy Funds is as follows:

	Portugal	
Thousand Euros	Dec 2018	Dec 2017
Assets value at the beginning of the period	235,269	81,925
Group contribution	69,009	163,888
Benefits paid	-20,253	-20,115
Interest on the pensions plan assets	3,798	1,203
Actuarial gains/(losses)	-11,869	8,368
Assets value at the end of the period	275,954	235,269

The Medical care and other benefits Plans in Portugal and in Brazil are subject to several risks, in which are included the risk of changes in market rates (which impacts the discount rate and the fixed rate of return rate on assets), the risk of changes in the health care costs and the risk of changes on the expected lifetime of plan participants, to which are made the following sensitivity analysis for the liabilities at the end of the period:

	Portugal		Brazil	
Thousand Euros	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	-50,288	56,220	-11,815	13,116
Health care cost trend (0.5% movement)	11,827	-10,881	-	-
Mortality (increase of 1 year in expected lifetime of plan participants)	16,184		7,319	

The level of solvency of the fund for the financing of post-employment medical care liabilities in Portugal may vary not only from the risks described above, but also from the performance of the different classes of assets that comprise it. Considering the nature of the defined benefit of the plan and despite the fund's low risk profile (mostly composed of fixed income assets), the joint materialization of adverse risks (including those above referred) may lead to changes in the financing plan approved by Insurance and Pension Funds Supervisory Authority (ASF).

Composition of the assets portfolio funds

The assets of the pension funds, medical care and death subsidy in Portugal are as follows:

	Fund assets by nature					
Thousand Euros	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2018	-5,605	454,242	391,824	199,448	85,651	1,125,560
31 December 2017	5,859	424,939	441,394	215,467	80,947	1,168,606

	Fund assets by nature					
%	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2018	-0.50%	40.35%	34.81%	17.72%	7.62%	100.00%
31 December 2017	0.50%	36.36%	37.77%	18.44%	6.93%	100.00%

The portfolio of shares and bonds have a quoted market price in an active market.

Properties included in the fund, that are being used by the Group amount to 182,905 thousand Euros as at 31 December 2018 (31 December 2017: 187,018 thousand Euros). Bonds includes 5,573 thousand Euros (31 December 2017: 7,178 thousand Euros) relating to bonds issued by EDP Finance B.V. and EDP, S.A.

Shares include securities issued by Group companies that are as follows:

Thousand Euros	2018	2017
Shares:		
EDP Renováveis	10,551	10,005
	10,551	10,005

The real return rate on assets of the pension Fund in 2018 was negative in 2.45% (2017: positive in 8.97%).

Pension fund assets in Brazil are as follows:

	Fund assets by nature					
Thousand Euros	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2018	-	274,051	10,207	2,717	-	286,975
31 December 2017	-	250,451	49,759	1,012	2,232	303,454

	Fund assets by nature					
%	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2018	-	95.50%	3.55%	0.95%		100.00%
31 December 2017	-	82.53%	16.40%	0.33%	0.74%	100.00%

The portfolio of shares and bonds have a quoted market price in an active market.

35. Provisions

Provisions are as follows:

	Group		Company	
Thousand Euros	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Provision for legal and labour matters and other contingencies	92,034	85,049	-	-
Provision for customer guarantees under current operation	15,686	6,235	-	-
Provision for dismantling and decommissioning	480,508	463,556	-	-
Provision for other liabilities and charges	430,217	197,989	2,980	10,455
	1,018,445	752,829	2,980	10,455

This caption is as follows:

	Group		Company	
Thousand Euros	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Non-Current	982,515	726,771	1,808	8,902
Current	35,930	26,058	1,172	1,553
	1,018,445	752,829	2,980	10,455

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

Thousand Euros	Group	
	Dec 2018	Dec 2017
Balance at the beginning of the period	85,049	98,574
Charge for the period	18,257	16,717
Reversals	-8,300	-18,620
Charge-off for the period	-14,155	-16,428
Exchange differences and other	11,183	4,806
Balance at the end of the period	92,034	85,049

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

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

i) Requests for the refund of tariff increases paid by industrial consumers of the brazilian subsidiaries EDP São Paulo and EDP Espírito Santo in the amount of 12,112 thousand Euros (31 December 2017: 13,566 thousand Euros). These requests result from the application of Administrative Orders DNAEE no. 38 of 27 February 1986 and no. 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;

ii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousand Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, as at 31 December 2016, the estimated liability amounted to 5,836 thousand Euros, corresponding to the indemnity discounted amount. The appeal presented by EDP Produção was denied, and confirmed the court sentence that determined the legitimacy for Terriminas to collect the amount in which EDP Produção was condemned. EDP Produção paid 6,371 thousand Euros and appeal for the payment of the remaining amount of 1,629 thousand Euros (interest from 2 February 2013 to 30 September 2017) for lack of an enforceable instrument. On February 2019, a decision was delivered regarding EDP's claim, considering it as an undue payment. The process awaits for a new settlement.

iii) During April 2015, ERSE has notified EDP Comercial on its decision regarding the opening of an administrative infraction proceeding, within the framework of the Energy Sector Sanctions Regime (RSSE), requesting several information. In July 2015, ERSE sent a statement of objection to EDP Comercial whose response with defense arguments was prepared and submitted within the deadlines set by law. On 10 December 2015, ERSE issued a decision condemning EDP Comercial to a fine of 7,500 thousand Euros. It was decided to appeal the decision within the legal deadline set for this purpose, and a provision in the above-mentioned amount was recognised. Following the appeal made by EDP Comercial, the case returned to the Competition, Regulation and Supervision Court (TCRS), for trial. On 2 March 2017, this Court decided to consider null the statement of objection and the final decision of ERSE. The Court dismissed the appeal filed by ERSE against the judgment of the TCRS, confirming in full the TCRS judgment. The process was sent to ERSE to, if it wishes to do so, issue a new statement of objection without the technical flaws that were recognised. The provision was reversed in accordance with these developments. On 17 May 2018, ERSE issued a new statement of objection in which notified EDP Comercial with 18 administrative infraction. At the time given for the presentation of EDP Pronunciation, it was possible to achieve an agreement, in which EDP Comercial was notified for 8 administrative infractions, with a fine of 950 thousand Euros and a payment to 140 consumers in an amount around 14 thousand Euros. The case is now closed.

iv) The remaining legal litigations correspond mainly to indemnities for damages allegally suffered in consequence of interruption of electricity supply, power accidents and fires.

In accordance with IFRS 3, during an acquisition, the acquiring company shall recognise, at the acquisition date, a contingent liability for the present obligations resulting from past events which fair value can be reliably measured. Within the process of acquisition of control of Porto do Pecém in 2015, the Board of Directors identified a contingency, which estimated responsibility amounts to 4,893 thousand Euros (31 December 2017: 5,473 thousand Euros).

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

Thousand Euros	Group	
	Dec 2018	Dec 2017
Balance at the beginning of the period	6,235	10,435
Charge for the year	-	255
Charge-off for the period	-4,988	-9,099
Exchange differences and other	14,439	4,644
Balance at the end of the period	15,686	6,235

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

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

Thousand Euros	Group	
	Dec 2018	Dec 2017
Balance at the beginning of the period	463,556	462,887
Changes in the perimeter	-3,725	-5,895
Unwinding (see note 13)	6,143	5,976
Increase of the responsibility (see note 16)	12,937	16,080
Reversals	-537	-401
Exchange differences and other	2,134	-15,091
Balance at the end of the period	480,508	463,556

As at 31 December 2018, Provision for dismantling and decommissioning includes the following situations:

i) The Group has recognised a provision of 44,205 thousand Euros (31 December 2017: 44,035 thousand Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. The assumptions used in the calculation of the provision include an inflation rate of 2% and discount rates between 0.35% and 0.42%. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;

ii) Provisions for dismantling wind farms of 288,503 thousand Euros (31 December 2017: 269,454 thousand Euros) to cover the costs of bringing the sites to their original conditions, of which 119,082 thousand Euros refer to the wind farms in North America, 166,810 thousand Euros refer to the wind farms in Europe and 2,611 thousand Euros refer to the wind farms in Brazil.

The assumptions used when computing these provisions, are the following:

	Europe	North America	Brazil
Average cost per MW (Euros):			
Wind (steel structure)	25,873	26,715	28,954
Wind (concrete structure)	33,954	-	29 915
Salvage value per MW (Euros):			
Wind (steel structure)	35,603	33,942	46,338
Wind (concrete structure)	19,787	-	17 421
Discount rate:			
Euro	[0,00% - 1,77%]	-	-
US Dollar	-	[0,72% - 2,94%]	-
Brazilian Real	-	-	[11,91% - 12,47%]
Inflation rate:			
Euro Zone	[1,01% - 2,35%]	-	-
USA	-	[2,00% - 2,30%]	-
Brazil	-	-	[4,20% - 5,64%]
Capitalisation (number of years)	30 to 35	30 to 35	30 to 35

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the Group recognises provisions to cover the costs with the decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 31 December 2018, the provision amounts to 86,963 thousand Euros (31 December 2017: 89,273 thousand Euros) and 58,900 thousand Euros (31 December 2017: 58,555 thousand Euros) for the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 n), these provisions are calculated at the present value of the future liability and are accounted against an increase in property, plant and equipment and are depreciated on a straight line basis over the average useful life of the assets. The calculation of these provisions was based on an inflation rate between 1.38% and 2% and discount rates between 0% and 1.48%.

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

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Balance as at 31 December 2017	197,989	99,596	10,455	8,303
Adjustment due to IFRS 15 adoption (see note 3)	-17,625	-	-	-
Balance as at 1 January 2018	180,364	99,596	10,455	8,303
Charge for the period	297,499	10,927	618	3,057
Reversals	-18,981	-12,505	-8,093	-905
Charge-off for the period	-3,217	-5,828	-	-
CESE Charge-off (see note 15)	-131,053	-	-	-
CESE (see note 15)	65,446	65,431	-	-
CMEC	36,090	-	-	-
"Lesividad"	12,020	41,664	-	-
Exchange differences and other	-7,951	-1,296	-	-
Balance as at 31 December 2018	430,217	197,989	2,980	10,455

As at 31 December 2017, the caption Provisions included the amount of 17,625 thousand Euros corresponding to liabilities recognized under IAS 18 that do not qualify for recognition under IFRS 15 (see note 3).

The BOE 223/2017 published during the third quarter of 2017 opened the hearing process of the Order of the Minister of Energy, Tourism and Digital Agenda of 13 September, introducing a "lesividad" declaration procedure for the public interest Order IET/980/2016, which established a remuneration for electricity distribution companies until 2016. Thus, the remuneration that was determined was allegedly higher than it should be for 2016. Due to the fact that the remuneration for the distribution activity in 2017 and 2018 was not yet fixed, EDP España has been calculating the remuneration based on the remuneration of 2016. As at 31 December 2018, EDP España recorded a provision in the amount of 12,020 thousand Euros, (31 December 2017: 24,040 thousand Euros) related to the potential "lesividad" effect of 2016, 2017 and 2018.

On 3 May 2018, 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. On 8 October 2018, EDP submitted a gracious complain, and due to not receiving any response, on 1 February 2019 EDP Produção challenged in court both dispatchs: the refered dispatch and the dispatch of 4 October which declared the annulment of the annual adjustments in the part in which they considered the alleged "innovative aspect" concerning the procedures for calculating the coefficient of availability (see note 4).

On 26 September, DGEG notified EDP about a dispatch issued by the Secretary of State for Energy (SSE) on 29 August 2018, which quantifies at 285 million Euros the alleged overcompensation of EDP related to the calculation of the real availability factor of the plants under the CMEC regime. Thus, even though the Group is still analysing the technical and legal foundations of this dispatch, this has been reflected in the financial statements as at 31 December 2018, through a provision of the same amount.

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., being both companies notified on 2 January 2019 about the decision of BdP from 18 December 2018, recording a provision in an amount of 125 thousand Euros for EDP, S.A and 2,250 thousand Euros for EDP Soluções Comerciais.

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. The detail of possible contingencies is analised as follows:

Thousand Euros	Dec 2018			
	Subsidiaries based in Portugal	Subsidiaries based in Spain	Subsidiaries based in Brazil	Total
Administrative and Civil	39,653	5,304	197,240	242,197
Fiscal	4,763	1,294	422,226	428,283
Other	29,700	1,021	28,352	59,073
	74,116	7,619	647,818	729,553

Thousand Euros	Dec 2017			
	Subsidiaries based in Portugal	Subsidiaries based in Spain	Subsidiaries based in Brazil	Total
Administrative and Civil	35,271	24,443	203,409	263,123
Fiscal	11,436	11,068	407,771	430,275
Other	45,761	1,047	28,403	75,211
	92,468	36,558	639,583	768,609

The possible contingencies more relevant in Portugal, are as follows:

i) Within EDP Distribuição there is a contingency regarding the liability for supply and assembly costs of electricity distribution grids, including public illumination, with respect to the urbanistic reconversion and intervention area in Parque Expo 98. In this context, Parque Expo 98 claims that, between 1996 and 2014, it supported the costs that are responsibility of EDP Distribuição. In November 2015, Parque Expo 98 in liquidation addressed EDP Distribuição a separate judicial notice, in order to interrupt the limitation period (which would occur 20 years from the date of the referred agreement). Meanwhile Parque Expo 98, in liquidation, claims a reimbursement from EDP Distribuição of those costs in the amount of 15,811 thousand Euros. EDP Distribuição contested this claim on 28 June 2017 and is still waiting for further developments.

ii) On 29 July 2016, the Portuguese Competition Authority (AdC) has notified EDP, S.A. and EDP Comercial, S.A. with a notice for alleged violation of competition laws, regarding the process about the commercial campaign done in partnership with Modelo Continente, designated as "Plano EDP Continente". This was an occasional campaign, limited to two years, which was one of several campaigns usually performed by several other market agents. On 5 May 2017, EDP, S.A. and EDP Comercial, S.A. received AdC final decision which applied a fee of 2,900 thousand Euros to EDP,S.A. and 25,800 thousand Euros to EDP Comercial. EDP Group is convinced that this campaign has brought real benefits to consumers and competition in markets and that no transgression has been committed. The companies filed their appeal on 19 June 2017 and are still awainting sentence. Subsequently, a dispatch was delivered by Competing, Regulation and Supervision Court (TCRS) that considered unconstitutional the law from AdC which demanded a fine payment or a security before a decision about the case. This view was confirmed with a Constitutional Court judgment on 4 October 2018. The Public Prossecuters as well as AdC presented a new appeal about this judgement for Constitutional Court, with EDP, S.A and EDP Comercial presenting its counter-allegations.

iii) 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;

iv) On 3 September 2018, the Portuguese Competition Authority (AdC) notified EDP Produção with Statement of Objections, under which EDP Produção is accused of abuse of a dominant position in the secondary regulation band market (a part of the ancillary services market). AdC claims that EDP Produção has deliberately limited the participation of CMEC plants in the secondary regulation market between 2009 and 2013, benefitting its non-CMEC power plants. The alleged benefit, in detriment of consumers, would be twofold: receiving higher compensation under CMEC annual adjustment regime; profiting from higher market prices in said market. AdC estimates that the alleged practice of EDP Produção has generated damages to the national electricity system and to consumers of around 140 million Euros. AdC points out that the adoption of a Statement of Objections does not determine the result of the investigation, which began in September 2016 and is still in course. On 28 November 2018, EDP Produção presented to AdC its facts about the accusation, awaiting a final decision from AdC.

The possible contingencies more relevant in Brazil, are as follows:

i) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 21,720 thousand Euros (31 December 2017: 24,742 thousand Euros);

ii) There is a public civil action filed against EDP São Paulo and EDP Espírito Santo by ADIC – Associação de Defesa dos Interesses Colectivos, claiming a compensation arising from a tariff readjustment on part A from 43 concessionaires. The estimated value attributable to Bandeirante and Escelsa amounts to 45,939 thousand Euros (31 December 2017: 43,834 thousand Euros);

iii) EDP São Paulo is a party to a lawsuit related to the COFINS (Contribution for social security financing) from 1993 to 1995 in joinder with AES Eletropaulo, where is discussed the application of the tax amnesty introduced by the Provisional Measures paragraphs 1858-6 and 1858-8, granted to taxpayers who did not collect COFINS, considering it improper. In the trial of 2nd Instance, was partially confirmed the right to amnesty, and applied the Decree-Law 1,025/69, which established the payment of procedural costs in favor of the National Treasury. From this decision, an appeal was presented, which holds trial. The updated amount as at 31 December 2018 is 16,957 thousand Euros (31 December 2017: 18,709 thousand Euros);

iv) EDP São Paulo and EDP Espírito Santo have administrative and judicial actions regarding tax compensations not ratified by the Brazilian Federal Revenue Bureau, which: (i) are protected by judicially recognised credits (IRPJ - Corporate tax income and CSLL - Social Contribution on net profits) and (ii) that result from tax contributions in 2001 of IRPJ, CSLL, PIS (Social integration programme) and COFINS considered to be excessive as a consequence of the application of "Parecer COSIT 26/2002" (Extraordinary Tariff Adjustment - RTE) published by the Brazilian Tax Authorities. According to this opinion, the amounts resulting from tariffs updated under RTE should be recognised and taxed only as of 2002. As at 31 December 2018, the updated values amount to 83,758 thousand Euros (31 December 2017: 94,018 thousand Euros);

v) Lajeado has a judicial tax action initiated by the Brazilian Tax Authorities in 2014 aimed at collecting tax contributions (IRPJ and CSLL) resulting from the disallowance of expenses regarding goodwill arising from a business combination (acquisition). As at 31 December 2018, this contingency amounts to 24,799 thousand Euros (31 December 2017: 22,259 thousand Euros);

vi) Porto do Pecém was subject to a tax execution procedure in the amount of 18,688 thousand Euros, related to an alleged non-taxation under IRPJ and CSLL of prior years' financial income and exchange rate gains (31 December 2017: 20,537 thousand Euros);

vii) The companies of EDP – Energias do Brasil (Energest, Lajeado, Investco, Enerpeixe, Santa Fé, Porto do Pecém and Costa Rica), through the Brazilian Association of Independent Power Producers - APINE and the Brazilian Association of Power Generation - ABRAGEL, filed a lawsuit seeking to suspend the effects of CNPE Resolution 03/13, which established the apportionment among all agents of the electricity market of part of the costs incurred with the excessive use of energy from thermic sources (oil, coal and gas), due to the scarcity of the rainfall regime (ancillary service Charge - ESS). The updated value as at 31 December 2018 is 37,295 thousand Euros (31 de December 2017: 28,670 thousand Euros);

viii) Following a period of drought in the State of Ceará, the local government, through Decree 32,044 of 16 September 2016, introduced an extraordinary rate called the Emergency Water Charge (EHE) over the actual water consumption of thermoelectric power plants, and in particular the Porto do Pecém. On 13 October 2016, the Porto do Pecém submitted an administrative request to ANEEL for the purpose of transferring this additional cost to the Unit Variable Cost (CVU), in order to restore the economic-financial balance of the contract (CCEAR). ANEEL, through Order 3,293 of 19 December 2016, denied the request of the Porto do Pecém, which initiated proceedings against ANEEL.

In May 2017, the Porto de Pecém obtained an injunction that allows the full transfer of the EHE to the CVU. This injunction further determines the suspension of ANEEL's application of any penalty for possible reduction and/or interruption of energy production due to problems with water supply, including penalties for non-availability, suspension of commercial operation and replacement of "lastro", preventing this means any type of suspension of the payment of the fixed revenue to which the Porto de Pecém is entitled under the Contracts for Contracting of Energy in a Regulated Environment (CCEAR). Following this court decision athe Porto do Pecém booked an amount receivable (assets) which will be invoiced to customers in the coming months. The financial impacts arising from the new Decree No. 32.305 /2017, published on 11 August by the Government of the State of Ceará, are currently being analysed, as it extended the term of this charge for an indeterminate period.

As at 31 December 2018, the lawsuit against ANEEL requiring the guarantee of the economic-financial balance of the CCEARs by transferring the EHE to the CVU awaits judgment, and the likelihood of the contingency associated with the eventual need to return the now classified amount graduated as possible and the estimated total amount of 14,966 thousand Euros (31 December 2017: 31,665 thousand euros), referring to the estimate of EHE values during the period of validity of the first decree (1 October 2016 until 31 August 2017). The variation ocurred during this period is related with the revision of assumptions used to calculate the contingency which previously was considering the estimative of the value of EHE to be paid following the historical average. The new calculation is based on the claim effective risk considering the transference of CVU.

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 31 December 2018, the amount of this tax contingency amounts to 282 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. In November 2018, EDP Group was notified with a decision in favour. The Treasuary filed an appeal on that decision.

ii) EDP São Paulo through the Power Industry Union of the State of São Paulo - SindiEnergia, filed two claims against the Treasury Department of the State of São Paulo, seeking the suspension of the effects of Decrees 55.421/2010 and 55.867/2010. Both claims deal with VAT incidence on energy technical losses (theft, deviation or fraud) and obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts, however, given that the higher courts jurisprudence supports the thesis discussed in this process, the EDP Group classifies as remote the risk of losing this action. The estimated value at 31 December 2018 amounts to 120,488 thousand Euros (31 December 2017: 117,883 thousand Euros).

36. Institutional Partnerships in USA

The caption Institutional partnerships in USA is as follows:

Thousand Euros	Group	
	Dec 2018	Dec 2017
Deferred income related to benefits provided	961,783	914,612
Liabilities arising from institutional partnerships in USA	1,269,466	1,249,110
	2,231,249	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	
	Dec 2018	Dec 2017
Balance at the beginning of the period	2,163,722	2,339,425
Proceeds received from institutional investors	402,046	449,067
Cash paid for deferred transaction costs	-3,011	-3,870
Cash paid to institutional investors	-173,682	-195,175
Other Income (see note 8)	-185,171	-225,568
Unwinding (see note 13)	80,684	88,561
Exchange differences	101,530	-289,891
Loss of control of companies with institutional partnerships (see note 6)	-162,123	-
Other	7,254	1,173
Balance at the end of the period	2,231,249	2,163,722

During 2018, EDPR NA has received proceeds amounting to 228,537 thousand Euros (269,908 thousand US Dollars) related to institutional equity financing from a leading financial institution, in exchange for an interest in the Arkwright and Tutle Creek projects, both located in the state of New York.

Additionally, EDPR NA has secured and received proceeds amounting to 163,860 thousand Euros (193,522 thousand US Dollars) related to institutional equity financing from a leading financial institution, in exchange for an interest in the Meadow Lake VI project that is located in the state of Indiana. After this funding being executed, EDPR NA has lost control over this project upon the completion of the sale of 80% of equity shareholding (see note 6).

During 2017, EDPR NA has received proceeds amounting to 389,196 thousand Euros (439,552 thousand US Dollars) related to institutional equity financing with Bank of New York Mellon, in exchange for an interest in the Vento XVII portfolio, and 59,871 thousand Euros (67,618 thousand US Dollars) related to institutional equity financing, in exchange for an interest in three solar plants located in the state of South Carolina.

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37. Trade payables and other liabilities from commercial activities

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

Thousand Euros	Group	
	Dec 2018	Dec 2017
Contract liabilities:		
Energy sales contracts - EDPR NA	11,496	-
Deferred income - CMEC	283,530	-
	295,026	-
Other liabilities:		
Investment government grants	583,603	491,008
Amounts payable for tariff adjustments - Electricity - Portugal	77,447	10,632
Amounts payable for tariff adjustments - Electricity - Brazil	38,678	38,698
Amounts payable for concessions	201,527	209,117
Property, plant and equipment suppliers	8,233	110,986
Energy sales contracts - EDPR NA	-	13,686
Deferred income - CMEC	-	364,428
Other creditors and sundry operations	151,731	104,616
	1,061,219	1,343,171
	1,356,245	1,343,171

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

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Contract liabilities:				
Deferred income - CMEC	80,897	-	-	-
Amounts received from the Fund for systemic sustainability of the energy sector	155,594	-	-	-
	236,491	-	-	-
Other liabilities:				
Suppliers	956,608	947,702	412,960	366,401
Accrued costs related with commercial activities	704,975	881,733	314,433	272,958
Property, plant and equipment suppliers	1,028,188	639,345	837	715
Holiday pay, bonus and other charges with employees	160,847	162,902	30,201	31,165
CO2 emission Licenses	137,746	101,693	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	8,840	249,914	-	-
Amounts payable for tariff adjustments - Electricity - Brazil	253	13,157	-	-
Deferred income - CMEC	-	83,012	-	-
Amounts payable - securitisations	134,841	133,107	-	-
Amounts payable - CMEC	222,245	73,479	-	-
Other creditors and sundry operations	271,211	212,087	30,452	15,224
	3,625,754	3,498,131	788,883	686,463
	3,862,245	3,498,131	788,883	686,463

At the moment of 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, and amortised over the useful life of the contracts in Other operating income - Other.

Deferred income - CMEC Non-current and Current, in the amount of 364,427 thousand Euros (31 December 2017: 447,440 thousand Euros) includes the initial CMEC amount (833,467 thousand Euros) deducted from the amortisation of initial CMEC during the years 2007 to 2017 and accrued with unwinding (see note 13), in the amount of 170,987 thousand Euros. This caption also includes 193,440 thousand Euros relating with the final adjustment recognised in accordance with the result achieved by EDP/REN working group (256,539 thousand Euros), deducted from amortisation and accrued with corresponding unwinding charges of the period (see note 13).

The Amounts received from the Fund for systemic sustainability of the energy sector refer to amounts transferred to EDP SU in December 2018, related with the electricity tariffs for 2019, which represent extraordinary contribution to the energy sector (CESE) amounts intended to reduce the National Electric System's tariff debt (see note 1).

Investment government grants are amortised through the recognition of a revenue in the income statement over the useful life of the related assets, which amounts to 24,063 thousand Euros as at 31 December 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.

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

Thousand Euros	Non-Current	Current
Balance as at 31 December 2017	10,632	249,914
Payment through the electricity tariff	-	-227,097
Tariff adjustment of the period	39,634	92,043
Interest expense (see note 13)	42	484
Transfer to/from tariff adjustment receivable (see note 24)	39,085	-118,450
Transfer from Non-Current to Current	-11,946	11,946
Balance as at 31 December 2018	77,447	8,840

The caption Amounts payable for tariff adjustments - Electricity - Brazil, refers to tariff adjustments recognised in EDP São Paulo and EDP Espírito Santo in the accumulated amount of 28,681 thousand Euros (31 December 2017: 35,127 thousand Euros) and 10,250 thousand Euros (31 December 2017: 16,728 thousand Euros), respectively. The variation occurred includes the tariff deficit of the period with a positive impact of 91,453 thousand Euros (see note 7), the transfer from tariff adjustment receivable of 7,418 thousand Euros (see note 24), the unwinding in the amount of 14,106 thousand Euros (see note 13), the decrease in the amount received through the electricity tariff of 118,914 thousand Euros and the exchange differences due to depreciation of Brazilian Real against Euro with a negative impact of 5,260 thousand Euros. During 2018, EDP Espírito Santo and EDP São Paulo received cash, as financial component of the tariff readjustment of 2018, in the amount of 5,194 thousand Euros (22,369 thousand Brazilian Reais) and 7,915 thousand Euros (34,113 thousand Brazilian Reais), respectively. These amounts will be returned through the tariff of EDP Espírito Santo starting on the tariff readjustment of August 2018, and through the tariff of EDP São Paulo starting on the tariff readjustment of October 2018.

Amounts payable for concessions includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA in the amount of 137,237 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 in the amount of 64,291 thousand Euros (31 December 2017: 69,072 thousand Euros).

The increase of the caption Property, plant and equipment suppliers - Current includes the recognition of 164,260 thousand Euros (188,077 thousand US Dollars) and 644 thousand Euros (1,005 thousand Canadian Dollars) related with the liabilities arising from the sale of 80% of financial interest in 2018 Vento XIX LLC, and from the sale of 75% of financial interests in the companies Nation Rise Wind Farm Gp II Inc. and Nation Rise Wind Farm Limited Partnership, respectively (see note 6). The remaining variation is mainly due to the amounts payable related with wind farms and solar parks under construction in EDPR NA, EDPR Brasil, EDPR PT and EDPR Itália.

The decrease of the caption Property, plant and equipment suppliers - Non-current is mainly related with the supply of renewable asset for certain wind farms in Brazil where terms of payments were agreed in the long-term with a short-term maturity as of 31 December 2018.

The caption CO2 emission licenses includes the CO2 consumptions during 2018 in Portugal and Spain, in the amount of 81,701 thousand Euros and 56,045 thousand Euros, respectively (31 December 2017: 58,789 thousand Euros and 42,904 thousand Euros). The variation includes the consumptions of 2018 and the delivery in 2018 of the 2017 consumption licenses, 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 adjustment assets through the tariffs charged to their customers. The caption Amounts payable - securitizations includes the amounts payable to entities that have acquired the right to receive these assets in securitisation or direct sales operations in Portugal of 134,841 thousand Euros (31 December 2017: 133,107 thousand Euros), and the caption Other creditors and sundry operations - Current includes the settlements to be made to the regulatory entity in Spain , which amounts to 9,538 thousand Euros (31 December 2017: 13,092 thousand Euros). These liabilities refer to the assets recovered through the tariffs that will be transferred to these entities.

The caption Amounts payable - CMEC refers to amounts received by EDP Distribuição, through the tariff, regarding the CMEC Revisibility of 2016 and 2017, which delivery to REN is awating approval (see note 4).

The caption Other creditors and sundry operations - Non-current includes the amount of 69,178 thousand Euros related with the reinsurance activity (31 December 2017: 48,328 thousand Euros). The caption Other creditors and sundry operations - Current includes the amount of 14,317 thousand Euros related to tariff adjustment payable (31 December 2017: 14,317 thousand Euros).

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38. Other Liabilities and Other Payables

Other liabilities and other payables are as follows:

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	401,257	591,779	-	-
Derivative financial instruments (see note 41)	196,496	91,092	205,570	112,714
Group companies	-	-	66,297	199,280
Amounts payable and contingent prices for acquisitions/sales	75,234	94,660	-	-
Lease contracts with EDP Pension and Medical and Death Subsidy Funds	77,959	79,414	77,959	79,414
Other creditors and sundry operations	5,953	18,039	-	-
	756,899	874,984	349,826	391,408
Other liabilities and other payables - Current				
Loans from non-controlling interests	241,617	121,023	-	-
Dividends attributed to related companies	57,752	42,207	-	-
Derivative financial instruments (see note 41)	155,848	94,522	188,502	190,643
Group companies	-	-	31,339	1,591,110
Group's financial system (see note 43)	-	-	1,030,481	197,174
Amounts payable and contingent prices for acquisitions/sales	303,459	14,525	-	-
Lease contracts with EDP Pension and Medical and Death Subsidy Funds	6,496	6,434	6,496	6,434
Other creditors and sundry operations	5,750	5,429	36,362	109,268
	770,922	284,140	1,293,180	2,094,629
	1,527,821	1,159,124	1,643,006	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 31,108 thousand Euros, including accrued interests (31 December 2017: 37,362 thousand Euros), bearing interest at a fixed rate of 3.75% (see note 43);

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 215,620 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 119,826 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 43);

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 63,304 thousand Euros, including accrued interests (31 December 2017: 78,436 thousand Euros), bearing interest at a fixed rate of 4.5% (see note 43);

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 52,258 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 50,202 thousand Euros, including accrued interests (31 December 2017: 61,140 thousand Euros), bearing interest at a fixed rate of 5.5% (see note 43); 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 contingent prices for acquisitions/sales includes the estimated remaining costs to be incurred due to the sale of 80% of the company 2018 Vento XIX LLC and its subsidiaries and the sale of 75% of the companies Nation Rise Wind Farm Gp II Inc. e Nation Rise Wind Farm Limited Partnership in the amount of 156,423 thousand Euros (179,104 thousand US Dollars) and 133,589 thousan Euros (208,465 Canadian Dollars), respectively (see note 6). This caption also includes the contingent prices related to the sale of gas distribution business in Spain and Portugal, in the amount of 35,634 thousand Euros and 45,786 thousand Euros, respectively.

The variation in the caption Group companies Current, on a Company basis, corresponds to the repayment of two loans of EDP S.A. Sucursal en España, one in the amount of 1,000 million US Dollars, which maturity occurred in February 2018 and another in the amount of 1.000 million US Dollars, which maturity occurred in October 2018 (see notes 25 and 47).

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 in-kind 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 31 December 2018, it amounts to 30,221 thousand Euros (31 December 2017: 30,808 thousand Euros) (see note 43).

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 494 thousand Euros and an implicit rate of 5.82%. As at 31 December 2018, it amounts to 54,198 thousand Euros (31 December 2017: 55,040 thousand Euros) (see note 43).

39. Tax Liabilities

Tax liabilities are as follows:

	Group		Company	
Thousand Euros	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Income tax	162,835	86,645	114,820	-
Withholding tax	41,465	36,269	1,150	1,176
Value Added Tax (VAT)	130,588	133,896	1,655	17,042
Special taxes Brazil	188,899	193,901	-	-
Other taxes	139,939	204,296	1,021	955
	663,726	655,007	118,646	19,173

This caption is as follows:

	Group		Company	
Thousand Euros	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Non-Current	97,637	91,551	-	-
Current	566,089	563,456	118,646	19,173
	663,726	655,007	118,646	19,173

As at 31 December 2018, the captions Income tax and Special taxes Brazil include the amount of 87,362 thousand Euros (388,236 thousand Brazilian Reais), corresponding to the recognised liability value of 115,868 thousand Euros (514,917 thousand Brazilian Reais) net of payments (see note 26).

40. Non-Current 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	
Thousand Euros	Dec 2018	Dec 2017
Assets held for sale		
Electricity generation assets - United Kingdom	7,546	58,179
Electricity generation assets - Brazil	-	10,271
Electricity generation assets - Portugal	-	161,819
Other assets	3,519	866
	11,065	231,135
Liabilities held for sale		
Electricity generation liabilities - Brazil	-	3,262
Electricity generation liabilities - Portugal	-	111,419
	-	114,681
	11,065	116,454

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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 of 23.3% of the equity shareholding and shareholder loans of the company with a subsequent loss of control. 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). On 14 November 2018, EDPR Group sold 13.4% of the equity shareholding and shareholder loans of the company to DGE for an amount of 54 million Pounds (see notes 6 and 13). In addition, on 28 December 2018, EDPR Group sold 10% of the equity shareholding and shareholder loans of the company to China Three Gorges (Europe) S.A. (CTG EU) for an amount of 38 million Pounds (see notes 6 and 13). As at 31 December 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 7,546 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. On 6 September 2018, the sale to CEI - Energética Ltda was concluded for the amount of 10,130 thousand Euros, generating a gain of 5,447 thousand Euros (see notes 6 and 8). At the transaction date, Costa Rica held 1,007 thousand Euros in the caption of Cash and cash equivalents.

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. On 19 December 2018, the sale to Aguia Enlica, Lda. was concluded for the amount of 81 million Euros, generating a gain of 1,542 thousand Euros (see notes 6 and 8). At the transaction date, EDP Small Hydro, S.A. e Pebble Hydro - Consultoria, Investimento e Serviços, Lda. held 17,233 thousand Euros in the caption of Cash and cash equivalents.

In 2018, the EDP Group started the sale process of EDP Produção Bioeléctrica, S.A. As at 30 September 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 (14,794 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. On 28 November 2018, EDP Group sold 50% of the equity shareholding and shareholder loans of the company to Altri, SGPS, S.A. for an amount of 56 million Euros (see notes 6 and 13).

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.

41. 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), as net investment hedge in foreign operations (Net investment hedge), or as held for trading, if or when they are not eligible for hedge accounting.

The fair value of the derivative financial instruments in EDP Group is as follows:

	Dec 2018		Dec 2017	
Thousand Euros	Assets	Liabilities	Assets	Liabilities
Net Investment hedge				
Cross-currency interest rate swaps	35,466	-34,818	47,565	-5,377
Currency forwards	2,696	-15	-	-
Fair value hedge				
Interest rate swaps	90,091	-	96,117	-1,706
Cross-currency interest rate swaps	27,354	-1,593	46,966	-
Cash flow hedge				
Interest rate swaps	3,626	-19,530	2,307	-22,987
Swaps related to gas commodity	406	-189,011	46,801	-49,463
Electricity swaps	13,020	-89,642	22,084	-57,189
Currency forwards associated to commodities	67,507	-2,001	21	-8,208
Trading				
Interest rate swaps	10,758	-724	14,311	-688
Cross-currency interest rate swaps	5,168	-421	2,468	-18,740
Commodity swaps	28,752	-10,946	13,557	-15,816
Currency forwards	1,553	-442	180	-4,109
Commodity forwards	2,043	-	-	-
Commodity options purchased and sold	-	-3,201	847	-1,331
	288,440	-352,344	293,224	-185,614

As at 31 December 2018, EDP Group holds contracts for the purchase and sale of commodities traded on futures exchange market, namely Chicago Mercantile Exchange, Intercontinental Exchange, European Energy Exchange and OMIP, whose fair value of the contracted operations is settled on a daily basis, and therefore it is not included in the balance sheet. The notional amount of these futures contracts amount to 1,950,088 thousand Euros with maturities ranged between 2019 and 2024 (31 December 2017: 827,571 thousand Euros, with maturity in 2018 and 2019), and the fair value held in EDP Group cash flow hedge reserves related to these operations is a negative amount of 76,482 thousand Euros (31 December 2017: negative amount of 37,968 thousand Euros).

The management of financial risk of EDP, S.A. and other EDP Group companies, is carried out centrally by EDP, S.A. (note 5). On this basis, EDP, S.A. negotiates derivative financial instruments with external entities to hedge its own individual business risks, as well as for other companies of the Group, performing for these entities' as an intermediate in their contracting.

The fair value of the derivative financial instruments at Company level is as follows:

	Dec 2018		Dec 2017	
Thousand Euros	Assets	Liabilities	Assets	Liabilities
Cash flow hedge				
Swaps related to gas commodity	-	-95,180	-	-
Electricity swaps	31,921	-	3,298	-
Currency forwards associated to commodities	59,890	-3	-	-
Fair value hedge				
Cross-currency interest rate swaps	-	-	280,477	-
Trading				
Interest rate swaps	99,066	-91,357	109,910	-96,278
Cross-currency interest rate swaps	94,298	-30,003	84,857	-15,441
Commodity swaps	233,550	-129,685	206,344	-165,147
Currency forwards	10,931	-9,415	17,525	-12,339
Commodity forwards	30,826	-35,225	12,363	-12,164
Options purchased and sold	3,420	-3,204	767	-1,988
	563,902	-394,072	715,541	-303,357

The fair value of derivative financial instruments is booked in Other debtors and other assets (see note 25) and Other liabilities and other payables (see note 38), 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 44) 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.

In 2018, the notional amounts per measurement unit of the derivative financial instruments in EDP Group, are as follows:

Thousand Units	Unit	2019	2020	2021	2022	Following years	Total
Net Investment hedge							
Cross-currency interest rate swaps	Euros	108,272	77,093	77,505	49,558	816,321	1,128,749
Currency forwards	Euros	567,352	-	-	-	-	567,352
Fair value hedge						-	
Interest rate swaps	Euros	350,000	450,000	-	1,000,000	600,000	2,400,000
Cross-currency interest rate swaps	Euros	-	-	-	-	410,314	410,314
Cash flow hedge							
Interest rate swaps	Euros	109,678	118,326	120,560	151,091	288,992	788,647
Swaps related to gas commodity	MWh	32,850	40,262	24,482	22,713	37,913	158,220
Electricity swaps	MWh	10,870	5,018	1,831	772	585	19,076
Currency forwards associated to commodities	Euros	432,906	290,214	180,144	155,983	259,746	1,318,993
Trading							
Interest rate swaps	Euros	-	600,000	-	-	300,000	900,000
Cross-currency interest rate swaps	Euros	192,191	-	-	-	-	192,191
Swaps related to gas commodity	MWh	5,911	3,182	-	-	-	9,093
Electricity swaps	MWh	3,584	2,332	718	530	3,145	10,309
Currency forwards	Euros	79,438	10,744	-	-	-	90,182
CO2 forwards	MT	1,956	-	-	-	-	1,956
Options purchased and sold	MWh	438	439	-	-	-	877

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In 2017, the notional amounts per measurement unit of the derivative financial instruments in EDP Group, were as follows:

Thousand Units	Unit	2018	2019	2020	2021	Following years	Total
Net Investment hedge							
Cross-currency interest rate swaps	Euros	30,535	29,723	66,450	63,274	549,558	739,540
Fair value hedge							
Interest rate swaps	Euros	-	350,000	500,000	-	1,600,000	2,450,000
Cross-currency interest rate swaps	Euros	103,922	-	-	-	410,314	514,235
Cash flow hedge							
Interest rate swaps	Euros	96,804	107,610	115,777	116,948	418,682	855,821
Swaps related to gas commodity	MWh	23,824	11,386	3,280	-	-	38,490
Electricity swaps	MWh	12,914	6,393	3,051	332	434	23,124
Currency forwards associated to commodities	Euros	164,134	-	-	-	-	164,134
Trading							
Interest rate swaps	Euros	470	-	600,000	-	300,000	900,470
Cross-currency interest rate swaps	Euros	150,000	130,703	-	-	-	280,703
Swaps related to gas commodity	MWh	4,444	1,549	3	-	-	5,996
Electricity swaps	MWh	3,020	1,673	312	-	-	5,005
Currency forwards	Euros	116,954	9,854	2,035	-	-	128,843
Options purchased and sold	MWh	1,586	438	-	-	-	2,024

In 2018, the notional amounts per measurement unit of the derivative financial instruments at Company level, are as follows:

Thousand Units	Unit	2019	2020	2021	2022	Following years	Total
Cash flow hedge							
Swaps related to gas commodity	MWh	-	22,698	22,706	22,713	37,913	106,030
Electricity swaps	MWh	15,785	659	-	-	-	16,444
Currency forwards associated to commodities	Euros	2,623	174,117	165,069	155,983	259,746	757,538
Trading							
Interest rate swaps	Euros	700,000	1,550,000	-	2,000,000	1,500,000	5,750,000
Cross-currency interest rate swaps	Euros	541,869	154,187	155,010	99,116	1,132,641	2,082,823
Swaps related to gas commodity	MWh	76,722	41,514	3,849	-	-	122,085
Coal swaps	MT	2,889	-	-	-	-	2,889
Electricity swaps	MWh	13,148	6,579	876	438	3,068	24,109
Currency forwards	Euros	1,898,520	224,036	-	-	-	2,122,556
CO2 forwards	MT	14,246	-	-	-	-	14,246
Options purchased and sold	MWh	876	878	-	-	-	1,754

In 2017, the notional amounts per measurement unit of the derivative financial instruments at Company level, were as follows:

Thousand Units	Unit	2018	2019	2020	2021	Following years	Total
Cash flow hedge							
Electricity swaps	MWh	437	-	-	-	-	437
Fair value hedge							
Cross-currency interest rate swaps	Euros	1,387,347	-	-	-	-	1,387,347
Trading							
Interest rate swaps	Euros	-	700,000	1,600,000	-	3,500,000	5,800,000
Cross-currency interest rate swaps	Euros	568,914	243,690	132,899	126,548	599,116	1,671,167
Swaps related to gas commodity	MWh	61,928	26,202	7,348	-	-	95,478
Coal swaps	MT	1,140	-	-	-	-	1,140
Electricity swaps	MWh	19,618	3,048	659	-	-	23,325
Currency forwards	Euros	906,713	9,854	2,035	-	-	918,602
CO2 forwards	MT	10,303	-	-	-	-	10,303
Options purchased and sold	MWh	1,314	876	-	-	-	2,190

In 2018, the future undiscounted cash flows of the derivative financial instruments in EDP Group, are as follows:

Thousand Euros	2019	2020	2021	2022	Following years	Total
Net Investment hedge						
Cross-currency interest rate swaps	-33,469	-21,016	-20,018	-17,344	-53,959	-145,806
Currency forwards	2,681	-	-	-	-	2,681
	-30,788	-21,016	-20,018	-17,344	-53,959	-143,125
Fair value hedge						
Interest rate swaps	32,263	27,032	16,538	26,557	16,011	118,401
Cross-currency interest rate swaps	15,847	15,741	15,867	15,825	-6,158	57,122
	48,110	42,773	32,405	42,382	9,853	175,523
Cash flow hedge						
Interest rate swaps	-6,606	-5,495	-4,426	-2,799	-224	-19,550
Swaps related to gas commodity	-72,592	-57,701	-30,197	-17,948	-14,124	-192,562
Electricity swaps	-48,899	-21,641	-6,327	-477	-726	-78,070
Currency forwards associated to commodities	3,160	15,215	16,968	13,337	18,223	66,903
	-124,937	-69,622	-23,982	-7,887	3,149	-223,279
Trading						
Interest rate swaps	2,687	7,508	-89	-90	-223	9,793
Cross-currency interest rate swaps	3,022	-	-	-	-	3,022
Commodity swaps	-1,582	6,773	2,785	1,437	12,234	21,647
Currency forwards	835	466	80	-	-	1,381
Options purchased and sold	-2,538	-664	-	-	-	-3,202
	2,424	14,083	2,776	1,347	12,011	32,641
Total	-105,191	-33,782	-8,819	18,498	-28,946	-158,240

In 2018, the future undiscounted cash flows of the derivative financial instruments at Company level, are as follows:

Thousand Euros	2019	2020	2021	2022	Following Years	Total
Cash flow hedge						
Swaps related to gas commodity	-	-35,186	-30,281	-17,948	-14,124	-97,539
Electricity swaps	26,193	5,677	-	-	-	31,870
Currency forwards associated to commodities	-3	13,820	14,509	13,337	18,223	59,886
	26,190	-15,689	-15,772	-4,611	4,099	-5,783
Trading						
Interest rate swaps	1,691	6,144	-89	-90	-223	7,433
Cross-currency interest rate swaps	32,398	-10,177	-10,167	-10,177	-81	1,796
Commodity swaps	49,491	38,447	3,058	1,437	12,234	104,667
Currency forwards	1,240	466	80	-	-	1,786
Commodity forwards	-4,397	-	-	-	-	-4,397
Commodity options purchased and sold	110	110	-	-	-	220
	80,533	34,990	-7,118	-8,830	11,930	111,505
Total	106,723	19,301	-22,890	-13,441	16,029	105,722

The changes in the fair value, including accrued interest, of hedging instruments and risks being hedged are as follows:

			2018		2017	
			Changes in fair value		Changes in fair value	
Thousand Euros	Hedging instrument	Hedged risk	Instrument	Risk	Instrument	Risk
Net investment	Cross-curr. int. rate swaps	Subsidiaries in PLN, BRL, GBP, USD and CAD	-41,540	49,430	54,326	-60,211
Net investment	Currency forwards	Subsidiaries in USD	2,681	-2,681	-	-
Fair value	Interest rate swap	Interest rate	-4,320	4,347	-34,311	34,256
Fair value	Cross-curr. int. rate swaps	Exchange and interest rate	-21,205	19,739	33,731	-27,669
Cash flow	Interest rate swap	Interest rate	4,776	-4,776	32,650	-32,650
Cash flow	Currency forwards	Exchange rate	73,693	-73,693	-15,904	15,904
Cash flow	Commodity swaps	Commodity prices	-227,460	227,460	-75,203	75,203
			-213,375	219,826	-4,711	4,833

Considering that hedging derivative financial instruments are contracted with a high correlation of critical terms, namely in the same currency and at the same indexes, the hedge ratio between the hedging instruments and the hedged instruments is 1:1.

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

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

The changes in the fair value reserve related to cash flow hedges in 2018 and 2017 by nature of derivative financial instruments in EDP Group, were as follows:

Thousand Euros	Interest rate swaps	Commodity swaps	Currency forwards associated to commodities	Gross Amount	Deferred Tax	Total
Balance as at 31 December 2016	-47,150	72,207	18,178	43,235	-13,749	29,486
Fair value changes	18,965	-253,733	-25,095	-259,863	74,943	-184,920
Transfer to results from hedging	-5,383	39,155	-579	33,193	-10,815	22,378
Transfers included in the initial cost of inventories from hedging of commodity prices	-	81,300	-1,894	79,406	-22,788	56,618
Changes resulting from acquisitions/sales without	74	377	-	451	-155	296
Balance as at 31 December 2017	-33,494	-60,694	-9,390	-103,578	27,436	-76,142
Fair value changes	16,220	-167,554	70,290	-81,044	22,206	-58,838
Transfer to results from hedging	6,409	-125,832	1,503	-117,920	30,217	-87,703
Transfers included in the initial cost of inventories from hedging of commodity prices	-	34,262	-7	34,255	-10,403	23,852
Comprehensive Income changes in associates	-17,452	-	-	-17,452	2,968	-14,484
Balance as at 31 December 2018	-28,317	-319,818	62,396	-285,739	72,424	-213,315

The changes in the fair value reserve related to cash flow hedges in 2018 and 2017 by nature of derivative financial instruments at Company level, were as follows:

Thousand Euros	Commodity swaps	Currency forwards associated to commodities	Gross Amount	Deferred Tax	Total
Balance as at 31 December 2016	54,218	-	54,218	-16,035	38,183
Fair value changes	88,465	-	88,465	-19,903	68,562
Transfer to results from hedging	-135,187	-	-135,187	34,212	-100,975
Balance as at 31 December 2017	7,496	-	7,496	-1,726	5,770
Fair value changes	13,251	59,886	73,137	-16,456	56,681
Transfer to results from hedging	-82,295	-	-82,295	18,516	-63,779
Balance as at 31 December 2018	-61,548	59,886	-1,662	334	-1,328

Changes in fair value for the period, on consolidated and individual basis, in the fair value reserve include: (i) contracts for the purchase and sale of commodities traded on futures exchange market whose fair values are settled on a daily basis, and therefor are not in the statement of financial position; and (ii) fair value variation of derivative financial instruments contracted and settled within the same period.

The gains and losses on the financial instruments portfolio, excluding accrued interest, booked in the Income Statement in 2018 and 2017 are as follows:

	Group		Company	
Thousand Euros	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Commodity derivatives held for trading	10,055	-33,681	-1,816	-15,404
Debt derivatives held for trading	10,390	10,006	-16,774	34,274
Net investment hedge - ineffectiveness	9,583	-5,148	-	-
Fair value hedges:				
-Derivatives	-25,525	-580	8,033	-296,317
-Hedged liabilities	24,086	6,587	-8,033	296,317
Cash flow hedges:				
-Transfer to results from hedging of financial liabilities	6,409	-5,383	-	-
-Transfer to results from hedging of commodity prices	-75,443	95,058	82,295	135,187
	-40,445	66,859	63,705	154,057

The amount transferred to the Income Statement related to the hedging of commodity derivatives is included in the caption of Revenues and cost of Energy Sales and Services and Other.

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2018 are as follows:

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts:				
Interest rate swaps	3,974,360	EUR	[4,45% - -0,83%]	[4,88% - -0,83%]
Interest rate swaps	50,189	PLN	[2,78% - 2,48%]	1.81%
Interest rate swaps	50,311	USD	1.86%	1.00%
Interest rate swaps	13,788	CAD	2.59%	2.02%
Currency and interest rate contracts:				
CIRS (currency interest rate swaps)	428,723	EUR/GBP	3.67%	8.63%
CIRS (currency interest rate swaps)	79,460	USD/JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	214,560	EUR/PLN	[4,69% - 1,6%]	[2,13% - -0,37%]
CIRS (currency interest rate swaps)	150,000	EUR/RON	[3,79% - 3,34%]	[-0,31% - -0,32%]
CIRS (currency interest rate swaps)	32,724	EUR/BRL	[6,01% - 5,94%]	-0.31%
CIRS (currency interest rate swaps)	42,192	BRL/USD	[9,13% - 7,6%]	[5,38% - 4,72%]
CIRS (currency interest rate swaps)	33,595	EUR/CAD	[2,7% - 2,39%]	[-0,31% - -0,37%]
CIRS (currency interest rate swaps)	750,000	USD/EUR	[3,68% - 3,20%]	[1,5% - 1,130%]

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2017 were as follows:

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts:				
Interest rate swaps	4,117,189	EUR	[4.45% - -0.85%]	[4.88% - -0.85%]
Interest rate swaps	14,511	PLN	[2.78% - 2.48%]	1.81%
Interest rate swaps	57,807	USD	1.86%	1.00%
Interest rate swaps	16,785	CAD	2.59%	1.43%
Currency and interest rate contracts:				
CIRS (currency interest rate swaps)	410,314	EUR/GBP	3.66%	8.63%
CIRS (currency interest rate swaps)	74,069	USD/JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	174,087	EUR/PLN	[2.11% - 1.39%]	-0,33%
CIRS (currency interest rate swaps)	150,000	EUR/RON	[2.23% - 2.10%]	-0,33%
CIRS (currency interest rate swaps)	45,719	EUR/BRL	[6.48% - 5.37%]	-0,33%
CIRS (currency interest rate swaps)	56,634	BRL/USD	[12.66% - 11.13%]	[4.34% - 3.53%]
CIRS (currency interest rate swaps)	103,922	EUR/CHF	[3.96% - 3.80%]	4.01%
CIRS (currency interest rate swaps)	19,734	EUR/CAD	[1.93% - 1.82%]	-0,33%
CIRS (currency interest rate swaps)	500,000	USD/EUR	[3.27% - 3.20%]	1.13%

42. Commitments

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

Thousand Euros	Group		Company	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017
Financial guarantees				
EDP, S.A.	114,862	-	114,862	-
EDP Brasil Group	1,340,507	1,297,333	-	-
EDP Renováveis Group	61,944	6,955	-	-
	1,517,313	1,304,288	114,862	-
Operating guarantees				
EDP, S.A.	916,103	902,592	916,103	902,592
EDP España Group	271,908	303,101	-	-
EDP Brasil Group	597,453	604,285	-	-
EDP Renováveis Group	2,641,135	2,789,736	-	-
	4,426,599	4,599,714	916,103	902,592
Total	5,943,912	5,904,002	1,030,965	902,592
Real guarantees	3,360	7,762	-	-

The financial guarantees contracted as at 31 December 2018 and 2017 include 1,067,578 thousand Euros and 942,646 thousand Euros, respectively, related with loans obtained by Group companies and are already included in the consolidated debt.

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The operating guarantees contracted as at 31 December 2018 and 2017, includes the amounts of 587,746 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 31 December 2018 and 2017, 887,493 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 31 December 2018 and 2017, EDPR's obligations under the tax equity agreements, in the amount of 1,131,899 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 33.

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

	Dec 2018				
	Capital outstanding by maturity				
Thousand Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	1,403,184	77,800	134,956	125,572	1,064,856
Purchase obligations	22,489,188	4,293,287	4,732,110	2,910,149	10,553,642
	23,892,372	4,371,087	4,867,066	3,035,721	11,618,498

	Dec 2017				
	Capital outstanding by maturity				
Thousand Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	1,407,125	89,961	135,379	117,551	1,064,234
Purchase obligations	20,597,417	4,524,876	5,108,130	2,784,960	8,179,451
	22,004,542	4,614,837	5,243,509	2,902,511	9,243,685

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 12,451,745 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	Dec 2018	Dec 2017
Purchase obligation - Present value	12,451,745	14,481,883
Purchase obligation - Nominal amount	17,630,575	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	Dec 2018	Dec 2017
Fuel acquisition	7,000,047	3,380,444
Electricity acquisition	11,387,475	12,900,272
O&M contracts	1,085,743	1,091,670
Fixed assets, equipment and miscellaneous materials acquisition	1,814,828	1,573,712
Supply and assembly contract	377,339	655,067
Other supplies and services	823,756	996,252
	22,489,188	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:

	Dec 2018				
	Capital outstanding by maturity				
Thousand Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Fuel acquisition	7,000,047	1,037,552	1,280,406	883,382	3,798,707
Electricity acquisition	11,387,475	1,275,773	2,112,075	1,817,071	6,182,556
	18,387,522	2,313,325	3,392,481	2,700,453	9,981,263

	Dec 2017				
	Capital outstanding by maturity				
Thousand Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Fuel acquisition	3,380,444	1,004,412	1,208,262	539,094	628,676
Electricity acquisition	12,900,272	1,463,858	2,478,446	2,095,030	6,862,938
	16,280,716	2,468,270	3,686,708	2,634,124	7,491,614

As at 31 December 2018, purchase obligations of fixed assets, equipment and miscellaneous materials correspond to: (i) 1,533,404 thousand Euros relating to property, plant and equipment acquisition; (ii) 139,166 thousand Euros relating to intangible assets acquisition; and (iii) 142,258 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 33, respectively. The commitments relating to pension and medical plans and other benefits are disclosed in note 34. The commitments related to the joint ventures are disclosed in note 20.

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 31 December 2018 the put option amounts to 450 thousand Euros (31 December 2017: 1,618 thousand Euros);

- 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 31 December 2018 the put option amounts to 1,301 thousand Euros (31 December 2017: 259 thousand Euros); 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 31 December 2018 the put option amounts to 292 thousand Euros (31 December 2017: 292 thousand Euros).

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:

	Dec 2018				
	Capital outstanding by maturity				
Thousand Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	225,723	11,966	18,615	18,645	176,497
Purchase obligations	4,469,958	62,003	523,792	474,556	3,409,607
	4,695,681	73,969	542,407	493,201	3,586,104

	Dec 2017				
	Capital outstanding by maturity				
Thousand Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Operating lease commitments	237,620	12,134	21,076	18,571	185,839
Purchase obligations	110,693	51,796	58,897	-	-
	348,313	63,930	79,973	18,571	185,839

The caption Purchase obligations relates to O&M contracts.

43. Related Parties

Shares held by company officers

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

	2018	2017
	Nr. of shares	Nr. of shares
General and Supervisory Board		
China Three Gorges Corporation (represented by Eduardo de Almeida Catroga [1])	-	850,777,024
China Three Gorges Corporation (represented by Dingming Zhang [3])	850,777,024	-
China Three Gorges International Corp. (represented by Shengliang Wu [3])	850,777,024	-
China Three Gorges (Europe), S.A. (represented by Dingming Zhang [1])	-	850,777,024
China Three Gorges (Europe), S.A. (represented by Ignacio Herrero Ruiz [3])	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 Mohammed Issa Khalfan Alhuraimel Alshamsi)	115,236,553	148,431,999
Sonatrach (represented by Ferhat Ounoughi [1])	-	87,007,433
Sonatrach (represented by 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
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
Maria Teresa Isabel Pereira [2]	71,281	-
Rui Manuel Rodrigues Lopes Teixeira	31,733	31,733

[1] Representative until 5 April 2018 therefore no information was reported related to 2018.
[2] Representative after 5 April 2018 therefore no information was reported related to 2017.
[3] Representative after 10 December 2018 therefore no information was reported related to 2017.

The EDP, S.A bonds and the number of shares of other EDP group companies held or attributable to company officers are disclosed in part I section A - Ownership structure of chapter 4 - Corporate governance.

Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remunerations Committee appointed by the Shareholders' General Meeting, except for the remuneration of the members of the Executive Board of Directors (EBD), which is set by a Remunerations Committee appointed by the General and Supervisory Board (GSB).

Short-term employee benefits

During 2018, the annual fixed and variable remuneration cost accounted for the members of the EBD and the fixed remuneration of the GSB, was as follows:

Thousand Euros	EBD	GSB
President	1,572	515
Members	6,867	1,318
	8,439	**1,833**

The remuneration costs accounted with the EBD includes the amount of 2,688 thousand Euros related to the annual variable remuneration. This amount was calculated considering the best estimation of the variable remuneration for the year of 2018, in accordance with Remunerations Committee policy of the GSB, deducted from the correction of the accrual from the previous year compared with the amount paid.

Additionally, the Remunerations Committee policy of the GSB foresees, in certain circumstances, a variable multi-annual remuneration to the EBD members, corresponding to the current mandate (2016-2018). On this basis, an estimated amount of 12,835 thousand Euros was accrued (31 December 2017: 11,510 thousand Euros).

During 2018, the remuneration costs of the members of the Remunerations Committee of the General Assembly and Sustainability Committee amounted to 35,000 Euros and 15,750 Euros, respectively.

Post-employment benefits

EDP has no specific retirement benefits system in place for its directors. The remuneration fixed by the Remuneration Committee of the General and Supervisory Board provides for a retirement savings plan-type standard financial product for the members of the Executive Board of Directors, who contribute 10% (ten percent) of their net fixed annual remuneration. It was granted by decision of the General Meeting of 5 April 2018 as part of the remuneration policy statement. This financial product does not entail any cost to EDP in the future, as it is merely a subscription to a financial product while the members of the managing body hold their positions and is not covered by Article 402 (1) of the "Código das Sociedades Comerciais" (Portuguese Commercial Companies Code).

Audit and non audit fees

In 2018, PwC fees relating to external audit and statutory audit of all subsidiaries of EDP Group, except Group EDP Brasil, amounted to 5,198,720 Euros. Additionally, the total fees charged by PwC for other assurance services, and other non audit services amounted to 875,459 Euros and 407,126 Euros, respectively.

In 2018, PwC Portugal fees relating to external audit and statutory audit of all subsidiaries of EDP Group in Portugal, amounted to 2,277,292 Euros. The total fees charged by PwC Portugal for other assurance of reliability services and other non audit services to subsidiaries of EDP Group in Portugal amounted to 639,465 Euros and 350,316 Euros, respectively.

Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP

In the course of its activity and regardless of their relevance, EDP concludes businesses and operations under normal market conditions for similar transactions with different entities, namely financial institutions, including holders of qualified shareholdings in EDP's share capital and those related parties.

On 11 May 2012, after the strategic partnership agreement concluded with China Three Gorges Corporation (CTG) came into effect in December 2011, this company (and three other group companies) became part of EDP's General and Supervisory Board.

Under the strategic partnership with China Three Gorges Corporation, on 28 June 2013 EDP Renováveis, S.A. sold for a total final price of 368 million Euros to a CTG Group company (CITIC CWEI Renewables S.C.A.) a 49% shareholding in EDP Renováveis Portugal and 25% of the shareholder loans capital and supplementary capital contributions under the applicable rules for additional contributions granted to this company.

Also under this partnership, on 6 December 2013, EDP Brasil signed a memorandum of understanding with CWE Investment Corporation (CWEI), currently designated as China Three Gorges Corporation, a wholly owned subsidiary of CTG, setting out the main guidelines for a future partnership in joint investments between EDP Brasil and CWEI and that governs parties' participation in joint projects in Brazil. These investments by CWEI Brasil will be considered for purposes of fulfilment of the strategic partnership agreement in relation to the total investment of 2 billion Euros to be made by CTG up to 2015 (including co-funding of operating investments) in ready-to-build and operational renewable energy generation projects.

On 19 May 2015, EDP Renováveis, S.A. has completed the sale to CTG, of a 49% equity shareholding in selected wind farms in Brazil. This transaction was recognised as a sale without loss of control, having the Group recognised non-controlling interests of 50,943 thousand Euros and an impact in reserves attributable to the Group of 10,337 thousand Euros in 2015.

On 27 October 2016, the transaction relating with the sale of the minority interest in the wind generation assets of EDP Renováveis in Italy and Poland to CTG which purchase and sale agreement was signed on 28 December 2015. CTG, through ACE Poland S.A.R.L. and ACE Italy S.A.R.L., both owned in 100% by ACE Investment Fund LP, an entity owned by China Three Gorges Hong Kong Ltd, subsidiary of CTG, formalised the payment of approximately 363 million Euros corresponding to the final price agreed between the parties.

On 30 June 2017, EDP Renewables, SGPS, S.A. has completed the sale to ACE Portugal S.A.R.L. (CTG Group), of a 49% equity shareholding in EDPR PT-PE. This transaction was recognised as a sale without loss of control, having the Group recognised non-controlling interests of 135,679 thousand Euros and an impact in reserves attributable to the Group of 74,419 thousand Euros in 2017.

On 28 December 2018, EDP Renováveis S.A. has completed the sale to CTG, of a 10% equity stake and respective shareholder loans on Moray Offshore Windfarm (East) Limited, for the total amount of 35 million Pounds (see note 6).

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.

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Following these transactions, CTG Group granted shareholders loans to the EDPR Group in the amount of 264,440 thousand Euros including accrued interests (31 December 2017: 300,368 thousand Euros) (see note 38), and interests were booked in the amount of 3,036 thousand Euros (31 December 2017: 7,167 thousand Euros).

During 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 31 December 2018, the present value of the contract amounts to 30,221 thousand Euros (31 December 2017: 30,808 thousand Euros) (see note 38).

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 31 December 2018, the present value of the contract amounts to 54,198 thousand Euros (31 December 2017: 55,040 thousand Euros) (see note 38).

Following the decision and implementation of the automisation of the Medical Plan and Death Subsidy Plan and in line with the financing plan approved by Insurance and Pension Funds Supervisory Authority (ASF), EDP Group has committed to make a total estimated contribution of 577 million Euros until 2023. During 2018, a contribution of 69,006 thousand Euros was made (see note 34).

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

	31 December 2018			
Thousand Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
EDP Comercial, S.A.	-	75,479	240,528	316,007
EDP Distribuição, S.A.	-	1,808,458	35,446	1,843,904
EDP España, S.A.U.	-	-	7,153	7,153
EDP Finance B.V.	-	979,173	59,306	1,038,479
EDP Produção, S.A.	-	1,580,629	302,922	1,883,551
EDP Imobiliária e Participações, S.A.	753	-	1,490	2,243
EDP IS, Lda.	-	192,714	3,925	196,639
EDP Renováveis, S.A.	-	-	6,214	6,214
EDP Servicios Financieros España, S.A.U.	634,299	-	2,464	636,763
EDP Serviço Universal, S.A.	-	-	132,655	132,655
EDP Renewables Europe, S.L.U.	-	-	64,444	64,444
EDP Comercializadora, S.A.U.	-	-	77,693	77,693
EDP GÁS.COM - Comércio de Gás Natural, S.A.	9,827	10,038	7,277	27,142
Other	31,118	32,657	53,966	117,741
	675,997	4,679,148	995,483	6,350,628

The amount of 979,173 thousand Euros refers to the repurchase in market by EDP, S.A. of six bond issues issued by EDP Finance B.V.

	31 December 2017			
Thousand Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
EDP Comercial, S.A.	-	75,946	303,097	379,043
EDP Distribuição, S.A.	-	1,921,941	57,074	1,979,015
EDP España, S.A.U.	-	-	55,405	55,405
EDP Finance B.V.	-	849,849	38,944	888,793
EDP Produção, S.A.	280,059	4,875,717	143,603	5,299,379
EDP Imobiliária e Participações, S.A.	-	15,842	264	16,106
EDP IS, Lda.	8,008	192,694	40	200,742
EDP Renováveis, S.A.	-	-	284,964	284,964
EDP Servicios Financieros España, S.A.U.	354,641	885,497	10,355	1,250,493
EDP Serviço Universal, S.A.	-	-	38,839	38,839
Other	45,370	49,364	166,884	261,618
	688,078	8,866,850	1,099,469	10,654,397

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Debits held

Thousand Euros	31 December 2018			
	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Distribuição, S.A.	596,126	-	11,195	607,321
EDP Comercial, S.A.	32,669	-	939	33,608
EDP Finance B.V.	-	11,423,451	106,359	11,529,810
EDP Produção, S.A.	355,986	-	463,736	819,722
EDP Renováveis, S.A.	-	-	6,261	6,261
EDP Serviço Universal, S.A.	1	-	9,976	9,977
EDP España, S.A.U.	-	-	6,359	6,359
EDP Comercializadora, S.A.U	-	-	4,441	4,441
Other	45,699	-	46,611	92,310
	1,030,481	11,423,451	655,877	13,109,809

The amount of 11,423,451 thousand Euros includes 6 intragroup bonds issued by EDP S.A. and acquired by EDP Finance BV. As at 31 December 2018, its total amount is 8,885,815 thousand Euros, with fixed and variable rate at medium-long term (3, 5, 7 and 10 years).

Thousand Euros	31 December 2017			
	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Distribuição, S.A.	62,381	-	25,805	88,186
EDP Finance B.V.	-	13,641,435	99,116	13,740,551
EDP Produção, S.A.	-	-	401,756	401,756
EDP Imobiliária e Participações, S.A.	7,068	-	2,593	9,661
Pebble Hydro	-	41,500	1,023	42,523
Other	127,725	3,336	220,954	352,015
	197,174	13,686,271	751,247	14,634,692

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

Expenses

Thousand Euros	31 December 2018			
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	Total
EDP Finance B.V.	-	251,060	98,812	349,872
EDP Produção, S.A.	-	-	1,845,253	1,845,253
EDP España, S.A.U.	-	-	195,031	195,031
EDP Comercializadora, S.A.U.	-	-	22,189	22,189
Other	65	2	62,393	62,460
	65	251,062	2,223,678	2,474,805

Thousand Euros	31 December 2017			
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	Total
EDP Finance B.V.	-	384,093	103,721	487,814
EDP Produção, S.A.	-	-	1,356,622	1,356,622
EDP España, S.A.U.	-	-	105,647	105,647
Other	24	40	99,143	99,207
	24	384,133	1,665,133	2,049,290

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Income

Thousand Euros	31 December 2018			
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total
EDP Comercial, S.A.	26	2,471	1,172,184	1,174,681
EDP Distribuição, S.A.	61	59,876	121,186	181,123
EDP España, S.A.U.	-	-	918,145	918,145
EDP Produção, S.A.	141	74,760	515,936	590,837
EDP Soluções Comerciais	128	-	23,907	24,035
EDP Finance B.V.	-	24,060	97,721	121,781
Hidrocantábrico Distribución Eléctrica S.A.U.	-	-	19,707	19,707
EDP Comercializadora, S.A.U	-	-	127,631	127,631
EDP Renováveis, S.A.	-	-	93,301	93,301
EDP Renewables Europe, S.L.U.	-	-	53,608	53,608
Other	191	14,541	73,958	88,690
	547	175,708	3,217,284	3,393,539

Other gains include income from equity investments of 818,342 thousand Euros (see note 13).

Thousand Euros	31 December 2017			
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	Total
EDP Comercial, S.A.	115	2,471	980,106	982,692
EDP Distribuição, S.A.	1,395	86,038	59,107	146,540
EDP España, S.A.U.	-	-	565,475	565,475
EDP Produção, S.A.	992	213,035	569,564	783,591
EDP Finance B.V.	-	26,736	99,928	126,664
EDP Renováveis, S.A.	-	-	102,589	102,589
Other	500	41,387	336,517	378,404
	3,002	369,667	2,713,286	3,085,955

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

Assets and Liabilities

Thousand Euros	31 December 2018		
	Assets	Liabilities	Net Value
Joint Ventures			
Hydro Global Investment, Ltda.	12,891	-	12,891
Empresa de Energia Cachoeira Caldeirão, S.A.	755	58	697
Empresa de Energia São Manoel, S.A.	451	605	-154
Cide HC Energía, S.A.	3,752	2,094	1,658
Éoliennes en Mer Dieppe - Le Tréport, S.A.S.	8,131	-	8,131
Moray West Holdings Limited	5,149	-	5,149
Windplus, S.A.	5,652	-	5,652
HC Tudela Cogeneración, S.L.	1,970	1,716	254
Other	12,880	1,691	11,189
	51,631	6,164	45,467
Associates			
MABE Construção e Administração de Projectos, Ltda.	5,126	-	5,126
Parque Eólico Sierra del Madero, S.A.	12,785	-	12,785
Other	7,259	1,660	5,599
	25,170	1,660	23,510
	76,801	7,824	68,977

Thousand Euros	31 December 2017		
	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioeléctrica	15,214	3,635	11,579
Empresa de Energia Cachoeira Caldeirão	499	1,209	-710
Empresa de Energia São Manoel	28,311	-	28,311
Cide HC Energía	7,677	143	7,534
Moray Offshore Windfarm (East)	19,282	-	19,282
Other	6,612	3,916	2,696
	77,595	8,903	68,692
Associates			
MABE Construção e Administração de Projectos	5,288	-	5,288
Parque Eólico Sierra del Madero	12,785	-	12,785
Other	13,073	21	13,052
	31,146	21	31,125
	108,741	8,924	99,817

Transactions

Thousand Euros	31 December 2018			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
Cide HC Energía, S.A.	101,547	19	131	-
Empresa de Energia Cachoeira Caldeirão, S.A.	4,970	-	-	-
Empresa de Energia São Manoel, S.A.	2,620	-	11,696	-
Moray East Holdings Limited	-	1,564	-	-
Porto do Pecém Transportadora de Minérios	305	-	6,610	-
Other	19,789	1,077	9,332	-
	129,231	2,660	27,769	-
Associates				
MABE Construção e Administração de Projectos, Ltda.	110	312	-	-
Desarrollos Eólicos de Canarias, S.A.	139	-	34	-
Parque Eólico Sierra del Madero	9	456	-	-
Parque Eólico Belmonte, S.A.	667	31	-	-
Other	-	255	34	34
	925	1,054	68	34
	130,156	3,714	27,837	34

Thousand Euros	31 December 2017			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioeléctrica	1,519	188	48,466	-
Cide HC Energía	91,100	24	253	-
Other	22,574	1,835	30,065	-
	115,193	2,047	78,784	-
Associates				
MABE Construção e Administração de Projectos	132	515	-	-
Desarrollos Eólicos de Canarias	1,087	-	7	-
Other	840	815	31	-
	2,059	1,330	38	-
	117,252	3,377	78,822	-

44. Fair Value of Financial Assets and Liabilities

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through quotations supplied by third parties or through internal models, which are based on cash flow discounting techniques and option valuation models. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors, including credit risk.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg).

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As at 31 December 2018 and 2017, the following table presents the interest rate curves of the major currencies to which the Group is exposed used for cash flow discount (in addition to the rates listed below, the Group adjusts discount rates for credit risk):

	2018		2017	
	Currency		Currency	
	EUR	USD	EUR	USD
3 months	-0.31%	2.81%	-0.33%	1.69%
6 months	-0.24%	2.88%	-0.27%	1.84%
1 year	-0.12%	3.01%	-0.19%	2.11%
2 years	-0.17%	2.66%	-0.15%	2.08%
3 years	-0.07%	2.59%	0.01%	2.17%
4 years	0.06%	2.57%	0.17%	2.21%
5 years	0.20%	2.57%	0.31%	2.24%
6 years	0.34%	2.60%	0.44%	2.28%
7 years	0.47%	2.62%	0.56%	2.31%
8 years	0.59%	2.65%	0.67%	2.34%
9 years	0.71%	2.68%	0.78%	2.37%
10 years	0.81%	2.71%	0.89%	2.40%

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

	Dec 2018			Dec 2017		
Thousand Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Available for sale investments	-	-	-	124,016	124,016	-
Equity instruments at fair value	125,147	125,147	-	-	-	-
Debtors/other assets from commercial activities	5,690,119	5,690,119	-	6,165,109	6,165,109	-
Other debtors and other assets	935,988	935,988	-	530,176	530,176	-
Derivative financial instruments	288,440	288,440	-	293,224	293,224	-
Financial assets at fair value through profit or loss	-	-	-	37,544	37,544	-
Collateral deposits/financial debt	192,891	192,891	-	45,255	45,255	-
Cash and cash equivalents	1,803,205	1,803,205	-	2,400,077	2,400,077	-
	9,035,790	9,035,790	-	9,595,401	9,595,401	-
Liabilities						
Financial debt	16,084,899	16,693,030	608,131	16,917,765	17,841,974	924,209
Suppliers and accruals	1,984,796	1,984,796	-	1,587,047	1,587,047	-
Institutional partnerships in USA	2,231,249	2,231,249	-	2,163,722	2,163,722	-
Trade/other payables from commercial activities	2,650,091	2,650,091	-	2,763,247	2,763,247	-
Other liabilities and other payables	1,175,477	1,175,477	-	973,510	973,510	-
Derivative financial instruments	352,344	352,344	-	185,614	185,614	-
	24,478,856	25,086,987	608,131	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.

	Dec 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)	-	74,535	18,752	-	-	-
profit or loss (note 21.2)	-	-	31,860	-	-	-
Tariff deficit at fair value through other comprehensive income (see note 24)	-	12,896	-	-	-	-
Derivative financial instruments	-	288,440	-	-	293,224	-
Financial assets at fair value through profit or loss	-	-	-	-	-	37,544
	-	375,871	50,612	-	370,797	83,987
Financial liabilities						
Derivative financial instruments	-	352,344	-	-	185,614	-
	-	352,344	-	-	185,614	-

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

	At fair value through	
Thousand Euros	other comprehen-sive income	profit or loss
Balance at beginning of period	18,717	27,707
Change in fair value	129	2,582
Acquisitions	697	1,571
Disposals	-940	-
Other changes	149	-
Balance at the end of the period	18,752	31,860

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

The assumptions used in the determination of Equity Instruments at Fair Value are described in note 21, as required by IFRS 13.

45. CO2 Licenses

The movements in the portfolio of CO2 Licenses held for trading and classified as inventories are as follows:

	Group	
CO2 (Ton)	Dec 2018	Dec 2017
CO2 Licenses held for trading on 1 January	-	5,854,000
Licenses negotiated in the market	15,967,000	10,820,000
Emission Licenses transferred from trading portfolio to intangibles	-15,967,000	-16,674,000
CO2 Licenses held for trading on 31 December	-	-
CO2 Licenses for trading on 31 December (in thousand Euros)	-	-

Purchases and sales of Licenses are booked based on the listed price on the transaction date. Emission Licenses transferred to the trading portfolios are classified as Inventories (see note 23), in accordance with Accounting policy - note 2 x).

Fair value corresponds to the spot price (closing price) at the end of December in each period.

46. Relevant or Subsequent Events

Amendment of qualified shareholding - State Street Corporation

On 4 January 2019, State Street Corporation notified EDP, that it had reached a qualifying shareholding of 73,174,854 ordinary shares of EDP, which correspond to a total of 2.00% of EDP's share capital and of the respective voting rights.

Subsequently, on 6 February 2019, State Street Corporation notified EDP about the amendment of its title of imputation on its qualifying shareholding, which represents 1.99% of EDP's share capital and of the respective voting rights. This action represents a reduction below 2.00% level of EDP's share capital.

EDP issues "Green Hybrid Bond" of 1,000 million Euros

On 23 January 2019, EDP - Energias de Portugal S.A. issued 1,000 million Euros of subordinated notes, with a first call option exercisable by EDP - Energias de Portugal S.A. 5 years after the issuance date, final maturity date in April 2079 and a yield of 4.5% up to the first reset date to happen 5 years and 3 months after issuance.

This issuance will be used for the financing or refinancing, in whole or in part, of EDP eligible Green project portfolio, which consists of renewable projects - wind and solar - of EDP Renováveis, as set out in EDP Green Bond framework.

Amendment of qualified shareholding - Credit Suisse Group AG

On 22 January 2019, Credit Suisse Group AG notified EDP, that it had reached a qualifying shareholding correspond to 2.28% of EDP's share capital and of the respective voting rights.

Credit Suisse Group AG crossed the 2% threshold of shareholding in EDP on 17 January 2019.

Subsequently, on 28 January 2019, Credit Suisse Group AG notified EDP about the amendment of its title of imputation on its qualifying shareholding, which represents 0.76% of EDP's share capital and of the respective voting rights. This action represents a reduction below 2.00% level of EDP's share capital.

EDPR secures a 104 MW PPA relative to a new wind farm in the US

On 12 February 2018, EDPR, 82.6% controlled by EDP, secured a Power Purchase Agreement (PPA) with Tri-State Generation & Transmission Association, Inc. which has the objective of selling energy produced by 104 MW from the new wind project, Crossing trails wind farm. This wind farm is located in the state of Colorado, USA, and the start of operations is expected for 2020.

With this new contract, EDPR has now secured, aproximatelly, 1.2 GW of long-term wind energy agreements in the USA for projects to be installed in 2019 and 2020.

47. 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 by an Executive Committee, a Management Committee and, by direct representation on iberian scope EDP Management Committees.

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 Projectos e Novos 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 EDP Spain Foundation ("Direcção da Fundação EDP Espanha") and IT Department ("Direcção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory, being provided with 179 human resources as at 31 December 2018, including 110 in its own payroll. Lastly, the Spanish branch of EDP has direct representation on iberian scope EDP Management Committees, particularly the Energy Planning, Price and Volume, Markets, Distribution Networks, Commercial and Production Committees.

EDP - Energias de Portugal, S.A.
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The condensed Statement of Financial Position of the Branch is as follows:

	EDP Branch	
Thousand Euros	Dec 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	86,314	72,487
Other debtors and others assets (see note 25)	9,693	894,059
Total Non-Current Assets	7,119,989	7,990,528
Other debtors and others assets	666,695	733,390
Tax receivable	84,972	80,389
Cash and cash equivalents	67	1,454
Total Current Assets	751,734	815,233
Total Assets	7,871,723	8,805,761
Equity	7,724,853	6,933,048
Employee benefits	2,258	3,073
Other liabilities and other payables	67,351	199,279
Provisions	-	260
Total Non-Current Liabilities	69,609	202,612
Employee benefits	1,299	-
Other liabilities and other payables (see note 38)	74,021	1,652,768
Tax payable	1,941	17,333
Total Current Liabilities	77,261	1,670,101
Total Liabilities	146,870	1,872,713
Total Equity and Liabilities	7,871,723	8,805,761

48. Environmental Matters

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are booked as expenses for the period, except if they qualify to be recognised as an asset according with IAS 16.

Investments of an environmental nature booked as Property, plant and equipment and intangible assets during 2018 and 2017, in the Group, are as follows:

	Group	
Thousand Euros	Dec 2018	Dec 2017
Air and climate protection	2,056	26,755
Water management	116	130
Waste management	346	3
Soil, subterranean and surface water protection	1,966	1,371
Noise and vibration reduction	262	430
Biodiversity protection	12,283	11,571
Landscape protection	15,687	9,382
Energetic efficiency	19,259	12,337
Radiations management	6	5
Research and development in the environmental area	105	9
Other environmental management and protection activities	16,901	11,203
	68,987	73,196

The variation of the caption Air and climate protection results essentially from the fact of Soto and Aboño denitrification system, which had a high investment in recent years, were already in place in 2017 and the investment in 2018 has been residual.

During the period, the Group recognised expenses that are as follows:

Thousand Euros	Group	
	Dec 2018	Dec 2017
Air and climate protection	144,146	115,066
Water management	13,987	8,069
Waste management	12,493	13,573
Soil, subterranean and surface water protection	1,182	2,243
Noise and vibration reduction	224	154
Biodiversity protection	4,188	4,399
Landscape protection	38	19
Energetic efficiency	7,703	8,470
Radiations management	10	15
Research and development in the environmental area	668	393
Other environmental management and protection activities	10,857	11,871
	195,496	164,272

In the course of a substantial analytical work about expenses of environmental nature incurred by EDP Group, the environmental matters report were changed. Therefore, the CO2 emissions licenses consumptions were included in the 2018 and 2017 report, as a Group environmental expense, in Air and climate protection (see note 7).

Under current and future socioeconomic trends and practices followed by the EDP Group regarding to environmental sustainability, the group accounts for provisions to cover the costs of dismantling, decommissioning, restoring and decontaminating land where electric power plants are located, of 86,963 thousand Euros and 58,900 thousand Euros for thermoelectric power plants located in Portugal and Spain, respectively. Regarding the liability to dismantle and restore the land where wind farms are located to its original condition, as at 31 December 2018, the provisions amount to 288,503 thousand Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 44,205 thousand Euros (see notes 2 n) and 35).

Environmental income recognised in 2018 relates to the sale of environmental waste of 6,606 thousand Euros (31 December 2017: 7,008 thousand Euros) and the sale of by-products of 248 thousand Euros (31 December 2017: 367 thousand Euros).

49. 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 contractual stability compensation (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 DPH.

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.

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 nor 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.

50. 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. (until the closing date);
- EDP Small-Hydro, S.A. (until the closing date);
- 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.;
- EDP Comercializadora, S.A.U.
- 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.

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.

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The homologous previous period 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, transmission, 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 payables 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 disclosed 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.

Geographic information

The Group manages its activity based on business segments mentioned above, however has business in several geographical locations, being its main office located in Portugal.

Revenues from energy sales and services and other by geographic market, for EDP Group, are presented in note 7. Additionally, the geographical information bellow, details the Non-current assets excluding Financial instruments, Deferred tax assets and Employee benefits. In the disclosure of this information, the Revenues from energy sales and services and other, as well as the Non-current assets, are based on companies' geographical location where the Assets are booked.

Non-current assets by geographical market for the Group EDP, are as follows:

	Dec 2018					
Thousand Euros	Portugal	Iberia	Brazil	USA	Other	Group
Property, plant and equipment	6,515,345	4,356,962	2,005,096	7,280,402	2,549,706	22,707,511
Intangible assets	3,742,535	96,980	720,645	60,233	116,137	4,736,530
Goodwill	49,889	1,348,317	35,040	689,799	128,416	2,251,461
	10,307,769	5,802,259	2,760,781	8,030,434	2,794,259	29,695,502

	Dec 2017					
Thousand Euros	Portugal	Iberia	Brazil	USA	Other	Group
Property, plant and equipment	6,869,565	4,448,116	2,221,150	6,762,635	2,429,149	22,730,615
Intangible assets	3,602,846	58,031	904,487	82,333	99,663	4,747,360
Goodwill	49,937	1,348,317	46,639	659,144	128,631	2,232,668
	10,522,348	5,854,464	3,172,276	7,504,112	2,657,443	29,710,643

EDP Group Operating Segments Information as at 31 December 2018

	Iberia				
Thousand Euros	Generation and Supply	Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Revenues from energy sales and services and other	8,382,020	4,794,660	1,527,600	3,211,895	17,916,175
Revenues inter-segments	96,759	1,980,015	549,277	1,342	2,627,393
Revenues from third parties	8,285,261	2,814,645	978,323	3,210,553	15,288,782
Gross Profit	1,434,303	1,280,272	1,511,523	877,379	5,103,477
Other income	32,436	31,079	377,123	84,098	524,736
Supplies and services	-291,130	-276,063	-345,317	-145,639	-1,058,149
Personnel costs and employee benefits	-158,997	-136,935	-114,989	-113,132	-524,053
Other costs	-228,237	-277,481	-128,820	-38,315	-672,853
Impairment losses on trade receivables and debtors	-25,951	4,316	395	-15,452	-36,692
Gross Operating Profit	762,424	625,188	1,299,915	648,939	3,336,466
Provisions	-278,412	-3,434	-332	-10,945	-293,123
Amortisation and impairment	-417,285	-282,330	-545,885	-144,221	-1,389,721
Operating Profit	66,727	339,424	753,698	493,773	1,653,622
Equity method in joint ventures and associates	4,041	35	1,649	690	6,415
Assets	11,079,505	4,986,296	16,145,058	4,005,664	36,216,523
Share of net profit in joint ventures and associates	11,353	63	348,725	455,491	815,632
Liabilities	2,800,925	2,238,194	1,791,475	789,404	7,619,998
Operating Investment	167,862	275,923	1,274,698	262,872	1,981,355

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Reconciliation of information between Operating Segments and Financial Statements for December 2018

Thousand Euros	
Total Revenues from energy sales and services and other of Reported Segments	**17,916,175**
Revenues from energy sales and services and others from Other Segments	334,026
Adjustments and Inter-segments eliminations*	-2,972,116
Total Revenues from energy sales and services and other of EDP Group	**15,278,085**
Total Gross Profit of Reported Segments	**5,103,477**
Gross Profit from Other Segments	332,285
Adjustments and Inter-segments eliminations*	-336,580
Total Gross Profit of EDP Group	**5,099,182**
Total Gross Operating Profit of Reported Segments	**3,336,466**
Gross Operating Profit from Other Segments	-7,973
Adjustments and Inter-segments eliminations*	-11,364
Total Gross Operating Profit of EDP Group	**3,317,129**
Total Operating Profit of Reported Segments	**1,653,622**
Operating Profit from Other Segments	-42,862
Adjustments and Inter-segments eliminations*	-26,381
Total Operating Profit of EDP Group	**1,584,379**
Total Assets of Reported Segments	**36,216,523**
Assets Not Allocated	5,506,858
Financial Assets	2,132,308
Taxes Assets	1,559,980
Other Assets	1,814,570
Assets from Other Segments	831,985
Inter-segments assets eliminations*	-928,406
Total Assets of EDP Group	**41,626,960**
Total Equity accounted Investments in joint ventures and associates of Reported Segments	**815,632**
Equity accounted Investments in joint ventures and associates from Other Segments	135,981
Total Equity accounted Investments in joint ventures and associates of EDP Group	**951,613**
Total Liabilities of Reported Segments	**7,619,998**
Liabilities Not Allocated	21,640,445
Financial Liabilities	16,084,899
Institutional partnership in USA	2,231,249
Taxes Liabilities	1,238,427
Other payables	2,085,870
Hydrological correction account	0
Liabilities from Other Segments	804,274
Inter-segments Liabilities eliminations*	-1,338,084
Total Liabilities of EDP Group	**28,726,633**
Total Operating Investment of Reported Segments	**1,981,355**
Operating Investment from Other Segments	49,812
Total Operating Investment of EDP Group	**2,031,167**
Discomission of Property, plant and equipment	12,937
CO2 Licenses and Green Certificates	301,393
Investment Grants	-62,660
Other Investments	36,703
Total Fixed Assets additions of EDP Group (Notes 16 and 17)	**2,319,540**

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	**524,736**	69,516	-31,575	**562,677**
Supplies and services	**-1,058,149**	-242,906	344,094	**-956,961**
Personnel costs and employee benefits	**-524,053**	-139,398	11,911	**-651,540**
Other costs	**-672,853**	-27,470	-15,056	**-715,379**
Impairment losses on trade receivables and debtors	**-36,692**	15,899	-57	**-20,850**
Provisions	**-293,123**	5,185	-	**-287,938**
Amortisation and impairment	**-1,389,721**	-40,074	-15,017	**-1,444,812**
Equity method in joint ventures and associates	**6,415**	4,443	-	**10,858**

* Mainly related with intragroup balances and transactions eliminations.

EDP Group Operating Segments Information as at 31 December 2017

Thousand Euros	Iberia		EDP Renováveis	EDP Brasil	Total Segments
	Generation and Supply	Regulated Networks			
Revenues from energy sales and services and other	7,817,808	5,352,487	1,636,762	3,432,521	18,239,578
Revenues inter-segments	44,802	2,168,557	279,942	1,232	2,494,533
Revenues from third parties	7,773,006	3,183,930	1,356,820	3,431,289	15,745,045
Gross Profit	1,235,719	1,596,241	1,601,619	969,205	5,402,784
Other income	43,876	46,210	320,508	3,640	414,234
Supplies and services	-313,509	-321,742	-326,886	-171,640	-1,133,777
Personnel costs and employee benefits	-157,864	-145,389	-100,761	-129,418	-533,432
Other costs	-253,495	-277,342	-128,162	-56,893	-715,892
Gross Operating Profit	554,727	897,978	1,366,318	614,894	3,433,917
Provisions	6,012	1,948	185	-8,295	-150
Amortisation and impairment	-589,166	-309,380	-563,365	-164,003	-1,625,914
Operating Profit	-28,427	590,546	803,138	442,596	1,807,853
Equity method in joint ventures and associates	7,559	120	2,708	-4,532	5,855
Assets	11,301,024	5,728,072	15,347,912	4,214,591	36,591,599
Share of net profit in joint ventures and associates	25,205	69	303,518	381,190	709,982
Liabilities	2,621,617	2,205,774	1,272,493	934,900	7,034,784
Operating Investment	195,870	348,729	1,051,098	214,174	1,809,871

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements as at and for the periods ended 31 December 2018 and 2017

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

Thousand Euros	
Total Revenues from energy sales and services and others of Reported Segments	**18,239,578**
Revenues from energy sales and services and others from Other Segments	390,638
Adjustments and Inter-segments eliminations*	-2,884,229
Total Revenues from energy sales and services and others of EDP Group	**15,745,987**
Total Gross Profit of Reported Segments	**5,402,784**
Gross Profit from Other Segments	390,261
Adjustments and Inter-segments eliminations*	-401,967
Total Gross Profit of EDP Group	**5,391,078**
Total Gross Operating Profit of Reported Segments	**3,433,917**
Gross Operating Profit from Other Segments **	548,461
Adjustments and Inter-segments eliminations*	7,571
Total Gross Operating Profit of EDP Group	**3,989,949**
Total Operating Profit of Reported Segments	**1,807,853**
Operating Profit from Other Segments	521,719
Adjustments and Inter-segments eliminations*	-11,655
Total Operating Profit of EDP Group	**2,317,917**
Total Assets of Reported Segments	**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	**42,075,049**
Total Equity accounted Investments in joint ventures and associates of Reported Segments	**709,982**
Equity accounted Investments in joint ventures and associates from Other Segments	133,100
Total Equity accounted Investments in joint ventures and associates of EDP Group	**843,082**
Total Liabilities of Reported Segments	**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	**28,594,789**
Total Operating Investment of Reported Segments	**1,809,871**
Operating Investment from Other Segments	-84,384
Total Operating Investment of EDP Group	**1,725,487**
Discomission of Property, plant and equipment	16,080
CO2 Licenses and Green Certificates	110,520
Investment Grants	10,642
Other Investments ***	143,981
Total Fixed Assets additions of EDP Group	**2,006,710**

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations*	Total of EDP Group
Other income	**414,234**	658,094	-35,329	**1,036,999**
Supplies and services	**-1,133,777**	-275,707	418,951	**-990,533**
Personnel costs and employee benefits	**-533,432**	-160,541	13,140	**-680,833**
Other costs	**-715,892**	-63,646	12,776	**-766,762**
Provisions	**-150**	3,777	-	**3,627**
Amortisation and impairment	**-1,625,914**	-30,520	-19,225	**-1,675,659**
Equity method in joint ventures and associates	**5,855**	5,666	-	**11,521**

* Mainly related with intragroup balances and transactions eliminations
** Includes 591 million Euros related with the gain on Naturgás sale;
*** The caption Other Investments is mainly due to the in-kind contribution of the Lisbon headquarter (+ 120 million Euros), lease contract of the Lisbon headquarter (+ 55 million Euros), partially compensated by the held for sale reclassification of the investment in the intangible assets of EDP Gás Distribuição (-14 million Euros), which was sold in the fourth quarter of 2017.

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Notes to the Consolidated and Company Financial Statements as at and for the periods ended 31 December 2018 and 2017

51. Reconciliation of Changes in the responsibilities of Financing activities at 31 December 2018

Thousand Euros	Group				
	Financial debt and Derivative financial instruments (including Collateral Deposits)				
	Loans obtained (Note 33)	Collateral Deposits (Note 33)	Derivative financial instruments (Note 41)*	Institutional partnerships in USA (Note 36)	Loans from non-controlling interests (Note 38)
Balance as at 31 de December 2016	**18,026,676**	**-52,031**	**-78,082**	**2,339,425**	**685,764**
Cash flows:					
Receipts/(payments) relating to financial debt (including Collateral Deposits)	-447,042	6,699	-	-	-
Interest and similar costs of financial debt including hedge derivatives	-830,101	-	40,171	-	-
Receipts/(payments) relating to loans from non-controlling interests	-	-	-	-	8,229
Interest and similar costs relating to loans from non-controlling interests	-	-	-	-	-25,405
Receipts/(payments) relating to derivative financial instruments	-	-	-90,876	-	-
Receipts/(payments) from institutional partnerships - USA	-	-	-	250,022	-
Perimeter variations	252,350	-1,900	-1,011	-	7,168
Exchange rate	-736,865	1,977	-7,541	-289,892	3,002
Fair value changes	-81,415	-	84,850	-	-
Interests and accrued and deferred costs	807,870	-	-40,643	1,174	34,044
Unwinding	-	-	-	88,561	-
ITC/PTC recognition	-	-	-	-225,568	-
Reclassification to Liabilities held for sale	-73,708	-	-18,244	-	-
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 (including Collateral Deposits)	-775,612	-154,470	-	-	-
Interest and similar costs of financial debt including hedge derivatives	-635,329	-	11,885	-	-
Receipts/(payments) relating to loans from non-controlling interests	-	-	-	-	-61,907
Interest and similar costs relating to loans from non-controlling interests	-	-	-	-	-32,458
Receipts/(payments) relating to derivative financial instruments	-	-	17,796	-	-
Receipts/(payments) from institutional partnerships - USA	-	-	-	225,353	-
Perimeter variations	-32,197	-	-254	-162,123	-4,649
Exchange differences	-2,157	6,834	-318	101,530	-2,903
Fair value changes	-21,747	-	-28,258	-	-
Interests and accrued and deferred costs	634,176	-	-8,644	7,254	31,989
Unwinding	-	-	-	80,684	-
ITC/PTC recognition	-	-	-	-185,171	-
Balance as at 31 December 2018	**16,084,899**	**-192,891**	**-119,169**	**2,231,249**	**642,874**

* The Group considers as financing activities all derivative financial instruments excluding derivatives related with commodities.

Thousand Euros	Company			
	Financial debt and Derivative financial instruments (including Collateral Deposits)			
	Loans obtained (Note 33)	Derivative financial instruments (Note 41)*	Group's financial system (Notes 25 and 38)	Group companies (Note 38)
Balance as at 31 de December 2016	**11,193,266**	**-691,501**	**-567,129**	**2,615,269**
Cash flows:				
Receipts/(payments) relating to financial debt (including Collateral Deposits)	2,323,319	-	-	-
Interest and similar costs of financial debt including hedge derivatives	-310,404	-6,296	-	-
Receipts/(payments) relating to loans from related parties	-	-	76 225	-520,894
Interest and similar costs of loans from related parties including hedge derivatives	-	43,974	-	-138,717
Receipts/(payments) relating to derivative financial instruments	-	34,380	-	-
Exchange differences	-28,937	-	-	-296,317
Fair value changes	-	251,929	-	-
Interests and accrued and deferred costs	311,053	-41,372	-	131,049
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 (including Collateral Deposits)	-633,958	-	-	-
Interest and similar costs of financial debt including hedge derivatives	-309,874	-2,125	-	-
Receipts/(payments) relating to loans from related parties	-	-	845 951	-1,675,615
Interest and similar costs of loans from related parties including hedge derivatives	-	22,524	-	-63,496
Receipts/(payments) relating to derivative financial instruments	-	312,433	-	-
Perimeter variations	-	-	- 563	-
Exchange differences	9,879	-	-	8,032
Fair value changes	-	23,262	-	-
Interests and accrued and deferred costs	256,137	-20,728	-	38,325
Balance as at 31 December 2018	**12,810,481**	**-73,520**	**354,484**	**97,636**

* The Group considers as financing activities all derivative financial instruments excluding derivatives related with commodities.

52. Explanation Added for Translation

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

Annex I. Companies in the Consolidation Perimeter

The subsidiary companies where the Group exercises control as at 31 December 2018 are as follows:

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-18 Euro'000	Liabilities 31-Dec-18 Euro'000	Equity 31-Dec-18 Euro'000	Revenues 31-Dec-18 Euro'000	Net Profit/(Loss) 31-Dec-18 Euro'000	% Group	% Company
Group's parent holding company and Related Activities:									
Portugal:									
EDP - Energias de Portugal, S.A. (EDP Group Parent Company)	Lisbon	3,656,537,715 EUR	21,143,641	15,288,504	5,855,137	111,682	-54,115	100.00%	-
CEO – Companhia da Energia Oceânica, S.A.	Póvoa do Varzim	65,435 EUR	1,612	675	937	-	-210	52.07%	-
EDP Estudos e Consultoria, S.A.	Lisbon	50,000 EUR	7,459	2,514	4,945	8,239	1,184	100.00%	100.00%
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000 EUR	18,093	5,804	12,289	7,397	4,762	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000 EUR	53,457	47,473	5,984	5,009	-742	100.00%	100.00%
EDP Internacional, S.A.	Lisbon	50,000 EUR	18,358	5,392	12,966	2,181	10,018	100.00%	100.00%
EDP IS – Investimentos e Serviços, Sociedade Unipessoal, Lda	Lisbon	140,309,500 EUR	450,153	196,666	253,488	-	20,649	100.00%	100.00%
EDP Ventures, S.G.P.S., S.A.	Lisbon	50,000 EUR	39,500	25,739	13,761	30	539	100.00%	-
ENAGÁS - S.G.P.S., S.A.	Lisbon	299,400 EUR	6,725	974	5,750	-	-2,315	60.00%	-
Fundo EDP CleanTech FCR	Lisbon	25,000,000 EUR	26,396	2,296	24,099	-	-627	60.00%	-
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Sacavém	2,200,000 EUR	17,330	8,354	8,976	15,241	1,348	100.00%	100.00%
Sãvida - Medicina Apoiada, S.A.	Lisbon	450,000 EUR	16,757	9,306	7,451	27,595	2,082	100.00%	100.00%
Other Countries:									
EDP - Ásia Soluções Energéticas Limitada	Macao	1,500,000 MOP	2,400	28	2,371	686	63	100.00%	5.00%
EDP Finance, B.V.	Amsterdam	2,000,000 EUR	13,933,761	13,807,915	125,846	-	-13,641	100.00%	100.00%
EDP International Investments and Services, S.L.	Oviedo	4,702 EUR	533,951	157,064	376,888	-	29,504	100.00%	36.07%
EDP Servicios Financieros España, S.A.U.	Oviedo	10,300,058 EUR	2,903,417	2,361,202	542,215	-	7,186	100.00%	100.00%
Energia RE - Sociedade Cativa de Resseguro, S.A.	Luxembourg	3,000,000 EUR	147,612	98,731	48,881	24	963	100.00%	100.00%
Electricity and Gas Activity - Portugal:									
Electricity Generation:									
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,650,000,000 EUR	8,950,131	3,688,242	5,261,888	1,531,558	-34,884	100.00%	100.00%
Empresa Hidroeléctrica do Guadiana, S.A.	Lisbon	72,047,035 EUR	433,232	237,048	196,184	35,714	-33,053	100.00%	-
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	Lisbon	50,000 EUR	169	2	167	-	-1	65.00%	-
FISIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000 EUR	21,795	21,537	258	24,102	1,107	51.00%	-
Greenvouga - Soc. Gest. do Aproveit. Hidroel. de Ribeiradio-Ermida, S.A.	Lisbon	1,000,000 EUR	243,827	180,900	62,927	9,779	-2,538	100.00%	-
Tergen - Operação e Manutenção de Centrais Termoeléctricas, S.A.	Carregado	250,000 EUR	3,941	2,754	1,187	7,220	171	100.00%	-
Electricity Distribution:									
EDP Distribuição de Energia, S.A.	Lisbon	200,013,000 EUR	5,351,027	4,169,860	1,181,167	2,161,138	123,400	100.00%	100.00%
EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.	Lisbon	50,000 EUR	860	830	29	2	-206	100.00%	-
Electricity Supply:									
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,842,695 EUR	769,681	681,727	87,955	3,272,929	-14,339	100.00%	100.00%
EDP Energia Italia S.R.L.	Milan	10,000 EUR	27	25	2	-	-8	100.00%	-
EDP Energie France	Paris	10,000 EUR	12	13	-1	-	-11	100.00%	-
EDP Energia Polska	Warsaw	8,505,000 EUR	1,996	49	1,947	-	-31	100.00%	-
EDP Serviço Universal, S.A.	Lisbon	10,104,000 EUR	1,087,490	1,049,697	37,794	2,605,042	8,198	100.00%	-
Gas Distribution:									
EDP Gás Serviço Universal, S.A.	Oporto	1,050,996 EUR	19,880	10,086	9,794	15,587	469	100.00%	100.00%
Gas Supply:									
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50,000 EUR	96,908	87,293	9,615	388,873	1,841	100.00%	100.00%
Shared Services:									
EDP - Soluções Comerciais, S.A.	Lisbon	50,000 EUR	46,860	46,045	815	100,264	766	100.00%	100.00%
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000 EUR	83,408	72,642	10,766	46,356	3,329	100.00%	100.00%
Other Activities:									
CNET - Centre for New Energy Technologies, S.A.	Sacavém	300,000 EUR	936	535	401	160	61	60.00%	-
EDP Mediadora, S.A.	Lisbon	50,000 EUR	7,981	3,066	4,915	3,961	2,291	100.00%	-
EDP Ventures - Sociedade de Capital de Risco, S.A.	Lisbon	125,000 EUR	814	183	631	557	384	100.00%	-
SGORME – Soc. Gestora de Operações da Rede de Mobilidade Eléctrica, S.A.	Lisbon	500,000 EUR	143	835	-692	-	-12	91.00%	-
Electricity and Gas Activity - Spain:									
Electricity Generation:									
EDP España, S.A.U. (EDP España Subgroup Parent Company)	Oviedo	421,739,790 EUR	3,606,560	1,190,077	2,416,483	1,498,310	52,682	100.00%	100.00%
Central Termica Ciclo Combinado Grupo 4, S.L.	Oviedo	2,117,000 EUR	152,978	334,394	-181,416	51,289	-19,049	75.00%	-
EDP Iberia, S.L.	Bilbao	130,260,000 EUR	2,690,344	116,494	2,573,850	8,896	-152,034	100.00%	-
Iberenergia, S.A.U.	Oviedo	60,200 EUR	196,273	171,997	24,276	68,242	6,868	100.00%	-
Electricity Distribution:									
Electra Llobregat Energía, S.L.	Barcelona	90,000 EUR	4,819	3,360	1,458	398	2,180	75.00%	-
Electricity Supply:									
EDP Comercializadora de Ultimo Recurso, S.A.	Oviedo	240,000 EUR	29,809	29,012	797	105,263	-4,327	100.00%	-
EDP Energia Ibérica, S.A.	Oviedo	60,200 EUR	189	13,105	-12,916	241	-49	100.00%	-
EDP Energía, S.A.U.	Oviedo	1,000,000 EUR	317,657	256,167	61,490	1,236,125	-15,326	100.00%	-
Hidrocantábrico Distribucion Eléctrica, S.A.U.	Oviedo	44,002,000 EUR	951,129	599,417	351,712	222,269	75,965	100.00%	-
Gas Supply:									
EDP Comercializadora, S.A.U.	Bilbao	1,487,895 EUR	467,589	415,933	51,656	843,945	4,016	100.00%	-
Electricity Activity - Brazil:									
Parent company and Related Activities:									
EDP Energias do Brasil, S.A. (EDP Brasil Subgroup Parent Company)	Sao Paulo	4,682,715,947 BRL	2,235,250	306,930	1,928,320	1,195	294,026	51.26%	-
Electricity Generation:									
Energest, S.A.	Sao Paulo	48,204,770 BRL	70,801	27,539	43,262	64,357	29,573	51.26%	-
Enerpeixe, S.A.	Sao Paulo	299,735,967 BRL	478,408	331,806	146,602	76,032	23,142	30.76%	-
Investco, S.A.	Tocantins	804,458,842 BRL	254,724	53,131	201,593	33,639	8,803	20.90%	-
Lajeado Energia, S.A.	Sao Paulo	6,867,541 BRL	289,522	153,756	135,765	133,088	34,501	28.64%	-
Porto do Pecém Geração de Energia, S.A.	Ceará	3,007,810,902 BRL	959,972	420,171	539,801	408,644	52,185	51.26%	-
Resende Engenharia e Assessoria, Ltda.	Sao Paulo	21,533,319 BRL	4,773	5	4,768	-	-3	51.26%	-
Electricity Distribution:									
EDP Espírito Santo Distribuição de Energia S.A.	Espírito Santo	650,572,403 BRL	861,869	650,105	211,764	787,479	38,994	51.26%	-
EDP São Paulo Distribuição de Energia S.A.	Sao Paulo	596,669,107 BRL	914,605	639,868	274,737	972,582	48,989	51.26%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-18 Euro'000	Liabilities 31-Dec-18 Euro'000	Equity 31-Dec-18 Euro'000	Revenues 31-Dec-18 Euro'000	Net Profit/(Loss) 31-Dec-18 Euro'000	% Group	% Company
Electricity Supply:									
EDP - Soluções em Energia, S.A.	Rio Grande do Sul	70,722,773 BRL	23,749	9,199	14,550	8,476	51	51.26%	-
EDP - Comercialização e Serviços de Energia, LTDA.	Sao Paulo	26,217,026 BRL	113,483	76,933	36,550	928,156	27,734	51.26%	-
EDP Comercialização Varejista, Ltda	Sao Paulo	4,531,000 BRL	1,312	87	1,225	566	213	51.26%	-
Transmission of Electricity:									
EDP Transmissão, S.A.	Espírito Santo	8,630,148 BRL	38,539	34,904	3,634	27,539	3,660	51.26%	-
EDP Transmissão Aliança SC, S.A.	Espírito Santo	13,000,999 BRL	324,713	321,305	3,408	41,361	691	46.14%	-
EDP Transmissão SP-MG, S.A.	Espírito Santo	15,000,999 BRL	10,174	6,667	3,508	7,403	236	51.26%	-
EDP Transmissão MA I, S.A.	Espírito Santo	6,400,999 BRL	4,399	2,915	1,484	2,906	68	51.26%	-
EDP Transmissão MA II, S.A.	Espírito Santo	4,000,999 BRL	3,783	3,117	666	2,797	-202	51.26%	-
Other Activities:									
EDP Grid Gestão de Redes Inteligentes de Distribuição, S.A.	Espírito Santo	55,986,011 BRL	42,681	29,693	12,988	10,764	-1,764	51.26%	-
EDP Ventures Brasil S.A.	Sao Paulo	999 BRL	225	240	-15	-	-16	51.26%	-
Renewable Energy Activity:									
Parent company and Related Activities:									
EDP Renováveis, S.A. (EDP Renováveis Subgroup Parent Company)	Oviedo	4,361,540,810 EUR	6,806,941	1,378,058	5,428,883	26,900	29,602	82.56%	82.56%
EDP Renováveis Servicios Financieros, S.L.	Oviedo	84,691,368 EUR	2,985,290	2,573,432	411,858	45	7,865	82.56%	-
Europe Geography / Platform:									
Spain:									
EDP Renewables Europe, S.L.U. (EDPR EU Subgroup Parent Company)	Oviedo	249,498,800 EUR	3,061,490	597,214	2,464,276	56,537	94,155	82.56%	-
Acampo Arias, S.L.U.	Zaragoza	3,314,300 EUR	44,153	38,321	5,832	6,446	2,186	78.43%	-
Aplicaciones Industriales de Energías Limpias, S.L.	Zaragoza	131,288 EUR	1,651	1	1,650	-	1,683	50.78%	-
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350 EUR	83	71	12	177	-3	49.61%	-
Bon Vent de Corbera, S.L.U.	Barcelona	7,255,000 EUR	55,715	32,619	23,096	11,868	3,261	82.56%	-
Bon Vent de L'Ebre, S.L.U.	Barcelona	12,600,000 EUR	51,773	35,061	16,712	12,697	4,210	42.11%	-
Bon Vent de Vilalba, S.L.U.	Barcelona	3,600,000 EUR	49,999	45,090	4,909	11,203	2,889	42.11%	-
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	60,100 EUR	621	561	60	-	-	42.11%	-
EDP Renovables España, S.L.U.	Oviedo	46,128,100 EUR	1,331,650	538,323	793,327	166,937	106,909	82.56%	-
EDPR Offshore España, S.L.	Oviedo	385,500 EUR	2,485	399	2,086	145	383	82.56%	-
EDPR Participaciones, S.L.U.	Oviedo	7,968,700 EUR	528,687	174,720	353,967	-	31,270	42.11%	-
EDPR Yield, S.A.U.	Oviedo	99,405,403 EUR	417,571	5,078	412,493	-	37,473	82.56%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980 EUR	17,055	5,137	11,918	3,644	779	70.18%	-
Eólica Campollano, S.A.	Madrid	6,559,994 EUR	65,274	39,952	25,322	13,435	2,711	61.92%	-
Eólica de Radona, S.L.U.	Madrid	22,088,000 EUR	45,984	22,683	23,302	8,729	1,787	42.11%	-
Eólica del Alfoz, S.L.U.	Madrid	8,480,000 EUR	117,809	85,136	32,673	28,531	10,161	42.11%	-
Eólica Don Quijote, S.L.U.	Albacete	3,006 EUR	34,008	33,276	732	9,061	2,714	42.11%	-
Eólica Dulcinea, S.L.U.	Albacete	10,000 EUR	22,445	21,657	788	5,514	1,607	42.11%	-
Eólica Fontesilva, S.L.U.	La Coruña	6,860,000 EUR	43,328	27,868	15,460	7,962	1,689	82.56%	-
Eólica La Brújula, S.A.	Madrid	3,294,000 EUR	43,341	22,153	21,188	9,660	2,339	82.56%	-
Eólica La Janda, S.L.U.	Madrid	4,525,000 EUR	160,377	132,852	27,525	34,381	12,299	82.56%	-
Eólica La Navica, S.L.U.	Madrid	10,000 EUR	25,761	24,014	1,747	6,818	2,179	42.11%	-
Eólica Sierra de Ávila, S.L.	Madrid	12,977,466 EUR	96,411	59,132	37,278	14,262	1,682	82.56%	-
Iberia Aprovechamientos Eólicos, S.A.	Zaragoza	1,918,728 EUR	19,398	15,521	3,877	4,828	1,507	77.61%	-
Parc Eòlic de Coll de Moro, S.L.U.	Barcelona	7,808,920 EUR	79,873	69,113	10,760	11,262	2,635	82.56%	-
Parc Eòlic de Torre Madrina, S.L.U.	Barcelona	7,754,897 EUR	73,287	57,858	15,429	12,081	3,498	82.56%	-
Parc Eòlic de Vilalba dels Arcs, S.L.U.	Barcelona	3,065,739 EUR	33,607	24,169	9,439	6,642	2,454	82.56%	-
Parc Eòlic Serra Voltorera, S.L.U.	Barcelona	3,458,010 EUR	21,698	11,016	10,682	3,960	564	82.56%	-
Parque Eólico Altos del Voltoya, S.A.	Madrid	6,434,349 EUR	22,910	3,482	19,428	5,430	953	76.37%	-
Parque Eólico la Sotonera, S.L.	Zaragoza	2,000,000 EUR	13,148	4,683	8,465	2,915	848	57.66%	-
Parque Eólico Los Cantales, S.L.U.	Zaragoza	1,963,050 EUR	17,260	12,191	5,069	4,859	1,868	82.56%	-
Parque Eólico Santa Quiteria, S.L.	Huesca	63,006 EUR	16,843	2,380	14,462	3,751	1,143	69.32%	-
Parque Eólico Valdelugo, S.L.	Madrid	3,200 EUR	3	1	2	-	-1	82.56%	-
Renovables Castilla la Mancha, S.A.	Albacete	60,102 EUR	24,820	21,975	2,846	6,078	1,850	74.31%	-
Tébar Eólica, S.A.	Madrid	4,720,400 EUR	12,804	3,833	8,971	5,739	2,404	82.56%	-
Portugal:									
EDP Renováveis Portugal, S.A.	Oporto	7,500,000 EUR	475,416	346,496	128,920	143,182	60,621	42.11%	-
EDP Renewables, SGPS, S.A.	Oporto	50,000 EUR	182,392	51,941	130,452	-	8,147	82.56%	-
EDPR PT - Parques Eólicos, S.A.	Oporto	50,000 EUR	140,722	71,197	69,525	7	2,638	42.11%	-
EDPR PT - Promoção e Operação, S.A.	Oporto	57,500 EUR	18,915	11,374	7,541	12,803	-661	82.56%	-
Eólica do Alto da Teixosa, S.A.	Cinfães	50,000 EUR	27,944	21,845	6,099	5,093	1,651	42.11%	-
Eólica da Alagoa, S.A.	Arcos de Valdevez	50,000 EUR	7,960	2,623	5,336	3,530	2,170	25.26%	-
Eólica da Coutada, S.A.	Vila Pouca de Aguiar	50,000 EUR	157,237	126,078	31,160	27,764	8,799	42.11%	-
Eólica da Lajeira, S.A.	Oporto	50,000 EUR	63,745	56,396	7,349	10,097	3,553	42.11%	-
Eólica da Serra das Alturas, S.A.	Boticas	50,000 EUR	12,140	5,510	6,631	3,151	1,464	21.10%	-
Eólica das Serras das Beiras, S.A.	Arganil	50,000 EUR	100,407	77,615	22,792	17,582	5,568	42.11%	-
Eólica da Terra do Mato, S.A.	Oporto	50,000 EUR	44,601	38,167	6,433	7,682	2,170	42.11%	-
Eólica de Montenegrelo, S.A.	Vila Pouca de Aguiar	50,000 EUR	19,435	9,031	10,404	5,726	2,729	21.10%	-
Eólica do Alto da Lagoa, S.A.	Oporto	50,000 EUR	23,136	14,453	8,683	5,164	1,978	42.11%	-
Eólica do Alto do Mourisco, S.A.	Boticas	50,000 EUR	23,785	18,526	5,259	4,583	1,702	42.11%	-
Eólica do Cachopo, S.A.	Oporto	50,000 EUR	61,098	51,173	9,925	11,069	3,872	42.11%	-
Eólica do Castelo, S.A.	Oporto	50,000 EUR	35,378	32,019	3,359	5,315	1,818	42.11%	-
Eólica do Espigão, S.A.	Miranda do Corvo	50,000 EUR	28,525	16,614	11,911	6,025	2,334	42.11%	-
Eólica do Sincelo, S.A.	Oporto	150,000 EUR	5,953	1,998	3,955	-	-140	82.56%	-
Eólica do Velão, S.A.	Oporto	50,000 EUR	40,227	37,473	2,754	4,049	1,983	42.11%	-
Eólica dos Altos de Salgueiros-Guilhado, S.A.	Vila Pouca de Aguiar	50,000 EUR	11,721	9,516	2,205	2,303	773	42.11%	-
Eólica da Linha, S.A.	Oporto	100,000 EUR	84,293	79,462	4,831	1,729	968	82.56%	-
Malhadizes - Energia Eólica, S.A.	Oporto	50,000 EUR	17,887	10,306	7,581	5,213	2,240	42.11%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-18 Euro'000	Liabilities 31-Dec-18 Euro'000	Equity 31-Dec-18 Euro'000	Revenues 31-Dec-18 Euro'000	Net Profit/(Loss) 31-Dec-18 Euro'000	% Group	% Company
France:									
EDP Renewables France, S.A.S.	Paris	151,703,747 EUR	207,118	64,308	142,811	25,246	7,027	42.11%	-
Bourbriac II, S.A.S.	Paris	1,000 EUR	78	95	-17	-	-6	82.56%	-
Centrale Eolienne Canet-Pont de Salars, S.A.S.	Paris	125,000 EUR	12,406	8,872	3,535	2,431	670	21.46%	-
Centrale Eolienne Gueltas Noyal-Pontivy, S.A.S.	Paris	761,006 EUR	5,527	1,203	4,324	1,630	687	21.47%	-
Centrale Eolienne Neo Truc de L'Homme, S.A.S.	Paris	3,830,700 EUR	13,248	10,073	3,174	1,825	324	42.11%	-
Centrale Eolienne Patay, S.A.S.	Paris	131,200 EUR	11,242	5,560	5,683	2,631	1,233	21.47%	-
Centrale Eolienne Saint Barnabé, S.A.S.	Paris	96,000 EUR	11,172	6,367	4,804	2,578	1,109	21.47%	-
Centrale Eolienne Segur, S.A.S.	Paris	113,050 EUR	10,487	5,743	4,744	2,564	1,078	21.47%	-
EDPR France Holding, S.A.S.	Paris	8,500,000 EUR	88,096	79,648	8,448	-	-5,437	82.56%	-
EDPR Offshore France, S.A.S.	Paris	500,000 EUR	493	895	-401	-	-899	82.56%	-
Eolienne de Callengeville, S.A.S.	Paris	37,004 EUR	2	15	-13	-	-5	82.56%	-
Eolienne de Saugueuse, S.A.S.	Paris	1,000 EUR	8,973	6,348	2,625	1,885	930	21.47%	-
Eolienne D'Etalondes, S.A.R.L.	Paris	1,000 EUR	3	64	-61	-	-11	82.56%	-
La Plaine de Nouaille, S.A.S.	Paris	8,000 EUR	259	272	-13	-	-2	82.56%	-
Le Chemin de la Corvée, S.A.S.	Paris	123,000 EUR	481	417	64	-	-3	82.56%	-
Le Chemin de Saint Druon, S.A.S.	Paris	92,000 EUR	145	65	80	-	-2	82.56%	-
Monts de la Madeleine Energie, S.A.S.	Paris	37,000 EUR	1,594	1,567	27	-	-5	82.56%	-
Monts du Forez Energie, S.A.S.	Paris	37,000 EUR	984	983	1	-	-3	82.56%	-
Neo Plouvien, S.A.S.	Paris	5,040,000 EUR	8,241	5,597	2,644	1,611	249	42.11%	-
Parc Éolien de Boqueho-Plouagat, S.A.S.	Paris	1,000 EUR	11,513	10,716	797	1,500	583	82.56%	-
Parc Éolien de Citernes, S.A.S.	Paris	1,000 EUR	1	8	-7	-	-6	82.56%	-
Parc Éolien de Dammarie, S.A.R.L.	Paris	1,000 EUR	13,983	12,773	1,210	2,561	848	42.11%	-
Parc Éolien de Flavin, S.A.S.	Paris	1,000 EUR	14,929	14,917	12	324	15	82.56%	-
Parc Éolien de Francourville, S.A.S.	Paris	1,000 EUR	14,115	12,309	1,806	2,656	1,032	42.11%	-
Parc Éolien de la Champagne Berrichonne, S.A.R.L.	Paris	3,700 EUR	19,503	17,996	1,507	2,128	1,026	82.56%	-
Parc Éolien de la Côte du Cerisat, S.A.S.	Paris	27,448 EUR	12,223	12,210	13	-	-3	82.56%	-
Parc Éolien de La Hetroye, S.A.S.	Paris	37,004 EUR	3	18	-15	-	-5	82.56%	-
Parc Éolien de Marchéville, S.A.S.	Paris	1,000 EUR	862	869	-6	-	-6	82.56%	-
Parc Éolien de Mancheville, S.A.R.L.	Paris	1,000 EUR	5,809	5,677	132	720	243	82.56%	-
Parc Éolien de Montagne Fayel, S.A.S.	Paris	37,000 EUR	14,630	12,237	2,393	2,500	843	42.11%	-
Parc Éolien de Preuseville, S.A.R.L.	Paris	1,000 EUR	8,241	6,986	1,255	1,297	324	42.11%	-
Parc Éolien de Prouville, S.A.S.	Paris	1,000 EUR	5	10	-6	-	-5	82.56%	-
Parc Éolien de Roman, S.A.R.L.	Paris	1,000 EUR	8,852	7,181	1,671	1,873	619	42.11%	-
Parc Éolien de Tarzy, S.A.R.L.	Paris	1,504,692 EUR	10,531	9,213	1,318	1,843	334	42.11%	-
Parc Éolien de Varimpre, S.A.S.	Paris	37,003 EUR	10,504	9,503	1,001	2,342	1,030	21.47%	-
Parc Éolien des 7 Domaines, S.A.S.	Paris	5,000 EUR	101	107	-5	-	-2	82.56%	-
Parc Éolien des Longs Champs, S.A.R.L.	Paris	1,000 EUR	1,414	1,515	-100	-	-15	82.56%	-
Parc Éolien des Vatines, S.A.S.	Paris	841,014 EUR	9,377	9,901	-523	1,744	281	21.47%	-
Parc Éolien d'Escardes, S.A.S.	Paris	1,000 EUR	15,514	13,367	2,146	2,715	1,005	42.11%	-
Parc Éolien du Clos Bataille, S.A.S.	Paris	410,096 EUR	8,039	8,505	-465	1,510	276	21.47%	-
Parc Éolien de Paudy, S.A.S.	Paris	37,000 EUR	16,045	16,185	-140	-	-128	82.56%	-
SOCPE de la Mardelle, S.A.R.L.	Paris	3,001,000 EUR	4,122	3,372	750	885	-2,391	42.11%	-
SOCPE de la Vallée du Moulin, S.A.R.L.	Paris	8,001,000 EUR	13,293	3,957	9,335	1,820	313	42.11%	-
SOCPE de Sauvageons, S.A.R.L.	Paris	1,000 EUR	6,596	6,470	126	824	-34	62.74%	-
SOCPE des Quinze Mines, S.A.R.L.	Paris	1,000 EUR	13,299	16,722	-3,423	1,783	-389	62.74%	-
SOCPE Le Mee, S.A.R.L.	Paris	1,000 EUR	10,338	10,228	110	1,144	-194	62.74%	-
SOCPE Petite Pièce, S.A.R.L.	Paris	1,000 EUR	3,169	3,087	81	318	-118	62.74%	-
Poland:									
EDP Renewables Polska, Sp. z o.o.	Warsaw	435,045,000 PLN	204,652	14,252	190,400	8,175	-12,647	82.56%	-
EDP Renewables Polska HoldCo, S.A.	Warsaw	100,100 PLN	281,936	98,616	183,320	-	12,531	42.11%	-
EDP Renewables Polska OPCO, S.A.	Warsaw	100,000 PLN	7	1	5	-	-6	82.56%	-
Elektrownia Wiatrowa Kresy I, Sp. z o.o.	Warsaw	70,210 PLN	115,638	42,702	72,935	10,544	1,724	42.11%	-
Farma Wiatrowa Starozreby, Sp. z o.o.	Warsaw	466,000 PLN	360	2	357	-	-16	82.56%	-
Karpacka Mala Energetyka, Sp. z o.o.	Warsaw	50,000 PLN	88	464	-376	-	-26	82.56%	-
Korsze Wind Farm, Sp. z o.o.	Warsaw	38,855,000 PLN	79,858	52,964	26,895	7,454	761	42.11%	-
Masovia Wind Farm I, Sp. z o.o.	Warsaw	1,258,000 PLN	10,135	172	9,963	-	-3,461	82.56%	-
MFW Neptun, Sp. z o.o.	Warsaw	220,000 PLN	10	0	10	-	-2	82.56%	-
Miramit Investments, Sp. z o.o.	Warsaw	55,000 PLN	505	312	193	-	-2	82.56%	-
Molen Wind II, Sp. z o.o.	Warsaw	14,600 PLN	59,750	51,511	8,238	6,706	-782	42.11%	-
Radziejów Wind Farm, Sp. z o.o.	Warsaw	27,605,000 PLN	30,567	28,240	2,327	2,617	-1,104	42.11%	-
Rampton, Sp. z o.o.	Warsaw	5,000 PLN	1	1	0	-	-1	82.56%	-
Relax Wind Park I, Sp. z o.o.	Warsaw	46,540,000 PLN	134,362	117,451	16,911	18,766	2,714	42.11%	-
Relax Wind Park III, Sp. z o.o.	Warsaw	59,603,000 PLN	126,472	110,098	16,374	10,071	-7,198	42.11%	-
Relax Wind Park IV, Sp. z o.o.	Warsaw	4,490,000 PLN	103	-1	103	-	-2	82.56%	-
Romania:									
EDPR RO PV, S.r.l.	Bucharest	225,000,000 RON	48,886	3,741	45,145	-	-152	82.56%	-
Cernavoda Power, S.A.	Bucharest	335,692,400 RON	175,386	120,048	55,338	9,024	-3,496	70.18%	-
Cujmir Solar, S.A.	Bucharest	41,806,000 RON	18,177	1,333	16,844	2,007	2,140	82.56%	-
EDPR România, S.R.L.	Bucharest	840,007,180 RON	254,043	54,218	199,825	10,778	-934	82.56%	-
Foton Delta, S.A.	Bucharest	14,304,000 RON	6,524	874	5,650	667	705	82.56%	-
Foton Epsilon, S.A.	Bucharest	17,304,840 RON	10,290	907	9,384	1,133	1,132	82.56%	-
Pestera Wind Farm, S.A.	Bucharest	269,955,070 RON	101,935	63,121	38,814	6,015	-1,326	70.18%	-
Potelu Solar, S.A.	Bucharest	30,468,040 RON	12,668	907	11,760	1,304	1,236	82.56%	-
Sibioara Wind Farm, S.r.l.	Bucharest	81,900,600 RON	41,533	34,843	6,689	2,927	-1,495	70.18%	-
Studina Solar, S.A.	Bucharest	32,130,000 RON	14,558	1,200	13,359	1,747	1,715	82.56%	-
Vanju Mare Solar, S.A.	Bucharest	38,660,000 RON	14,293	1,074	13,220	1,508	1,387	82.56%	-
VS Wind Farm, S.A.	Bucharest	216,170,000 RON	81,033	34,156	46,877	6,393	1,397	70.18%	-
Great Britain:									
EDPR UK Limited	Cardiff	9,578,002 GBP	30,465	26,053	4,411	-	-353	82.56%	-
Moray Offshore Renewable Power Limited	Cardiff	23,027,589 GBP	50,980	370	50,610	-	25,095	82.56%	-

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Italy:									
EDP Renewables Italia Holding, S.r.l.	Milan	347,000 EUR	101,126	44,228	56,898	35	-3,146	82.56%	-
AW 2, S.r.l.	Milan	100,000 EUR	8,267	6,570	1,697	-	-152	82.56%	-
Breva Wind S.R.L.	Milan	7,100,000 EUR	6,505	201	6,304	-	-11	82.56%	-
Conza Energia, S.r.l.	Milan	456,000 EUR	12,578	8,971	3,607	-	-354	82.56%	-
EDP Renewables Italia, S.r.l.	Milan	34,439,343 EUR	190,860	137,963	52,896	15,821	4,476	42.11%	-
EDPR Villa Galla, S.R.L.	Milan	9,000,000 EUR	103,552	35,579	67,973	21,158	8,740	42.11%	-
Lucus Power, S.r.l.	Milan	10,000 EUR	26,984	25,020	1,964	159	-289	82.56%	-
Re Plus, S.r.l.	Milan	100,000 EUR	694	694	-	-	300	82.56%	-
San Mauro, S.r.l.	Milan	70,000 EUR	25,301	20,865	4,436	1,186	282	82.56%	-
Sarve, S.r.l.	Milan	10,000 EUR	157	147	10	-	-4	82.56%	-
T Power, S.p.A.	Milan	1,000,000 EUR	2,965	79	2,885	-	-135	82.56%	-
TACA Wind, S.r.l.	Milan	1,160,000 EUR	32,530	29,626	2,904	1,728	180	82.56%	-
Tivano, S.r.l.	Milan	100,000 EUR	21,630	20,488	1,143	2,659	466	82.56%	-
WinCap, S.r.l.	Milan	2,550,000 EUR	33,578	30,378	3,199	106	-392	82.56%	-
Greece:									
Energiaki Arvanikou M.Epe	Athens	772,380 EUR	517	20	498	-	-35	82.56%	-
Wind Park Aerorrachi A.E.	Athens	60,000 EUR	22	7	15	-	-19	82.56%	-
Other Countries:									
EDP Renewables Belgium, S.A.	Brussels	286,500 EUR	5,118	4,132	986	-	-171	82.56%	-
EDPR International Investments, B.V.	Amsterdam	20,000 EUR	12,389	38	12,352	-	5,211	82.56%	-
GREEN WIND, S.A.	Brussels	24,924,000 EUR	75,970	22,565	53,405	13,397	4,901	42.11%	-
North America Geography / Platform:									
United States of America:									
EDP Renewables North America LLC (EUA Subgroup Parent Company)	Delaware	4,031,973,714 USD	3,869,092	439,108	3,429,984	35,998	-80,483	82.56%	-
17th Star Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
2007 Vento I LLC	Delaware	623,678,564 USD	591,438	5,540	585,898	9,230	3,686	82.56%	-
2007 Vento II LLC	Delaware	478,315,014 USD	413,682	441	413,241	-	-102	42.11%	-
2008 Vento III LLC	Delaware	576,377,763 USD	498,096	194	497,902	-	190	42.11%	-
2009 Vento IV LLC	Delaware	206,457,213 USD	179,490	302	179,188	-	-123	82.56%	-
2009 Vento V LLC	Delaware	58,766,732 USD	51,072	848	50,224	-	-108	42.11%	-
2009 Vento VI LLC	Delaware	133,410,235 USD	115,601	25	115,576	-	-109	82.56%	-
2010 Vento VII LLC	Delaware	155,199,607 USD	134,716	43	134,673	-	-111	82.56%	-
2010 Vento VIII LLC	Delaware	154,899,213 USD	134,325	55	134,270	-	-101	82.56%	-
2011 Vento IX LLC	Delaware	105,188,345 USD	91,215	134	91,081	-	-109	42.11%	-
2011 Vento X LLC	Delaware	106,058,023 USD	92,287	401	91,886	-	-102	82.56%	-
2014 Sol I LLC	Delaware	73,832,205 USD	64,190	26	64,164	-	-75	42.11%	-
2014 Vento XI LLC	Delaware	283,618,741 USD	247,806	146	247,660	-	-2	42.11%	-
2014 Vento XII LLC	Delaware	168,194,401 USD	149,800	2,969	146,832	-	-17	42.11%	-
2015 Vento XIII LLC	Delaware	326,951,304 USD	285,920	897	285,022	-	-101	42.11%	-
2015 Vento XIV LLC	Delaware	284,307,619 USD	248,067	58	248,009	-	-92	42.11%	-
2016 Vento XV LLC	Delaware	509,731,364 USD	445,200	232	444,968	-	-107	82.56%	-
2016 Vento XVI LLC	Delaware	192,707,053 USD	168,238	134	168,104	-	-95	82.56%	-
2017 Sol II LLC	Delaware	126,580,712 USD	110,578	43	110,535	-	-20	82.56%	-
2017 Vento XVII LLC	Delaware	551,972,298 USD	482,111	163	481,948	-	-104	82.56%	-
2018 Vento XVIII LLC	Delaware	291,790,756 USD	255,100	287	254,814	-	-25	82.56%	-
Alabama Ledge Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Antelope Ridge Wind Power Project LLC	Delaware	12,830,262 USD	-	-	-	-	-	82.56%	-
Arbuckle Mountain Wind Farm LLC	Delaware	156,335,469 USD	136,380	2,517	133,863	6,947	-2,152	42.11%	-
Arkwright Summit Wind Farm LLC	Delaware	125,699,099 USD	163,303	55,629	107,674	2,112	-2,024	82.56%	-
Arlington Wind Power Project LLC	Delaware	95,271,954 USD	110,392	7,638	102,754	14,624	4,821	42.11%	-
Aroostook Wind Energy LLC	Delaware	62,491,013 USD	49,988	129	49,859	-	-5	82.56%	-
Ashford Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Athena-Weston Wind Power Project II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Athena-Weston Wind Power Project LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Avondale Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
AZ Solar LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Bayou Bend Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
BC2 Maple Ridge Holdings LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
BC2 Maple Ridge Wind LLC	Delaware	285,846,258 USD	222,657	-	222,657	-	-7,195	82.56%	-
Big River Wind Power Project LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Black Prairie Wind Farm II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Black Prairie Wind Farm III LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Black Prairie Wind Farm LLC	Delaware	1,160,841 USD	1,022	11	1,012	-	-	82.56%	-
Blackstone Wind Farm II LLC	Delaware	225,158,619 USD	273,753	77,303	196,450	16,459	635	82.56%	-
Blackstone Wind Farm III LLC	Delaware	6,275,439 USD	-	7	-7	-	-7	82.56%	-
Blackstone Wind Farm IV LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blackstone Wind Farm LLC	Delaware	104,295,183 USD	125,819	34,782	91,037	9,319	1,099	82.56%	-
Blackstone Wind Farm V LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blue Canyon Wind Power VII LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blue Canyon Windpower II LLC	Texas	117,870,663 USD	118,219	8,102	110,117	6,249	-8,890	82.56%	-
Blue Canyon Windpower III LLC	Texas	- USD	-	-	-	-	-	82.56%	-
Blue Canyon Windpower IV LLC	Texas	- USD	-	-	-	-	-	82.56%	-
Blue Canyon Windpower V LLC	Texas	58,476,693 USD	118,477	5,034	113,443	17,809	6,598	42.11%	-
Blue Canyon Windpower VI LLC	Delaware	105,666,749 USD	109,963	3,540	106,422	12,020	4,162	82.56%	-
Blue Harvest Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blue Marmot I LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blue Marmot II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blue Marmot IV LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blue Marmot IX LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blue Marmot V LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blue Marmot VI LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blue Marmot VII LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blue Marmot VIII LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blue Marmot Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Blue Marmot XI LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Broadlands Wind Farm II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-

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Broadlands Wind Farm III LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Broadlands Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Buffalo Bluff Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Cameron Solar LLC	Delaware	36,649,331 USD	35,744	4,500	31,244	1,053	-723	82.56%	-
Casa Grande Carmel Solar LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Castle Valley Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Chateaugay River Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Cielo Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Clinton County Wind Farm LLC	Delaware	229,823,335 USD	200,712	-	200,712	-	-	82.56%	-
Cloud County Wind Farm LLC	Delaware	190,185,839 USD	198,333	5,713	192,620	20,262	4,259	42.11%	-
Coldwater Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Coos Curry Wind Power Project LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Crittenden Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Cropsey Ridge Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Crossing Trails Wind Power Project LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Dairy Hills Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Diamond Power Partners LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Drake Peak Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Dry Creek Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
East Klickitat Wind Power Project LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
EDPR CA Solar Park II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
EDPR CA Solar Park III LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
EDPR CA Solar Park IV LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
EDPR CA Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
EDPR CA Solar Park V LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
EDPR CA Solar Park VI LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
EDPR Offshore North America LLC	Delaware	1 USD	-	-	-	-	-	82.56%	-
EDPR Solar Ventures I LLC	Delaware	44,994,783 USD	68,295	25,760	42,535	-	825	42.11%	-
EDPR South Table LLC	Nebraska	- USD	-	-	-	-	-	82.56%	-
EDPR Solar Ventures II LLC	Delaware	62,370,668 USD	110,551	55,704	54,847	-	443	82.56%	-
EDPR Vento I Holding LLC	Delaware	312,746,485 USD	273,141	-	273,141	-	-	82.56%	-
EDPR Vento IV Holding LLC	Delaware	68,995,105 USD	60,258	-	60,258	-	-	82.56%	-
EDPR WF LLC	Delaware	49,317,020 USD	43,072	-	43,072	-	-	82.56%	-
EDPR Wind Ventures X LLC	Delaware	44,661,309 USD	94,466	12,645	81,821	-	8,142	82.56%	-
EDPR Wind Ventures XI LLC	Delaware	92,695,098 USD	247,702	140,685	107,017	-	7,950	42.11%	-
EDPR Wind Ventures XII LLC	Delaware	60,089,740 USD	146,895	91,987	54,907	-	2,200	42.11%	-
EDPR Wind Ventures XIII LLC	Delaware	98,119,045 USD	285,547	185,234	100,313	-	6,733	42.11%	-
EDPR Wind Ventures XIV LLC	Delaware	49,735,840 USD	248,304	190,237	58,067	-	6,205	42.11%	-
EDPR Wind Ventures XV LLC	Delaware	169,582,346 USD	445,180	271,608	173,572	-	12,784	82.56%	-
EDPR Wind Ventures XVI LLC	Delaware	80,195,166 USD	168,303	95,612	72,691	-	1,595	82.56%	-
EDPR Wind Ventures XVII LLC	Delaware	115,285,470 USD	482,072	356,852	125,220	-	15,640	82.56%	-
EDPR Wind Ventures XVIII LLC	Delaware	23,247,382 USD	254,839	232,914	21,925	-	1,572	82.56%	-
EDPR Wind Ventures XIX LLC	Delaware	- USD	-	1,514	-1,514	-	201,339	82.56%	-
Estill Solar I LLC	Delaware	40,056,445 USD	38,519	4,480	34,039	902	-958	82.56%	-
Five-Spot LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Ford Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Franklin Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Green Country Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Green Power Offsets LLC	Delaware	10,515 USD	-	-	-	-	-	82.56%	-
Gulf Coast Windpower Management Company LLC	Delaware	- USD	-	-	-	-	-	61.92%	-
Hampton Solar II LLC	Delaware	39,080,934 USD	36,546	2,939	33,608	1,202	-524	82.56%	-
Headwaters Wind Farm II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Headwaters Wind Farm III LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Headwaters Wind Farm LLC	Delaware	283,736,600 USD	288,419	6,343	282,076	24,505	6,769	42.11%	-
Helena Harbor Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Hidalgo Wind Farm II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Hidalgo Wind Farm LLC	Delaware	357,305,526 USD	336,269	13,599	322,670	22,982	5,363	82.56%	-
High Prairie Wind Farm II LLC	Delaware	78,603,193 USD	98,458	10,372	88,086	11,391	1,837	42.11%	-
High Trail Wind Farm LLC	Delaware	170,505,432 USD	230,608	6,606	224,002	19,751	17,832	82.56%	-
Hog Creek Wind Project LLC	Delaware	73,916,636 USD	97,981	31,138	66,843	7,465	2,122	82.56%	-
Horizon Wind Chocolate Bayou I LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind Energy Midwest IX LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind Energy Northwest I LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind Energy Northwest IV LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind Energy Northwest VII LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind Energy Northwest X LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind Energy Northwest XI LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind Energy Panhandle I LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind Energy Southwest I LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind Energy Southwest II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind Energy Southwest III LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind Energy Southwest IV LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind Energy Valley I LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wind MREC Iowa Partners LLC	Delaware	- USD	-	-	-	-	-	61.92%	-
Horizon Wind Ventures I LLC	Delaware	193,026,971 USD	775,792	185,195	590,598	-	-3,830	82.56%	-
Horizon Wind Ventures IB LLC	Delaware	35,636,045 USD	417,742	197,870	219,873	-	-32,406	42.11%	-
Horizon Wind Ventures IC LLC	Delaware	337,069,571 USD	503,387	48,474	454,913	-	30,443	42.11%	-
Horizon Wind Ventures II LLC	Delaware	139,148,922 USD	180,749	45,063	135,685	-	1,686	82.56%	-
Horizon Wind Ventures III LLC	Delaware	- USD	51,325	16,065	35,260	-	3,769	42.11%	-
Horizon Wind Ventures IX LLC	Delaware	52,448,949 USD	91,868	50,206	41,662	-	796	42.11%	-

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Horizon Wind Ventures VI LLC	Delaware	78,486,237 USD	116,515	38,165	78,350	-	1,773	82.56%	-
Horizon Wind Ventures VII LLC	Delaware	97,886,701 USD	135,546	39,730	95,816	-	1,818	82.56%	-
Horizon Wind Ventures VIII LLC	Delaware	106,153,144 USD	135,283	36,991	98,292	-	1,603	82.56%	-
Horizon Wind Freeport Windpower I LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horizon Wyoming Transmission LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Horse Mountain Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Indiana Crossroads Wind Farm II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Indiana Crossroads Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Jericho Rise Wind Farm LLC	Delaware	152,446,369 USD	147,153	3,411	143,742	11,584	4,520	82.56%	-
Juniper Wind Power Partners LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Leprechaun Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Lexington Chenoa Wind Farm II LLC	Delaware	600,933 USD	-	-	-	-	-1	82.56%	-
Lexington Chenoa Wind Farm III LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Lexington Chenoa Wind Farm LLC	Delaware	26,549,718 USD	23,932	816	23,116	-	-21	82.56%	-
Loblolly Hill Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Loki Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Loma de la Gloria Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Lone Valley Solar Park I LLC	Delaware	26,548,454 USD	24,545	454	24,091	1,487	332	42.11%	-
Lone Valley Solar Park II LLC	Delaware	46,728,531 USD	45,442	835	44,606	3,172	1,124	42.11%	-
Long Hollow wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Lost Lakes Wind Farm LLC	Delaware	132,362,575 USD	118,500	4,510	113,990	15,454	2,858	82.56%	-
Loyal Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Machias Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Madison Windpower LLC	Delaware	15,943,770 USD	4,456	508	3,948	950	-583	82.56%	-
Marathon Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Marble River LLC	Delaware	229,815,579 USD	320,081	91,455	228,625	20,364	2,037	82.56%	-
Martinsdale Wind Farm LLC	Delaware	4,525,758 USD	3,959	30	3,928	-	3	82.56%	-
Meadow Lake Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Meadow Lake Wind Farm II LLC	Delaware	154,065,834 USD	126,767	4,365	122,402	10,781	381	82.56%	-
Meadow Lake Wind Farm III LLC	Delaware	105,648,497 USD	135,601	38,814	96,787	11,138	3,603	82.56%	-
Meadow Lake Wind Farm IV LLC	Delaware	94,551,006 USD	109,580	31,954	77,626	7,151	776	82.56%	-
Meadow Lake Wind Farm VIII LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Meadow Lake Wind Farm LLC	Delaware	209,322,205 USD	236,739	70,876	165,864	14,061	-1,912	82.56%	-
Meadow Lake Wind Farm V LLC	Delaware	166,621,712 USD	151,842	3,330	148,512	10,334	991	82.56%	-
Mesquite Wind LLC	Delaware	135,101,420 USD	189,862	13,116	176,746	18,187	-639	82.56%	-
New Trail Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Nine Kings Transco LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
North Slope Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Number Nine Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Old Trail Wind Farm LLC	Delaware	194,501,407 USD	240,477	7,005	233,472	31,479	11,523	42.11%	-
OPQ Property LLC	Delaware	-28,865 USD	152	-	152	-	-	82.56%	-
Pacific Southwest Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Paulding Wind Farm II LLC	Delaware	104,441,157 USD	133,765	3,891	129,874	16,648	5,053	42.11%	-
Paulding Wind Farm III LLC	Delaware	192,382,096 USD	179,420	4,102	175,318	13,056	2,937	82.56%	-
Paulding Wind Farm IV LLC	Delaware	5,116,816 USD	5,338	885	4,453	-	-4	82.56%	-
Paulding Wind Farm LLC	Delaware	29,067 USD	-	1	-	-	-8	82.56%	-
Paulding Wind Farm V LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Paulding Wind Farm VI LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Peterson Power Partners LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Pioneer Prairie Wind Farm I LLC	Delaware	284,861,701 USD	355,936	14,044	341,892	46,621	12,267	42.11%	-
Plum Nellie Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Poplar Camp Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Post Oak Wind LLC	Delaware	157,588,094 USD	213,511	8,313	205,197	21,501	3,296	42.11%	-
Prospector Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Quilt Block Wind Farm II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Quilt Block Wind Farm LLC	Delaware	157,141,265 USD	155,717	11,989	143,728	10,812	3,697	82.56%	-
Rail Splitter Wind Farm LLC	Delaware	205,516,191 USD	139,755	6,338	133,417	7,711	-4,482	82.56%	-
Redbed Plains Wind Farm LLC	Delaware	148,062,650 USD	143,283	13,800	129,483	6,687	-623	82.56%	-
Reloj del Sol Wind Farm LLC	Delaware	1,854,526 USD	1,823	203	1,620	-	-	82.56%	-
Renville County Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Rio Blanco Wind Farm LLC	Delaware	3,090,331 USD	2,704	5	2,699	-	-	82.56%	-
Rising Tree Wind Farm II LLC	Delaware	30,221,775 USD	30,320	548	29,772	2,991	954	42.11%	-
Rising Tree Wind Farm III LLC	Delaware	171,042,432 USD	170,508	2,349	168,159	16,327	4,859	42.11%	-
Rising Tree Wind Farm LLC	Delaware	137,535,745 USD	141,796	3,587	138,209	14,996	6,042	42.11%	-
Riverstart Solar Park II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Riverstart Solar Park III LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Riverstart Solar Park IV LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Riverstart Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Riverstart Solar Park V LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Rolling Upland Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Rosewater Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Rush County Wind Farm LLC	Delaware	2,497,078 USD	2,293	112	2,181	-	-	82.56%	-
Rye Patch Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Saddleback Wind Power Project LLC	Delaware	1,347,008 USD	-	2	-2	-	-780	82.56%	-
Sagebrush Power Partners LLC	Delaware	153,802,143 USD	119,234	3,528	115,706	13,093	3,541	82.56%	-
San Clemente Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Sardinia Windpower LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Shullsburg Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Signal Hill Wind Power Project LLC	Delaware	4,502 USD	-	-	-	-	-	82.56%	-
Simpson Ridge Wind Farm II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Simpson Ridge Wind Farm III LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Simpson Ridge Wind Farm IV LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Simpson Ridge Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Simpson Ridge Wind Farm V LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Spruce Ridge Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Stinson Mills Wind Farm LLC	Delaware	4,128,098 USD	3,529	10	3,519	-	-	82.56%	-
Sustaining Power Solutions LLC	Delaware	70,223,142 USD	17,998	15,386	2,611	45,021	-11,348	82.56%	-
Sweet Stream Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Telocaset Wind Power Partners LLC	Delaware	42,970,758 USD	105,396	7,383	98,013	16,715	6,965	42.11%	-
Timber Road Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-18 Euro'000	Liabilities 31-Dec-18 Euro'000	Equity 31-Dec-18 Euro'000	Revenues 31-Dec-18 Euro'000	Net Profit/(Loss) 31-Dec-18 Euro'000	% Group	% Company
Tug Hill Windpower LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Tumbleweed Wind Power Project LLC	Delaware	4,003 USD	-	-	-	-	-	82.56%	-
Turtle Creek Wind Farm LLC	Delaware	95,246,706 USD	263,668	180,215	83,452	385	272	82.56%	-
Waverly Wind Farm II LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Waverly Wind Farm LLC	Delaware	284,036,218 USD	269,112	5,331	263,781	18,054	3,502	42.11%	-
Western Trail Wind Project I LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Wheat Field Holding LLC	Delaware	13,379,720 USD	11,630	13	11,617	-	-14	42.11%	-
Wheat Field Wind Power Project LLC	Delaware	13,316,609 USD	95,297	28,875	66,422	14,310	7,386	42.11%	-
Whiskey Ridge Power Partners LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Whistling Wind WI Energy Center LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
White Stone Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Whitestone Wind Purchasing LLC	Delaware	3,533,078 USD	2,493	445	2,048	132	5	82.56%	-
Wildcat Creek Wind Farm LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Wilson Creek Power Project LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Wind Turbine Prometheus LP	Delaware	5,990 USD	-	-	-	-	-	82.56%	-
Wrangler Solar Park LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
WTP Management Company LLC	Delaware	- USD	-	-	-	-	-	82.56%	-
Canada:									
EDP Renewables Canada, Ltd. (Canada Subgroup Parent Company)	British Columbia	51,400,000 CAD	69,108	14,360	54,748	-	15,017	82.56%	-
Blue Bridge Solar Park GP Ltd	British Columbia	- CAD	-	-	-	-	-	82.56%	-
Blue Bridge Solar Park LP	British Columbia	- CAD	47	174	-127	-	-129	82.56%	-
Bromhead Solar Park GP Ltd	British Columbia	- CAD	-	-	-	-	-	82.56%	-
Bromhead Solar Park LP	Alberta	- CAD	47	174	-127	-	-129	82.56%	-
EDP Renewables Canada Management Services Ltd	British Columbia	- CAD	2,261	3,315	-1,053	-	-	82.56%	-
EDP Renewables Sask SE GP Ltd	British Columbia	- CAD	-	-	-	-	-	82.56%	-
EDP Renewables Sask SE Limited Partnership	Saskatchewan	- CAD	47	174	-127	-	-129	82.56%	-
EDP Renewables SH II Project GP Ltd	British Columbia	- CAD	-	-	-	-	-	82.56%	-
EDP Renewables SH II Project LP	Alberta	- CAD	-	-	-	-	-	82.56%	-
EDP Renewables Sharp Hills Project GP, Ltd.	British Columbia	- CAD	-	-	-	-	-	82.56%	-
EDP Renewables Sharp Hills Project LP	Alberta	-26,041 CAD	14,996	15,277	-281	-	-230	82.56%	-
Halbrite Solar Park GP Ltd	British Columbia	- CAD	-	-	-	-	-	82.56%	-
Halbrite Solar Park LP	Saskatchewan	- CAD	47	174	-127	-	-129	82.56%	-
Kennedy Wind Farm GP Ltd	British Columbia	- CAD	-	-	-	-	-	82.56%	-
Kennedy Wind Farm LP	Saskatchewan	- CAD	47	174	-127	-	-129	82.56%	-
Nation Rise Wind Farm GP II Inc.	British Columbia	- CAD	-	-	-	-	-	82.56%	-
Quatro Limited Partnership	Ontario	- CAD	-	-	-	-	-	82.56%	-
SBWF GP, Inc.	British Columbia	1,026 CAD	2	-	2	-	-	42.11%	-
South Branch Wind Farm II GP Inc.	British Columbia	- CAD	-	-	-	-	-	82.56%	-
South Branch Wind Farm II LP	Ontario	174,913 CAD	1,151	1,237	-86	-	-180	82.56%	-
South Dundas Wind Farm LP	Ontario	24,717,463 CAD	47,435	19,358	28,077	6,809	2,698	42.11%	-
Mexico:									
EDPR Servicios de México, S. de R.L. de C.V.	Mexico City	66,178,739 MXN	1,304	227	1,077	-	-572	82.56%	-
Eólica de Coahuila, S.A. de C.V.	Mexico City	7,189,723 USD	286,163	262,346	23,817	38,184	9,989	42.11%	-
Vientos de Coahuila, S.A. de C.V.	Mexico City	2,421 USD	4,330	4,428	-98	-	-71	82.56%	-
South America Geography / Platform:									
Brazil:									
EDP Renovaveis Brasil, SA (EDPR BR Subgroup Parent Company)	Sao Paulo	796,768,692 BRL	231,824	34,654	197,170	1,480	11	82.56%	-
Aventura Holding, S.A.	Sao Paulo	500 BRL	-	-	-	-	-	82.56%	-
Babilônia Holding, S.A.	Sao Paulo	146,925,894 BRL	48,932	8,441	40,491	-	-350	82.56%	-
Central Eólica Aventura I, S.A.	Sao Paulo	14,001,765 BRL	32,816	26,606	6,210	3,799	672	42.10%	-
Central Eólica Aventura II, S.A.	Sao Paulo	371,500 BRL	299	241	59	-	-1	82.56%	-
Central Eólica Aventura III, S.A.	Sao Paulo	1,050 BRL	317	319	-2	-	-	82.56%	-
Central Eólica Aventura IV, S.A.	Sao Paulo	10,000 BRL	379	380	-	-	-	82.56%	-
Central Eólica Aventura V, S.A.	Sao Paulo	10,000 BRL	371	371	-	-	-	82.56%	-
Central Eólica Babilônia I, S.A.	Fortaleza	37,232,288 BRL	40,425	32,180	8,245	704	-87	82.56%	-
Central Eólica Babilônia II, S.A.	Fortaleza	36,333,489 BRL	40,656	32,586	8,071	667	-66	82.56%	-
Central Eólica Babilônia III, S.A.	Fortaleza	36,936,528 BRL	41,942	33,761	8,180	646	-87	82.56%	-
Central Eólica Babilônia IV, S.A.	Fortaleza	35,581,489 BRL	39,619	31,766	7,853	616	-121	82.56%	-
Central Eólica Babilônia V, S.A.	Fortaleza	35,580,489 BRL	39,681	31,681	7,999	775	26	82.56%	-
Central Eólica Baixa do Feijão I, S.A.	Sao Paulo	39,216,713 BRL	29,575	18,024	11,552	4,300	149	42.11%	-
Central Eólica Baixa do Feijão II, S.A.	Sao Paulo	40,551,200 BRL	28,349	16,278	12,070	4,010	200	42.11%	-
Central Eólica Baixa do Feijão III, S.A.	Sao Paulo	67,416,713 BRL	34,702	17,784	16,918	4,009	-364	42.11%	-
Central Eólica Baixa do Feijão IV, S.A.	Sao Paulo	44,433,110 BRL	28,323	15,962	12,361	3,708	-66	42.11%	-
Central Eólica Jerusalém I, S.A.	Sao Paulo	50 BRL	171	1	170	-	-	82.56%	-
Central Eólica Jerusalém II, S.A.	Sao Paulo	50 BRL	171	1	170	-	-	82.56%	-
Central Eólica Jerusalém III, S.A.	Sao Paulo	50 BRL	171	1	170	-	-	82.56%	-
Central Eólica Jerusalém IV, S.A.	Sao Paulo	50 BRL	171	1	170	-	-	82.56%	-
Central Eólica Jerusalém V, S.A.	Sao Paulo	50 BRL	171	1	170	-	-	82.56%	-
Central Eólica Jerusalém VI, S.A.	Sao Paulo	50 BRL	-	-	-	-	-	82.56%	-
Central Eólica Monte Verde I, S.A.	Lagoa Nova	10,000 BRL	394	3	391	-	-	82.56%	-
Central Eólica Monte Verde II, S.A.	Lagoa Nova	10,000 BRL	394	3	391	-	-	82.56%	-
Central Eólica Monte Verde III, S.A.	Lagoa Nova	10,000 BRL	345	2	342	-	-	82.56%	-
Central Eólica Monte Verde IV, S.A.	Lagoa Nova	10,000 BRL	271	2	269	-	-	82.56%	-
Central Eólica Monte Verde V, S.A.	Lagoa Nova	10,000 BRL	198	1	197	-	-	82.56%	-
Central Eólica SRMN I, S.A.	Sao Paulo	1,050 BRL	321	323	-2	-	-	82.56%	-
Central Eólica SRMN II, S.A.	Sao Paulo	1,050 BRL	281	283	-2	-	-	82.56%	-
Central Eólica SRMN III, S.A.	Sao Paulo	1,050 BRL	321	323	-2	-	-	82.56%	-
Central Eólica SRMN IV, S.A.	Sao Paulo	1,050 BRL	548	551	-2	-	-	82.56%	-
Central Eólica SRMN V, S.A.	Sao Paulo	500 BRL	19	21	-2	-	-	82.56%	-
Central Eólica Jau, S.A.	Sao Paulo	55,330,738 BRL	109,289	81,416	27,873	11,016	6,812	42.11%	-
Central Nacional de Energia Eólica, S.A.	Sao Paulo	12,396,000 BRL	5,502	1,208	4,294	2,224	814	42.11%	-
Central Solar Pereira Barreto I, Ltda.	Pereira Barreto	10,000 BRL	2	-	2	-	-	82.56%	-
Central Solar Pereira Barreto II, Ltda.	Pereira Barreto	10,000 BRL	2	-	2	-	-	82.56%	-
Central Solar Pereira Barreto III, Ltda.	Pereira Barreto	10,000 BRL	2	-	2	-	-	82.56%	-
Central Solar Pereira Barreto IV, Ltda.	Pereira Barreto	10,000 BRL	2	-	2	-	-	82.56%	-
Central Solar Pereira Barreto V, Ltda.	Pereira Barreto	10,000 BRL	2	-	2	-	-	82.56%	-
Elebrás Projetos, S.A.	Sao Paulo	103,779,268 BRL	57,321	26,964	30,357	19,606	7,372	42.11%	-
SRMN Holding, S.A.	Sao Paulo	500 BRL	-	-	-	-	-	82.56%	-

The companies main financial data of joint ventures as at 31 December 2018 are as follows:

Joint Ventures entities *	Head Office	Share Capital / Currency		% Group	% Company
Electricity Generation:					
Bioastur, A.I.E.	Serin	60,101	EUR	50.00%	-
Ceprastur, A.I.E.	Oviedo	360,607	EUR	46.86%	-
Companhia Energética do JARI - CEJA	Sao Paulo	778,823,746	BRL	25.63%	-
Empresa de Energia Cachoeira Caldeirão, S.A.	Amapá	728,600,000	BRL	25.63%	-
Empresa de Energia São Manoel, S.A.	Rio de Janeiro	2,351,974,102	BRL	17.09%	-
HC Tudela Cogeneración, S.L.	Aboño - Carreño	306,030	EUR	50.10%	-
Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.	Ceará	1,527,000	BRL	25.63%	-
Pecém Transportadora de Minérios, S.A.	Ceará	3,364,018	BRL	25.63%	-
Electricity Distribution:					
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	60.00%	-
Electricity Supply:					
CHC Comercializador de Referencia, S.L.U.	Madrid	72,000	EUR	50.00%	-
CIDE HC Energía, S.A.	Madrid	500,000	EUR	50.00%	-
Gas Distribution:					
Desarrollos Energéticos Canarios, S.A.	Las Palmas	15,025	EUR	41.20%	-
Renewable Energy Activity:					
2018 Vento XIX LLC	Delaware	182,057,308	USD	17%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165	EUR	41.28%	-
Éoliennes en Mer Dieppe - Le Tréport, S.A.S.	Dieppe	31,436,000	EUR	24.36%	-
Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S.	Nantes	36,376,000	EUR	24.36%	-
Evolución 2000, S.L.	Albacete	117,994	EUR	40.58%	-
Flat Rock Windpower II LLC	Delaware	209,967,187	USD	41.28%	-
Flat Rock Windpower LLC	Delaware	536,426,287	USD	41.28%	-
Les Eoliennes en Mer Services, S.A.S.	Courbevoie	40,000	EUR	24.36%	-
Les Eoliennes Flottantes du Golfe du Lion, S.A.S.	Montpellier	40,000	EUR	28.90%	-
MacColl Offshore Windfarm Limited	Cardiff	1	GBP	27.49%	-
Mayflower Wind Energy LLC	Delaware	-	USD	41.28%	-
Meadow Lake Wind Farm VI LLC	Delaware	95,277,580	USD	17%	-
Moray East Holdings Limited	London	10,000,000	GBP	27.49%	-
Moray Offshore Windfarm (East) Limited	Cardiff	10,000,000	GBP	27.49%	-
Moray Offshore Windfarm (West) Limited	London	1,000	GBP	55.32%	-
Moray West Holdings Limited	London	1,000	GBP	55.32%	-
Nation Rise Wind Farm GP, Inc.	British Columbia	-	CAD	21%	-
Nation Rise Wind Farm LP	Ontario	17,089,826	CAD	21%	-
Prairie Queen Wind Farm LLC	Delaware	58,091,097	USD	17%	-
Stevenson Offshore Windfarm Limited	Cardiff	1	GBP	27.49%	-
Telford Offshore Windfarm Limited	Cardiff	1	GBP	27.49%	-
Windplus, S.A.	Lisbon	1,250,000	EUR	44.91%	-
Other Activities:					
Energia Ásia Consultoria, Limitada	Macao	200,000	MOP	50.00%	49.00%
Grupo ARQUILED	Mora	231,000	EUR	49.91%	-
Hydro Global Investment, Ltda.	Hong Kong	88,500,000	USD	50.00%	-
Sino - Portuguese Centre for New Technologies (Shangai) CO., Ltd	Shanghai	21,600,000	CNY	40.00%	-

The companies main financial data of joint ventures as at 31 December 2017 are as follows:

Joint Ventures entities *	Head Office	Share Capital / Currency		% Group	% Company
Electricity Generation:					
Bioastur, A.I.E.	Serin	60,101	EUR	50.00%	-
Bioeléctrica Group	Lisbon	50,000	EUR	50,00%	40.00%
Ceprastur, A.I.E.	Oviedo	360,607	EUR	46.86%	-
Companhia Energética do JARI - CEJA	Sao Paulo	707,823,746	BRL	25,63%	-
Empresa de Energia Cachoeira Caldeirão, S.A.	Amapá	728,600,000	BRL	25.63%	-
Empresa de Energia São Manoel, S.A.	Rio de Janeiro	2,273,974,102	BRL	17.09%	-
HC Tudela Cogeneración, S.L.	Oviedo	306,030	EUR	50.10%	-
Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.	Ceará	1,527,000	BRL	25.63%	-
Pecém Transportadora de Minérios, S.A.	Ceará	2,688,994	BRL	25.63%	-
Electricity Distribution:					
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	60.00%	-
Electricity Supply:					
CHC Comercializador de Referencia, S.L.U.	Madrid	72,000	EUR	50.00%	-
CIDE HC Energía, S.A.	Madrid	500,000	EUR	50.00%	-
Gas Distribution:					
Desarrollos Energéticos Canarios, S.A.	Las Palmas	15,025	EUR	41.20%	-
Renewable Energy Activity:					
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165	EUR	41.28%	-
Evolución 2000, S.L.	Albacete	117,994	EUR	40.58%	-
Flat Rock Windpower II LLC	Delaware	209,647,187	USD	41.28%	-
Flat Rock Windpower LLC	Delaware	534,426,287	USD	41.28%	-
Les Eoliennes Flottantes du Golfe du Lion, S.A.S.	Montpellier	40,000	EUR	28.90%	-
Moray Offshore Windfarm (East) Limited	Cardiff	10,000,000	GBP	63,32%	-
Other Activities:					
ARQUILED Group	Mora	168,700	EUR	46,15%	-
Energia Ásia Consultoria, Limitada	Macao	200,000	MOP	50.00%	49.00%
Hydro Global Investment, Ltda.	Hong Kong	88,500,000	USD	50.00%	-
Sino - Portuguese Centre for New Technologies (Shangai) CO., Ltd	Shanghai	21,600,000	CNY	40.00%	-

* The companies financial data of joint ventures are disclosed in note 20.

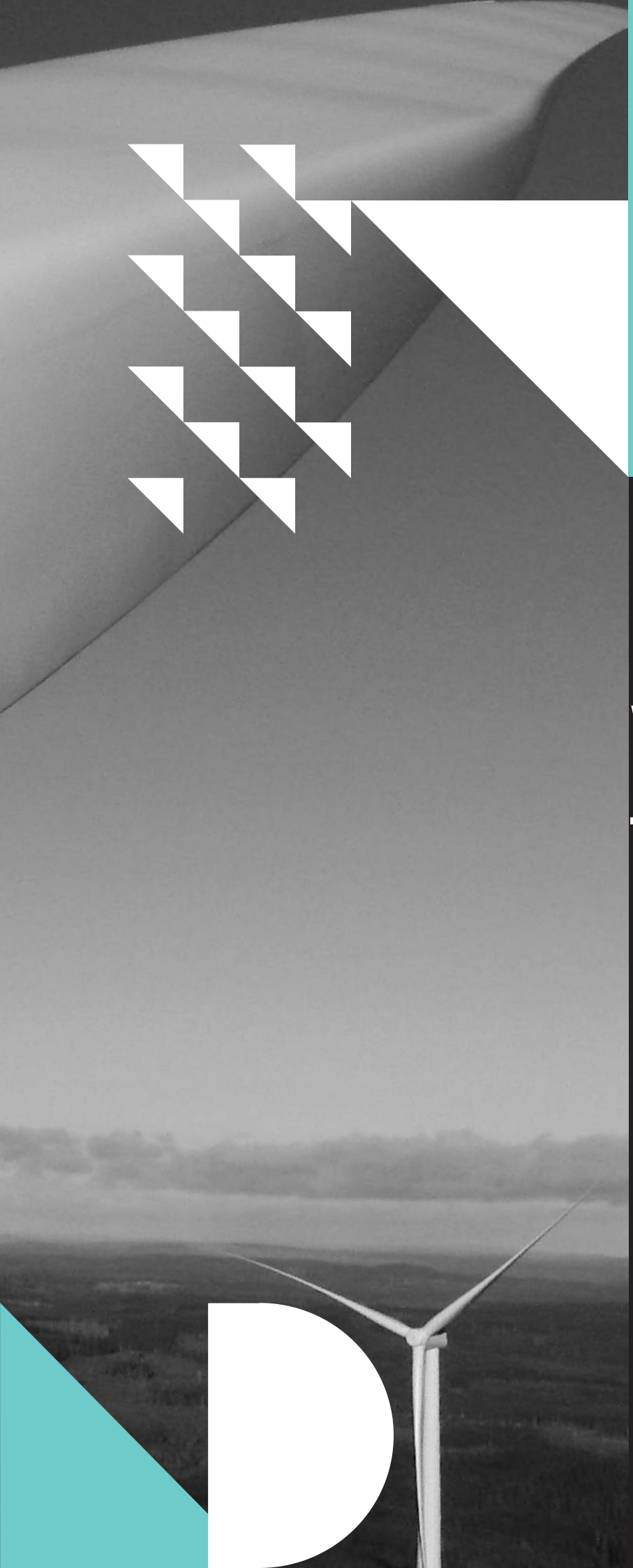
The companies where the Group has significant influence as at 31 December 2018 are as follows:

Associated companies *	Head Office	Share capital / Currency	% Group	% Company
Electricity Generation:				
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	Lisbon	50,000 EUR	35.00%	-
Kosorkuntza, A.I.E.	Bilbao	- EUR	25.00%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	20.64%	-
Electricity Distribution:				
AMBERTREE - Tecnologia para Redes de Energia Electrica, Lda	Lisbon	5,000 EUR	26.00%	-
Renewable Energy Activity:				
Aprofitament D'Energies Renovables de L'Ebre, S.L.	Barcelona	3,870,030 EUR	10.97%	-
Biomasas del Pirineo, S.A.	Huesca	454,896 EUR	24.77%	-
Blue Canyon Windpower LLC	Texas	35,309,480 USD	20.64%	-
Desarrollos Eólicos de Canarias, S.A.	Gran Canaria	1,817,130 EUR	36.94%	-
Nine Kings Wind Farm LLC	Delaware	- USD	41.28%	-
Parque Eólico Belmonte, S.A.	Asturias	120,400 EUR	24.69%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,193,970 EUR	34.68%	-
Solar Works! B.V.	Rotterdam	3 EUR	16.67%	-
Other Activities:				
Centrais Elétricas de Santa Catarina, S.A. - Celesc	Santa Catarina	1,340,000,000 BRL	12.08%	-
Comercializadora de Equipamentos y Materiais MABE, Ltda.	Chile	- BRL	25.63%	-
EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A.	Oporto	221,794 EUR	33.50%	-
MABE Construção e Administração de Projectos, Ltda.	Ceará	520,459,000 BRL	25.63%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	4,200,000 EUR	39.60%	-
Principle Power, Inc	Seattle	356,066 USD	21.39%	-
Vertequip, Equipamentos e Trabalhos Verticais, Lda	Chamusca	347,139 EUR	23.66%	-
WPVT, S.A.	Oporto	75,000 EUR	20.00%	-

The companies where the Group has significant influence as at 31 December 2017 are as follows:

Associated companies *	Head Office	Share capital / Currency	% Group	% Company
Electricity Generation:				
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	Lisbon	50,000 EUR	35.00%	-
EDERG - Produção Hidroeléctrica, Lda	Lisbon	400,000 EUR	25,00%	-
Kosorkuntza, A.I.E.	Bilbao	- EUR	25.00%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	20.64%	-
Electricity Distribution:				
AMBERTREE - Tecnologia para Redes de Energia Electrica, Lda	Lisbon	5,000 EUR	26.00%	-
Renewable Energy Activity:				
Aprofitament D'Energies Renovables de L'Ebre, S.L.	Barcelona	3,870,030 EUR	10.97%	-
Biomasas del Pirineo, S.A.	Huesca	454,896 EUR	24.77%	-
Blue Canyon Windpower LLC	Texas	40,364,480 USD	20.64%	-
Desarrollos Eólicos de Canarias, S.A.	Gran Canaria	1,817,130 EUR	36.94%	-
Eoliennes en Mer Dieppe Le Tréport, S.A.S.	Bois Guillaume	31,436,000 EUR	35,50%	-
Éoliennes en Mer Îles d'Yeu et de Noirmoutier, S.A.S.	Nantes	36,376,000 EUR	35,50%	-
Les Eoliennes en Mer Services, S.A.S.	Courbevoie	40,000 EUR	35,50%	-
Nine Kings Wind Farm LLC	Delaware	- USD	41.28%	-
Parque Eólico Belmonte, S.A.	Asturias	120,400 EUR	24.69%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,193,970 EUR	34.68%	-
WINDPLUS, S.A.	Lisbon	1,250,000 EUR	16,02%	-
Other Activities:				
EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A.	Oporto	150,000 EUR	30,00%	-
MABE Construção e Administração de Projectos, Ltda.	Ceará	520,459,000 BRL	25.63%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	4,200,000 EUR	39.60%	-
Principle Power, Inc	Seattle	356,066 USD	22,72%	-

* The companies financial data of associated companies are disclosed in note 20.



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FINAL REFERENCES

The Executive Board of Directors expresses its gratitude to all those who have supported and followed, directly or indirectly, the activity of EDP Group over the year of 2017.

First of all, we would like to thank the shareholders for the trust and support given to the Executive Board of Directors and to each of its members in the exercise of its activity.

To all the members of the Corporate Bodies, responsible for the auditing and supervision of the Group, a special thanks is also due, for the support given over the year. A special word to the General and Supervisory Board for the guidance provided to the activity of the Executive Board of Directors.

The successful results of the Group and the intrepid defense of all stakeholders' interests clearly demonstrate that the governance model is fully consolidated.

Additionally, as a result of the support granted to the group's activities during last year, the Board thanks the members of the governmental bodies and the public authorities of countries in which EDP is present, for the continued support provided.

Within the energy sector, it is also important to refer the constant and constructive dialogue between EDP and the different energy sector regulators. Particularly with the Regulatory Body for Energy Services (ERSE) and the Directorate-General for Energy and Geology (DGEG) in Portugal, as well as to other regulators in countries where the activity of the EDP group is most visible, such as CNE in Spain, ANEEL in Brazil and FERC and NERC in the USA.

The Executive Board of Directors also extends its gratitude to all the other entities that interacted with the group during 2017, namely, the financial markets regulators, the sectorial associations and the social and environmental non-government organizations.

It is also imperative to thank our customers and reaffirm our full commitment to seek continuous improvement of our offer, as well as to achieve excellence in the service delivery. We are focused and determined to satisfy our customers' needs.

The Board's gratitude is also extended to suppliers, as well as to the social media that followed the company throughout the year.

Lastly, a special thanks to all EDP employees. Their knowledge, determination, and commitment were crucial for the company to achieve its results.

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

Proposal for the appropriation of profits

Under the terms of the Article 30, number 1, of the Company constitution, the Executive Board of Directors proposes to the shareholders that the Net Profit of 2018, amounting to € 738,586,257.43 is appropriated as follows:

Dividends *	€ 694,742,165.85
Donations to Fundação EDP	€ 6,200,000.00
Retained Earnings	€ 37,644,091.58

* The proposed dividend per share is € 0.19.

HISTORIC OPERATIONAL INDICATORS

IBERIAN GENERATION AND SUPPLY	UN	2018	2017	2016	2015
INSTALLED CAPACITY					
Liberalised Electricity Generation	**MW**	**13,531**	**13,611**	**12,705**	**12,566**
Portugal [1]	**MW**	**10,002**	**10,082**	**9,177**	**8,798**
Hydro	MW	6,702	6,698	5,774	5,391
CCGT	MW	2,031	2,031	2,039	2,039
Coal	MW	1,180	1,180	1,180	1,180
Mini-hydro	MW	65	148	160	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**	**1,161**	**2,654**
Portugal [1]	MW	-	1,019	1,161	2,654
Equity Installed Capacity [2]	**MW**	**10**	**41**	**41**	**46**
Portugal [1]	MW	-	32	32	32
Spain [1]	MW	10	10	10	15
NET ELECTRICITY GENERATION	**GWh**				
Liberalised Electricity Generation	**GWh**	**34,555**	**33,778**	**36,659**	**33,691**
Portugal [1]	**GWh**	**24,989**	**22,434**	**27,601**	**21,513**
Hydro	GWh	12,251	6,710	15,211	8,741
CCGT	GWh	4,091	5,941	3,602	2,584
Coal	GWh	8,067	9,426	8,082	9,657
Mini-hydro	GWh	397	238	549	349
Cogeneration	GWh	182	119	156	183
Spain [1]	**GWh**	**9,566**	**11,344**	**9,058**	**12,178**
Hydro	GWh	1,054	472	930	793
CCGT	GWh	1,242	2,087	1,640	1,082
Coal	GWh	5,948	7,421	5,150	8,946
Nuclear	GWh	1,196	1,236	1,239	1,227
Cogeneration and Waste	GWh	126	128	100	131
Steam Generation	**GWh**	**847**	**863**	**861**	**938**
TECHNICAL AVAILABILITY					
Portugal [1]	**%**	**91**	**91**	**94**	**97**
Hydro	%	91	91	94	98
CCGT	%	86	93	93	96
Coal	%	94	94	92	98
Mini-hydro	%	93	95	96	91
Cogeneration	%	97	65	78	91
Spain [1]	**%**	**97**	**95**	**91**	**97**
Hydro	%	100	100	100	100
CCGT	%	99	97	97	100
Coal	%	93	91	79	92
Nuclear	%	90	92	92	92
Cogeneration	%	100	92	99	98
Waste	%	92	95	94	95

[1] Excludes EDP Renováveis | [2] Share of the MW installed in plants owned by companies equity consolidated

IBERIAN GENERATION AND SUPPLY	UN	2018	2017	2016	2015
ELECTRICITY CUSTOMERS	**'000**	**6,398**	**6,509**	**6,490**	**6,455**
Portugal	**'000**	**5,244**	**5,376**	**5,423**	**5,444**
Last Resort	'000	1,125	1,223	1,399	1,731
Liberalised Market	'000	4,119	4,153	4,024	3,713
Market Share EDP - Liberalised Market	%	81	84	85	85
Spain	**'000**	**1,154**	**1,133**	**1,068**	**1,012**
Last Resort	'000	221	219	227	238
Liberalised Market	'000	933	914	840	774
Social Tariff	**'000**	**654**	**718**	**722**	**153**
Portugal	'000	615	661	663	93
Spain	'000	39	57	59	60
Special Needs	**'000**	**1.7**	**0.6**	**0.5**	**0.5**
Portugal	'000	1.7	0.6	0.5	0.5
Green Tariff	**'000**	**1,026**	**932**	**829**	**771**
Portugal	'000	3	3	3	4
Spain	'000	1,023	929	825	767
ELECTRICITY SUPPLIED	**GWh**	**33,685**	**35,492**	**39,192**	**38,360**
Portugal	**GWh**	**21,136**	**21,489**	**22,493**	**22,839**
Last Resort	GWh	3,016	3,243	4,202	5,675
Liberalised Market	GWh	18,119	18,246	18,291	17,164
Market Share EDP - Liberalised Market	%	42	43	46	43
Spain	**GWh**	**12,549**	**14,003**	**16,699**	**15,521**
Last Resort	GWh	444	446	477	497
Liberalised Market	GWh	12,106	13,556	16,222	15,024
Market Share EDP - Liberalised Market	%	7	7	9	8
Social Tariff	**GWh**	**163**	**330**	**173**	**161**
Portugal	GWh	46	213	52	42
Spain	GWh	117	117	120	119
Green Tariff	**GWh**	**5,546**	**5,553**	**4,795**	**4,470**
Portugal	GWh	10	9	9	8
Spain	GWh	5,536	5,544	4,786	4,463
GAS CUSTOMERS	**'000**	**1,595**	**1,585**	**1,498**	**1,405**
Portugal	**'000**	**700**	**702**	**647**	**568**
Last Resort	'000	41	45	51	63
Liberalised Market	'000	659	658	596	505
Spain	**'000**	**895**	**883**	**851**	**837**
Last Resort	'000	51	52	54	59
Liberalised Market	'000	844	831	796	778
GAS SUPPLIED	**GWh**	**18,997**	**18,904**	**23,176**	**30,862**
Portugal	**GWh**	**3,854**	**3,890**	**4,046**	**4,272**
Last Resort	GWh	249	262	318	394
Liberalised Market	GWh	3,605	3,628	3,728	3,878
Market Share EDP - Liberalised Market	%	10	9	11	n.a
Spain	**GWh**	**15,143**	**15,014**	**19,129**	**26,590**
Last Resort	GWh	261	244	236	286
Liberalised Market	GWh	14,882	14,770	18,893	26,304
Market Share EDP - Liberalised Market	%	3	4	3	3

IBERIAN NETWORKS	UN	2018	2017	2016	2015
ELECTRICITY DISTRIBUTED	**GWh**	**55,419**	**54,084**	**53,789**	**53,445**
Portugal	GWh	46,059	44,753	44,599	44,277
Spain	GWh	9,360	9,331	9,190	9,168
ELECTRICITY SUPPLY POINTS	**'000**	**6,892**	**6,851**	**6,805**	**6,767**
Portugal	'000	6,226	6,187	6,142	6,107
Spain	'000	666	664	663	660
GRID EXTENSION	**Km**	**247,017**	**246,641**	**245,916**	**245,245**
Portugal	**Km**	**226,308**	**226,027**	**225,397**	**224,849**
Overhead lines	Km	177,491	177,321	176,890	176,622
Underground lines	Km	48,817	48,706	48,507	48,227
Spain	**Km**	**20,709**	**20,613**	**20,520**	**20,396**
Overhead lines	Km	15,723	15,695	15,677	15,640
Underground lines	Km	4,986	4,918	4,842	4,756
GRID LOSSES					
Portugal	%	9.6	10.0	9.5	9.8
Spain	%	3.4	3.5	4.0	4.1
SERVICE QUALITY					
Portugal					
Installed Capacity Equivalent Interruption Time [1]	Min	61	53	50	54
Spain					
Installed Capacity Equivalent Interruption Time [1]	Min	17	20	24	34

[1] ICEIT in MV grid, excluding extraordinary effects

EDP BRASIL	UN	2018	2017	2016	2015
GENERATION					
EBITDA Installed Capacity	**MW**	**2,320**	**2,466**	**2,466**	**2,517**
Hydro	MW	1,599	1,746	1,745	1,797
Coal	MW	720	720	720	720
Equity Installed Capacity [1]	**MW**	**539**	**364**	**296**	**187**
Equity Capacity under Construction [1]	**MW**	**-**	**173**	**231**	**341**
Net Electricity Generation	**GWh**	**9,050**	**8,602**	**8,880**	**8,632**
Hydro	GWh	5,594	4,004	4,448	5,604
Coal	GWh	3,455	4,597	4,432	3,028
Technical Availability	**%**	**90**	**94**	**93**	**90**
Hydro	%	94	95	95	91
Coal	%	80	92	88	88
ENERGY SUPPLY					
Electricity Supplied	**GWh**	**31,871**	**31,501**	**27,712**	**25,978**
Last Resort [2]	GWh	13,769	13,697	14,731	15,378
Liberalised Market	GWh	18,102	17,804	12,980	10,600
Social Tariff	**GWh**	**214**	**275**	**355**	**330**
Number of Customers	**'000**	**3,450**	**3,376**	**3,316**	**3,257**
Last Resort [2]	'000	3,450	3,376	3,315	3,256
Liberalised Market	'000	0.3	0.3	0.3	0.2
Social Tariff	**'000**	**158**	**162**	**149**	**173**
Special Needs	**'000**	**1**	**0**	**0**	**0**
ENERGY DISTRIBUTION					
Electricity Distributed	**GWh**	**25,007**	**24,652**	**24,425**	**25,713**
Electricity Supply Points	**'000**	**3,451**	**3,377**	**3,316**	**3,257**
Grid Extension	**Km**	**92,160**	**91,538**	**91,576**	**90,441**
Overhead lines	Km	91,906	91,293	91,337	90,210
Underground lines	Km	254	245	239	231
Grid Losses	**%**	**10**	**10**	**11**	**11**
Average Interruption Duration per Consumer					
EDP São Paulo	Hours	7.8	7.9	9.0	8.4
EDP Espírito Santo	Hours	8.3	8.6	9.3	9.1
Frequency of Interruptions per Consumer					
EDP São Paulo	#	4.8	5.0	5.7	5.1
EDP Espírito Santo	#	4.8	5.3	5.6	5.1
TRANSMISSION					
Grid extension in Operation	**Km**	**113**	**-**	**-**	**-**
Grid extension Under Construction	**Km**	**1,184**	**1,297**	**-**	**-**

[1] Share of the MW installed in plants owned by companies equity

EDP RENOVÁVEIS	UN	2018	2017	2016	2015
INSTALLED CAPACITY					
EBITDA Installed Capacity	**MW**	**11,301**	**10,676**	**10,052**	**9,281**
Portugal	MW	1,309	1,253	1,251	1,247
Spain	MW	2,312	2,244	2,194	2,194
Rest of Europe	MW	1,652	1,564	1,541	1,523
North America	MW	5,562	5,284	4,861	4,233
Brazil	MW	467	331	204	84
Capacity under Construction	**MW**	**344**	**828**	**248**	**344**
Portugal	MW	47	55	3	-
Spain	MW	29	68	-	-
Rest of Europe	MW	69	88	18	224
North America	MW	199	480	100	-
Brazil	MW	-	137	127	120
Equity Installed Capacity [1]	**MW**	**371**	**331**	**356**	**356**
Portugal	MW	-	-	-	-
Spain	MW	152	152	177	177
Rest of Europe	MW	0	0	0	0
North America	MW	219	179	179	179
Brazil	MW	-	-	-	-
NET ELECTRICITY GENERATION	**GWh**	**28,359**	**27,621**	**24,473**	**21,388**
Portugal	GWh	2,995	2,912	3,047	1,991
Spain	GWh	5,164	5,095	4,926	4,847
Rest of Europe	GWh	3,321	3,662	3,257	3,225
North America	GWh	15,644	15,091	12,576	11,104
Brazil	GWh	1,235	861	666	222
TECHNICAL AVAILABILITY	**%**	**97**	**98**	**98**	**98**
Portugal	%	98	98	98	98
Spain	%	97	97	97	97
Rest of Europe	%	97	98	98	97
North America	%	97	98	98	98
Brazil	%	98	98	99	99

[1] Share of the MW installed in plants owned by companies equity consolidated

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 Debt in the period (Total debt and borrowings - Accrued Interest - Fair value of the issued debt hedged risk), considering 50% of the interest expense and of the nominal amount of hybrid debt.

C

CAGR
Compound annual growth rate.

CAPEX
Capital Expenditure. Capex includes additions in non-current assets, except for financial instruments, deferred tax assets and post-employment benefit assets. Therefore the Operating Investment caption includes increases in Property, Plant and Equipment and in Intangible Assets, excluding CO_2 licenses and Green certificates, net of increases in Government grants, Customers contributions for investment and Sales of properties in the period.

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 Annual Dividends per Share of period "n" / Earnings per Share of periof "n-1").

DIVIDEND YIELD
Considers the ratio between gross dividend per share and share price.

E

EBIT
Operating Profit: EBITDA deducted from provisions and amortisation and impairment.

EBITDA
Gross Operating Profit: Revenues from energy sales and services and other - Cost of energy sales and other + Other income - Supplies and services - Personnel costs and employee benefits - Other 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%. It corresponds to the difference between the EBITDA estimated for the Business Plan and the 5% percentile of the EBITDA distribution.

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 from their utility, applied to all of the electricity they generate and provide to the grid.

FFO
Cash flow (funds) resulting from the company's operational activity.

FFO/NET DEBT
Funds From Operation (FFO) to net debt is a metric comparing earnings from operations to net debt. Demonstrates the ability of the operational funds to pay the net debt.

FOREX
The market in which currencies are traded.

G

GC
Green certificate. Tradable commodity proving that certain electricity is 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.

GROSS PROFIT
Includes Revenues from energy sales and services and other minus Cost of energy sales and other.

GSF
Generation Scaling Factor. Ratio of the deficit of hydroelectric companies' actual generation volumes to their assured energy delivery.

GW
Unit of electric power equal to 1,000 MW.

GWH
Equal to 1,000 MW used continuously for one hour.

H

HEDGING
Risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies, 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).

I

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
Installed Capacity Equity also includes the respective share of the MW installed in power plants owned by companies equity consolidated.

ITC
Investment tax credit. Tax incentive in the US which differ from the Production Tax Credit in the sense that the Tax Equity Investor receives 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.

L

LIQUIDITY
Total amount of Cash and Equivalents, Credit Lines available and Financial assets at fair value through profit or loss.

M

MW
Unit of electric power equal to 10^6 watts.

MWH
Equal to 10^6 watts of electricity used continuously for one hour.

N

NET DEBT
A metric that shows a company's overall debt situation calculated using the company's total debt less cash on hand. From 2017 onwards, includes Financial Debt, Cash and Equivalents, Short-term financial assets at fair-value, "Fair value hedge" derivatives 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 and Divestments ("Asset Rotation") including granted and/or sold shareholder loans.

NET INVESTMENTS IN RENEWABLES
Includes Net Investments from hydro, wind and solar generation.

O

OPEX
Includes Supplies and services and Personnel costs and Employee Benefits.

OPEX PROGRAM: SAVINGS
Costs Savings obtained by OPEX Program. OPEX V savings are measured through comparison between current operating costs and 2017's costs.

OPEX/GROSS PROFIT
Efficiency ratio that compares Operating Costs (excluding non-recurrent costs with Employee Benefits - Restructuring costs) over Gross Profit (including income from institutional partnerships in EDPR-NA).

P

PLD
Settlement Price for the Differences. Price used to value the energy exchanged in the spot market. This price is calculated weekly for each submarket and load periods, based on the marginal cost of generation. It is limited by a minimum and maximum value.

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.

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

REGULATORY RECEIVABLES
Amounts pending to be received and related with tariff adjustments and tariff deficits from regulated activities in Iberia and Brazil (Generation in Portugal and Spain, Distribution and Supply of electricity and gas 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. Also known as alternative energy.

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.

RES
Renewable energy sources.

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

SAIDI
System Average Interruption Duration Index. Technical indicator of quality of service. Quotient of the sum of the durations of the interruptions at the delivery points, during a given period, by the total number of delivery points, during the same period.

SAIFI
System Average Interruption Frequency Index. Quotient of the total number of interruptions at delivery points, during a given period, by the total number of delivery points, over the same period.

SELL-DOWN
Sale of majority stakes in projects in operation or in an advanced stage of development with a view to the recycling of capital, crystallization of cash flows and value creation. The proceeds from the sale of these stakes are subsequently reinvested in new projects, thus completing the cycle.

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.

V

VALUE@RISK
Estimated loss of the asset value, 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%. It corresponds to the difference between the value estimated for the Business Plan and the 5% percentile of the asset value distribution.

W

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.

WIND ENERGY
Power generated by converting the mechanical energy of the wind into electrical energy through the use of a wind generator.

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

STATEMENT

With reference to 2018 financial year, and according to No. 1, item c) of article 245º 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 information foreseen in No. 1 item a) of the article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A., and the subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP – Energias de Portugal, S.A., and the subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 11th of March 2019

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

EDP – Energias de Portugal, S.A.

Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira

Senior Accounting Officer - Corporate Centre

STATEMENT

With reference to 2018 financial year, and according to nº 1, item c) of article 245º of the Portuguese Securities Code, I hereby declare that, to the best of my knowledge, the information foreseen in No. 1 item a) of article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A. ("EDP"), and the subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP, and the subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 11th of March 2019

pwc

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of EDP - Energias de Portugal, S.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2018 (which shows total assets of Euro 41,626,960 thousand and total shareholders' equity of Euro 12,900,327 thousand including a net profit of Euro 876,081 thousand), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of EDP - Energias de Portugal, S.A. as at December 31, 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Tel +351 213 599 000, Fax +351 213 599 999, www.pwc. pt
Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euro 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

Key Audit Matter	*Summary of the Audit Approach*
Estimated energy sales	
Disclosures related to energy sales presented in notes 2, 4, 7 and 24 of the consolidated financial statements Revenue recognition of energy sales occurs at the time of delivery and incorporates three distinct aspects: (i) sales of energy billed based on actual consumption; (ii) sales of energy billed on estimated consumption based on each customer's historical data; and (iii) estimate of energy supplied and not billed. The Group calculates the estimated volumes using an algorithm in line with the criteria defined by the regulatory entity. The algorithm is based on the average daily consumption of each customer, weighted by historical consumption profiles and adjusted for climatic factors and estimated energy losses. The Group also tests the algorithm using a telecounted sample of consumptions, also validating the estimation by comparison to the energy balance that is based on the energy volumes that are reported as being input to the network by the operator of the transmission network. A "rollback" analysis of real consumption is also carried out retrospectively Valuation of the estimated quantities is carried out based on the historical average prices according to the tariff, type of customer, contracted power, among other factors. Given the high complexity of the methodology used by the Group to estimate the energy consumed by its customers and the degree of judgment involved, in particular in relation to volumes and associated average prices, this issue was considered to be a relevant matter for the purposes of our audit.	Our audit procedures included, among others, identifying and testing the design and operational efficiency of key controls related to the recognition of revenue associated with energy sales, and in particular those related to estimated sales at the end of each period . The algorithm including the estimated volumes was obtained having been verified, on a sample basis for each type of customer and tariff, that the criteria defined by the regulator were being met and that the adjustments made were reasonable. Regarding the average prices used to value the estimated volumes for each type of costumer, a sample of historical data was also verified. The energy balance was also obtained and the differences between the energy inputs to the network and the energy billed and estimated by the Group were evaluated. In order to complement the procedures described above, we also tested the estimation of unbilled consumed energy for reasonableness based on previous years' billing records We also reviewed the adequacy of the disclosures presented in the financial statements, based on the applicable accounting standards and in what we considered relevant.

Key Audit Matter	*Summary of the Audit Approach*
Transactions of equity stakes	
Disclosures related to transactions of equity stakes presented in notes 2, 4, 6, 8, 13, 20, 25, 31 and 40 of the consolidated financial statements. As a result of its activity and as part of its strategy, the Group proceeds to the disposal of equity stakes in controlled entities with the main objective of reinvesting the funds obtained in new projects. It also acquires equity stakes and other rights in entities considered relevant to its business portfolio and of value creation to the shareholders. Disposals may or may not result in a loss of control and acquisitions may or may not result in a gain in control, depending on the percentage of capital sold or acquired, shareholder agreements and effective control exercised Given the amounts and the level of judgment involved in assessing the loss or gain of control, measuring contingent clauses resulting from the transactions, determining the acquisition value and allocating the acquisition price to identified assets / liabilities, this issue was considered to be a relevant matter for the purposes of our audit.	Our audit procedures included, among others, holding meetings with the management of the geographies where the transactions took place in order to obtain an adequate understanding of each of the relevant transactions, as well as the respective supporting documentation. Purchase and sale agreements, shareholder agreements and other associated documentation were analyzed in detail. The accounting treatment given to each of the operations was assessed based on the applicable accounting standards and the mathematical accuracy of the calculations that originate the records was tested. Key controls related to acquisitions and disposals of equity stakes were also identified and tested. Regarding disposals of equity stakes, the ownership of control and the valuation of contingent clauses, where applicable, were specifically analyzed and evaluated. In relation to the acquisition of equity stakes, control ownership was also evaluated, as well as the allocation of the purchase price to the fair value of identifiable assets and liabilities. We also reviewed the accounting treatment and the adequacy of the disclosures related to each of transactions analysed, based on the applicable accounting standards and in what we considered relevant.
Recoverability of non current assets	
Disclosures related to the non-current assets presented in notes 2, 4, 12, 16, 17, 18 and 20 of the consolidated financial statements. As of December 31, 2018, goodwill, tangible fixed assets, intangible assets and investments in joint ventures and associates presented in EDP's	Our audit procedures included, among others, evaluating the adequacy of the impairment models used by the Group and testing the mathematical accuracy of the calculations. We assessed the reasonableness of the assumptions used and verified the approval of

Key Audit Matter	*Summary of the Audit Approach*
consolidated financial statements amounted to Euro 2,251 million, Euro 22,708 million, Euro 4,926 million and Euro 952 million, respectively. In accordance with International Accounting Standard (IAS) 36, and as disclosed in the notes to the financial statements, the Group performs impairment tests on tangible and intangible assets whenever there are facts or circumstances that may indicate that the net book value may not be recoverable, except when allocated to cash generating units with allocated goodwill, in which case they are tested for impairment together with the associated goodwill on an annual basis or whenever there is evidence of impairment Given the dispersion of the Group's operating activity across the world, these impairment tests are carried out for the cash-generating units identified in each of the geographies where EDP Group operates. The recoverable amount of each of the non-current assets tested for impairment, namely tangible fixed assets used in the production and distribution of electricity, intangible assets related to concession rights and goodwill and financial investments, is determined based on discounted cash flow models, which imply a high level of judgment given the uncertatinty of the underlying data, namely the economic and market projections and assumptions used relating to discount rates, exchange rates, growth rates and inflation rates, country risk, commodity prices, among others. Given the amounts involved, the complexity of the valuation models and the associated high level of judgment, this issue was considered to be a relevant matter for the purposes of our audit.	the future cash flows included in the models of each company and geographies where the Group has assets subject to impairment tests. The reasonableness of the definition of cash-generating units subject to impairment tests was also evaluated. We challenged the management regarding the appropriateness of the assumptions with higher sensitivity in determining the value in use, namely electricity pool prices , prices of other commodities, regulatory frameworks and the respective impact on the cash flows of each geography and the discount rate. An analysis of the discount rate was carried out in each of the geographies, using peer information and other information available in the market. Sensitivity analysis were also carried out on the main assumptions in order to determine the level of variations that, individually or together, could lead to impairment losses on assets tested for impairment. The procedures described above, aimed at evaluating the assumptions and the methodology associated with the impairment models used by the Group, were carried out with the support of our team of specialists. The design and effectiveness of key controls related to impairment of non-current assets were also evaluated. The adequacy of the associated disclosures was also reviewed, in particular the ones related to estimates and assumptions that present higher sensitivity in the calculation of the value in use, based on the applicable accounting standards and in what we considered relevant.

Key Audit Matter	*Summary of the Audit Approach*
Derivative financial instruments	
Disclosures related to derivative financial instruments presented in notes 2, 4, 7, 13, 25, 30, 38, 41 and 44 of the consolidated financial statements.	Our audit procedures included the identification and testing of the design and operational efficiency of the controls related to contracting, monitoring and settling derivative financial instruments, to their classification, and to the preparation of supporting documentation and effectiveness tests , when applicable. In this context, controls tested included access policies, system management, approvals, confirmations with financial institutions and reconciliations with counterparties.
As mentioned in the consolidated financial statements, the exposure of EDP Group to financial risks lies essentially in its debt portfolio and in the commodity price volatility, resulting in interest rate, exchange rate and market price risks	
Risk management of EDP Group is carried out centrally at EDP S.A., which uses a set of derivative financial instruments to cover these risks.	Regarding the computation of the fair value of derivative financial instruments, in particular the models developed by the Group for this purpose, we evaluated their suitability and the suitability of the assumptions and data used by comparing observable data with information collected from external and independent sources, and we analyzed the contractual information External confirmations of counterparties were also performed in order to validate open positions as of the date of the statement of financial position.
As of December 31, 2018, derivative financial instruments presented in the balance sheet (level 2 in the fair value hierarchy of the International Financial Reporting Standard (IFRS) 13 - Fair value) amounted to Euro 288 million of assets and Euro 352 million of liabilities.	
The valuation of financial instruments classified as level 2, particularly derivative financial instruments, is carried using observable market data and valuation models based on discounted cash flow techniques, which usually involve a high degree of judgment in defining the assumptions to be used. Therefore, changes in the assumptions used by the Executive Board of Directors may give rise to material impacts on the the fair value of the mentioned financial instruments.	The documentation prepared by the Group regarding the hedge accounting was evaluated and compliance with the requirements of IAS 39 was verified. The adequacy of the accounting entries for each of the analyzed situations as well as the adequacy of the own use exemption provided in IFRS 9 for the use of commodities in the operatinal activity and the related impacts on the consumption calculation were also verified.
Additionally, in accordance with IAS 39, the Group prepares efficiency tests on its hedging derivative financial instruments portfolio on an annual basis, in order to assess the accounting effectiveness of the hedges, which also involves the assumption of significant judgments and estimates.	The adequacy of the disclosures associated with financial derivative instruments, particularly the ones related to fair value and liquidity was also reviewed, based on the applicable accounting standards and in what we considered relevant.

Key Audit Matter	*Summary of the Audit Approach*
Given the relevance of the derivative financial instruments in the context of the Group's consolidated financial statements, together with the degree of judgment associated with its valuation and the complexity associated with its accounting treatment, this issue was considered to be a relevant matter for the purposes of our audit.	

Regulatory and legal framework

Disclosures related to the regulatory and legal framework presented in notes 1, 2, 4, 7, 11, 15, 24, 35, 37, 42 and 49 of the consolidated financial statements.

Given its geographic dispersion, the activity of the Group is subject to several regulatory and legal frameworks, which vary in accordance to the country and the activity performed.

In this context, and particularly in Portugal, there has been an increase in the regulatory complexity associated with the activities in which the Group operates, which has given rise to several disputes and potential contingencies, namely related to the CMEC final adjustment, innovative aspects, costs with clawback, social tariff and CESE and other dispatches and published orders related to regulatory matters. These situations require the management to assess its potential impacts and to exercise, with the support of its legal counsels, a high degree of judgment as to its outcome, which may lead to additional provisions and to disclose additional information to the market, following the requirements of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

Given the increasing complexity of the regulatory and legal frameworks and the degree of judgment involved in assessing the outcome of the identified contingencies, this issue was considered to be a relevant matter for the purposes of our audit.

Our audit procedures included identifying and testing the design and operational efficiency of controls related to identifying and monitoring litigation and other regulatory and legal contingencies and to the categorization of risk.

Several meetings were held with those in charge of the Regulatory and Legal Departments in order to obtain their understanding of the most relevant disagreements, litigations and contingencies and to inspect the relevant documentation. The assumptions used by the management to categorize and value the identified risks and their inclusion in the consolidated financial statements, were assessed and evaluated.

External confirmations from legal advisors and attorneys that are advising on regulatory and legal processes were also obtained, and the consistency of the information received with the risk assessment performed by the management was verified.

The adequacy of the associated disclosures, namely the ones concerning the legal and regulatory framework of the Group's activity, was also reviewed based on the applicable accounting standards and in what we considered relevant

Key Audit Matter	*Summary of the Audit Approach*
Pensions and post employment benefits	
Disclosures related to pensions and post employment benefits presented in notes 2, 4, 10, 25, 30 and 34 of the consolidated financial statements. As of December 31, 2018, net liabilities with pensions and post-employment benefits presented in the consolidated financial statements of EDP Group amounted to Euro 1,099 million, mainly comprising benefits with retirement and early retirement pensions, and healthcare services. These liabilities are estimated for each plan based on actuarial valuations performed annually by an independent expert in accordance with the Projected Credit Unit Method. These valuations incorporate a set of financial and actuarial assumptions, namely the discount rate, the inflation rate, the mortality and disability tables, the growth rates of pensions and salaries, amongst others, defined by the Executive Board of Directors considering the characteristics of the benefits attributed, the employees covered and the current and expected behaviour of these variables In the specific case of the discount rate used in the actuarial studies, it is determined on the basis of the market rates for high-quality corporate bonds in terms of credit risk, denominated in the currency in which the benefits will be paid and with a maturity similar to the termination date of the payment of the benefits of the plan. In this context, future changes in the financial and actuarial assumptions used may give rise to material impacts on the net liabilities and on the assets associated with these benefits, and for that reason this issue was considered to be a relevant matter for the purposes of our audit.	Our audit procedures included identifying and testing the design and operational efficiency of the controls implemented by the Group in order to determine liabilities with pension and post employment benefits, in particular the ones related to the assumptions used and to data sent to the actuary. Meetings were held with the management to identify the methodologies and options considered in defining the main financial and actuarial assumptions. Given the relevance of the judgments required to the Executive Board of Directors, we assessed the reasonableness of the main assumptions, comparing them with the data that we were able to independently obtain. We also reviewed the adequacy of (i) the employee information, used for the calculation of liabilities; and (ii) the recognition of costs related to past services and actuarial deviations resulting from changes in assumptions and gains in experience. The fair value of the assets of the fund was independently validated by our internal experts. The actuarial report prepared with reference to December 31, 2018 was read and the main assumptions used were evaluated, namely discount rate, inflation rate, growth rates of pensions and salaries and mortality and disability tables, using information developed internally and market benchmarks. We also confirmed the registration with ASF (Autoridade de Supervisão de Seguros e Fundos de Pensões) of the actuary responsible and confirmed the existence of the actuary's declaration of independence regarding the report as of December 31, 2018. The adequacy of the disclosures associated with post employment benefits, was also reviewed based on the applicable accounting standards and in what we considered relevant.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management,

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern,

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit,

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Non-financial information set forth in article No. 508-G of the Portuguese Company Law

In compliance with paragraph 6 of article No 451 of the Portuguese Company Law, we hereby inform that the entity prepared a separate report of the Director's report that includes the non-financial information set forth in article No. 508-G of the Portuguese Company Law, which was published together with the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of EDP - Energias de Portugal, S.A. in the Shareholders' General Meeting of April 5, 2018 for the period from 2018 to 2020

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of March 11, 2019.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit

March 11, 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by

João Rui Fernandes Ramos, R.O.C.

pwc

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of EDP - Energias de Portugal, S.A. (the Entity), which comprise the statement of financial position as at December 31, 2018 (which shows total assets of Euro 22,858,316 thousand and total shareholders' equity of Euro 7,484,917 thousand including a net profit of Euro 738,586 thousand), the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of EDP - Energias de Portugal, S.A. as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

Key Audit Matter	*Summary of the Audit Approach*
Recoverability of investments in subsidiaries *Disclosures related to investments in subsidiaries presented in notes 2, 4, 13, 19 and 43 of the financial statements.* As of December 31, 2018, investments in subsidiaries presented in EDP's financial statements amounted to Euro 15,102 million. As disclosed in the notes to the financial statements, in the context of the impairment tests carried out at EDP Group level, financial investments held by EDP, S.A. in subsidiaries are reviewed for impairment based on the higher of the value in use and the fair value less costs to sell The value in use of each of the investments tested for impairment is determined based on discounted cash flow models, which imply a high level of judgment given the uncertatinty of the underlying data, namely the economic and market projections and assumptions used relating to discount rates, exchange rates, growth rates and inflation rates, country risk, commodity prices, among others. These assumptions are disclosed in the financial statements. Given the amounts involved, the complexity of the valuation models and the associated high level of judgment, this issue was considered to be a relevant matter for the purposes of our audit.	Our audit procedures included, among others, evaluating the adequacy of the impairment models used by the management and testing the mathematical accuracy of the calculations We assessed the reasonableness of the assumptions used and verified the approval of the future cash flows included in the models of each company and geographies where EDP has investments in subsidiaries subject to impairment tests. We challenged the management regarding the appropriateness of the assumptions with higher sensitivity in determining the value in use, namely electricity pool prices, prices of other commodities, regulatory frameworks and the respective impact on the cash flows of each geography and the discount rate. An analysis of the discount rate was carried out in each of the geographies, using peer information and other information available in the market. Sensitivity analysis were also carried out on the main assumptions in order to determine the level of variations that, individually or together, could lead to impairment losses on investments in subsidiaries tested for impairment. The procedures described above, aimed at evaluating the assumptions and the methodology associated with the impairment models, were carried out with the support of our team of specialists. The design and effectiveness of key controls related to impairment of non-current assets were also evaluated The adequacy of the associated disclosures was also reviewed, in particular the ones related to estimates and assumptions that present higher sensitivity in the calculation of the value in use, based on the applicable accounting standards and in what we considered relevant.

Key Audit Matter	*Summary of the Audit Approach*
Derivative financial instruments	
Disclosures related to derivative financial instruments presented in notes 2, 4, 7, 13, 25, 30, 38, 41 and 44 of the consolidated financial statements As mentioned in the financial statements, the exposure of EDP Group to financial risks lies essentially in its debt portfolio and in the commodity price volatility, resulting in interest rate, exchange rate and market price risks. Risk management of EDP Group is carried out centrally at EDP S A., which uses a set of derivative financial instruments to cover these risks. As of December 31, 2018, derivative financial instruments presented in the balance sheet (level 2 in the fair value hierarchy of the International Financial Reporting Standard (IFRS) 13 - Fair value) amounted to Euro 564 million of assets and Euro 394 million of liabilities. The valuation of financial instruments classified as level 2, particularly derivative financial instruments, is carried using observable market data and valuation models based on discounted cash flow techniques, which usually involve a high degree of judgment in defining the assumptions to be used. Therefore, changes in the assumptions used by the Executive Board of Directors may give rise to material impacts on the fair value of the mentioned financial instruments. Additionally, in accordance with IAS 39, the Group prepares efficiency tests on its hedging derivative financial instruments portfolio on an annual basis, in order to assess the accounting effectiveness of the hedges, which also involves the assumption of significant judgments and estimates.	Our audit procedures included the identification and testing of the design and operational efficiency of the controls related to contracting, monitoring and settling derivative financial instruments, to their classification, and to the preparation of supporting documentation and effectiveness tests , when applicable. In this context, controls tested included access policies, system management, approvals, confirmations with financial institutions and reconciliations with counterparties. Regarding the computation of the fair value of derivative financial instruments, in particular the models developed by the Company for this purpose, we evaluated their suitability and the suitability of the assumptions and data used by comparing observable data with information collected from external and independent sources, and we analyzed the contractual information External confirmations of counterparties were also performed in order to validate open positions as of the date of the statement of financial position. The documentation prepared by the Company regarding the hedge accounting was evaluated and compliance with the requirements of IAS 39 was verified. The adequacy of the accounting entries for each of the analyzed situations as well as the adequacy of the own use exemption provided in IFRS 9 for the use of commodities in the operacional activity and the related impacts on the consumption calculation were also verified The adequacy of the disclosures associated with financial derivative instruments, particularly the ones related to fair value and liquidity was also reviewed, based on the applicable accounting standards and in what we considered relevant.

Key Audit Matter	*Summary of the Audit Approach*
Given the relevance of the derivative financial instruments in the context of EDP's separate financial statements, together with the degree of judgment associated with its valuation and the complexity associated with its accounting treatment, this issue was considered to be a relevant matter for the purposes of our audit	

Responsibilities of management and supervisory board for the financial statements

Management is responsible for.

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Non-financial information set forth in article No. 66-B of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity prepared a separate report of the Director's report that includes the non-financial information set forth in article No. 66-B of the Portuguese Company Law, which was published together with the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We We were first appointed auditors of EDP - Energias de Portugal, S.A. in the Shareholders' General Meeting of April 5, 2018 for the period from 2018 to 2020.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of March 11, 2019

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

March 11, 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

João Rui Fernandes Ramos, R.O.C.

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Printed on paper made with ECF - Elementary Chlorine Free, in certified factories with environmental management ISO 14001 and forestry certification. Paper from forest subjected to a responsible and controlled environmental management.

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.

Printing
Ondagrafe, Lda.

Print Run
100

Legal Deposit
890 607/95

April 2019

edp

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